

EURASIAN DEVELOPMENT BANK

Unaudited Interim Condensed Financial Statements
For the six-month period ended 30 June 2013

EURASIAN DEVELOPMENT BANK

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Independent Auditors' Report on review of Interim Condensed Financial Information

To the Members of the Council of Eurasian Development Bank

Introduction

We have reviewed the accompanying condensed statement of financial position of Eurasian Development Bank as at 30 June 2013, and the related condensed statements of 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 2013 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

KPMG Audit LLC

KPMG Audit LLC

29 July 2013



«КПМГ Аудит» ЖШС, Қазақстанда тіркелген және KPMG Europe LLP бақылауындағы жауапкершілігі шектеулі серіктестік, Швейцария заңнамасы бойынша тіркелген KPMG International Cooperative ("KPMG International") қауымдастығына кіретін KPMG тәуелсіз фирмалар желісінің мүшесі.


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EURASIAN DEVELOPMENT BANK

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (in thousands of US dollars)


	Note	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
Interest income	4	116,965	86,081	64,819
Interest expense	4	(70,479)	(47,682)	(37,322)
Net interest income before provision for impairment losses on interest bearing assets		46,486	38,399	27,497
Provision for impairment losses on interest bearing assets	5	(59,698)	(9,204)	(1,396)
NET INTEREST (EXPENSE)/INCOME		(13,212)	29,195	26,101
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	6	7,307	(15,386)	(12,572)
Net realised gain on financial assets available-for-sale		99	202	143
Net (loss)/gain on transactions in foreign currencies	7	(11,873)	15,730	15,503
Fee and commission income	8	4,475	2,275	4,008
Fee and commission expense		(127)	(111)	(75)
Other income		5	27	22
Other expenses		(392)	(1)	-
Net non-interest (expense)/income		(506)	2,736	7,029
Net result from financial operations		(13,718)	31,931	33,130
Operating expenses	9	(24,151)	(22,538)	(19,445)
NET (LOSS)/PROFIT		(37,869)	9,393	13,685
OTHER COMPREHENSIVE INCOME:				
Items that are or may be reclassified subsequently to profit or loss:				
Net unrealised (loss)/gain on revaluation of financial assets available-for-sale		(3,265)	6,695	501
Net realised gain on financial assets available-for-sale transferred to the profit and loss during the period		(99)	(202)	(143)
Net unrealised gain/(loss) on hedging instruments		660	(144)	(494)
OTHER COMPREHENSIVE INCOME		(2,704)	6,349	(136)
TOTAL COMPREHENSIVE (LOSS)/INCOME		(40,573)	15,742	13,549

On behalf of the management of the Bank:


I.V. Finogenov
Chairman of the Executive Board

29 July 2013
Almaty, Kazakhstan




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

29 July 2013
Almaty, Kazakhstan

The notes on pages 9-35 form an integral part of these interim condensed financial statements.

EURASIAN DEVELOPMENT BANK

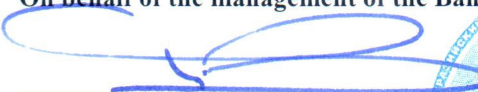
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

(in thousands of US dollars)


	Note	Unaudited 30 June 2013	31 December 2012	31 December 2011
ASSETS				
Cash and cash equivalents	10	253,515	434,936	361,683
Financial assets at fair value through profit or loss	11	1,273	657	5,918
Loans and advances to banks	13	381,377	304,176	369,634
Loans to customers	14	2,172,311	1,889,791	1,343,996
Financial assets available-for-sale	15	660,857	864,662	377,837
Investments held-to-maturity	16	412,663	315,360	302,980
Non-current assets held for sale		20,293	49,785	48,311
Property and equipment		16,073	16,514	17,841
Intangible assets		1,057	1,174	1,296
Other assets		10,141	6,953	8,187
TOTAL ASSETS		3,929,560	3,884,008	2,837,683
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and deposits from banks	17	51,628	37,676	73,057
Financial liabilities at fair value through profit or loss	11	799	1,853	5,755
Hedging derivative financial instrument	12	18,678	7,434	18,614
Debt securities issued	18	2,136,587	2,091,994	1,037,817
Other liabilities		53,359	35,969	22,440
Total liabilities		2,261,051	2,174,926	1,157,683
EQUITY:				
Share capital		1,515,700	1,515,700	1,515,700
Reserve fund		90,872	84,878	72,640
Hedging reserve		(2,397)	(3,057)	(5,744)
Revaluation reserve for financial assets available-for-sale		11,332	14,696	289
Retained earnings		53,002	96,865	97,115
Total equity		1,668,509	1,709,082	1,680,000
TOTAL LIABILITIES AND EQUITY		3,929,560	3,884,008	2,837,683

