

EURASIAN DEVELOPMENT BANK

Unaudited Interim Condensed Financial Statements
For the six-month period ended 30 June 2012

EURASIAN DEVELOPMENT BANK

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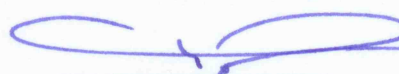
EURASIAN DEVELOPMENT BANK

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012


(in thousands of US dollars)

	Note	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011	Unaudited Six-month period ended 30 June 2010
Interest income	4	86,081	64,819	58,071
Interest expense	4	(47,682)	(37,322)	(36,787)
Net interest income before provision for impairment losses on interest bearing assets		38,399	27,497	21,284
Provision for impairment losses on interest bearing assets	5	(9,204)	(1,396)	(6,927)
NET INTEREST INCOME		29,195	26,101	14,357
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	6	(15,386)	(12,572)	34,053
Net realised gain on financial assets available- for-sale		202	143	3,722
Net gain/(loss) on transactions in foreign currencies	7	15,730	15,503	(31,721)
Fee and commission income		476	2,562	1,637
Fee and commission expense		(111)	(75)	(121)
Other income		1,825	1,468	150
Net non-interest income		2,736	7,029	7,720
Operating income		31,931	33,130	22,077
Operating expenses	8	(22,538)	(19,445)	(14,786)
NET PROFIT		9,393	13,685	7,291
OTHER COMPREHENSIVE INCOME:				
Net unrealised gain on revaluation of financial assets available-for-sale		6,695	501	2,926
Net realised gain on financial assets available- for-sale transferred to the profit and loss during the period		(202)	(143)	(3,722)
Net unrealised loss on hedging instruments		(144)	(494)	-
OTHER COMPREHENSIVE INCOME		6,349	(136)	(796)
TOTAL COMPREHENSIVE INCOME		15,742	13,549	6,495

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

3 August 2012
Almaty, Kazakhstan

3 August 2012
Almaty, Kazakhstan

The notes on pages 9-36 form an integral part of these interim condensed financial statements.

EURASIAN DEVELOPMENT BANK

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

(in thousands of US dollars)

	Note	Unaudited 30 June 2012	31 December 2011	31 December 2010
ASSETS				
Cash and balances with national (central) banks of Member states of the Bank		361	102	222,389
Financial assets at fair value through profit or loss	10	19	5,918	910
Loans and advances to banks	12	652,309	731,215	521,894
Loans to customers	13	1,397,257	1,343,996	820,953
Financial assets available-for-sale	14	715,257	377,837	215,147
Investments held-to-maturity	15	328,918	302,980	697,088
Non-current assets held for sale		48,311	48,311	45,613
Property and equipment		17,210	17,841	22,112
Intangible assets		1,103	1,296	1,188
Other assets		9,406	8,187	5,299
TOTAL ASSETS		3,170,151	2,837,683	2,552,593
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and deposits from banks	16	68,634	73,057	56,541
Financial liabilities at fair value through profit or loss	10	4,198	5,755	2,337
Hedging derivative financial instrument	11	20,178	18,614	-
Debt securities issued	17	1,353,706	1,037,817	810,687
Other liabilities		27,693	22,440	19,531
Total liabilities		1,474,409	1,157,683	889,096
EQUITY:				
Share capital		1,515,700	1,515,700	1,515,600
Reserve fund	18	84,878	72,640	64,733
Hedging reserve		(5,888)	(5,744)	-
Revaluation reserve for financial assets available-for-sale		6,782	289	2,617
Retained earnings		94,270	97,115	80,547
Total equity		1,695,742	1,680,000	1,663,497
TOTAL LIABILITIES AND EQUITY		3,170,151	2,837,683	2,552,593

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

3 August 2012
Almaty, Kazakhstan

3 August 2012
Almaty, Kazakhstan

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EURASIAN DEVELOPMENT BANK

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012 (in thousands of US dollars)

	Share capital	Reserve Fund	Hedging reserve	Revaluation reserve for financial assets available-for-sale	Retained earnings	Total
31 December 2009	1,500,600	44,839	-	3,829	84,628	1,633,896
Net profit (unaudited)	-	-	-	-	7,291	7,291
Other comprehensive income (unaudited)	-	-	-	(796)	-	(796)
Total comprehensive income (unaudited)	-	-	-	(796)	7,291	6,495
Issue of ordinary share capital (unaudited)	15,000	-	-	-	-	15,000
Transfer to reserve fund (unaudited)	-	19,894	-	-	(19,894)	-
30 June 2010 (unaudited)	1,515,600	64,733	-	3,033	72,025	1,655,391
31 December 2010	1,515,600	64,733	-	2,617	80,547	1,663,497
Net profit	-	-	-	-	13,685	13,685
Other comprehensive income	-	-	(494)	358	-	(136)
Total comprehensive income	-	-	(494)	358	13,685	13,549
Transfer to reserve fund	-	7,907	-	-	(7,907)	-
30 June 2011	1,515,600	72,640	(494)	2,975	86,325	1,677,046
31 December 2011	1,515,700	72,640	(5,744)	289	97,115	1,680,000
Net profit (unaudited)	-	-	-	-	9,393	9,393
Other comprehensive income (unaudited)	-	-	(144)	6,493	-	6,349
Total comprehensive income (unaudited)	-	-	(144)	6,493	9,393	15,742
Transfer to reserve fund (unaudited)	-	12,238	-	-	(12,238)	-
30 June 2012 (unaudited)	1,515,700	84,878	(5,888)	6,782	94,270	1,695,742

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

3 August 2012
Almaty, Kazakhstan

3 August 2012
Almaty, Kazakhstan

The notes on pages 9-36 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 2012

(in thousands of US dollars)

