

# **EURASIAN DEVELOPMENT BANK**

**Unaudited Interim Condensed Financial Statements**  
For the six-month period ended 30 June 2014

# 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 interim condensed statement of financial position of Eurasian Development Bank (the "Bank") as at 30 June 2014, and the related interim 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 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 the 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 2014 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*.

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



### KPMG Audit LLC

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

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



28 July 2014

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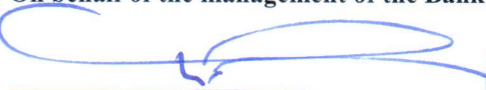
# EURASIAN DEVELOPMENT BANK


## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

(in thousands of US dollars)

	Note	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012
Interest income	4	132,188	116,965	86,081
Interest expense	4	(85,310)	(70,479)	(47,682)
<b>Net interest income before provision for impairment losses on interest bearing assets</b>		<b>46,878</b>	<b>46,486</b>	<b>38,399</b>
Provision for impairment losses on interest bearing assets	5	(21,787)	(59,698)	(9,204)
<b>NET INTEREST INCOME/(EXPENSE)</b>		<b>25,091</b>	<b>(13,212)</b>	<b>29,195</b>
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	6	(19,692)	7,307	(15,386)
Net realised (loss)/gain on financial assets available-for-sale		(294)	99	202
Net gain/(loss) on transactions in foreign currencies	7	21,158	(11,873)	15,730
Fee and commission income		2,450	4,475	2,275
Fee and commission expense		(138)	(127)	(111)
Net loss on trading with debt securities issued		(650)	-	-
Other income		124	5	27
Other expenses		-	(392)	(1)
<b>Net non-interest income/(expense)</b>		<b>2,958</b>	<b>(506)</b>	<b>2,736</b>
<b>Net result from financial operations</b>		<b>28,049</b>	<b>(13,718)</b>	<b>31,931</b>
Operating expenses	8	(22,212)	(24,151)	(22,538)
<b>NET PROFIT/(LOSS)</b>		<b>5,837</b>	<b>(37,869)</b>	<b>9,393</b>
<b>OTHER COMPREHENSIVE INCOME:</b>				
Items that are or may be reclassified subsequently to profit or loss:				
Net unrealised (loss)/gain on revaluation of financial assets available-for-sale		(3,790)	(3,265)	6,695
Net realised loss/(gain) on financial assets available-for-sale transferred to the profit and loss during the period		294	(99)	(202)
Net unrealised gain/(loss) on hedging instruments		371	660	(144)
<b>OTHER COMPREHENSIVE INCOME</b>		<b>(3,125)</b>	<b>(2,704)</b>	<b>6,349</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>2,712</b>	<b>(40,573)</b>	<b>15,742</b>

On behalf of the management of the Bank:

  
I.V. Finogenov  
Chairman of the Executive Board

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

28 July 2014  
Almaty, Kazakhstan

28 July 2014  
Almaty, Kazakhstan

The notes on pages 9-29 form an integral part of these interim condensed financial statements.

# EURASIAN DEVELOPMENT BANK


## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014


(in thousands of US dollars)

	Note	Unaudited 30 June 2014	31 December 2013	31 December 2012
<b>ASSETS</b>				
Cash and cash equivalents	9	468,650	274,958	434,936
Financial assets at fair value through profit or loss		-	5	657
Loans and advances to banks	10	313,312	406,893	304,176
Loans to customers	11	2,458,493	2,327,603	1,889,791
Financial assets available-for-sale	12	675,826	1,129,244	864,662
Investments held-to-maturity	13	382,521	403,786	315,360
Non-current assets held for sale		12,544	20,393	49,785
Property and equipment		13,590	14,161	16,514
Intangible assets		1,245	1,330	1,174
Other assets		15,712	15,285	6,953
<b>TOTAL ASSETS</b>		<b>4,341,893</b>	<b>4,593,658</b>	<b>3,884,008</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES:</b>				
Loans and deposits from banks	14	233,389	127,035	37,676
Financial liabilities at fair value through profit or loss		616	781	1,853
Hedging derivative financial instrument		-	16,763	7,434
Debt securities issued	15	2,439,780	2,785,565	2,091,994
Other liabilities		33,237	31,355	35,969
<b>Total liabilities</b>		<b>2,707,022</b>	<b>2,961,499</b>	<b>2,174,926</b>
<b>EQUITY:</b>				
Share capital		1,515,700	1,515,700	1,515,700
Reserve fund		90,872	90,872	84,878
Hedging reserve		-	(371)	(3,057)
Revaluation reserve for financial assets available-for-sale		4,101	7,597	14,696
Retained earnings		24,198	18,361	96,865
<b>Total equity</b>		<b>1,634,871</b>	<b>1,632,159</b>	<b>1,709,082</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,341,893</b>	<b>4,593,658</b>	<b>3,884,008</b>

On behalf of the management of the Bank:

  
**I.V. Finogenov**  
 Chairman of the Executive Board



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

28 July 2014  
 Almaty, Kazakhstan

28 July 2014  
 Almaty, Kazakhstan

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## EURASIAN DEVELOPMENT BANK


### INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014 (in thousands of US dollars)

	Share capital	Reserve fund	Hedging reserve	Revaluation reserve for financial assets available-for-sale	Retained earnings	Total
<b>1 January 2012</b>	1,515,700	72,640	(5,744)	289	97,115	1,680,000
Other comprehensive income (unaudited)	-	-	(144)	6,493	-	6,349
Net income (unaudited)	-	-	-	-	9,393	9,393
<b>Total comprehensive income (unaudited)</b>	-	-	(144)	6,493	9,393	15,742
Transfer to reserve fund (unaudited)	-	12,238	-	-	(12,238)	-
<b>30 June 2012 (unaudited)</b>	1,515,700	84,878	(5,888)	6,782	94,270	1,695,742
<b>1 January 2013</b>	1,515,700	84,878	(3,057)	14,696	96,865	1,709,082
Other comprehensive loss (unaudited)	-	-	660	(3,364)	-	(2,704)
Net loss (unaudited)	-	-	-	-	(37,869)	(37,869)
<b>Total comprehensive loss (unaudited)</b>	-	-	660	(3,364)	(37,869)	(40,573)
Transfer to reserve fund (unaudited)	-	5,994	-	-	(5,994)	-
<b>30 June 2013 (unaudited)</b>	1,515,700	90,872	(2,397)	11,332	53,002	1,668,509
<b>1 January 2014</b>	1,515,700	90,872	(371)	7,597	18,361	1,632,159
Other comprehensive loss (unaudited)	-	-	371	(3,496)	-	(3,125)
Net income (unaudited)	-	-	-	-	5,837	5,837
<b>Total comprehensive income (unaudited)</b>	-	-	371	(3,496)	5,837	2,712
<b>30 June 2014 (unaudited)</b>	1,515,700	90,872	-	4,101	24,198	1,634,871