On behalf of the management of the Bank:


I.V. Finogenov
Chairman of the Executive Board

29 July 2013
Almaty, Kazakhstan




B.K. Mukhambetzhonov
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Member of the Executive Board

29 July 2013
Almaty, Kazakhstan

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EURASIAN DEVELOPMENT BANK

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (in thousands of US dollars)

	Share capital	Reserve fund	Hedging reserve	Revaluation reserve for financial assets available-for-sale	Retained earnings	Total
1 January 2011	1,515,600	64,733	-	2,617	80,547	1,663,497
Other comprehensive loss	-	-	(494)	358	-	(136)
Net profit	-	-	-	-	13,685	13,685
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
1 January 2012	1,515,700	72,640	(5,744)	289	97,115	1,680,000
Other comprehensive income (unaudited)	-	-	(144)	6,493	-	6,349
Net profit (unaudited)	-	-	-	-	9,393	9,393
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
1 January 2013	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)
Total comprehensive loss (unaudited)	-	-	660	(3,364)	(37,869)	(40,573)
Transfer to reserve fund (unaudited)	-	5,994	-	-	(5,994)	-
30 June 2013 (unaudited)	1,515,700	90,872	(2,397)	11,332	53,002	1,668,509

On behalf of the management of the Bank:

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Chairman of the Executive Board

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

29 July 2013
Almaty, Kazakhstan

29 July 2013
Almaty, Kazakhstan

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EURASIAN DEVELOPMENT BANK

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

(in thousands of US dollars)

	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans to customers	84,292	52,844	30,948
Interest received on loans and advances to banks	9,021	9,436	8,254
Interest and income/(loss) received/(paid) from financial assets and liabilities at fair value through profit or loss	5,637	(9,625)	(12,549)
Interest and income received on financial assets available-for-sale	6,504	4,982	7,098
Interest received on investments held-to-maturity	9,483	10,471	11,013
Interest paid on loans and deposits from banks	(1,035)	(749)	(966)
Interest paid on debt securities issued	(67,858)	(41,406)	(32,846)
Fees and commissions received	815	526	2,021
Fees and commissions paid	(119)	(108)	(281)
Other income received	7	27	22
Operating expenses paid	(21,067)	(20,923)	(17,176)
Cash inflow from/(used in) operating activities before changes in operating assets and liabilities	25,680	5,475	(4,462)
Changes in operating assets			
Increase in loans to customers	(352,476)	(47,067)	(234,623)
(Increase)/decrease in loans and advances to banks	(81,386)	68,016	(40,938)
Decrease in financial assets at fair value through profit or loss	-	-	913
Decrease/(increase) in other assets	277	875	(2,579)
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
Increase in other liabilities	47	10	184
Cash flows (used in)/from operating activities	(407,858)	3,979	(267,713)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets available-for-sale	(939,025)	(1,044,586)	(187,646)
Proceeds from sale and redemption of financial assets available-for-sale	1,141,388	711,480	56,735
Purchase of investments held-to-maturity	(142,291)	(35,204)	(939,813)
Proceeds from redemption of investments held-to-maturity	44,000	7,800	1,082,800
Purchase of property, equipment and intangible assets	(582)	(460)	(517)
Cash flows from/(used in) investing activities	103,490	(360,970)	11,559

The notes on pages 9-35 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 2013 (CONTINUED)

(in thousands of US dollars)

	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt securities issued	158,911	365,623	256,822
Repayments of debt securities issued	(50,000)	(41,003)	-
Proceeds from loans from banks	17,370	18,722	24,819
Repayments of loans from banks	(1,038)	-	(35,373)
Cash flows from financing activities	125,243	343,342	246,268
NET DECREASE IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS, at beginning of the period	(179,125)	(13,649)	(9,886)
Effect of changes in foreign exchange rate on cash and cash equivalents	434,936	361,683	495,341
	(2,296)	2,388	16,181
CASH AND CASH EQUIVALENTS, at end of the period (Note 10)	253,515	350,422	501,636

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

29 July 2013
Almaty, Kazakhstan



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

29 July 2013
Almaty, Kazakhstan

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EURASIAN DEVELOPMENT BANK
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013
(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 2013, 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 2013 was 302 (31 December 2012: 297; 31 December 2011: 274).