	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011	Unaudited Six-month period ended 30 June 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans to customers	52,844	30,948	25,294
Interest received on loans and advances to banks	9,436	8,254	8,469
Interest and (loss)/income (paid)/received on/from financial assets and liabilities at fair value through profit or loss	(9,625)	(12,549)	34,051
Interest received on financial assets available-for-sale	4,982	7,098	14,194
Interest received on investments held-to-maturity	10,471	11,013	10,521
Interest paid on loans and deposits from banks	(749)	(966)	(725)
Interest paid on debt securities issued	(41,406)	(32,846)	(37,804)
Fees and commissions received	526	2,021	1,540
Fees and commissions paid	(108)	(281)	(178)
Other income received	27	22	136
Operating expenses paid	(20,923)	(17,176)	(15,360)
Cash flow from/(used in) operating activities before changes in operating assets and liabilities	5,475	(4,462)	40,138
Changes in operating assets			
Increase in loans to customers	(47,067)	(234,623)	(81,956)
Decrease/(increase) in loans and advances to banks	68,016	(40,938)	28,830
(Increase)/decrease in financial assets at fair value through profit or loss	-	913	38,939
Decrease/(increase) in other assets	875	(2,579)	303
Changes in operating liabilities			
(Decrease)/increase in deposits from banks	(23,330)	11,610	-
Increase in financial liabilities at fair value through profit or loss	-	2,182	68
Increase in other liabilities	10	184	2,870
Cash flow from/(used in) operating activities	3,979	(267,713)	29,192
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets available-for-sale	(1,044,586)	(187,646)	(39,616)
Proceeds from sale and redemption of financial assets available-for-sale	711,480	56,735	139,276
Purchase of investments held-to-maturity	(35,204)	(939,813)	(1,830,302)
Proceeds from redemption of investments held-to-maturity	7,800	1,082,800	1,930,200
Purchase of property, equipment and intangible assets	(460)	(517)	(901)
Cash flows (used in)/from investing activities	(360,970)	11,559	198,657

The notes on pages 9-36 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 2012 (CONTINUED)

(in thousands of US dollars)


	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011	Unaudited Six-month period ended 30 June 2010
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital	-	-	15,000
Proceeds from issuance of debt securities	365,623	256,822	-
Proceeds from loans from banks	18,722	24,819	8,219
Repayments of debt securities issued	(41,003)	-	-
Repayments of loans from banks	-	(35,373)	-
Cash flows from financing activities	343,342	246,268	23,219
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS, at beginning of the period	(13,649)	(9,886)	251,068
Effect of changes in foreign exchange rate on cash and cash equivalents	361,683	495,341	438,948
	2,388	16,181	(36,378)
CASH AND CASH EQUIVALENTS, at end of the period (Note 9)	350,422	501,636	653,638

On behalf of the management of the Bank:


I.V. Finogenov
Chairman of the Executive Board

3 August 2012
Almaty, Kazakhstan




B.K. Mukhambetzhano" data-bbox="645 615 840 645"/>
Managing Director, Finance
Member of the Executive Board

3 August 2012
Almaty, Kazakhstan

The notes on pages 9-36 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 2012

(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 2012, 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. The Bank finances large and medium investment projects that are medium-term and long-term in duration, including industrial and innovative programs of the Member states and interstate target programs. The Bank also provides financing for investment projects of inter regional significance, and lends to industrial companies of the Member states.

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 2012 was 284 (31 December 2011: 274; 31 December 2010: 238).

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 2012
(in thousands of US dollars)

1 BACKGROUND, CONTINUED

(a) Principal activities, continued

As at 30 June 2012 and 31 December 2011 and 2010, shares of the Bank were owned as follows:

	30 June 2012, %	31 December 2011, %	31 December 2010, %
The Russian Federation	65.97	65.97	65.98
The Republic of Kazakhstan	32.99	32.99	32.99
The Republic of Belarus	0.99	0.99	0.99
The Republic of Tajikistan	0.03	0.03	0.03
The Republic of Armenia	0.01	0.01	0.01
The Kyrgyz Republic	0.01	0.01	-
Total	100.00	100.00	100.00

These interim condensed financial statements were authorised for issue on 3 August 2012 by the management of the Bank.

(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 of the Bank 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 2011, as these interim condensed financial statements provide an update of previously reported financial information.

(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 ("USD") as it reflects the economic substance of the 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.

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 2012**
(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 13 “Loans to customers” and in Note 11 “Hedging derivative financial instrument”.

3 SIGNIFICANT ACCOUNTING POLICIES

In preparing these interim condensed financial statements the Bank applies the same accounting policies as those applied in the annual financial statements of the Bank for the year ended 31 December 2011.

4 NET INTEREST INCOME

	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011	Unaudited Six-month period ended 30 June 2010
Interest income comprises:			
Interest income on financial assets recorded at amortised cost	82,161	59,504	50,412
Interest income on financial assets at fair value through profit or loss	-	26	63
Interest income on financial assets available-for-sale	3,920	5,289	7,596
Total interest income	86,081	64,819	58,071
Interest income on financial assets recorded at amortised cost comprises:			
Interest on loans to customers	63,052	42,885	31,175
Interest on investments classified as held-to-maturity	8,930	9,454	10,528
Interest on loans and advances to banks	10,179	7,165	8,709
Total interest income on financial assets recorded at amortised cost	82,161	59,504	50,412
Interest expense comprises:			
Interest expense on financial liabilities recorded at amortised cost:			
Interest on debt securities issued	(46,749)	(36,233)	(36,026)
Interest on loans and deposits from banks	(933)	(1,089)	(761)
Total interest expense on financial liabilities recorded at amortised cost	(47,682)	(37,322)	(36,787)
Net interest income before provision for losses on interest bearing financial assets	38,399	27,497	21,284

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
(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 2012	Six-month period ended 30 June 2011	Unaudited Six-month period ended 30 June 2010
Beginning of the period	-	(19,214)	(6,562)
Provision for impairment losses	(12,301)	(1,402)	(7,614)
Reversal of provision for impairment losses	3,036	7	687
Effect of foreign currency movements	29	(200)	500
End of the period	(9,236)	(20,809)	(12,989)

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

	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011	Unaudited Six-month period ended 30 June 2010
Beginning of the period	(297)	(60)	-
Provision for losses	(42)	(1)	-
Reversal of provision for impairment losses	103	-	-
End of the period	(236)	(61)	-