On behalf of the management of the Bank:

I.V. Finogenov  
Chairman of the Executive Board

28 July 2014  
Almaty, Kazakhstan

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

28 July 2014  
Almaty, Kazakhstan

The notes on pages 9-29 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 2014

(in thousands of US dollars)

	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received on loans to customers	98,868	84,292	52,844
Interest received on loans and advances to banks	8,567	9,021	9,436
Interest and (expense paid)/ income received from financial assets and liabilities at fair value through profit or loss	(42,956)	5,637	(9,625)
Interest and income received on financial assets available-for-sale	13,388	6,504	4,982
Interest received on investments held-to-maturity	10,126	9,483	10,471
Interest paid on loans and deposits from banks	(4,343)	(1,035)	(749)
Interest paid on debt securities issued	(94,713)	(67,858)	(41,406)
Fees and commissions received	3,852	815	526
Fees and commissions paid	(64)	(119)	(108)
Other income received	124	7	27
Operating expenses paid	(18,181)	(21,067)	(20,923)
<b>Cash inflow (used in)/from operating activities before changes in operating assets and liabilities</b>	<b>(25,332)</b>	<b>25,680</b>	<b>5,475</b>
<b>Changes in operating assets</b>			
Increase in loans to customers	(212,663)	(352,476)	(47,067)
Decrease/(increase) in loans and advances to banks	91,938	(81,386)	68,016
Decrease in other assets	468	277	875
<b>Changes in operating liabilities</b>			
Increase/(decrease) in deposits from banks	58,841	-	(23,330)
Increase in other liabilities	2,369	47	10
<b>Cash flows (used in)/from operating activities</b>	<b>(84,379)</b>	<b>(407,858)</b>	<b>3,979</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of financial assets available-for-sale	(387,348)	(939,025)	(1,044,586)
Proceeds from sale and redemption of financial assets available-for-sale	828,474	1,141,388	711,480
Purchase of investments held-to-maturity	-	(142,291)	(35,204)
Proceeds from redemption of investments held-to-maturity	22,641	44,000	7,800
Purchase of property, equipment and intangible assets	(439)	(582)	(460)
<b>Cash flows from/(used in) investing activities</b>	<b>463,328</b>	<b>103,490</b>	<b>(360,970)</b>

The notes on pages 9-29 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 2014 (CONTINUED)

(in thousands of US dollars)


	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of debt securities issued	148,140	158,911	365,623
Repayments of debt securities issued	(372,551)	(50,000)	(41,003)
Proceeds from loans from banks	56,068	17,370	18,722
Repayments of loans from banks	(3,538)	(1,038)	-
<b>Cash flows (used in)/from financing activities</b>	<b>(171,881)</b>	<b>125,243</b>	<b>343,342</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	<b>207,068</b>	<b>(179,125)</b>	<b>(13,649)</b>
CASH AND CASH EQUIVALENTS, at beginning of the period	274,958	434,936	361,683
Effect of changes in foreign exchange rate on cash and cash equivalents	(13,376)	(2,296)	2,388
<b>CASH AND CASH EQUIVALENTS, at end of the period (Note 9)</b>	<b>468,650</b>	<b>253,515</b>	<b>350,422</b>

On behalf of the management of the Bank:

  
I.V. Finogenov  
Chairman of the Executive Board

28 July 2014  
Almaty, Kazakhstan



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

28 July 2014  
Almaty, Kazakhstan

The notes on pages 9-29 form an integral part of these interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014  
*(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 2014, 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 2014 was 288 (31 December 2013: 293; 31 December 2012: 297).

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014  
(in thousands of US dollars)

**1 BACKGROUND, CONTINUED**

**(a) Principal activities, continued**

As at 30 June 2014 and 31 December 2013 and 2012, 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
<b>Total</b>	<b>100.00</b>

**(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 2013, as these interim condensed financial statements provide an update of previously reported financial information.

These interim condensed financial statements were authorised for issue on 28 July 2014 by 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 2014**  
(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 the Note 11 “Loans to customers”.

## 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, 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 2013.

Certain new improvements to IFRS became effective from 1 January 2014 and have been adopted by the Bank since that date. These changes do not have a significant effect on the interim condensed financial statements.

- Amendments to IAS 32 *Financial Instruments, Disclosure and Presentation* further clarify the definition of a legally enforceable right to set off the financial assets and liabilities conditional on the fact that the right is not contingent on a future event; and enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy if the entity and of the counterparties.

## 4 NET INTEREST INCOME

	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012
<b>Interest income comprises:</b>			
Interest income on financial assets measured at amortised cost	126,946	112,918	82,161
Interest income on financial assets available-for-sale	5,242	4,047	3,920
<b>Total interest income</b>	<b>132,188</b>	<b>116,965</b>	<b>86,081</b>
Interest income on financial assets recorded at amortised cost comprises:			
Interest on loans to customers	110,488	95,931	63,052
Interest on loans and advances to banks	7,845	8,598	8,516
Interest on investments classified as held-to-maturity	8,002	7,966	8,930
Interest on cash and cash equivalents	611	423	1,663
<b>Total interest income on financial assets recorded at amortised cost</b>	<b>126,946</b>	<b>112,918</b>	<b>82,161</b>
<b>Interest expense comprises:</b>			
Interest expense on financial liabilities recorded at amortised cost			
Interest on debt securities issued	(81,307)	(68,854)	(46,749)
Interest on loans and deposits from banks	(4,003)	(1,625)	(933)
<b>Total interest expense on financial liabilities recorded at amortised cost</b>	<b>(85,310)</b>	<b>(70,479)</b>	<b>(47,682)</b>
<b>Net interest income before provision for losses on interest bearing financial assets</b>	<b>46,878</b>	<b>46,486</b>	<b>38,399</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**  
*(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 2014	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012
<b>Beginning of the period</b>	(142,238)	(30,816)	-
Net charge	(20,895)	(59,576)	(9,265)
Writing-off of provision for impairment losses	4,061	-	-
Effect of foreign currency movements	-	2	29
<b>End of the period</b>	<b>(159,072)</b>	<b>(90,390)</b>	<b>(9,236)</b>

