

EURASIAN DEVELOPMENT BANK

Financial Statements

For the year ended 31 December 2007 and for the
inception period ended 31 December 2006

and Independent Auditors' Report

EURASIAN DEVELOPMENT BANK

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EURASIAN DEVELOPMENT BANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 AND FOR THE INCEPTION PERIOD ENDED 31 DECEMBER 2006

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of the Eurasian Development Bank (the "Bank").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank at 31 December 2007 and 2006, the results of its operations, cash flows and changes in equity for the year 31 December 2007 and for the inception period ended 31 December 2006, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Detecting and preventing fraud, errors and other irregularities.

The financial statements for the year ended 31 December 2007 and for the inception period ended 31 December 2006 were authorized for issue on 8 February 2008 by the management of the Bank.

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

8 February 2008
Almaty

M.A. Dzhaukenov
Deputy Chairman of the Executive Board – Financial Director

8 February 2008
Almaty

INDEPENDENT AUDITORS' REPORT

To the members of the Council of the Eurasian Development Bank:

Report on the Financial Statements

We have audited the accompanying financial statements of the Eurasian Development Bank (the "Bank"), which comprise the balance sheet as at 31 December 2007 and 2006, and the income statement, statements of changes in equity and cash flows for the year ended 31 December 2007 and for the inception period ended 31 December 2006, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Eurasian Development Bank as at 31 December 2007 and 2006, and its financial performance and cash flows for the year ended 31 December 2007 and for the inception period ended 31 December 2006 in accordance with International Financial Reporting Standards.

Deloitte, LLP
State license on auditing of the Republic of
Kazakhstan Number 0000015, type MFU-2, issued by
the Ministry of Finance of the Republic of Kazakhstan
dated 13 September 2006

Nurlan Bekenov
Engagement Partner
General Director
Deloitte, LLP

8 February 2008
Almaty

EURASIAN DEVELOPMENT BANK

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007 AND FOR THE INCEPTION PERIOD ENDED 31 DECEMBER 2006

(in thousands of US dollars)

	Notes	Year ended 31 December 2007	Period from 16 June 2006 (inception date) to 31 December 2006
Interest income	4	59,281	12,115
Interest expense	4	<u>(13,436)</u>	<u>(250)</u>
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		45,845	11,865
Provision for impairment losses on loans to customers	5	<u>(556)</u>	<u>-</u>
NET INTEREST INCOME		<u>45,289</u>	<u>11,865</u>
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	6	(11,358)	1,974
Net gain on transactions in foreign currencies	7	22,046	1,047
Fee and commission income	8	75	-
Fee and commission expense	8	(1,070)	(368)
Other income		<u>-</u>	<u>17</u>
NET NON-INTEREST INCOME		<u>9,693</u>	<u>2,670</u>
OPERATING INCOME		54,982	14,535
OPERATING EXPENSES	9, 22	<u>(15,723)</u>	<u>(4,656)</u>
NET PROFIT		<u><u>39,259</u></u>	<u><u>9,879</u></u>

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

8 February 2008
Almaty

M.A. Dzhaikenov
Deputy Chairman of the Executive Board
Financial Director

8 February 2008
Almaty

The notes on pages 8-37 form an integral part of these financial statements.

EURASIAN DEVELOPMENT BANK

BALANCE SHEET AS AT 31 DECEMBER 2007 AND 2006 (in thousands of US dollars)

	Notes	31 December 2007	31 December 2006
ASSETS:			
Cash and balances with national (central) banks of member-states of the Bank	10	1,533	129
Financial assets at fair value through profit or loss	11	490,844	290,355
Loans and advances to banks	12	599,379	470,594
Loans to customers	13	164,673	-
Financial assets available-for-sale	14	39,883	-
Property, equipment and intangible assets	15	13,441	11,006
Other assets	16	3,100	2,060
TOTAL ASSETS		1,312,853	774,144
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and deposits from banks	17	450,267	149,328
Financial liabilities at fair value through profit or loss	11	4,392	306
Other liabilities	18	4,269	615
Total liabilities		458,928	150,249
EQUITY:			
Share capital	19	804,787	614,016
Reserve fund		4,940	-
Retained earnings		44,198	9,879
Total equity		853,925	623,895
TOTAL LIABILITIES AND EQUITY		1,312,853	774,144

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

8 February 2008
Almaty

M.A. Dzhaikenov
Deputy Chairman of the Executive Board
Financial Director

8 February 2008
Almaty

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EURASIAN DEVELOPMENT BANK

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007 AND FOR THE INCEPTION PERIOD ENDED 31 DECEMBER 2006

(in thousands of US dollars)

	Share capital	Reserve fund	Retained earnings	Total equity
16 June 2006 (inception date)	-	-	-	-
Initial issuance of share capital	614,016	-	-	614,016
Net profit	-	-	9,879	9,879
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2006	614,016	-	9,879	623,895
Share capital increase	190,771	-	-	190,771
Transfer to reserve fund	-	4,940	(4,940)	-
Net profit	-	-	39,259	39,259
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2007	<u>804,787</u>	<u>4,940</u>	<u>44,198</u>	<u>853,925</u>

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

8 February 2008
Almaty

M.A. Dzhaukenov
Deputy Chairman of the Executive Board
Financial Director

8 February 2008
Almaty

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EURASIAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007 AND FOR THE INCEPTION PERIOD ENDED 31 DECEMBER 2006

(in thousands of US dollars)

	Notes	Year ended 31 December 2007	Period from 16 June 2006 (inception date) to 31 December 2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received on loans to customers		4,932	-
Interest received on loans and advances to banks		28,845	6,938
Interest received on loans under reverse repurchase agreements		7,058	-
Interest and income received from financial assets and liabilities at fair value through profit and loss		3,416	3,681
Interest paid on loans and deposits from banks		(11,879)	(29)
Fee and commission paid		(1,008)	(329)
Other income received		43	-
Operating expenses paid		(12,184)	(4,026)
Changes in operating assets			
Increase in loans to customers		(162,562)	-
Increase in loans and advances to banks		(51,417)	(109,971)
Increase in financial assets and liabilities at fair value through profit and loss		(188,783)	(288,577)
Decrease/(increase) in other assets		1,486	(1,823)
Changes in operating liabilities			
Increase in deposits from banks		51,814	-
Increase in other liabilities		3,539	576
Net cash outflow from operating activities		<u>(326,700)</u>	<u>(393,560)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of financial assets available-for-sale		(39,760)	-
Purchase of property, equipment and intangible assets		(2,943)	(11,056)
Increase of prepayments on capital expenditures		(2,465)	(237)
Net cash outflow from investing activities		<u>(45,168)</u>	<u>(11,293)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of share capital		190,771	614,016
Proceeds from loans from banks		397,568	149,085
Repayments of loans from banks		(150,000)	-
Net cash inflow from financing activities		<u>438,339</u>	<u>763,101</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		66,471	358,248
CASH AND CASH EQUIVALENTS, at beginning of the period	10	358,248	-
<i>Effect of changes in foreign exchange rate on cash and cash equivalents</i>		<u>13,789</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, at end of the period	10	<u><u>438,508</u></u>	<u><u>358,248</u></u>

On behalf of the Management Board:

I.V. Finogenov
Chairman of the Executive Board

8 February 2008
Almaty

M.A. Dzhaikenov
Deputy Chairman of the Executive Board
Financial Director

8 February 2008
Almaty

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EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 AND FOR THE INCEPTION PERIOD ENDED 31 DECEMBER 2006

(in thousands of US dollars, except share data)

1. ORGANISATION

The Eurasian Development Bank (the “Bank”) is an international organization, which was established in accordance with the Agreement Establishing the 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 fulfillment of domestic procedures necessary for it to become effective.