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

	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011	Unaudited Six-month period ended 30 June 2010
Net (loss)/gain on financial assets held for trading	(15,386)	(12,572)	34,053
Total net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(15,386)	(12,572)	34,053
Net (loss)/gain on operations with financial assets held-for-trading comprise:			
Net (loss)/gain on operations with derivative financial instruments in foreign currency	(15,386)	(12,743)	31,916
Unrealised (loss)/gain on fair value adjustment of debt securities	-	(2)	1,744
Realised gain on trading operations	-	173	393
Total net (loss)/gain on operations with financial assets and liabilities at fair value through profit or loss	(15,386)	(12,572)	34,053

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
(in thousands of US dollars)

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

	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011	Unaudited Six-month period ended 30 June 2010
Translation differences, net	16,457	15,583	(31,253)
Dealing, net	(727)	(80)	(468)
Total net gain/(loss) on transactions in foreign currencies	15,730	15,503	(31,721)

8 OPERATING EXPENSES

	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011	Unaudited Six-month period ended 30 June 2010
Staff costs and other payments to employees	14,458	12,198	7,875
Premises expenses	1,679	1,354	1,264
Depreciation and amortisation	1,300	1,068	834
Business trip expenses	967	889	757
Business development expenses	715	475	344
Security	659	454	406
Communication expenses	513	463	410
Professional services	472	529	669
Maintenance of acquired systems and programs	439	458	423
Training	223	236	232
Transportation expenses	199	164	158
Research and regional development expenses	160	403	976
Office, postal and printing expenses	93	86	54
Other	661	668	384
Total operating expenses	22,538	19,445	14,786

9 CASH AND CASH EQUIVALENTS

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

	Unaudited 30 June 2012	31 December 2011	31 December 2010
Loans and advances to banks	350,061	361,581	272,952
Cash and balances with national (central) banks of Member states of the Bank	361	102	222,389
Total cash and cash equivalents	350,422	361,683	495,341

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
(in thousands of US dollars)

10 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2012	31 December 2011	31 December 2010
Financial assets held-for-trading - derivative financial instruments	19	5,918	910
Total financial assets at fair value through profit or loss	19	5,918	910

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount (as a US dollar equivalent) of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	Unaudited 30 June 2012		31 December 2011		31 December 2010	
	Notional amount	Net fair value Asset Liability	Notional amount	Net fair value Asset Liability	Notional amount	Net fair value Asset Liability
Foreign currency contracts						
Swaps	379,041	17 (4,177)	527,041	5,909 (5,656)	231,461	- (2,307)
Forwards	6,667	2 (21)	54,644	9 (99)	151,891	910 (30)
		19 (4,198)		5,918 (5,755)		910 (2,337)

11 HEDGING DERIVATIVE FINANCIAL INSTRUMENT

The entire amount of hedging derivative financial instrument as at 30 June 2012 comprises the fair value of a cross-currency interest rate swap agreement that the Bank entered into on 14 February 2011.

During the six-month period ended 30 June 2012 a spot element of the foreign currency swaps has been recognised in profit or loss in the amount of 16,503 thousand US dollars.

During the six-month period ended 30 June 2012 management revised the assumptions used to value the foreign currency swap following the changes in underlying market conditions. In determining the fair value of the swaps management assumed the following rates appropriate for the Bank: 7.83% in RUB and 0.62% in USD.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012
(in thousands of US dollars)

12 LOANS AND ADVANCES TO BANKS

	Unaudited		
	30 June	31 December	31 December
	2012	2011	2010
Loans to banks	248,062	238,515	116,112
Correspondent accounts with other banks	222,413	210,605	212,932
Term deposits in other banks	139,434	157,597	58,455
Loans under reverse repurchase agreements	41,449	123,859	132,867
Correspondent accounts with other banks on broker operations	1,187	936	1,588
	<u>652,545</u>	<u>731,512</u>	<u>521,954</u>
Less country risk provisions	(236)	(297)	(60)
	<u>(236)</u>	<u>(297)</u>	<u>(60)</u>
Total loans and advances to banks	<u>652,309</u>	<u>731,215</u>	<u>521,894</u>

As at 30 June 2012, the Bank had receivables amounting to 213,177 thousand US dollars from one bank of a Member state (31 December 2011: 238,471 thousand US dollars from one bank; 31 December 2010: 211,805 thousand US dollars from one bank). All these amounts individually exceeded 10% of the Bank's equity as at 30 June 2012 and 31 December 2011 and 2010, respectively.

As at 30 June 2012, loans and advances to banks included five loans in the amount of 35,171 thousand US dollars (31 December 2011: five loans in the amount of 50,907 thousand US dollars; 31 December 2010: one loan in the amount of 3,000 thousand US dollars), against which the Bank recorded country risk provisions in the amount of 236 thousand US dollars (31 December 2011: 297 thousand US dollars; 31 December 2010: 60 thousand US dollars).

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 June 2012 and 31 December 2011 and 2010 are presented as follows:

	Unaudited					
	30 June 2012		31 December 2011		31 December 2010	
	Carrying	Fair value	Carrying	Fair value	Carrying	Fair value
	value of	of collateral	value of	of collateral	value of	of collateral
	loans	of collateral	loans	of collateral	loans	of collateral
Bonds issued by banks and financial institutions of the Russian Federation	41,449	47,747	79,893	92,112	84,067	89,273
Bonds issued by non-financial organisations	-	-	43,966	51,710	48,800	54,711
	<u>41,449</u>	<u>47,747</u>	<u>123,859</u>	<u>143,822</u>	<u>132,867</u>	<u>143,984</u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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13 LOANS TO CUSTOMERS

	Unaudited 30 June 2012	31 December 2011	31 December 2010
Loans to customers	1,406,493	1,343,996	840,167
Less allowance for impairment losses	(9,236)	-	(19,214)
Total loans to customers	1,397,257	1,343,996	820,953

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

	Unaudited 30 June 2012	31 December 2011	31 December 2010
Loans collateralised by real estate, equipment and inventories	748,365	657,179	491,950
Loans collateralised by guarantees	627,165	661,869	322,798
Loans collateralised by future cash inflows	30,963	24,948	25,419
	1,406,493	1,343,996	840,167
Less allowance for impairment losses	(9,236)	-	(19,214)
Total loans to customers	1,397,257	1,343,996	820,953

Loans to customers with a net carrying amount of 627,165 thousand US dollars (31 December 2011: 661,869 thousand US dollars; 31 December 2010: 322,798 thousand US dollars), which are neither past due nor impaired, are collateralised by guarantees issued by governments of the Member-state of the Bank, state entities, financial and commercial organisations and individuals.