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

	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012
<b>Beginning of the period</b>	(420)	(273)	(297)
Recovery/(charge)	16	(122)	61
<b>End of the period</b>	<b>(404)</b>	<b>(395)</b>	<b>(236)</b>

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

	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012
<b>Beginning of the period</b>	-	-	-
Net (charge)/recovery	(908)	-	-
Effect of foreign currency movements	(5)	-	-
<b>End of the period</b>	<b>(913)</b>	<b>-</b>	<b>-</b>

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

	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012
Net (loss)/gain on derivative financial instruments in foreign currency	(19,692)	7,242	(15,386)
Net gain on debt securities	-	65	-
<b>Total net (loss)/gain on operations with financial assets and liabilities at fair value through profit or loss</b>	<b>(19,692)</b>	<b>7,307</b>	<b>(15,386)</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**  
*(in thousands of US dollars)*

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

	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012
Translation differences, net	20,863	(11,507)	16,457
Dealing, net	295	(366)	(727)
<b>Total net gain/(loss) on transactions in foreign currencies</b>	<b>21,158</b>	<b>(11,873)</b>	<b>15,730</b>

## 8 OPERATING EXPENSES

	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012
Staff costs and other payments to employees (including accommodation cost of employees)	15,873	16,998	14,458
Premises expenses	1,476	1,684	1,679
Depreciation and amortisation	1,002	943	1,300
Professional services	577	423	472
Business trip expenses	556	938	967
Communication	519	588	513
Security	438	685	659
Maintenance of acquired systems and programs	438	334	439
Business development expenses	428	547	715
Transportation	183	213	199
Research and regional development expenses	147	337	160
Training	97	77	223
Office, postal and printing expenses	65	89	93
Other	413	295	661
<b>Total operating expenses</b>	<b>22,212</b>	<b>24,151</b>	<b>22,538</b>

## 9 CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2014	31 December 2013	31 December 2012
Cash and balances with national (central) banks of Member states of the Bank	251,686	905	67,659
Correspondent accounts with other banks	128,053	82,125	253,517
Term deposits in other banks	88,911	191,928	113,760
<b>Total cash and cash equivalents</b>	<b>468,650</b>	<b>274,958</b>	<b>434,936</b>

As at 30 June 2014, the Bank had bank balances in amount of 251,565 thousand US dollars from one bank of a Member state (31 December 2013: no bank; 31 December 2012: 232,466 thousand US dollars from one bank). All these amounts individually exceeded 10% of the Bank's equity as at 30 June 2014 and 31 December 2012, respectively.

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**10 LOANS AND ADVANCES TO BANKS**

	<b>Unaudited 30 June 2014</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Loans to banks	223,074	223,878	255,508
Loans under reverse repurchase agreements	90,642	183,435	48,941
	<b>313,716</b>	<b>407,313</b>	<b>304,449</b>
Less country risk provisions	(404)	(420)	(273)
<b>Total loans and advances to banks</b>	<b>313,312</b>	<b>406,893</b>	<b>304,176</b>

As at 30 June 2014, loans and advances to banks include loans to five banks in the amount of 70,570 thousand US dollars (31 December 2013: loans to four banks in the amount of 76,145 thousand US dollars; 31 December 2012: loans to four banks in the amount of 52,007 thousand US dollars), against which the Bank records country risk provisions in the amount of 404 thousand US dollars (31 December 2013: 420 thousand US dollars; 31 December 2012: 273 thousand US dollars).

The fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 June 2014, 31 December 2013 and 2012 are as follows:

	<b>Unaudited 30 June 2014</b>		<b>31 December 2013</b>		<b>31 December 2012</b>	
	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>
Bonds issued by banks and financial institutions of the Russian Federation	64,444	73,783	112,964	129,623	41,476	48,508
Bonds issued by non-financial organisations	26,198	30,709	70,471	81,881	7,465	8,580
	<b>90,642</b>	<b>104,492</b>	<b>183,435</b>	<b>211,504</b>	<b>48,941</b>	<b>57,088</b>

**11 LOANS TO CUSTOMERS**

	<b>Unaudited 30 June 2014</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Loans to customers	2,617,565	2,469,841	1,920,607
Less allowance for impairment losses	(159,072)	(142,238)	(30,816)
<b>Total loans to customers</b>	<b>2,458,493</b>	<b>2,327,603</b>	<b>1,889,791</b>

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

	<b>Unaudited 30 June 2014</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Loans collateralised by real estate, equipment and inventories	1,816,730	1,739,617	1,262,558
Loans collateralised by guarantees	753,517	668,043	622,941
Loans collateralised by future cash inflows	47,318	62,181	35,108
	<b>2,617,565</b>	<b>2,469,841</b>	<b>1,920,607</b>
Less allowance for impairment losses	(159,072)	(142,238)	(30,816)
<b>Total loans to customers</b>	<b>2,458,493</b>	<b>2,327,603</b>	<b>1,889,791</b>

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**11 LOANS TO CUSTOMERS, CONTINUED**

	<b>Unaudited 30 June 2014</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Analysis by sector:</b>			
Transport and communication	960,513	833,394	709,822
Energy	713,104	722,733	392,745
Mining and metallurgy	319,422	286,230	146,517
Chemical industry	286,941	288,542	259,680
Agriculture	113,490	110,113	223,045
Municipal and other infrastructure	74,171	72,208	33,629
Other processing	149,924	156,621	155,169
	<b>2,617,565</b>	<b>2,469,841</b>	<b>1,920,607</b>
Less allowance for impairment losses	(159,072)	(142,238)	(30,816)
<b>Total loans to customers</b>	<b>2,458,493</b>	<b>2,327,603</b>	<b>1,889,791</b>

As at 30 June 2014, the Bank has defaulted loans to two customers for a total gross amount of 120,197 thousand US dollars (31 December 2013: the same loans to two customers for a total gross amount of 124,508 thousand US dollars; 31 December 2012: none). These loans have defaulted due to deterioration of market conditions. The Bank has created 100% allowance for impairment losses against them based on the assumption that the borrowers will not repay the outstanding loans. The Bank has obtained certain assets by taking possession of collateral in the amount of 7,956 thousand US dollars.