The Bank’s membership is open to new participants such that other states and international organizations may join the Agreement on Incorporation of the Bank. The strategic objective of the Bank is to promote 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’s objective is to be a consolidating element of financial infrastructure in the single economic area, a partner of member-states in deepening of integration processes in the Eurasian area.

The Bank's principal activities consist of investment banking, operations with securities, loans, foreign currencies and provision of loans and guarantees. The Bank finances large and medium investment projects that are medium-term and long-term in duration, including industrial and innovative programs of member-states and interstate target programs. The Bank also provides financing for investment projects of interregional significance, and lends to industrial companies of member-states.

Headquarters of the Bank are registered at: 98, Panfilov Street, Almaty, the Republic of Kazakhstan.

The total number of employees of the Bank as at 31 December 2007 and 31 December 2006 was 115 and 57, respectively.

In accordance with its Charter, the Bank possesses immunity against any legal proceedings, except for the 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 from any taxes, levies, duties and other payments, except for those that represent a payment for specific types of service.

As at 31 December 2007 and 2006, shares of the Bank were owned as follows:

	31 December 2007	31 December 2006
The Republic of Kazakhstan	50.30%	33.33%
The Russian Federation	49.70%	66.67%
Total	<u>100.00%</u>	<u>100.00%</u>

2. BASIS OF PRESENTATION

Accounting basis

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements are presented in US dollars, unless otherwise indicated. These financial statements have been prepared under the accrual method and historical cost convention, except for the measurement at fair value of certain financial instruments.

In year ended 31 December 2007, the Bank changed its presentation of the statements of cash flows from the indirect method to the direct method in order to provide more relevant information to the readers of the financial information regarding the Bank's cash flows from operating activities. The statement of cash flows for the period from 16 June 2006 (inception date) to 31 December 2006 has been reclassified as a result of this change.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management of the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amount of income and expense during the period ended. Such estimates and assumptions are based on the information available to the Bank's management as of the date of the financial statements. Therefore, actual results could differ from those estimates and assumptions. Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments, including derivatives.

Provision for Impairment Losses

Loans to customers and loans and advances to banks are measured at amortised cost less allowance for impairment losses. The estimation of allowances for impairment involves the exercise of significant judgment. The Bank estimates allowances for impairment with the objective of maintaining balance sheet provisions at a level believed by management to be sufficient to absorb losses incurred in the Bank's loan portfolio. The calculation of provisions on impaired loans is based on the likelihood of the asset being written off and the estimated loss on such a write-off. These assessments are made using statistical techniques based on historic experience adjusted for current trends. These determinations are supplemented by the judgment of management. The allowances for impairment losses as at 31 December 2007 and 31 December 2006 were 556 thousand US dollars and nil, respectively.

The Bank considers accounting estimates related to provisions for loans to be key sources of estimation uncertainty because: (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of losses relating to impaired loans and advances are based on recent performance experience, and (ii) any significant difference between the Bank's estimated losses and actual losses would require the Bank to record provisions which could have a material impact on its financial statements in future periods. The Bank's assumptions about estimated losses are based on past performance, past customer behavior, the credit quality of recent underwritten business and general economic conditions, which are not necessarily an indication of future losses.

Valuation of Financial Instruments

Financial instruments that are classified at fair value through profit or loss or available for sale, and all derivatives, are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not directly observable, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the statement of income on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Bank considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on its balance sheet as well as its profit/(loss) could be material.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the Bank's reported net income.

The carrying amount of the financial instruments at fair value is as follows as at 31 December 2007 and 2006:

	31 December 2007	31 December 2006
Financial assets at fair value through profit or loss	490,844	290,355
Financial assets available-for-sale	39,883	-
Financial liabilities at fair value through profit or loss	4,392	306

Functional currency

The functional currency of the Bank is the US dollar.

The Bank considered the following factors in determining its functional currency: the US dollar mainly influences sales prices for services, labor, material and other costs, share capital is formed in US dollars, and funds from financing activities are generated mainly in US dollars.

3. SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts and advances to banks with original maturities within 90 days.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss represent derivative instruments or securities (1) acquired principally for the purpose of selling them in the near future, (2) which are a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking or (3) which are designated by the Bank at fair value through profit or loss upon initial recognition. Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for financial assets and liabilities at fair value through profit or loss. The fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the income statement for the period. The Bank does not reclassify financial instruments in or out of this category while they are held.

Derivative financial instruments are used by the Bank for trading purposes and to provide economic hedges against exposures to fluctuations in foreign currency exchange rates and interest rates. Although the above-mentioned hedges may be effective from an economic standpoint, they do not receive hedge accounting treatment and as such, changes in the market value of these instruments are recorded in the income statement.

Loans and advances to banks

In the normal course of business, the Bank maintains advances and deposits for various periods of time with other banks. Loans and advances to banks are measured at amortized cost using the effective interest method, and are carried net of any allowance for impairment losses.

Loans and advances to banks are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the income statement in the period of recovery.

Repurchase and reverse repurchase agreements

In the normal course of business the Bank enters into sale and purchase back agreements (“repos”) and purchase and sale back agreements of financial assets (“reverse repos”). Repos and reverse repos are utilized by the Bank as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repos are retained in the financial statements and consideration received under these agreements is recorded as loans from banks.

Assets purchased under reverse repos are recorded in the financial statements as loans and advances to banks.

In the event that assets purchased under reverse repos are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense in the income statement.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets.

Loans to customers granted by the Bank are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the income statement according to nature of the losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Loans to customers are written off against the allowance for impairment losses when deemed uncollectible. Such write offs are recorded after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the income statement in the period of recovery.

Allowance for impairment losses

Assets carried at amortized cost

The Bank accounts for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate. Such impairment losses are not reversed, unless if in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, such as recoveries, in which case the previously recognized impairment loss is reversed.