For loans to customers with a net carrying amount of 748,365 thousand US dollars (31 December 2011: 657,179 thousand US dollars; 31 December 2010: 491,950 thousand US dollars), which are neither past due nor impaired, the fair value of collateral was estimated either at the inception of the collateral or at a subsequent date.

The recoverability of the above loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the current value of the collateral does not impact the impairment assessment.

	Unaudited 30 June 2012	31 December 2011	31 December 2010
Analysis by sector:			
Transport and communication	570,687	564,205	306,386
Chemical industry	242,063	231,280	81,290
Agriculture	212,827	232,171	160,160
Mining and metallurgy	113,074	81,401	77,254
Energy	99,445	81,682	67,647
Infrastructure	19,060	2,219	-
Other processing	149,337	151,038	147,430
	1,406,493	1,343,996	840,167
Less allowance for losses	(9,236)	-	(19,214)
Total loans to customers	1,397,257	1,343,996	820,953

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13 LOANS TO CUSTOMERS, CONTINUED

As at 30 June 2012, the Bank had three impaired loans in the total amount of 169,785 thousand US dollars (31 December 2011: none; 31 December 2010: one loan with outstanding amount of 22,789 thousand US dollars). The Bank estimates loan impairment for loans to customers based on the analysis of future cash flows for impaired loans. No collective provision was recognised in respect of other loans to customers as all possible risks have been considered in individual impairment test.

As at 30 June 2012, loans to customers included accrued interest income amounting to 33,574 thousand US dollars (31 December 2011: 25,572 thousand US dollars; 31 December 2010: 1,939 thousand US dollars).

Concentration of loans to customers

As at 30 June 2012 the Bank has one customer (31 December 2011: one customer; 31 December 2010: one customer), whose balances exceeded 10% of total equity. The gross value of this loan as at 30 June 2012 is 281,484 thousand US dollars (31 December 2011: 291,446 thousand US dollars; 31 December 2010 175,668 thousand US dollars).

14 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	Unaudited 30 June 2012	31 December 2011	31 December 2010
Debt securities	614,897	317,611	180,427
Equity securities	100,360	60,226	34,720
Total financial assets available-for-sale	715,257	377,837	215,147

	Unaudited 30 June 2012		31 December 2011		31 December 2010	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Debt securities						
US Treasury bills	-	504,868	-	199,998	-	-
Bonds issued by banks and financial institutions of the Russian Federation	3.30-11.00%	108,084	6.47-11.00%	99,676	5.93-11.00%	118,889
Bonds issued by non-financial organisations	8.50%	1,945	6.10-6.13%	17,937	6.10-8.13%	56,235
Bonds issued by banks and financial institutions of the Republic of Kazakhstan	-	-	-	-	9.25%	5,303
		614,897		317,611		180,427

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14 FINANCIAL ASSETS AVAILABLE-FOR-SALE, CONTINUED

	Unaudited 30 June 2012		31 December 2011		31 December 2010	
	Ownership interest	Fair value	Ownership interest	Fair value	Ownership interest	Fair value
Equity securities						
Shares of OJSC “Bank of Khanty-Mansiysk”	3%	34,720	3%	34,720	3%	34,720
Investments into private equity fund “Macquarie Renaissance Infrastructure Fund”	15.87%	65,640	15.87%	25,506	-	-
		<u>100,360</u>		<u>60,226</u>		<u>34,720</u>

Shares of OJSC “Bank of Khanty-Mansiysk” are carried at cost of 34,720 thousand US dollars which approximates fair value as at 30 June 2012. The methodology used to value these shares is a comparable approach using EV/Book Value of Equity multiple.

On 17 January 2012 and 30 March 2012, the Bank has made a contribution to the private equity fund “Macquarie Renaissance Infrastructure Fund” in a total amount of 36,725 thousand US dollars (Note 18).

15 INVESTMENTS HELD-TO-MATURITY

	Unaudited 30 June 2012		31 December 2011		31 December 2010	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
Eurobonds of the Russian Federation	3.25-7.50%	242,501	7.50%	245,628	7.50%	264,016
Bonds issued by non-financial organisations	4.07-9.63%	52,058	9.63%	36,328	9.63%	37,330
Bonds issued by banks and financial institutions of the Russian Federation	4.95-6.61%	34,359	6.61%	21,024	6.61%	20,800
Bonds issued by Governments of foreign countries	-	-	-	-	-	374,942
Total investments held-to-maturity		<u>328,918</u>		<u>302,980</u>		<u>697,088</u>

16 LOANS AND DEPOSITS FROM BANKS

	Unaudited 30 June 2012	31 December 2011	31 December 2010
Loans from banks	68,634	49,681	56,541
Short-term deposit from bank	-	23,376	-
Total loans and deposits from banks	<u>68,634</u>	<u>73,057</u>	<u>56,541</u>

Maturities of amounts of loans and deposits from banks are included in Note 21 under liquidity risk.

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17 DEBT SECURITIES ISSUED

	Unaudited 30 June 2012	31 December 2011	31 December 2010
USD denominated 5-year Eurobonds due in September 2014, interest rate 7.375%, net of discount	508,439	508,244	507,853
RUB denominated 7-year bonds (“the Rouble Bonds”) due in February 2018, interest rate 7.7%, net of discount	158,033	159,398	-
RUB denominated 7-year bonds (“the Rouble Bonds”) due in January 2019, interest rate 8.5%, net of discount	155,717	-	-
RUB denominated 7-year bonds (“the Rouble Bonds”) due in February 2019, interest rate 8.5%, net of discount	154,859	-	-
RUB denominated 7-year bonds (“the Rouble Bonds”) due in October 2016, interest rate 7.5%, net of discount	152,928	153,927	165,814
KZT denominated 5-year Eurobonds due in April 2014, interest rate indexed to the consumer price index of Kazakhstan, with the rate fixed at 8.0% from 29 April 2012 until 28 October 2012, net of discount	135,319	136,579	137,020
USD denominated 1-year euro-commercial papers due in January 2013, interest rate 0%, net of discount	48,986	-	-
USD denominated 1-year euro-commercial papers due in November 2012, interest rate 0%, net of discount	39,424	38,666	-
EUR denominated 1-year euro-commercial papers due in May 2012, interest rate 0%, net of discount	-	41,003	-
Total debt securities issued	1,353,706	1,037,817	810,687

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. The Eurobonds bear an interest rate fixed at 7.375% per annum.