As at 30 June 2014, the Bank has five customers with outstanding impaired overdue loans for a total gross amount of 299,023 thousand US dollars with the corresponding amount of allowance for impairment losses of 38,069 thousand US dollars recorded against. The Bank estimates loan impairment for these loans based on an analysis of the future cash flows and collateral realisation approach. Management makes the following key assumptions:

- a discount up to 30% to the originally appraised value if the property pledged is sold
- a delay up to 24 months in obtaining proceeds from the foreclosure of collateral
- a 70-80% decrease of market price on production of customers
- a discount up to 30% to the analysis of the future cash flows.

As at 31 December 2013 the Bank has two customers with outstanding impaired loans for a total gross amount of 132,049 thousand US dollars with the amount of allowance for impairment losses of 17,730 thousand US dollars recorded against. As at 31 December 2012, the Bank had three customers with outstanding impaired loans for a total gross amount of 172,499 thousand US dollars with the amount of allowance for impairment losses of 30,816 thousand US dollars recorded against. These loans are/were impaired due to the delays in production plans and deterioration of market conditions.

As at 30 June 2014, loans to customers included accrued interest income amounting to 70,038 thousand US dollars (31 December 2013: 61,758 thousand US dollars; 31 December 2012: 45,333 thousand US dollars).

**Concentration of loans to customers**

As at 30 June 2014 the Bank has three customers (31 December 2013: three customers; 31 December 2012: two customers), whose balances exceeded 10% of total equity. The values of these three balances as at 30 June 2014 are 354,337 thousand US dollars, 264,386 thousand US dollars and 227,884 thousand US dollars, respectively (31 December 2013: 327,399 thousand US dollars, 273,209 thousand US dollars and 236,535 thousand US dollars, respectively; 31 December 2012: 298,633 thousand US dollars and 187,158 thousand US dollars, respectively).

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**12 FINANCIAL ASSETS AVAILABLE-FOR-SALE**

	<b>Unaudited 30 June 2014</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Debt securities	611,920	1,058,750	791,338
Equity securities	63,906	70,494	73,324
<b>Total financial assets available-for-sale</b>	<b>675,826</b>	<b>1,129,244</b>	<b>864,662</b>

	<b>Unaudited 30 June 2014</b>		<b>31 December 2013</b>		<b>31 December 2012</b>	
	<b>Nominal interest rate</b>	<b>Fair value</b>	<b>Nominal interest rate</b>	<b>Fair value</b>	<b>Nominal interest rate</b>	<b>Fair value</b>
<b>Debt securities</b>						
US Treasuries	0.13%	489,819	0.25%	923,852	0.25%	659,889
Bonds issued by banks and financial institutions of the Russian Federation	1.75-6.875%	65,037	1.99-9.00%	83,417	3.30-11.00%	114,183
Bonds issued by non-financial organisations	5.09-8.125%	30,393	5.09-8.50%	26,894	7.34-8.50%	17,266
Eurobonds of the Russian Federation	7.50%	26,671	7.50%	24,587	-	-
		<b>611,920</b>		<b>1,058,750</b>		<b>791,338</b>

	<b>Unaudited 30 June 2014</b>		<b>31 December 2013</b>		<b>31 December 2012</b>	
	<b>Ownership interest</b>	<b>Fair value</b>	<b>Ownership interest</b>	<b>Fair value</b>	<b>Ownership interest</b>	<b>Fair value</b>
<b>Equity securities</b>						
Investments into private equity fund "Macquarie Renaissance Infrastructure Fund"	15.87%	63,906	15.87%	70,494	15.87%	73,324
		<b>63,906</b>		<b>70,494</b>		<b>73,324</b>

**13 INVESTMENTS HELD-TO-MATURITY**

	<b>Unaudited 30 June 2014</b>		<b>31 December 2013</b>		<b>31 December 2012</b>	
	<b>Nominal interest Rate</b>	<b>Amount</b>	<b>Nominal interest Rate</b>	<b>Amount</b>	<b>Nominal interest rate</b>	<b>Amount</b>
<b>Debt securities:</b>						
Eurobonds of the Russian Federation	3.25-7.50%	257,224	3.25-7.50%	266,619	3.25-7.50%	233,340
Bonds issued by non-financial organisations	3.15-6.25%	79,713	3.15-5.74%	67,731	9.63%	35,262
Bonds issued by banks and financial institutions of the Russian Federation	3.30-5.38%	45,584	4.95-6.25%	69,436	4.95%	46,758
<b>Total investments held-to-maturity</b>		<b>382,521</b>		<b>403,786</b>		<b>315,360</b>

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**14 LOANS AND DEPOSITS FROM BANKS**

	Unaudited 30 June 2014	31 December 2013	31 December 2012
Loans from banks	178,896	127,035	37,676
Deposits from banks	54,493	-	-
<b>Total loans and deposits from banks</b>	<b>233,389</b>	<b>127,035</b>	<b>37,676</b>