Financial assets available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from equity to the income statement. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognized in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Bank either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Bank reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the balance sheet. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Bank assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities

A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Financial assets available-for-sale

Financial assets available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Financial assets available-for-sale are initially recorded at fair value and subsequently measured at fair value, with such re-measurement recognized directly in equity except for impairment losses, foreign exchange gains or losses and interest income accrued using the effective interest method, which are recognized directly in the income statement. When sold, the gain/loss previously recorded in equity is recycled through the income statement. The Bank uses quoted market prices to determine the fair value for the Bank's financial assets available-for-sale. If the market for investments is not active, the Bank establishes fair value by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Bank uses that technique.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any. Depreciation of assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation and amortization is charged on the carrying value of property, equipment and intangible assets and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Furniture and equipment	14.3%-50%
Vehicles	16.67%-25%
Intangible assets	15%-50%

The carrying amounts of property, equipment and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount.

Impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property, equipment and intangible assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Taxation

The Bank, its income, property and other assets, and also its operations and transactions carried out in accordance with the present Charter on the territory of member-states of the Bank, are exempted from any taxes, levies, duties and other payments, except for that which represent payment for certain types of services.

Loans and deposits from banks

Loans and deposits from banks are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Bank provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision in accordance with International Accounting Standard (IAS) 37, "Provisions, Contingent Liabilities and Contingent Assets", and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Share capital

Share capital is recognized at cost.

Retirement and other benefit obligations

The Bank is exempt from payments to obligatory pension funds. The Bank provides non-state retirement obligations in accordance with internal regulative documents of the Bank. In accordance with the pension retirement programme, certain percentages of pension payments are withheld from total disbursements to staff to be transferred to pension funds, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. Upon retirement benefit payments will be made by pension funds. The Bank does not have any pension arrangements separate from the one prescribed.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value are classified within interest income.

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the income statement over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the income statement on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the income statement through amortization using effective interest rate method for the period of loan. All other commissions are recognized when services are provided.

Foreign currency translation

Transactions in foreign currencies are accounted for at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the appropriate spot rates of exchange rates prevailing at the balance sheet date. Profits and losses arising from these translations are included in net gain on transactions in foreign currencies.

Rates of exchange

The exchange rates used by the Bank in the preparation of the financial statements as at year-end are as follows:

	31 December 2007	31 December 2006
US dollar/1 Kazakhstani tenge	0.0082902	0.0078846
US dollar/1 Russian ruble	0.0407501	0.0379779
US dollar/1 English pound sterling	1.9962999	1.9664009
US dollar/1 Euro	1.4646004	1.3177004

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability.

Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. Geographical segments of the Bank have been reported separately within these financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty. The Bank's primary format for reporting segment information is based on geography, and the Bank has only one business segment.

Adoption of new and revised standards

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for reporting periods ending on 31 December 2007. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Bank's accounting policies that have affected the amounts reported for the current or prior years.

IFRS 7 – During 2007, the Bank adopted IFRS 7 “Financial Instruments: Disclosure” (“IFRS 7”). The standard replaces IAS 30 “Disclosures in the Financial Statements of Banks and Similar Financial Institutions” and the disclosure provisions in IAS 32 “Financial Instruments: Disclosure and Presentation”. IFRS 7 requires disclosure of the significance of financial instruments for an entity's financial position and performance and of qualitative and quantitative information about exposure to risks arising from financial instruments. Adoption of IFRS 7 did not affect the classification and measurement of the Bank's financial instruments in the financial statements.

Standards and interpretations issued and not yet adopted

IFRS 8 – The IASB issued IFRS 8 “Operating Segments” in December 2006. This will replace IAS 14 “Segment Reporting” for accounting periods beginning on or after 1 January 2009. IFRS 8 requires segmental analysis reported by an entity to be based on information used by management. Management is currently assessing the impact of the adoption of IFRS 8.

4. NET INTEREST INCOME

	Year ended 31 December 2007	Period from 16 June 2006 (inception date) to 31 December 2006
Interest income comprises:		
Interest income on assets recorded at amortized cost:		
- interest income on impaired assets	4,426	-
- interest income on unimpaired assets	37,586	9,441
Interest income on financial assets at fair value through profit or loss	17,142	2,674
Interest income on financial assets available-for-sale	127	-
Total interest income	<u>59,281</u>	<u>12,115</u>
Interest income on assets recorded at amortized cost comprises:		
Interest on loans to customers	7,599	-
Interest on loans and advances to banks	34,413	9,441
Total interest income on assets recorded at amortized cost	<u>42,012</u>	<u>9,441</u>
Interest income on assets at fair value through profit or loss:		
Interest income on financial assets held-for-trading	17,142	2,674
Total interest income on assets at fair value through profit or loss	<u>17,142</u>	<u>2,674</u>
Interest expense comprises:		
Interest on liabilities recorded at amortized cost	(13,436)	(250)
Interest income on assets at fair value through profit or loss	-	-
Total interest expense	<u>(13,436)</u>	<u>(250)</u>
Interest expense on liabilities recorded at amortized cost comprise:		
Interest on loans and deposits from banks	(13,436)	(250)
Total interest expense on financial liabilities recorded at amortized cost	<u>(13,436)</u>	<u>(250)</u>
Net interest income before provision for impairment losses on interest bearing assets	<u>45,845</u>	<u>11,865</u>

5. ALLOWANCE FOR IMPAIRMENT LOSSES

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Loans to customers	Total
31 December 2006	-	-
Provisions	<u>(556)</u>	<u>(556)</u>
31 December 2007	<u><u>(556)</u></u>	<u><u>(556)</u></u>

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

Net (loss)/gain on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2007	Period from 16 June 2006 (inception date) to 31 December 2006
Net (loss)/gain on financial assets and liabilities held-for-trading	<u>(11,358)</u>	<u>1,974</u>
Total net (loss)/gain on financial assets and liabilities at fair value through profit or loss	<u><u>(11,358)</u></u>	<u><u>1,974</u></u>
Net (loss)/gain on operations with financial assets and liabilities held-for-trading comprise:		
Realized gain on trading operations	2,562	466
Unrealized income on fair value adjustment	1,044	1,547
Net gain on operations with derivative financial instruments on bonds	222	106
Net loss on operations with derivative financial instruments in foreign currency	<u>(15,186)</u>	<u>(145)</u>
Total net (loss)/gain on operations with financial assets and liabilities held-for-trading	<u><u>(11,358)</u></u>	<u><u>1,974</u></u>

7. NET GAIN ON TRANSACTIONS IN FOREIGN CURRENCIES

Net gain on transactions in foreign currencies comprises:

	Year ended 31 December 2007	Period from 16 June 2006 (inception date) to 31 December 2006
Translation differences, net	22,017	1,085
Dealing, net	<u>29</u>	<u>(38)</u>
Total net gain on transactions in foreign currencies	<u><u>22,046</u></u>	<u><u>1,047</u></u>

8. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2007	Period from 16 June 2006 (inception date) to 31 December 2006
Fee and commission income:		
Expertise services	75	-
Total fee and commission income	<u>75</u>	<u>-</u>
Fee and commission expense:		
Fees for trust management services	(792)	(305)
Operations with securities	(224)	(50)
Money transfer services	(46)	(12)
Other	(8)	(1)
Total fee and commission expense	<u>(1,070)</u>	<u>(368)</u>

9. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2007	Period from 16 June 2006 (inception date) to 31 December 2006
Staff costs and other payments to employees	10,583	3,126
Professional services	981	473
Business trip expenses	839	322
Premises expenses	727	118
Depreciation and amortization	508	54
Maintenance of acquired systems and programs	505	20
Communication expenses	415	104
Business development expenses	357	44
Transportation expenses	304	104
Office, postal and printing expenses	173	25
Training	74	5
Security	61	17
Other expenses	196	244
	<u>15,723</u>	<u>4,656</u>

10. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS OF MEMBER -STATES OF THE BANK

	31 December 2007	31 December 2006
Balances with the National Bank of the Republic of Kazakhstan	1,437	74
Cash	<u>96</u>	<u>55</u>
Total cash and balances with national (central) banks of member-states of the Bank	<u>1,533</u>	<u>129</u>

Cash and cash equivalents for the purposes of the statement of cash flows comprise the following:

	31 December 2007	31 December 2006
Cash and balances with national (central) banks of member-states of the Bank	1,533	129
Loans and advances to banks of OECD countries, the Russian Federation and the Republic of Kazakhstan	<u>436,975</u>	<u>358,119</u>
Total cash and cash equivalents	<u><u>438,508</u></u>	<u><u>358,248</u></u>

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

Financial assets at fair value through profit at loss comprise:

	31 December 2007	31 December 2006
Financial assets held-for-trading:		
Debt securities	439,522	249,419
Debt securities under trust management	51,245	40,519
Derivative financial instruments	<u>77</u>	<u>417</u>
Total financial assets held-for-trading	<u>490,844</u>	<u>290,355</u>
Total financial assets at fair value through profit or loss	<u><u>490,844</u></u>	<u><u>290,355</u></u>

Financial assets held-for-trading comprise:

	31 December 2007		31 December 2006	
	Nominal interest rate	Amount	Nominal interest rate	Amount
Debt securities:				
Eurobonds of the Russian Federation	7.5%	206,517	3.0-12.75%	143,118
US Treasury notes	4.25%	51,033	-	-
Bonds issued by non-financial organizations	6.656-8.10%	72,960	7.3-9.625%	70,026
Bonds issued by banks and financial institutions of the Russian Federation	6.2-7.85%	45,050	6.2-7.85%	36,275
Bonds issued by banks and financial institutions of the Republic of Kazakhstan	9.0-9.25%	7,440	-	-
Bonds issued by banks and financial institutions of other countries	7.88-9.625%	<u>56,522</u>	-	<u>-</u>
Total debt securities		<u><u>439,522</u></u>		<u><u>249,419</u></u>

	31 December 2007		31 December 2006	
	Nominal interest rate	Amount	Nominal interest rate	Amount
Debt securities under trust management:				
Eurobonds of the Russian Federation and of the Ministry of finance of the Russian Federation	7.5%	15,932	7.5-12.75%	15,703
Bonds issued by non-financial organizations	6.605-9.5%	8,848	7.3-8.25%	7,793
Bonds issued by banks and financial institutions of the Russian Federation	6.332-9.125%	11,544	7.1-8.0%	7,950
Bonds issued by banks and financial institutions of the Republic of Kazakhstan	7.625-10.0%	9,269	8.5-10.0%	4,178
Bonds issued by banks and financial institutions of other countries	17.0-18.5%	5,652	12.5%	2,166
Municipal bonds	-	<u>-</u>	10.0%	<u>2,729</u>
Total debt securities under trust management		<u><u>51,245</u></u>		<u><u>40,519</u></u>

	31 December 2007			31 December 2006		
	Nominal amount	Net fair value		Nominal amount	Net fair value	
		Asset	Liability		Asset	Liability
Derivative financial instruments:						
Foreign currency contracts						
Swaps	330,310	-	(4,164)	172,372	234	(306)
Forwards	3,500	77	-	75,102	183	-
Securities contracts						
Options	40,000	-	(228)	-	-	-
		<u>77</u>	<u>(4,392)</u>		<u>417</u>	<u>(306)</u>

During 2006 the Bank entered into an Agreement to transfer its financial assets to an Asset Management Company. The Asset Management Company can invest the financial funds received for trust management into securities, reverse repurchase agreement operations, cash, and derivative financial instruments for the purpose of hedging, within the set limits.

As at 31 December 2007 and 2006, financial assets at fair value through profit or loss included accrued interest income on debt securities amounting to 4,155 thousand US dollars and 1,362 thousand US dollars, respectively.

12. LOANS AND ADVANCES TO BANKS

Loans and advances to banks comprise:

	31 December 2007	31 December 2006
Term deposits in other banks	235,925	309,260
Correspondent accounts in other banks	201,728	51,185
Loans under reverse repurchase agreements	150,002	99,357
Loans to banks	10,151	-
Trust management funds	1,547	10,734
Correspondent accounts in other banks on broker operations	<u>26</u>	<u>58</u>
Total loans and advances to banks	<u>599,379</u>	<u>470,594</u>

As at 31 December 2007 included in term deposits in other banks, correspondent accounts in other banks and correspondent accounts in other banks on broker operations are cash equivalents of 235,359 thousand US dollars, 201,590 thousand US dollars, and 26 thousand US dollars, respectively.

As at 31 December 2006 included in term deposits in other banks, correspondent accounts in other banks and correspondent accounts in other banks on broker operations are cash equivalents of 306,885 thousand US dollars, 51,176 thousand US dollars, and 58 thousand US dollars, respectively.

As at 31 December 2007 the Bank had receivables in the amounts of 200,827 thousand US dollars and 98,218 thousand US dollars from two banks of the member-states of the Bank. As at 31 December 2006 Bank had receivables in the amounts of 100,659 thousand US dollars and 63,399 thousand US dollars from two banks of the member-states of the Bank. All these amounts individually exceeded 10% of the Bank's equity as at 31 December 2007 and 2006, respectively.

As at 31 December 2007 and 2006, there was no allowance for impairment losses on loans and advances to banks. During 2007 and for the period from 16 June 2006 (inception) to 31 December 2006, no impairment losses were recognized on loans and advances to banks.