On 15 February 2011, the Bank issued Rouble Bonds 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 7.7% per annum until 11 February 2014 and after 11 February 2014 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 6 February 2012, the Bank issued Rouble Bonds 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 8.5% per annum until 5 February 2014 and after 5 February 2014 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 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 8.5% per annum until 2 March 2015 and after 2 March 2015 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.

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17 DEBT SECURITIES ISSUED, CONTINUED

On 3 November 2009, the Bank issued Rouble Bonds 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 10.5% per annum until 1 November 2011 and after 1 November 2011 and consequently unilaterally determined by the Bank at 7.5% per annum till 31 October 2013.

On 28 April 2009, the Bank issued its debut Eurobonds denominated in Tenge on the special trading platform of the Regional Financial Centre of Almaty city as part of its Euro Medium Term Note Programme (“EMTN Programme”) for a total of 20.0 billion Tenge with maturity date on 28 April 2014. The Eurobonds bear an interest rate which is indexed to the consumer price index of Kazakhstan, with the rate fixed at 8.0% per annum from 29 April 2012 until 28 October 2012.

On 18 November 2011 the Bank placed its euro-commercial papers for 40,000 thousand US dollars due on 16 November 2012. On 19 January 2012 the Bank placed its euro-commercial papers for 50,000 thousand US dollars due on 17 January 2013. These euro-commercial papers are part of the Bank’s Euro-Commercial Paper Programme (“ECP Programme”) for the total amount of 3.5 billion US dollars registered on 16 July 2010.

18 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 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 2012 and 31 December 2011 and 2010, the nominal or contractual amounts were:

	Unaudited 30 June 2012 Nominal Amount	31 December 2011 Nominal Amount	31 December 2010 Nominal amount
Commitments on loans and unused credit lines	1,427,481	1,059,241	1,044,878
Commitments to join private equity funds	32,145	68,870	100,000
Guarantees issued	15,420	-	-
Letters of credit issued	-	-	194
Total contingent liabilities and credit commitments	1,475,046	1,128,111	1,145,072

Fiduciary activities

The Bank provides trust services to the Anti-crisis Fund (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 2012 the maximum potential financial risk on securities and due from banks accepted by the Bank on behalf of the Fund does not exceed 58,152 thousand US dollars (31 December 2011: 249,793 thousand US dollars; 31 December 2010: 281,637 thousand US dollars). These amounts represent clients’ funds under the management of the Bank as at respective dates.

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19 TRANSACTIONS WITH RELATED PARTIES

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

(a) Transactions with key management

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

	Unaudited Six-month period ended 30 June 2012		Six-month period ended 30 June 2011		Unaudited Six-month period ended 30 June 2010	
	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
Staff costs and other payments to employees	2,811	14,458	1,710	12,198	2,030	7,875

The outstanding balances as at 30 June 2012 and 31 December 2011 and 2010 for transactions with the key management personnel are as follows:

	Unaudited		
	30 June 2012	31 December 2011	31 December 2010
Condensed statement of financial position			
Other liabilities	2,752	4,012	3,068

(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 Anti-crisis Fund.

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19 TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(b) Transactions with other related parties, continued

The outstanding balances and the related average interest rates as at 30 June 2012 and 31 December 2011 and 2010 with other related parties are as follows.

	Unaudited		31 December 2011		31 December 2010	
	30 June 2012		Other related parties	Average interest rate, %	Other related parties	Average interest rate, %
Condensed statement of financial position						
ASSETS						
Cash and balances with national (central) banks of Member states of the Bank	328	-	46	-	222,351	0.98%
Loans and advances to banks	263,882	0.08%	288,516	0.13%	211,844	0.05%
Loans to customers	140,346	6.12%	134,123	5.51%	141,706	5.57%
Financial assets available-for-sale	67,562	6.43%	59,764	6.75%	87,395	6.86%
Investments held-to-maturity	328,918	6.55%	266,652	7.43%	322,145	7.69%
LIABILITIES:						
Other liabilities	-	-	412	-	499	-
Guarantees received	109,017	-	100,987	-	114,973	-
Commitments	467,461	-	489,866	-	475,106	-

The profit or loss amounts of transactions for the six-month periods ended 30 June 2012, 2011 and 2010 with other related parties are as follows.

	Unaudited		
	Six-month period ended 30 June 2012	Six-month period ended 30 June 2011	Six-month period ended 30 June 2010
Profit /(loss)			
Interest income	14,604	13,684	14,874
Net realised gain on financial assets available-for-sale	179	-	434
Net (loss)/gain on transactions in foreign currencies	(5,014)	16,896	(32,257)
Fee and commission income	76	158	77
Other income	1,799	1,446	-

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20 SEGMENT REPORTING

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

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

	Unaudited Russia	Unaudited Kazakhstan	Unaudited Other countries	Unaudited Total as at and for the six-month period ended 30 June 2012
Interest income	47,338	21,951	16,792	86,081
Interest expense	(23,101)	(6,311)	(18,270)	(47,682)
Provisions for impairment losses on loans to customers	(7,722)	(4,592)	(29)	(12,343)
Reversal of provisions for impairment losses on loans to customers	-	3,110	29	3,139
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	7,846	10	(23,242)	(15,386)
Net realised gain on financial assets available-for-sale	179	-	23	202
Net gain/(loss) on transactions in foreign currencies	27,545	205	(12,020)	15,730
Fee and commission income	167	222	87	476
Fee and commission expense	(19)	(16)	(76)	(111)
Other income	1,800	6	19	1,825
External operating income	54,033	14,585	(36,687)	31,931
Capital expenditure	102	358	22	482
Depreciation and amortisation	170	1,085	45	1,300
Cash and balances with national (central) banks of Member states of the Bank	309	52	-	361
Financial assets at fair value through profit or loss	2	-	17	19
Loans and advances to banks	400,888	69,855	181,566	652,309
Loans to customers	704,322	470,588	222,347	1,397,257
Financial assets available-for-sale	208,444	1,945	504,868	715,257
Investments held-to-maturity	328,918	-	-	328,918
Non-current assets held for sale	-	48,311	-	48,311
Property, equipment and intangible assets	667	17,517	129	18,313
Other assets	5,927	3,187	292	9,406
Total assets	1,649,477	611,455	909,217	3,170,151
Total liabilities	620,680	153,359	700,370	1,474,409