**15 DEBT SECURITIES ISSUED**

	Unaudited 30 June 2014	31 December 2013	31 December 2012
USD denominated 10-year Eurobonds due in September 2022, interest rate 4.767%, net of discount, series 03	505,001	504,904	505,297
USD denominated 7-year Eurobonds due in September 2020, interest rate 5.000%, net of discount, series 05	472,793	470,089	-
USD denominated 5-year Eurobonds due in September 2014, interest rate 7.375%, net of discount, series 02	122,805	122,677	508,637
RUB denominated 7-year bonds ("the Rouble Bonds") due in September 2020, interest rate 7.85%, net of discount, series 06 and 07	299,405	309,564	-
RUB denominated 7-year bonds ("the Rouble Bonds") due in July 2020, interest rate 7.70%, net of discount, series 05	151,848	157,001	-
RUB denominated 5-year Eurobonds due in October 2017, interest rate 8.00%, net of discount, series 04	149,710	154,746	166,700
RUB denominated 7-year bonds ("the Rouble Bonds") due in October 2020, interest rate 7.65%, net of discount, series 08	149,151	154,207	-
RUB denominated 7-year bonds ("the Rouble Bonds") due in May 2021, interest rate 9.65%, net of discount, series 09	148,188	-	-
RUB denominated 7-year bonds ("the Rouble Bonds") due in February 2019, interest rate 8.50%, net of discount, series 02	147,951	152,962	164,605
RUB denominated 7-year bonds ("the Rouble Bonds") due in October 2016, interest rate 7.25%, net of discount, series 03	39,803	41,065	162,906
RUB denominated 7-year bonds ("the Rouble Bonds") due in February 2018, interest rate 8.10%, net of discount, series 04	15,583	156,155	167,996
RUB denominated 7-year bonds ("the Rouble Bonds") due in January 2019, interest rate 8.00%, net of discount, series 01	9,841	153,811	165,518
KZT denominated 5-year bonds ("the Tenge bonds") due in April 2018, interest rate 6.00%, net of discount, series 02 tranches 1 and 2	173,797	212,845	-
KZT denominated 5-year bonds ("the Tenge bonds") due in December 2017, interest rate 6.25%, net of discount, series 01	53,904	64,110	65,830
KZT denominated 5-year Eurobonds due in April 2014, interest rate indexed to the consumer price index of Kazakhstan, with the rate fixed at 8.00% from 29 October 2013 until 28 April 2014, net of discount, series 01, tranches 1 and 2	-	131,429	134,591
USD denominated 1-year euro-commercial papers due in January 2013, interest rate 0%, net of discount, series 05 tranches 1 and 2	-	-	49,914
<b>Total debt securities issued</b>	<b>2,439,780</b>	<b>2,785,565</b>	<b>2,091,994</b>

On 20 September 2012, the Bank issued international Eurobonds on the London Stock Exchange as part of its 3,500,000 thousand US dollars Euro-Medium Term Note Programme ("EMTN Programme") for a total amount of 500,000 thousand US dollars with maturity date on 20 September 2022 (series 03). The Eurobonds bear an interest rate fixed at 4.767% per annum.

On 26 September 2013, the Bank issued international Eurobonds on the London Stock Exchange as part of its EMTN Programme for a total amount of 500,000 thousand US dollars with maturity date on 26 September 2020 (series 05). The Eurobonds bear an interest rate fixed at 5.000% per annum.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
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On 29 September 2009, the Bank issued its debut international Eurobonds on the London Stock Exchange as part of its EMTN Programme for a total amount of 500,000 thousand US dollars with maturity date on 29 September 2014 (series 02). The Eurobonds bear an interest rate fixed at 7.375% per annum. In September 2013 the notes with a nominal value of USD 379,380 thousand US dollars were replaced by notes issued on 26 September 2013 in a debt exchange transaction. The exchange was accounted for as a modification of terms rather than an extinguishment of a liability in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. All costs incurred to modify the original term of the remaining notes have been adjusted in the carrying value of the notes and are amortised over the remaining term of the modified notes.

On 2 October 2013, the Bank issued Rouble Bonds listed on the Moscow Interbank Currency Exchange for a total amount of 10.0 billion Russian roubles (two series 06 and 07) with maturity date on 23 September 2020. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 7.85% per annum until 28 September 2016 and after 28 September 2016 the interest rate will be determined by the Bank unilaterally. The bondholders are entitled to demand the redemption of the Rouble Bonds in three years after their issuance.

On 24 July 2013, the Bank issued Rouble Bonds (series 05) listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 15 July 2020. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 7.70% per annum until 22 July 2015 and after 22 July 2015 the interest rate will be determined by the Bank unilaterally. The bondholders are entitled to demand the redemption of the Rouble Bonds in two years after their issuance.

On 5 October 2012, the Bank issued Rouble denominated Euro-bonds (series 04) listed on the London Stock Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 5 October 2017. The Eurobonds bear an interest rate fixed at 8.00% per annum.

On 16 October 2013, the Bank issued Rouble Bonds (series 08) listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 7 October 2020. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 7.65% per annum until 14 October 2015 and after 14 October 2015 the interest rate will be determined by the Bank unilaterally. The bondholders are entitled to demand the redemption of the Rouble Bonds in two years after their issuance.

On 2 June 2014, the Bank issued Rouble Bonds (series 09) listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 24 May 2021. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 9.65% per annum until 30 May 2016 and after 30 May 2016 the interest rate will be determined by the Bank unilaterally. The bondholders are entitled to demand the redemption of the Rouble Bonds in two years after their issuance.

On 1 March 2012, the Bank issued Rouble Bonds (series 02) listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 21 February 2019. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 8.50% per annum until 26 February 2015 and after 26 February 2015 the interest rate will be determined by the Bank unilaterally. The bondholders are entitled to demand the redemption of the Rouble Bonds in three years after their issuance.

On 3 November 2009, the Bank issued Rouble Bonds (series 03) listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 25 October 2016. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 10.50% per annum until 1 November 2011 and after 1 November 2011 the Bank unilaterally determined the new interest rate at 7.50% per annum valid till until 29 October 2013. After 29 October 2013 the Bank determined the new interest rate at 7.25% per annum, and as a result of redemption exercise, the nominal value of bonds in circulation amounts to 1.35 billion Russian roubles.

On 15 February 2011, the Bank issued Rouble Bonds (series 04) listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 6 February 2018. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 7.70% per annum until 11 February 2014 and after 11 February 2014 the Bank unilaterally determined the new interest rate at 8.10% per annum. As a result of redemption exercise, the nominal value of bonds in circulation amounts to 515 million Russian roubles.

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## 15 DEBT SECURITIES ISSUED, CONTINUED

On 6 February 2012, the Bank issued Rouble Bonds (series 01) listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 28 January 2019. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 8.50% per annum until 3 February 2014 and after 3 February the Bank determined the new interest rate at 8.00% per annum. As a result of redemption exercise, the nominal value of bonds in circulation amounts to 331 million Russian roubles.

On 25 April 2013, the Bank issued Tenge bonds listed on the Kazakhstan Stock Exchange for a total amount of 15.0 billion Tenge with maturity date on 25 April 2018 (series 02 tranche 1). In accordance with the terms of the issuance, the Tenge bonds bear an interest rate fixed at 6.00% per annum. On 3 October 2013, the Bank made an additional issue of Tenge bonds for the total amount of 16.6 billion Tenge (series 02 tranche 2).