The carrying value of loans and fair value of collateral under reverse repurchase agreements as at 31 December 2007 and 2006 are presented as follows:

	31 December 2007		31 December 2006	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Eurobonds of the Russian Federation	150,002	150,336	-	-
Shares of non-financial organizations	-	-	44,323	76,095
Bonds issued by non-financial organizations	-	-	27,132	32,264
Bonds issued by banks	-	-	15,398	16,748
Municipal bonds	-	-	12,604	13,690
Total	<u>150,002</u>	<u>150,336</u>	<u>99,357</u>	<u>133,797</u>

13. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2007	31 December 2006
Loans to customers	165,229	-
Less allowance for impairment losses	<u>(556)</u>	<u>-</u>
Total loans to customers	<u>164,673</u>	<u>-</u>

Movements in allowances for impairment losses for the years ended 31 December 2007 and 2006 are disclosed in Note 5.

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

	31 December 2007	31 December 2006
Loans collateralized by guarantees	62,895	-
Loans collateralized by pledge of real estate, equipment and inventories	60,021	-
Loans collateralized by pledge of future inflows	<u>42,313</u>	<u>-</u>
	165,229	-
Less: allowance for impairment losses	<u>(556)</u>	<u>-</u>
Total loans to customers	<u>164,673</u>	<u>-</u>
	31 December 2007	31 December 2006
Analysis by sector:		
Mining and metallurgy	122,916	-
Energy	<u>42,313</u>	<u>-</u>
	165,229	-
Less allowance for impairment losses	<u>(556)</u>	<u>-</u>
Total loans to customers	<u>164,673</u>	<u>-</u>

As at 31 December 2007 a maximum credit risk exposure on loans to customers amounted to 164,673 thousand US dollars. As at 31 December 2007 and 2006 a maximum credit risk exposure on loan commitments and overdrafts extended by the Bank to its customers amounted to 52,050 thousand US dollars and 60,000 thousand US dollars, respectively.

As at 31 December 2007 loans to customers included a loan in amount of 62,921 thousand US dollars that was determined to be impaired due to some delays in implementation of production plans. As at 31 December 2007 this loan was collateralized by third party guarantees and future cash flows with a fair value of 51,666 thousand US dollars. As at 31 December 2007 an allowance for impairment losses in amount of 556 thousand US dollars was created on this loan.

14. FINANCIAL ASSETS AVAILABLE-FOR-SALE

Financial assets available-for-sale comprise:

	31 December 2007		31 December 2006	
	Nominal interest rate	Amount	Nominal interest rate	Amount
Bonds of BKM Finance Ltd.	11%	<u>39,883</u>		<u>-</u>
Total financial assets available-for-sale		<u><u>39,883</u></u>		<u><u>-</u></u>

BKM Finance Limited is an SPV of OJSC “Khanty-Mansiyskii Bank” and these bonds have a 10.5 year term.

15. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Property, equipment and intangible assets comprise:

	Land	Vehicles	Furniture and equipment	Intangible assets	Construction-in-progress	Total
At historical cost						
16 June 2006 (inception date)	-	-	-	-	-	-
Additions	1,231	120	577	393	8,739	11,060
31 December 2006	1,231	120	577	393	8,739	11,060
Additions	-	759	447	1,179	558	2,943
Disposals	-	-	(2)	(10)	-	(12)
31 December 2007	1,231	879	1,022	1,562	9,297	13,991
Accumulated depreciation and amortization						
16 June 2006 (inception date)	-	-	-	-	-	-
Charge for the period	-	5	24	25	-	54
31 December 2006	-	5	24	25	-	54
Charge for the year	-	147	182	179	-	508
Eliminated on disposals	-	-	(2)	(10)	-	(12)
31 December 2007	-	152	204	194	-	550
Net book value						
31 December 2007	1,231	727	818	1,368	9,297	13,441
31 December 2006	1,231	115	553	368	8,739	11,006

Intangible assets include software and licenses.

As at 31 December 2007 and 2006 there were no property, equipment or intangible assets that were fully depreciated or amortized.

16. OTHER ASSETS

Other assets comprise:

	31 December 2007	31 December 2006
Prepaid amounts on construction works	1,674	231
Prepayments and other debtors	689	154
Prepaid expenses	563	421
Value added tax reimbursable	144	1,224
Accrued commission income	30	-
Other	-	30
Total other assets	3,100	2,060

17. LOANS AND DEPOSITS FROM BANKS

Loans and deposits from banks comprise:

	31 December 2007	31 December 2006
Syndicated loan from a group of banks due in December 2008, interest rate LIBOR+0.6%, net of discount	398,294	-
Syndicated loans from a group of banks due in December 2007, interest rate LIBOR+0.5 %, net of discount	-	149,328
Term deposits of banks and other financial institutions	<u>51,973</u>	<u>-</u>
Total loans and deposits from banks	<u><u>450,267</u></u>	<u><u>149,328</u></u>

The syndicated loan is subject to certain financial covenants under the terms of the loan agreements. During the year ended 31 December 2007, the Bank was in compliance with all such covenants.

During 2007, the Bank fully repaid the syndicated loan outstanding as at 31 December 2006 in the total amount of 158,746 thousand US dollars, including accrued interest. In December 2007, the Bank obtained new financing in form of syndicated loan with a principal amount of 400,000 thousand US dollars. Interest is payable on this loan at LIBOR+0.6%, and the principal will be repaid upon maturity in December 2008.

18. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2007	31 December 2006
Short-term payments to employees	3,239	309
Pension withholdings on behalf of employees	589	194
Accrued administrative expenses	162	62
Accrued commission expenses	101	9
Deferred income	52	-
Other payables	<u>126</u>	<u>41</u>
Total other liabilities	<u><u>4,269</u></u>	<u><u>615</u></u>

19. SHARE CAPITAL

At 31 December 2007 and 31 December 2006 authorized share capital consists of 1,500,000 common shares with nominal value of 1,000 US dollars each. Each share has one voting right. At 31 December 2007 and 31 December 2006, shares issued and outstanding consisted of 804,787 and 614,016 shares, respectively.

As at 31 December 2007 the Bank's share capital comprised of the following:

	Share capital issued	Share capital authorized and not issued	Share capital authorized
The Russian Federation	400,000	600,000	1,000,000
The Republic of Kazakhstan	<u>404,787</u>	<u>95,213</u>	<u>500,000</u>
Total share capital	<u><u>804,787</u></u>	<u><u>695,213</u></u>	<u><u>1,500,000</u></u>

At 31 December 2006 the Bank's share capital comprised the following:

	Share capital issued	Share capital authorized and not issued	Share capital authorized
The Russian Federation	400,000	600,000	1,000,000
The Republic of Kazakhstan	<u>214,016</u>	<u>285,984</u>	<u>500,000</u>
Total share capital	<u><u>614,016</u></u>	<u><u>885,984</u></u>	<u><u>1,500,000</u></u>

The Russian Federation and the Republic of Kazakhstan are each required to contribute additional amounts up to their authorized share capital as per the Agreement Establishing the Eurasian Development Bank.