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 2013
(in thousands of US dollars)

1 BACKGROUND, CONTINUED

(a) Principal activities, continued

As at 30 June 2013 and 31 December 2012 and 2011, shares of the Bank were owned as follows:

	Unaudited 30 June 2013, %	31 December 2012, %	31 December 2011, %
The Russian Federation	65.97	65.97	65.97
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	0.01
Total	100.00	100.00	100.00

(b) Business environment

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

2 BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed financial statements are prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*. Accordingly, certain information and disclosures normally required to be included in the notes to the annual financial statements have been omitted or condensed. These interim condensed financial statements should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2012, as these interim condensed financial statements provide an update of previously reported financial information.

These interim condensed financial statements were authorised for issue on 29 July 2013 by the management of the Bank.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

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 2013**
(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 12 “Hedging derivative financial instrument”.

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 2012.

New standards and improvements to IFRS became effective from 1 January 2013 and have been adopted by the Bank since that date. These changes did not have a significant effect on the interim condensed financial statements.

Comparative information

The presentation relating to fee and commission income and other income was changed for the six-month period ended 30 June 2013 in comparison with the six-month period ended 30 June 2012 and 30 June 2011 to better present the nature of the underlying transactions. Comparative information is reclassified to conform to changes in presentation in the current period. The effect of this change in presentation is as follows:

	Unaudited Six-month period ended 30 June 2012 as previously reported	Unaudited Six-month period ended 30 June 2012 as currently reported	Six-month period ended 30 June 2011 as previously reported	Six-month period ended 30 June 2011 as currently reported
Reclassification of fee and commission related fees from “Other income” to “Fee and commission income”				
Fee and commission income	476	2,275	2,562	4,008
Other income	1,825	27	1,468	22
Other expenses	-	(1)	-	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013**
(in thousands of US dollars)

4 NET INTEREST INCOME

	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
Interest income comprises:			
Interest income on financial assets measured at amortised cost	112,918	82,161	59,504
Interest income on financial assets at fair value through profit or loss	-	-	26
Interest income on financial assets available-for-sale	4,047	3,920	5,289
Total interest income	116,965	86,081	64,819
Interest income on financial assets recorded at amortised cost comprises:			
Interest on loans to customers	95,931	63,052	42,885
Interest on loans and advances to banks	8,598	8,516	5,048
Interest on investments classified as held-to-maturity	7,966	8,930	9,454
Interest on cash and cash equivalents	423	1,663	2,117
Total interest income on financial assets recorded at amortised cost	112,918	82,161	59,504
Interest expense comprises:			
Interest expense on financial liabilities recorded at amortised cost			
Interest on debt securities issued	(68,854)	(46,749)	(36,233)
Interest on loans and deposits from banks	(1,625)	(933)	(1,089)
Total interest expense on financial liabilities recorded at amortised cost	(70,479)	(47,682)	(37,322)
Net interest income before provision for losses on interest bearing financial assets	46,486	38,399	27,497

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 2013	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
Beginning of the period	(30,816)	-	(19,214)
Net charge	(59,576)	(9,265)	(1,395)
Effect of foreign currency movements	2	29	(200)
End of the period	(90,390)	(9,236)	(20,809)

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

	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
Beginning of the period	(273)	(297)	(60)
Net (charge)/recovery	(122)	61	(1)
End of the period	(395)	(236)	(61)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013**
(in thousands of US dollars)

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

	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
Net gain/(loss) on derivative financial instruments in foreign currency	7,242	(15,386)	(12,743)
Net gain on debt securities	65	-	171
Total net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss	7,307	(15,386)	(12,572)

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

	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
Translation differences, net	(11,507)	16,457	15,583
Dealing, net	(366)	(727)	(80)
Total net (loss)/gain on transactions in foreign currencies	(11,873)	15,730	15,503

8 FEE AND COMMISSION INCOME

	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
Fee and commission income from Anti-crisis Fund of the Eurasian Economic Community	3,791	1,799	1,446
Other	684	476	2,562
Total fee and commission income	4,475	2,275	4,008