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20 SEGMENT REPORTING, CONTINUED

	Russia	Kazakhstan	Other countries	Total for the six- month period ended 30 June 2011
Interest income	38,861	16,252	9,706	64,819
Interest expense	(11,438)	(5,990)	(19,894)	(37,322)
Provisions for impairment losses on loans to customers	-	(1,401)	(1)	(1,402)
Reversal of provisions for impairment losses on loans to customers	-	6	-	6
Net gain/(loss) on financial assets at fair value through profit or loss	(16,618)	(208)	4,254	(12,572)
Realised gain on financial assets available-for-sale	36	29	78	143
Net gain/(loss) on transactions in foreign currencies	(5,656)	2,240	18,919	15,503
Fee and commission income	1,506	666	390	2,562
Fee and commission expense	(16)	-	(59)	(75)
Other income	1,457	10	1	1,468
External operating income	8,132	11,604	13,394	33,130
Capital expenditure	151	345	26	522
Depreciation and amortisation	203	829	36	1,068
				Total as at 31 December 2011
Cash and balances with national (central) banks of Member states of the Bank	31	71	-	102
Financial assets at fair value through profit or loss	1,904	-	4,014	5,918
Loans and advances to banks	406,937	70,030	254,248	731,215
Loans to customers	700,046	425,680	218,270	1,343,996
Financial assets available-for- sale	177,839	-	199,998	377,837
Investments held-to-maturity	302,980	-	-	302,980
Non-current assets held-for-sale	-	48,311	-	48,311
Property, equipment and intangible assets	734	18,252	151	19,137
Other assets	5,304	2,833	50	8,187
Total assets	1,595,775	565,177	676,731	2,837,683
Total liabilities	316,731	154,700	686,252	1,157,683

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20 SEGMENT REPORTING, CONTINUED

	Unaudited Russia	Unaudited Kazakhstan	Unaudited Other countries	Unaudited Total for the six- month period ended 30 June 2010
Interest income	34,550	21,258	2,263	58,071
Interest expense	(8,734)	(8,624)	(19,429)	(36,787)
Provisions for losses on loans to customers	(1,253)	(6,361)	-	(7,614)
Reversal of provisions for losses on loans to customers	1	686	-	687
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	33,795	(234)	492	34,053
Realised gain/(loss) on financial assets available-for-sale	2,053	4	1,665	3,722
Net gain/(loss) on transactions in foreign currencies	(528)	608	(31,801)	(31,721)
Fee and commission income	1,351	230	56	1,637
Fee and commission expense	(60)	(8)	(53)	(121)
Other income	3	146	1	150
External operating income	61,178	7,705	(46,806)	22,077
Capital expenditure	154	2,828	200	3,182
Depreciation and amortisation	160	654	20	834
				Total as at 31 December 2010
Cash and balances with national (central) banks of Member-states of the Bank	-	222,389	-	222,389
Financial assets at fair value through profit or loss	-	-	910	910
Loans and advances to banks	279,163	70,320	172,411	521,894
Loans to customers	479,924	317,500	23,529	820,953
Financial assets available-for-sale	209,844	5,303	-	215,147
Investments held-to-maturity	322,146	-	374,942	697,088
Non-current assets held for sale	-	45,613	-	45,613
Property, equipment and intangible assets	1,059	22,028	213	23,300
Other assets	3,635	1,211	453	5,299
Total assets	1,295,771	684,364	572,458	2,552,593
Total liabilities	172,611	151,128	565,357	889,096

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.

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20 SEGMENT REPORTING, CONTINUED

For the six-month period ended 30 June 2012, interest income on one loan to a customer (30 June 2011: one loan; 30 June 2010: nil) individually exceeds 10% of total revenue and amounts to 15,685 thousand US dollars (30 June 2011: 10,225 thousand US dollars; 30 June 2010: nil). For the six-month period ended 30 June 2012, interest income on financial assets held-to-maturity and available-for sale of one issuer (30 June 2011 and 2010: one issuer) individually exceed 10% of total revenue and amount to 6,904 thousand US dollars (30 June 2011: 7,328 thousand US dollars; 30 June 2010: 9,529 thousand US dollars).

21 RISK MANAGEMENT

(a) Credit risk

As at 30 June 2012, the credit ratings of the counterparties have not significantly changed compared to 31 December 2011.

(b) Liquidity risk

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 Bank.

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21 RISK MANAGEMENT, CONTINUED**(b) Liquidity risk, continued**

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Unaudited 30 June 2012 Total
FINANCIAL ASSETS:								
Loans and advances to banks	2.74%	386,208	26,667	120,032	108,931	-	-	641,838
Loans to customers	8.98%	-	-	173,052	563,737	660,468	-	1,397,257
Financial assets available-for-sale	2.15%	99,998	199,977	193,533	72,959	48,430	-	614,897
Investments held-to-maturity	6.55%	-	-	82,841	9,620	236,457	-	328,918
Total interest bearing financial assets		486,206	226,644	569,458	755,247	945,355	-	2,982,910
Cash and balances with the national (central) banks of the Member states of the Bank	-	361	-	-	-	-	-	361
Financial assets at fair value through profit or loss	-	19	-	-	-	-	-	19
Loans and advances to banks	-	10,471	-	-	-	-	-	10,471
Financial assets available-for-sale	-	-	-	-	-	65,640	34,720	100,360
Other financial assets	-	-	-	4,114	-	-	-	4,114
Total financial assets		497,057	226,644	573,572	755,247	1,010,995	34,720	3,098,235