On 28 December 2012, the Bank issued Tenge bonds listed on the Kazakhstan Stock Exchange for a total amount of 9.9 billion Tenge with maturity date on 28 December 2017 (series 01). In accordance with the terms of the issuance, the Tenge bonds bear an interest rate fixed at 6.25% per annum.

As at 30 June 2014, debt securities issued included accrued interest expense amounting to 36,203 thousand US dollars (31 December 2013: 50,138 thousand US dollars; 31 December 2012: 31,194 thousand US dollars).

## 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 2014, 31 December 2013 and 2012, the nominal or contractual amounts were:

	<b>Unaudited 30 June 2014 Nominal amount</b>	<b>31 December 2013 Nominal amount</b>	<b>31 December 2012 Nominal amount</b>
Commitments on loans and unused credit lines	869,124	1,092,645	1,316,029
Commitments to join private equity funds	31,543	31,543	32,043
Guarantees and letters of credit issued	81,746	24,358	25,189
<b>Total contingent liabilities and credit commitments</b>	<b>982,413</b>	<b>1,148,546</b>	<b>1,373,261</b>

### Fiduciary activities

The Bank provides trust services to the 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 2014 the maximum potential financial risk on securities and due from banks accepted by the Bank on behalf of the Fund does not exceed 458,551 thousand US dollars (31 December 2013: 123,175 thousand US dollars; 31 December 2012: 86,107 thousand US dollars). These amounts represent clients' funds under the management of the Bank as at respective dates.

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**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) was as follows:

	Unaudited Six-month period ended 30 June 2014		Unaudited Six-month period ended 30 June 2013		Unaudited Six-month period ended 30 June 2012	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
<b>Key management personnel compensation, short-term employee benefits:</b>						
Staff costs and other payments to employees	2,503	14,838	3,411	16,040	2,648	13,470
Accommodation costs of employees	146	1,035	154	958	163	988
<b>Key management personnel compensation</b>	<b>2,649</b>	<b>15,873</b>	<b>3,565</b>	<b>16,998</b>	<b>2,811</b>	<b>14,458</b>

The outstanding balances as at 30 June 2014 and 31 December 2013 and 2012 for transactions with the members of the Executive Board are as follows:

	Unaudited 30 June 2014	31 December 2013	31 December 2012
<b>Interim condensed statement of financial position</b>			
Other liabilities - pension reserves and accrued bonuses	2,596	2,298	3,799

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## 17 TRANSACTIONS WITH RELATED PARTIES, CONTINUED

### (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 2014, 31 December 2013 and 2012 with other related parties are as follows.

	Unaudited 30 June 2014		31 December 2013		31 December 2012	
	Other related parties	Average interest rate, %	Other related parties	Average interest rate, %	Other related parties	Average interest rate, %
<b>Interim condensed statement of financial position</b>						
<b>ASSETS</b>						
Cash and cash equivalents	281,255	0.01%	119,959	4.46%	330,926	1.25%
Loans to customers	438,139	8.16%	443,153	8.21%	307,773	7.98%
Financial assets available-for-sale	121,383	5.17%	133,047	6.37%	78,520	5.85%
Investments held-to-maturity	372,582	5.38%	394,005	5.65%	301,679	7.38%
Other assets	278	-	1,637	-	-	-
<b>LIABILITIES</b>						
Debt securities issued	597,816	7.56%	865,522	7.72%	452,428	8.03%
Other liabilities	2,112	-	9,058	-	7,110	-
<b>Guarantees received</b>	373,713	-	372,944	-	182,775	-
<b>Commitments</b>	293,153	-	338,616	-	290,481	-

The profit or loss amounts of transactions for the six-month ended 30 June 2014, 2013 and 2012 with other related parties are as follows.

	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012
<b>Profit/(loss)</b>			
Interest income	28,100	21,081	14,604
Interest expense	(23,893)	(22,848)	(15,134)
Net realised (loss)/gain on financial assets available-for-sale	(314)	-	179
Net (loss)/gain on transactions in foreign currencies	(4,713)	(1,298)	(5,014)
Fee and commission income	2,195	3,796	1,875

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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.

	<b>Unaudited Russia</b>	<b>Unaudited Kazakhstan</b>	<b>Unaudited Other Member states</b>	<b>Unaudited Non-member states</b>	<b>Unaudited Total as at and for the six- month period ended 30 June 2014</b>
Interest income	76,979	40,263	14,548	398	132,188
Interest expense	(40,898)	(10,302)	-	(34,110)	(85,310)
Net charge of provisions for impairment losses	(7,032)	(14,250)	(505)	-	(21,787)
Loss 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	(12)	(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	49	-	124
<b>External operating income/(expense)</b>	<b>42,855</b>	<b>29,388</b>	<b>14,091</b>	<b>(58,285)</b>	<b>28,049</b>
Capital expenditure	33	313	-	-	346
Depreciation and amortisation	124	842	36	-	1,002
Cash and cash equivalents	35,309	251,732	50	181,559	468,650
Financial assets at fair value through profit or loss	-	-	-	-	-
Loans and advances to banks	144,987	31,933	136,392	-	313,312
Loans to customers	1,268,363	846,712	343,418	-	2,458,493
Financial assets available-for- sale	185,289	718	-	489,819	675,826
Investments held-to-maturity	382,521	-	-	-	382,521
Non-current assets held for sale	-	12,544	-	-	12,544
Property, equipment and intangible assets	426	14,301	108	-	14,835
Other assets	3,344	3,776	8,245	347	15,712
<b>Total assets</b>	<b>2,020,239</b>	<b>1,161,716</b>	<b>488,213</b>	<b>671,725</b>	<b>4,341,893</b>
<b>Total liabilities</b>	<b>1,113,408</b>	<b>304,246</b>	<b>8,896</b>	<b>1,280,472</b>	<b>2,707,022</b>
Contingent liabilities and credit commitments	404,290	404,689	173,434	-	982,413