The below table provides a reconciliation of the number of shares outstanding as at 31 December 2007 and 2006:

	Number of shares issued	Issued share capital
16 June 2006 (inception date)	-	-
Issue of shares	<u>614,016</u>	<u>614,016</u>
31 December 2006	614,016	614,016
Issue of shares	<u>190,771</u>	<u>190,771</u>
31 December 2007	<u><u>804,787</u></u>	<u><u>804,787</u></u>

The Bank has established a reserve fund that represents a segregation of a portion of its retained earnings. The Council of the Bank determines annually what amount of the prior year's profit will be transferred to this fund. The Council of the Bank has restricted any distributions to participants until such time as this reserve fund represents fifteen percent of total share capital. Any such distributions will be made to participants proportionately based upon the number of the shares.

The below table provides a reconciliation of reserve fund as at 31 December 2007 and 2006:

	Reserve fund
16 June 2006 (inception date)	-
Movements from retained earnings	<u>-</u>
31 December 2006	-
Movements from retained earnings	<u>4,940</u>
31 December 2007	<u><u>4,940</u></u>

The objective of the Bank's share capital is to cover potential losses from its operations. In accordance with the Bank's internal policies, the Bank's Capital should exceed 12% of the sum of credit, market and operational risks, estimated as per the Basle II Standardised approach. As at 31 December 2007 and 2006, the Bank was in compliance with its internal policy requirements. The Bank is not subject to any capital requirements from external regulatory entities.

20. COMMITMENTS AND CONTINGENCIES

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

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

As at 31 December 2007 and 2006 the nominal or contract amounts were:

	31 December 2007	31 December 2006
Commitments on loans and unused credit lines	<u>52,050</u>	<u>60,000</u>
Total contingent liabilities and credit commitments	<u><u>52,050</u></u>	<u><u>60,000</u></u>

Capital commitments – As at 31 December 2007 and 2006, capital commitments amounted to 1,853 thousand US dollars and 570 thousand US dollars, respectively.

Operating environment – The Bank's principal business activities are in the Republic of Kazakhstan and the Russian Federation. Laws and regulations affecting the business environment in the Republic of Kazakhstan and in the Russian Federation are subject to changes and the Bank's assets and operations could be at risk due to negative changes in the political and business environment.

21. SUBSEQUENT EVENTS

Subsequent to 31 December 2007 the following major events have occurred:

Equity – in January 2008 the Russian Federation contributed the remaining 600,000 thousand US dollars for its share in the authorised share capital.

Loans and deposits from banks – in January 2008 the Bank repaid the short-term deposits from banks that had been outstanding at 31 December 2007 in the amount of 51,973 thousand US dollars.

22. TRANSACTIONS WITH RELATED PARTIES

Related parties and transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures." As discussed in Note 1, the Bank's operations include the financing of projects within its member states, which include projects undertaken by local or national governmental entities. Accordingly, the Bank enters into numerous transactions with related parties as a result of its ownership by the Russian Federation and the Republic of Kazakhstan. These balances and transactions have been disclosed throughout the financial statements and as such have not been included below.

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

	Year ended 31 December 2007		Period from 16 June 2006 (inception date) to 31 December 2006	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:				
Short-term employee benefits:				
Staff costs and other payments to employees	2,337	9,484	1,312	2,824
Accommodation costs of employees	393	1,099	86	302
Key management personnel compensation	<u>2,730</u>	<u>10,583</u>	<u>1,398</u>	<u>3,126</u>

23. SEGMENT REPORTING

The Bank's primary format for reporting segment information is based on geography, and the Bank has only one business segment.

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

	Russia	Kazakhstan	Other countries	As at and for the year ended 31 December 2007 Total
Interest income	27,168	27,347	4,766	59,281
Interest expense	(1,689)	(1,519)	(10,228)	(13,436)
Provisions for impairment losses on loans to customers	-	(556)	-	(556)
Net (loss)/gain on financial assets at fair value through profit or loss	(12,311)	252	701	(11,358)
Net gain on transactions in foreign currencies	8,225	276	13,545	22,046
Fee and commission income	-	75	-	75
Fee and commission expense	(187)	(23)	(860)	(1,070)
External operating income	<u>21,206</u>	<u>25,852</u>	<u>7,924</u>	<u>54,982</u>
Cash and balances with national (central) banks of member-states of the Bank	-	1,533	-	1,533
Financial assets at fair value through profit or loss	385,233	16,709	88,902	490,844
Loans and advances to banks	371,293	200,979	27,107	599,379
Loans to customers	-	164,673	-	164,673
Financial assets available-for-sale	39,883	-	-	39,883
Property, equipment and intangible assets	40	13,401	-	13,441
Other assets	843	2,164	93	3,100
Total assets	<u>797,292</u>	<u>399,459</u>	<u>116,102</u>	<u>1,312,853</u>
Total liabilities	<u>4,467</u>	<u>56,118</u>	<u>398,343</u>	<u>458,928</u>

	Russia	Kazakhstan	Other countries	As at 31 December 2006 and for the period from 16 June 2006 (inception date) to 31 December 2006 Total
Interest income	7,451	4,573	91	12,115
Interest expense	(7)	-	(243)	(250)
Net gain/(loss) on financial assets at fair value through profit or loss	1,628	(27)	373	1,974
Net gain on transactions in foreign currencies	846	(276)	477	1,047
Fee and commission expense	(50)	(9)	(309)	(368)
Other income	-	17	-	17
External operating income	9,868	4,278	389	14,535
Cash and balances with national (central) banks of member-states of the Bank	-	129	-	129
Financial assets at fair value through profit or loss	284,011	4,178	2,166	290,355
Loans and advances to banks	270,635	188,485	11,474	470,594
Loans to customers	-	-	-	-
Financial assets available-for-sale	-	-	-	-
Property, equipment and intangible assets	-	11,006	-	11,006
Other assets	527	904	629	2,060
Total assets	555,173	204,702	14,269	774,144
Total liabilities	601	319	149,329	150,249

External operating income, assets, capital expenditure have been allocated based on 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.

24. 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 Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the balance sheet of the Bank is presented below:

	31 December 2007		31 December 2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with the national (central) banks of member-states of the Bank	1,533	1,533	129	129
Financial assets at fair value through profit or loss	490,844	490,844	290,355	290,355
Loans and advances to banks	599,379	599,379	470,594	470,594
Loans to customers	164,673	164,673	-	-
Financial assets available-for-sale	39,883	39,883	-	-
Loans and deposits from banks	450,267	450,267	149,328	149,328
Financial liabilities at fair value through profit or loss	4,392	4,392	306	306

The carrying amount of loans and advances to banks is a reasonable approximation of fair value as loans and advances to banks have current maturities of less than 1 year.

25. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to:

- Credit risk
- Liquidity risk
- Market risk

The Bank recognises that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives. The risk management framework involves the Council of the Bank, the Executive Board of the Bank, the Credit Committee of the Bank, the Assets and Liabilities Management Committee (ALMC), and different departments and staff in the Bank's daily operations. Through the risk management framework, the Bank manages the following risks:

Credit risk

The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Management of credit risk is performed by the Council, the Executive Board and the Credit Committee of the Bank. These groups manage credit risk primarily by through the issuance of loans only within set limits.

The Council of the Bank determines credit risk limits by determining maximum credit risk exposure on single borrowers or groups of borrowers. The Executive Board sets limits in relation to the credit risk on one borrower or groups of borrowers, as well as limits on individual counterparties (including banks and brokers), and determines the amount and structure of risk bearing assets.

For the purpose of effective credit risk management, employees of relevant departments of the Bank are included in the Credit Committee and participate in the process of considering loan applications. Based on the presentation and preliminary decision of the Credit Committee, either the Executive Board or the Council of the Bank within the limits of their powers, reviews and approves investment projects and makes decisions on any changes and addenda to the existing loan agreements.

Functions of the Credit Committee include establishing control over the level of credit risk. The Credit and Investment Department and Risk Management Department monitor the level of credit risk via analysis of counterparties financial reports, performance and market data and inform the Credit Committee if negative trends are found. Credit risks are compared to the limits set on a daily basis.

Maximum Exposure

The Banks maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

At 31 December 2007

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
Financial assets at fair value through profit or loss	490,844	-	490,844	-	490,844
Loans and advances to banks	599,379	-	599,379	150,336	449,043
Loans to customers	164,673	-	164,673	125,305	39,368
Financial assets available-for-sale	39,883	-	39,883	-	39,883

Collateral for loans to customers comprised of:

	Nominal cost	Bank's evaluated cost
Future inflows	186,000	55,800
Guarantees	62,832	31,416
Money deposits	15,358	15,358
Goods	46,073	13,822
Real estate or rights thereon	35,107	8,777
Other	1,328	132
	<u>346,698</u>	<u>125,305</u>

For evaluating cost of a collateral Bank uses significant discount factors depending on quality and liquidity of the collateral.

At 31 December 2006

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Financial assets at fair value through profit or loss	290,355	-	290,355	-	290,355
Loans and advances to banks	470,594	-	470,594	133,797	336,797

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

The following table details the credit ratings of financial assets held by the Bank:

	AAA	AA	A	BBB-	<BBB-	Not rated	31 December 2007 Total
Financial assets at fair value through profit or loss	51,033	-	-	337,230	102,581	-	490,844
Loans and advances to banks	-	25,559	-	210,822	362,998	-	599,379
Loans to customers	-	-	-	-	-	164,673	164,673
Financial assets available-for-sale	-	-	-	-	-	39,883	39,883

	AAA	AA	A	BBB-	<BBB-	Not rated	31 December 2006 Total
Financial assets at fair value through profit or loss	-	-	-	227,115	63,240	-	290,355
Loans and advances to banks	-	740	-	270,533	199,321	-	470,594

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Bank is concentrated within the Russian Federation and the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's risk management policy are not breached.

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

	Neither past due nor impaired	Financial assets past due but not impaired	Financial assets that have been impaired	31 December 2007 Total
Financial assets at fair value through profit or loss	490,844	-	-	490,844
Loans and advances to banks	599,379	-	-	599,379
Loans to customers	101,752	-	62,921	164,673
Financial assets available-for-sale	39,883	-	-	39,883

	Neither past due nor impaired	Financial assets past due but not impaired	Financial assets that have been impaired	31 December 2006 Total
Financial assets at fair value through profit or loss	290,355	-	-	290,355
Loans and advances to banks	470,594	-	-	470,594

Liquidity risk

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

The ALMC manages this risk through analysis of asset and liability maturity and performance of money market transactions by the treasury department of the Bank to maintain current liquidity and optimize cash flows. The risk management department of the Bank monitors liquidity indicators, gap-positions, payments list and stress-tests.

An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the entity.

	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 2007 Total
FINANCIAL ASSETS:							
Financial assets at fair value through profit or loss	9.33%	296	77	1,849	111,696	376,926	490,844
Loans and advances to banks	4.58%	439,226	-	160,153	-	-	599,379
Loans to customers	8.58%	-	-	-	-	164,673	164,673
Financial assets available-for-sale	11%	-	-	-	-	39,883	39,883
Total interest bearing assets		439,522	77	162,002	111,696	581,482	1,294,779
Cash and balances with the national (central) banks of member-states of the Bank		1,533	-	-	-	-	1,533
Total financial assets		<u>441,055</u>	<u>77</u>	<u>162,002</u>	<u>111,696</u>	<u>581,482</u>	<u>1,296,312</u>
FINANCIAL LIABILITIES:							
Loans and deposits from banks	5.62%	51,973	-	398,294	-	-	450,267
Total interest bearing financial liabilities		51,973	-	398,294	-	-	450,267
Financial liabilities at fair value through profit or loss		1,123	3,269	-	-	-	4,392
Total financial liabilities		<u>53,096</u>	<u>3,269</u>	<u>398,294</u>	<u>-</u>	<u>-</u>	<u>454,659</u>
Liquidity gap		<u>387,959</u>	<u>(3,192)</u>	<u>(236,292)</u>	<u>111,696</u>	<u>581,482</u>	
Interest sensitivity gap		<u>387,549</u>	<u>77</u>	<u>(236,292)</u>	<u>111,696</u>	<u>581,482</u>	
Cumulative interest sensitivity gap		<u>387,549</u>	<u>387,626</u>	<u>151,334</u>	<u>263,030</u>	<u>844,512</u>	
Cumulative interest sensitivity gap as a percentage of total assets		<u>29.52%</u>	<u>29.53%</u>	<u>11.53%</u>	<u>20.03%</u>	<u>64.33%</u>	

	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 2006 Total
FINANCIAL ASSETS:							
Financial assets at fair value through profit or loss	7.21%	183	234	23,493	216,961	49,484	290,355
Loans and advances to banks	6.11%	256,083	214,511	-	-	-	470,594
Total interest bearing assets		256,266	214,745	23,493	216,961	49,484	760,949
Cash and balances with the national (central) banks of member-states of the Bank		129	-	-	-	-	129
Total financial assets		256,395	214,745	23,493	216,961	49,484	761,078
FINANCIAL LIABILITIES:							
Loans and deposits from banks	5.30%	-	-	149,328	-	-	149,328
Total interest bearing financial liabilities		-	-	149,328	-	-	149,328
Financial liabilities at fair value through profit or loss		51	-	255	-	-	306
Total financial liabilities		51	-	149,583	-	-	149,634
Liquidity gap		256,344	214,745	(126,090)	216,961	49,484	
Interest sensitivity gap		256,266	214,745	(125,835)	216,961	49,484	
Cumulative interest sensitivity gap		256,266	471,011	345,176	562,137	611,621	
Cumulative interest sensitivity gap as a percentage of total assets		33.10%	60.84%	44.59%	72.61%	79.01%	

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 this table do not correspond to the amounts recorded on the balance sheet as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payment (including interest payments) which are not recognized in the balance sheet under the effective interest rate method.