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21 RISK MANAGEMENT, CONTINUED**(b) Liquidity risk, continued**

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Unaudited 30 June 2012 Total
FINANCIAL LIABILITIES:								
Loans and deposits from banks	2.26%	-	-	29,937	19,805	18,892	-	68,634
Debt securities issued	7.24%	-	-	88,410	796,687	468,609	-	1,353,706
Total interest bearing financial liabilities		-	-	118,347	816,492	487,501	-	1,422,340
Financial liabilities at fair value through profit or loss	-	4,198	-	-	-	-	-	4,198
Hedging derivative financial instrument	-	-	-	-	20,178	-	-	20,178
Other financial liabilities	-	1,307	-	17,982	7,927	-	-	27,216
Total financial liabilities		5,505	-	136,329	844,597	487,501	-	1,473,932
Liquidity gap		491,552	226,644	437,243	(89,350)	523,494	34,720	
Interest sensitivity gap		486,206	226,644	451,111	(61,245)	457,854	-	
Cumulative interest sensitivity gap		486,206	712,850	1,163,961	1,102,716	1,560,570	1,560,570	
Cumulative interest sensitivity gap as a percentage of total financial assets		15.69%	23.01%	37.57%	35.59%	50.37%	50.37%	

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
(in thousands of US dollars)

21 RISK MANAGEMENT, CONTINUED**(b) Liquidity risk, continued**

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
FINANCIAL ASSETS:								
Loans and advances to banks	2.50%	490,780	-	82,548	154,776	-	-	728,104
Loans to customers	9.02%	-	-	99,658	373,115	871,223	-	1,343,996
Financial assets available-for-sale	3.05%	-	207,710	24,534	37,631	47,736	-	317,611
Investments held-to-maturity	7.70%	-	-	21,024	36,328	245,628	-	302,980
Total interest bearing financial assets		490,780	207,710	227,764	601,850	1,164,587	-	2,692,691
Cash and balances with the national (central) banks of the Member states of the Bank	-	102	-	-	-	-	-	102
Financial assets at fair value through profit or loss	-	2,669	545	2,704	-	-	-	5,918
Loans and advances to banks	-	3,111	-	-	-	-	-	3,111
Financial assets available-for-sale	-	-	-	-	-	25,506	34,720	60,226
Other financial assets	-	83	-	3,536	-	-	-	3,619
Total financial assets		496,745	208,255	234,004	601,850	1,190,093	34,720	2,765,667

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
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21 RISK MANAGEMENT, CONTINUED**(b) Liquidity risk, continued**

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
FINANCIAL LIABILITIES:								
Loans and deposits from banks	1.91%	-	23,276	29,903	-	19,878	-	73,057
Debt securities issued	7.14%	-	-	79,668	798,751	159,398	-	1,037,817
Total interest bearing financial liabilities		-	23,276	109,571	798,751	179,276	-	1,110,874
Financial liabilities at fair value through profit or loss	-	83	23	5,649	-	-	-	5,755
Hedging derivative financial instrument	-	-	-	-	18,614	-	-	18,614
Other financial liabilities	-	970	5,895	8,657	6,633	-	-	22,155
Total financial liabilities		1,053	29,194	123,877	823,998	179,276	-	1,157,398
Liquidity gap		495,692	179,061	110,127	(222,148)	1,010,817	34,720	
Interest sensitivity gap		490,780	184,434	118,193	(196,901)	985,311	-	
Cumulative interest sensitivity gap		490,780	675,214	793,407	596,506	1,581,817	1,581,817	
Cumulative interest sensitivity gap as a percentage of total financial assets		17.75%	24.41%	28.69%	21.57%	57.19%	57.19%	

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
(in thousands of US dollars)

21 RISK MANAGEMENT, CONTINUED**(b) Liquidity risk, continued**

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
FINANCIAL ASSETS:								
Cash and balances with the national (central) banks of the Member states of the Bank	1.00%	220,608	-	-	-	-	-	220,608
Loans and advances to banks	3.01%	403,642	-	3,746	112,306	-	-	519,694
Loans to customers	9.30%	-	-	1,939	300,338	515,101	-	817,378
Financial assets available-for- sale	8.01%	8,797	5,997	44,537	70,474	50,622	-	180,427
Investments held-to-maturity	3.44%	224,980	149,962	5,677	56,816	259,653	-	697,088
Total interest bearing financial assets		858,027	155,959	55,899	539,934	825,376	-	2,435,195
Cash and balances with the national (central) banks of the Member states of the Bank		1,781	-	-	-	-	-	1,781
Financial assets at fair value through profit or loss		910	-	-	-	-	-	910
Loans and advances to banks		2,200	-	-	-	-	-	2,200
Loans to customers		-	-	3,575	-	-	-	3,575
Financial assets available-for- sale		-	-	-	-	-	34,720	34,720
Other financial assets		79	-	1,275	-	-	-	1,354
Total financial assets		862,997	155,959	60,749	539,934	825,376	34,720	2,479,735

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
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21 RISK MANAGEMENT, CONTINUED**(b) Liquidity risk, continued**

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
FINANCIAL LIABILITIES:								
Loans and deposits from banks	2.77%	-	-	33,697	-	22,844	-	56,541
Debt securities issued	8.01%	-	-	14,029	633,622	163,036	-	810,687
Total interest bearing financial liabilities		-	-	47,726	633,622	185,880	-	867,228
Financial liabilities at fair value through profit or loss		2,337	-	-	-	-	-	2,337
Other financial liabilities		2,412	3,842	8,484	4,747	-	-	19,485
Total financial liabilities		4,749	3,842	56,210	638,369	185,880	-	889,050
Liquidity gap		858,248	152,117	4,539	(98,435)	639,496	34,720	
Interest sensitivity gap		858,027	155,959	8,173	(93,688)	639,496	-	
Cumulative interest sensitivity gap		858,027	1,013,986	1,022,159	928,471	1,567,967	1,567,967	
Cumulative interest sensitivity gap as a percentage of total financial assets		34.60%	40.89%	41.22%	37.44%	63.23%	63.23%	