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

*(in thousands of US dollars)*

**18 SEGMENT REPORTING, CONTINUED****Segment performance – geographic, continued**

	<b>Unaudited Russia</b>	<b>Unaudited Kazakhstan</b>	<b>Unaudited Other Member states</b>	<b>Unaudited Non-member states</b>	<b>Unaudited Total for the six-month period ended 30 June 2013</b>
Interest income	69,072	37,199	10,368	326	116,965
Interest expense	(33,261)	(8,572)	-	(28,646)	(70,479)
Net (charge)/recovery of provisions for impairment losses	(56,735)	571	(3,534)	-	(59,698)
(Loss)/gain 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)	(28)	(4,207)	(11,873)
Fee and commission income	4,187	138	150	-	4,475
Fee and commission expense	(13)	(25)	-	(89)	(127)
Other income	(1)	4	2	-	5
Other expenses	-	(392)	-	-	(392)
<b>External operating (expense)/income</b>	<b>(26,810)</b>	<b>29,602</b>	<b>6,958</b>	<b>(23,468)</b>	<b>(13,718)</b>
Capital expenditure	65	174	151	-	390
Depreciation and amortisation	125	771	47	-	943
	<b>Russia</b>	<b>Kazakhstan</b>	<b>Other Member states</b>	<b>Non-member states</b>	<b>Total as at 31 December 2013</b>
Cash and cash equivalents	120,551	45,822	42	108,543	274,958
Financial assets at fair value through profit or loss	-	-	-	5	5
Loans and advances to banks	55,868	30,896	136,694	183,435	406,893
Loans to customers	1,243,969	889,093	194,541	-	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	134	-	15,491
Other assets	5,497	1,136	8,264	388	15,285
<b>Total assets</b>	<b>2,033,729</b>	<b>1,004,031</b>	<b>339,675</b>	<b>1,216,223</b>	<b>4,593,658</b>
<b>Total liabilities</b>	<b>1,282,680</b>	<b>434,905</b>	<b>457</b>	<b>1,243,457</b>	<b>2,961,499</b>
Contingent liabilities and credit commitments	410,763	481,605	256,178	-	1,148,546

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014*(in thousands of US dollars)***18 SEGMENT REPORTING, CONTINUED****Segment performance – geographic, continued**

	Unaudited Russia	Unaudited Kazakhstan	Unaudited Other Member states	Unaudited Non-member states	Unaudited Total for the six-month period ended 30 June 2012
Interest income	47,338	21,951	13,793	2,999	86,081
Interest expense	(23,101)	(6,311)	-	(18,270)	(47,682)
Net charge of provisions for impairment losses	(7,722)	(1,482)	-	-	(9,204)
Gain/(loss) on financial assets and liabilities at fair value through profit or loss	7,846	10	-	(23,242)	(15,386)
Realised gain on financial assets available-for-sale	179	-	-	23	202
Gain/(loss) on transactions in foreign currencies	27,545	205	-	(12,020)	15,730
Fee and commission income	1,966	222	87	-	2,275
Fee and commission expense	(19)	(16)	-	(76)	(111)
Other income	1	6	20	-	27
Other expenses	-	-	-	(1)	(1)
<b>External operating income/(expense)</b>	<b>54,033</b>	<b>14,585</b>	<b>13,900</b>	<b>(50,587)</b>	<b>31,931</b>
Capital expenditure	102	358	22	-	482
Depreciation and amortisation	170	1,085	45	-	1,300
	<b>Russia</b>	<b>Kazakhstan</b>	<b>Other Member states</b>	<b>Non-member states</b>	<b>Total as at 31 December 2012</b>
Cash and cash equivalents	315,441	67,465	74	51,956	434,936
Financial assets at fair value through profit or loss	652	-	-	5	657
Loans and advances to banks	54,916	69,685	130,634	48,941	304,176
Loans to customers	1,030,880	727,656	131,255	-	1,889,791
Financial assets available-for- sale	129,494	1,955	-	733,213	864,662
Investments held-to-maturity	315,360	-	-	-	315,360
Non-current assets held for sale	-	49,785	-	-	49,785
Property, equipment and intangible assets	544	17,012	132	-	17,688
Other assets	2,936	1,373	213	2,431	6,953
<b>Total assets</b>	<b>1,850,223</b>	<b>934,931</b>	<b>262,308</b>	<b>836,546</b>	<b>3,884,008</b>
<b>Total liabilities</b>	<b>667,745</b>	<b>228,431</b>	<b>978</b>	<b>1,277,772</b>	<b>2,174,926</b>
Contingent liabilities and credit commitments	741,770	482,489	149,002	-	1,373,261

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 2014, interest income on loans to two customers (30 June 2013 and 2012: 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; 30 June 2012: 15,685 thousand US dollars).

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

## 19 RISK MANAGEMENT POLICIES

### (a) Credit risk

As at 30 June 2014, the credit ratings and credit risk of the counterparties have not significantly changed compared to 31 December 2013.

### (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 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.

Information regarding each portfolio is included below:

	<b>Current investment portfolio</b>	<b>Treasury portfolio</b>	<b>Unallocated</b>	<b>Unaudited 30 June 2014 Total</b>
Cash and cash equivalents	-	468,650	-	468,650
Loans and advances to banks	221,658	90,642	1,012*	313,312
Loans to customers	2,568,437	-	(109,944)*	2,458,493
Financial assets available-for-sale	67,533	611,202	(2,909)*	675,826
Investments held-to-maturity	-	382,521	-	382,521
Non-current assets held for sale	-	-	12,544	12,544
Property and equipment and intangible assets	-	-	14,835	14,835
Other assets	-	-	15,712	15,712
<b>Total assets</b>	<b>2,857,628</b>	<b>1,553,015</b>	<b>(68,750)</b>	<b>4,341,893</b>
<b>Total liabilities</b>	<b>-</b>	<b>55,109</b>	<b>2,651,913</b>	<b>2,707,022</b>
Contingent liabilities and credit commitments	982,413	-	-	982,413
<b>Total current investment portfolio</b>	<b>3,840,041</b>			

\*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.