	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 2007 Total
FINANCIAL LIABILITIES:							
Loans and deposits from banks	5.62%	52,617	-	421,496	-	-	474,113
Total interest bearing financial liabilities		52,617	-	421,496	-	-	474,113
Financial liabilities at fair value through profit or loss		1,123	3,269	-	-	-	4,392
Total financial liabilities		53,740	3,269	421,496	-	-	478,505

	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 2006 Total
FINANCIAL LIABILITIES:							
Loans and deposits from banks	5.30%	-	-	158,746	-	-	158,746
Total interest bearing financial liabilities		-	-	158,746	-	-	158,746
Financial liabilities at fair value through profit or loss		51	-	255	-	-	306
Total financial liabilities		51	-	159,001	-	-	159,052

Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Bank is exposed. In order to measure its risks the Bank uses the following instruments: duration, modified duration and dollar value of 1 basis point and applies Value-at-Risk models.

Interest rate risk

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

The ALMC of the Bank manages interest rate risk through the management of interest-sensitive asset and liability positions of the Bank, 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 Bank. The Bank's risk management department monitors interest rate risk, estimates sensitivity of the Bank in relation to changes in interest rates and the influence of changes in interest rates on the net profit of the Bank.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on “reasonably possible changes in the risk variable”. The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on net profit and equity based on asset values as at 31 December 2007 and 31 December 2006:

	31 December 2007		31 December 2006	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Assets:				
Financial assets at fair value through profit or loss	2,455	(2,455)	372	(372)
Loans and advances to banks	6,108	(5,913)	1,664	(1,642)
Loans to customers	773	(773)	-	-
Financial assets available-for-sale	13	(13)	-	-
Liabilities:				
Loans and deposits from banks	(2,133)	2,133	(42)	42
Net impact on net profit and equity	<u>7,216</u>	<u>(7,021)</u>	<u>1,994</u>	<u>(1,972)</u>

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 Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Treasury Department with the Risk Management Department manages currency risk through the management of the quantities held in open currency positions, which enables the Bank to minimize losses from significant fluctuations of exchange rates of foreign currencies. The Risk Management Department monitors the currency risk limits set by the Executive Board of the Bank.

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

	US dollars	Kazakhstani tenge	Russian ruble	Euro	Other currencies	31 December 2007 Total
Financial assets						
Cash and balances with the national (central) banks of member-states of the Bank	46	1,482	5	-	-	1,533
Financial assets at fair value through profit or loss	407,621	-	83,223	-	-	490,844
Loans and advances to banks	285,870	102,465	10,055	200,989	-	599,379
Loans to customers	164,673	-	-	-	-	164,673
Financial assets available-for-sale	<u>39,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,883</u>
Total financial assets	<u>898,093</u>	<u>103,947</u>	<u>93,283</u>	<u>200,989</u>	<u>-</u>	<u>1,296,312</u>
Financial liabilities						
Loans and deposits from banks	398,294	51,973	-	-	-	450,267
Financial liabilities at fair value through profit or loss	<u>3,530</u>	<u>-</u>	<u>-</u>	<u>862</u>	<u>-</u>	<u>4,392</u>
Total financial liabilities	<u>401,824</u>	<u>51,973</u>	<u>-</u>	<u>862</u>	<u>-</u>	<u>454,659</u>
OPEN BALANCE SHEET POSITION	<u>496,269</u>	<u>51,974</u>	<u>93,283</u>	<u>200,127</u>	<u>-</u>	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk on derivative financial instruments and spot contracts:

	US dollars	Kazakhstani tenge	Russian ruble	Euro	Other currencies	31 December 2007 Total
Accounts payable on spot and derivative contracts	-	(50,046)	(82,856)	(202,233)	(1,900)	(337,035)
Accounts receivable on spot and derivative contracts	332,948	-	-	-	-	332,948
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	<u>332,948</u>	<u>(50,046)</u>	<u>(82,856)</u>	<u>(202,233)</u>	<u>(1,900)</u>	<u>(4,087)</u>
TOTAL OPEN POSITION	<u>829,217</u>	<u>1,928</u>	<u>10,427</u>	<u>(2,106)</u>	<u>(1,900)</u>	

The Bank's exposure to foreign currency exchange rate risk as at 31 December 2006 is presented in the table below:

	US dollars	Kazakhstani tenge	Russian ruble	Euro	Other currencies	31 December 2006 Total
Financial assets						
Cash and balances with the national (central) banks of member-states of the Bank	36	93	-	-	-	129
Financial assets at fair value through profit or loss	170,527	-	117,662	-	2,166	290,355
Loans and advances to banks	312,982	7,937	99,513	50,162	-	470,594
Total financial assets	<u>483,545</u>	<u>8,030</u>	<u>217,175</u>	<u>50,162</u>	<u>2,166</u>	<u>761,078</u>
Financial liabilities						
Loans and deposits from banks	149,328	-	-	-	-	149,328
Financial liabilities at fair value through profit or loss	306	-	-	-	-	306
Total financial liabilities	<u>149,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,634</u>
OPEN BALANCE SHEET POSITION	<u>333,911</u>	<u>8,030</u>	<u>217,175</u>	<u>50,162</u>	<u>2,166</u>	

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk on derivative financial instruments and spot contracts:

	US dollars	Kazakhstani tenge	Russian ruble	Euro	Other currencies	31 December 2006 Total
Accounts payable on spot and derivative contracts	-	-	(197,356)	(49,879)	-	(247,235)
Accounts receivable on spot and derivative contracts	247,346	-	-	-	-	247,346
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	<u>247,346</u>	<u>-</u>	<u>(197,356)</u>	<u>(49,879)</u>	<u>-</u>	<u>111</u>
TOTAL OPEN POSITION	<u>581,257</u>	<u>8,030</u>	<u>19,819</u>	<u>283</u>	<u>2,166</u>	

Currency risk sensitivity

The following table details the Bank's Sensitivity to a 10% increase and decrease in the currencies of the member-states of the Bank. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in currency rates.

Impact on net profit and equity based on asset values as at 31 December 2007 and 31 December 2006:

	31 December 2007		31 December 2006	
	USD/RUB +10%	USD/RUB -10%	USD/RUB +10%	USD/RUB -10%
Impact on net profit and equity	1,109	(1,109)	1,982	(1,982)
	31 December 2007		31 December 2006	
	USD/KZT +10%	USD/KZT -10%	USD/KZT +10%	USD/KZT -10%
Impact on net profit and equity	327	(327)	948	(948)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis does not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.