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21 RISK MANAGEMENT, CONTINUED**(b) Liquidity risk, continued**

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

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Unaudited 30 June 2012 Total
FINANCIAL ASSETS:							
Cash and balances with national (central) banks of the Member states of the Bank	361	-	-	-	-	-	361
Financial assets at fair value through profit or loss	19	-	-	-	-	-	19
Loans and advances to banks	396,973	78,900	79,334	122,508	-	-	677,715
Loans to customers	1,085	18,968	271,700	934,006	803,566	-	2,029,325
Financial assets available-for-sale	125,811	200,289	199,937	93,840	117,785	34,720	772,382
Investments held-to-maturity	-	9,572	91,961	73,763	413,368	-	588,664
Other financial assets	-	-	4,114	-	-	-	4,114
Total financial assets	524,249	307,729	647,046	1,224,117	1,334,719	34,720	4,072,580
FINANCIAL LIABILITIES:							
Loans and deposits from banks	-	-	31,038	23,059	20,661	-	74,758
Financial liabilities at fair value through profit or loss	4,198	-	-	-	-	-	4,198
Hedging derivative financial instrument	-	-	-	20,178	-	-	20,178
Debt securities issued	6,554	30,928	156,303	932,570	526,915	-	1,653,270
Other financial liabilities	1,307	-	17,982	7,927	-	-	27,216
Commitments	52,050	62,341	371,106	974,129	-	-	1,459,626
Total financial liabilities	64,109	93,269	576,429	1,957,863	547,576	-	3,239,246
Net position	460,140	214,460	70,617	(733,746)	787,143	34,720	833,334

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
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21 RISK MANAGEMENT, CONTINUED**(b) Liquidity risk, continued**

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
FINANCIAL ASSETS:							
Cash and balances with national (central) banks of the Member states of the Bank	102	-	-	-	-	-	102
Financial assets at fair value through profit or loss	2,669	545	2,704	-	-	-	5,918
Loans and advances to banks	494,232	1,002	94,413	168,156	-	-	757,803
Loans to customers	6,689	16,760	196,572	762,829	997,521	-	1,980,371
Financial assets available-for-sale	726	207,729	31,612	57,249	79,456	34,720	411,492
Investments held-to-maturity	-	9,778	32,165	100,766	436,914	-	579,623
Other financial assets	83	-	3,536	-	-	-	3,619
Total financial assets	504,501	235,814	361,002	1,089,000	1,513,891	34,720	3,738,928
FINANCIAL LIABILITIES:							
Loans and deposits from banks	-	23,615	30,870	1,880	21,677	-	78,042
Financial liabilities at fair value through profit or loss	83	23	5,649	-	-	-	5,755
Hedging derivative financial instrument	-	-	-	18,614	-	-	18,614
Debt securities issued	-	5,990	149,074	964,441	168,794	-	1,288,299
Other financial liabilities	970	5,895	8,657	6,633	-	-	22,155
Commitments	23,838	-	227,285	876,988	-	-	1,128,111
Total financial liabilities	24,891	35,523	421,535	1,868,556	190,471	-	2,540,976
Net position	479,610	200,291	(60,533)	(779,556)	1,323,420	34,720	1,197,952

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
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21 RISK MANAGEMENT, CONTINUED**(b) Liquidity risk, continued**

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
FINANCIAL ASSETS:							
Cash and balances with national (central) banks of the Member states of the Bank	222,504	-	-	-	-	-	222,504
Financial assets at fair value through profit or loss	910	-	-	-	-	-	910
Loans and advances to banks	406,114	-	25,626	114,950	-	-	546,690
Loans to customers	-	-	98,196	453,153	738,213	-	1,289,562
Financial assets available-for-sale	8,816	6,026	55,076	91,506	61,379	34,720	257,523
Investments held-to-maturity	225,000	150,000	27,789	378,445	481,347	-	1,262,581
Other financial assets	79	-	1,275	-	-	-	1,354
Total financial assets	863,423	156,026	207,962	1,038,054	1,280,939	34,720	3,581,124
FINANCIAL LIABILITIES:							
Loans and deposits from banks	-	-	34,559	2,451	27,747	-	64,757
Financial liabilities at fair value through profit or loss	2,337	-	-	-	-	-	2,337
Debt securities issued	-	-	64,924	830,979	177,810	-	1,073,713
Other financial liabilities	2,412	3,842	8,484	4,747	-	-	19,485
Commitments	556	36,068	275,532	832,916	-	-	1,145,072
Total financial liabilities	5,305	39,910	383,499	1,671,093	205,557	-	2,305,364
Net position	858,118	116,116	(175,537)	(633,039)	1,075,382	34,720	1,275,760

The Bank plans to manage its liquidity gap for the period of 1 to 5 years through the issuance of debt securities and attraction of other borrowed funds.

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(in thousands of US dollars)

21 RISK MANAGEMENT, CONTINUED**(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: VaR, duration, modified duration and dollar value of 1 basis point. During six-month period ended 30 June 2012 there were no significant changes in market risk comparing to 31 December 2011.

(d) Currency risk

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

	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	Unaudited 30 June 2012 Total
Open balance sheet position	1,512,531	(26,106)	(128,539)	337,696	173	1,695,755
Net spot and derivative financial instruments position	159,697	25,487	128,364	(337,905)	-	(24,357)
TOTAL OPEN POSITION	1,672,228	(619)	(175)	(209)	173	
	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2011 Total
Open balance sheet position	1,304,295	(57,430)	139,252	222,064	88	1,608,269
Net spot and derivative financial instruments position	296,054	54,367	(142,901)	(222,479)	-	(14,959)
TOTAL OPEN POSITION	1,600,349	(3,063)	(3,649)	(415)	88	
	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2010 Total
Open balance sheet position	1,299,941	104,546	(62,560)	248,753	5	1,590,685
Net spot and derivative financial instruments position	300,251	(113,034)	60,617	(249,261)	-	(1,427)
TOTAL OPEN POSITION	1,600,192	(8,488)	(1,943)	(508)	5	