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

	<b>Current investment portfolio</b>	<b>Treasury portfolio</b>	<b>Unallocated</b>	<b>31 December 2013 Total</b>
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
<b>Total assets</b>	<b>2,733,508</b>	<b>1,919,083</b>	<b>(58,933)</b>	<b>4,593,658</b>
<b>Total liabilities</b>	<b>-</b>	<b>781</b>	<b>2,960,718</b>	<b>2,961,499</b>
Contingent liabilities and credit commitments	1,148,546	-	-	1,148,546
<b>Total current investment portfolio</b>	<b>3,882,054</b>			

	<b>Current investment portfolio</b>	<b>Treasury portfolio</b>	<b>Unallocated</b>	<b>31 December 2012 Total</b>
Cash and cash equivalents	-	434,936	-	434,936
Financial assets at fair value through profit or loss	-	657	-	657
Loans and advances to banks	254,290	48,941	945	304,176
Loans to customers	1,890,552	-	(761)	1,889,791
Financial assets available-for-sale	116,806	748,761	(905)	864,662
Investments held-to-maturity	-	315,360	-	315,360
Non-current assets held for sale	35,499	-	14,286	49,785
Property and equipment and intangible assets	-	-	17,688	17,688
Other assets	-	-	6,953	6,953
<b>Total assets</b>	<b>2,297,147</b>	<b>1,548,655</b>	<b>38,206</b>	<b>3,884,008</b>
<b>Total liabilities</b>	<b>-</b>	<b>1,853</b>	<b>2,173,073</b>	<b>2,174,926</b>
Contingent liabilities and credit commitments	1,373,261	-	-	1,373,261
<b>Total current investment portfolio</b>	<b>3,670,408</b>			

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**19 RISK MANAGEMENT POLICIES, CONTINUED****(a) Credit risk, continued****(ii) Offsetting financial assets and financial liabilities**

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's statement of financial position or
- are subject to an enforceable master arrangements or similar agreements that cover similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 30 June 2014:

<u>Types of financial assets</u>	<u>Gross amounts of recognised financial asset</u>	<u>Gross amount of recognised financial liability/asset offset in the interim condensed statement of financial position</u>	<u>Net amount of financial assets/liabilities presented in the interim condensed statement of financial position</u>	<u>Related amounts not offset in the interim condensed statement of financial position</u> <u>Financial instruments/collateral received</u>	<u>Net amount</u>
Loans under reverse repurchase agreements	90,642	-	90,642	(90,642)	-
<b>Total financial assets</b>	<b>90,642</b>	<b>-</b>	<b>90,642</b>	<b>(90,642)</b>	<b>-</b>

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2013:

<u>Types of financial assets</u>	<u>Gross amounts of recognised financial asset</u>	<u>Gross amount of recognised financial liability/asset offset in the interim condensed statement of financial position</u>	<u>Net amount of financial assets/liabilities presented in the interim condensed statement of financial position</u>	<u>Related amounts not offset in the interim condensed statement of financial position</u> <u>Financial instruments/collateral received</u>	<u>Net amount</u>
Loans under reverse repurchase agreements	183,435	-	183,435	(183,435)	-
<b>Total financial assets</b>	<b>183,435</b>	<b>-</b>	<b>183,435</b>	<b>(183,435)</b>	<b>-</b>

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**19 RISK MANAGEMENT POLICIES, CONTINUED****(a) Credit risk, continued****(iii) Offsetting financial assets and financial liabilities, continued**

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2012:

<u>Types of financial assets</u>	<u>Gross amounts of recognised financial asset</u>	<u>Gross amount of recognised liability/asset offset in the interim condensed statement of financial position</u>	<u>Net amount of financial assets/liabilities presented in the interim condensed statement of financial position</u>	<u>Related amounts not offset in the interim condensed statement of financial position</u> <u>Financial instruments/collateral received</u>	<u>Net amount</u>
Loans under reverse repurchase agreements	48,941	-	48,941	(48,941)	-
<b>Total financial assets</b>	<b>48,941</b>	<b>-</b>	<b>48,941</b>	<b>(48,941)</b>	<b>-</b>

**(b) Liquidity risk**

During six-month period ended 30 June 2014 there were no significant changes in liquidity risk comparing to 31 December 2013.

**(c) 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 financial modelling techniques: value-at-risk (VAR), duration, modified duration and dollar value of 1 basis point. The Bank regularly calculates interest rate gap and performs stress-testing and different scenarios analysis. During six-month period ended 30 June 2014 there were no significant changes in market risk comparing to 31 December 2013.

**(d) Currency risk**

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

	<u>Unaudited US dollars</u>	<u>Unaudited Kazakhstan tenge</u>	<u>Unaudited Russian rouble</u>	<u>Unaudited Euro</u>	<u>Unaudited Other currencies</u>	<u>Unaudited 30 June 2014 Total</u>
Open balance sheet position	1,488,910	27,127	(30,710)	110,757	113	1,596,197
Net spot and derivative financial instruments position	112,454	(27,207)	23,741	(109,524)	-	(536)
<b>TOTAL OPEN POSITION</b>	<b>1,601,364</b>	<b>(80)</b>	<b>(6,969)</b>	<b>1,233</b>	<b>113</b>	

	<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	(223,823)	108,882	152,116	(56,541)	-	(19,366)
<b>TOTAL OPEN POSITION</b>	<b>1,500,316</b>	<b>(852)</b>	<b>(2,171)</b>	<b>73</b>	<b>232</b>	

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**19 RISK MANAGEMENT POLICIES, CONTINUED**

(d) Currency risk, continued

	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2012 Total
Open balance sheet position	1,420,602	30,438	(167,805)	283,176	70	1,566,481
Net spot and derivative financial instruments position	144,672	(33,824)	163,800	(282,751)	-	(8,103)
<b>TOTAL OPEN POSITION</b>	<b>1,565,274</b>	<b>(3,386)</b>	<b>(4,005)</b>	<b>425</b>	<b>70</b>	

(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:

	Unaudited As at 30 June 2014	As at 31 December 2013	As at 31 December 2012
Minimum amount of liquid assets in Treasury portfolio			
- required amount in thousands of US Dollars	987,980	1,494,219	1,170,506
- <i>actual</i>	1,498,522	1,919,078	1,547,998
Financial leverage ratio			
- should be less or equal to 200% of the Bank's equity	200.00%	200.00%	200.00%
- <i>actual</i>	159.53%	177.11%	123.19%
Maximum principal amount of the Bank's borrowings			
- allowed amount in thousands of US Dollars	3,312,000	3,432,000	2,175,000
- <i>actual</i>	2,619,197	2,903,443	2,105,394

The Assets and Liabilities Management Committee regularly monitors compliance of the Bank with the financial ratios set by the Council of the Bank.

**20 EVENTS AFTER THE REPORTING PERIOD**

On 2 July 2014 the Council of the Bank approved the increase of authorised share capital of the Bank up to 7 billion US dollars via issue of callable equity. As a consequence of increased authorised share capital the Council of the Bank increased financial leverage ratio up to 300% of the Bank's equity.