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013**
(in thousands of US dollars)

9 OPERATING EXPENSES

	Unaudited Six-month period ended 30 June 2013	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
Staff costs and other payments to employees (including accommodation cost of employees)	16,998	14,458	12,198
Premises expenses	1,684	1,679	1,354
Depreciation and amortisation	943	1,300	1,068
Business trip expenses	938	967	889
Security	685	659	454
Communication	588	513	463
Business development expenses	547	715	475
Professional services	423	472	529
Research and regional development expenses	337	160	403
Maintenance of acquired systems and programs	334	439	458
Transportation	213	199	164
Office, postal and printing expenses	89	93	86
Training	77	223	236
Other	295	661	668
Total operating expenses	24,151	22,538	19,445

10 CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2013	31 December 2012	31 December 2011
Cash and balances with national (central) banks of Member states of the Bank	1,474	67,659	102
Correspondent accounts with other banks	72,254	253,517	210,489
Term deposits in other banks	179,787	113,760	151,092
Total cash and cash equivalents	253,515	434,936	361,683

As at 30 June 2013, the Bank had no bank balances that would exceed 10% of the Bank's equity. As at 31 December 2012, the Bank had bank balances in amount of 232,466 thousand US dollars from one bank of a Member state; as at 31 December 2011, the Bank had bank balances in amount of 238,471 thousand US dollars from one bank of a Member state. These amounts individually exceeded 10% of the Bank's equity as at 31 December 2012 and 2011, respectively.

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

	Unaudited 30 June 2013	31 December 2012	31 December 2011
Derivative financial instruments	1,273	657	5,918
Total financial assets at fair value through profit or loss	1,273	657	5,918

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013**
(in thousands of US dollars)

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

	Unaudited 30 June 2013			31 December 2012			31 December 2011		
	Notional amount	Net fair value Asset	Net fair value Liability	Notional amount	Net fair value Asset	Net fair value Liability	Notional amount	Net fair value Asset	Net fair value Liability
Derivative financial instruments:									
Foreign currency contracts									
Swaps	445,260	1,189	(489)	296,679	657	(1,772)	527,041	5,909	(5,656)
Forwards	61,551	84	(310)	19,300	-	(81)	54,644	9	(99)
		<u>1,273</u>	<u>(799)</u>		<u>657</u>	<u>(1,853)</u>		<u>5,918</u>	<u>(5,755)</u>

12 HEDGING DERIVATIVE FINANCIAL INSTRUMENT

The entire amount of hedging derivative financial instrument as at 30 June 2013 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 2013 a loss on spot element of the foreign currency swaps has been recognised in profit or loss in the amount of 11,545 thousand US dollars (six-month period ended 30 June 2012: a loss of 1,380 thousand US dollars).

During the six-month period ended 30 June 2013 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: 7.02% in RUB and 0.37% in USD.

13 LOANS AND ADVANCES TO BANKS

	Unaudited 30 June 2013	31 December 2012	31 December 2011
Loans to banks	210,177	255,508	238,515
Loans under reverse repurchase agreements	151,473	48,941	123,859
Loans to financial organisations	20,122	-	-
Deposits in other banks	-	-	7,557
	<u>381,772</u>	<u>304,449</u>	<u>369,931</u>
Less country risk provisions	(395)	(273)	(297)
Total loans and advances to banks	<u>381,377</u>	<u>304,176</u>	<u>369,634</u>

As at 30 June 2013, loans and advances to banks include three loans in the amount of 71,810 thousand US dollars (31 December 2012: four loans in the amount of 52,007 thousand US dollars; 31 December 2011: five loans in the amount of 50,907 thousand US dollars), against which the Bank records country risk provisions in the amount of 395 thousand US dollars (31 December 2012: 273 thousand US dollars; 31 December 2011: 297 thousand US dollars).

The fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 June 2013, 31 December 2012 and 2011 are as follows:

	Unaudited 30 June 2013		31 December 2012		31 December 2011	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Bonds issued by banks and financial institutions of the Russian Federation	119,214	139,780	41,476	48,508	79,893	92,112
Bonds issued by non- financial organisations	32,259	37,993	7,465	8,580	43,966	51,710
	<u>151,473</u>	<u>177,773</u>	<u>48,941</u>	<u>57,088</u>	<u>123,859</u>	<u>143,822</u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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14 LOANS TO CUSTOMERS**(a) Loans to customers**

	Unaudited 30 June 2013	31 December 2012	31 December 2011
Loans to customers	2,262,701	1,920,607	1,343,996
Less allowance for impairment losses	(90,390)	(30,816)	-
Total loans to customers	2,172,311	1,889,791	1,343,996

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 2013	31 December 2012	31 December 2011
Loans collateralised by real estate, equipment and inventories	1,147,344	1,262,558	657,179
Loans collateralised by guarantees	1,043,568	622,941	661,869
Loans collateralised by future cash inflows	71,789	35,108	24,948
	2,262,701	1,920,607	1,343,996
Less allowance for impairment losses	(90,390)	(30,816)	-
Total loans to customers	2,172,311	1,889,791	1,343,996

	Unaudited 30 June 2013	31 December 2012	31 December 2011
Analysis by sector:			
Transport and communication	723,524	709,822	564,205
Energy	664,031	392,745	81,682
Chemical industry	273,868	259,680	231,280
Mining and metallurgy	235,746	146,517	81,401
Agriculture	150,768	223,045	232,171
Infrastructure	44,628	33,629	2,219
Other processing	170,136	155,169	151,038
	2,262,701	1,920,607	1,343,996
Less allowance for impairment losses	(90,390)	(30,816)	-
Total loans to customers	2,172,311	1,889,791	1,343,996

As at 30 June 2013, the Bank had three impaired loans in the total gross amount of 150,336 thousand US dollars (31 December 2012: three loans with outstanding gross amount of 172,499 thousand US dollars, 31 December 2011: none). During the six-month period ended 30 June 2013, the Bank increased an allowance for impairment losses against one loan by 51,358 thousand US Dollars to the balance of 86,817 thousand US dollars due to severe deterioration of production plans and significant concerns on the borrower's ability to improve its financial performance. 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 2013, loans to customers included accrued interest income amounting to 54,449 thousand US dollars (31 December 2012: 45,333 thousand US dollars; 31 December 2011: 25,572 thousand US dollars).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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14 LOANS TO CUSTOMERS, CONTINUED

(a) **Loans to customers, continued**

Concentration of loans to customers

As at 30 June 2013 the Bank has three customers (31 December 2012: two customers; 31 December 2011: one customer), whose balances exceeded 10% of total equity. The values of these three balances as at 30 June 2013 are 277,210 thousand US dollars, 264,233 thousand US dollars and 204,767 thousand US dollars, respectively (31 December 2012: 298,633 thousand US dollars and 187,158 thousand US dollars; 31 December 2011: 291,446 thousand US dollars).

(b) **Finance lease receivables**

The components of net investments in finance lease as at 30 June 2013 are as follows:

	Unaudited 30 June 2013
Within one year	2,784
More than one year	32,564
Minimum lease payments	35,348
Less: unearned finance income	
Within one year	(2,784)
More than one year	(8,479)
	(11,263)
Net investment in finance lease	24,085

In January 2013, the property complex of wood processing plant previously recognised as non-current asset held for sale with carrying amount of 29,479 thousand US dollars was sold under the finance lease agreement. Agreement was concluded at fixed interest 9% and matures in 2019 year.

15 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	Unaudited 30 June 2013	31 December 2012	31 December 2011
Debt securities	588,300	791,338	317,611
Equity securities	72,557	73,324	60,226
Total financial assets available-for-sale	660,857	864,662	377,837

	Unaudited 30 June 2013		31 December 2012		31 December 2011	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Debt securities						
US Treasuries	0.08%	449,942	0.25%	659,889	-	199,998
Bonds issued by banks and financial institutions of the Russian Federation	1.99% - 9.00%	85,964	3.30% - 11.00%	114,183	6.47-11.00%	99,676
Eurobonds of the Russian Federation	7.50%	26,630	-	-	-	-
Bonds issued by non-financial organisations	4.63% - 8.50%	25,764	7.34-8.50%	17,266	6.10-6.13%	17,937
		588,300		791,338		317,611

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15 FINANCIAL ASSETS AVAILABLE-FOR-SALE, CONTINUED

	Unaudited 30 June 2013		31 December 2012		31 December 2011	
	Ownership interest	Fair value	Ownership interest	Fair value	Ownership interest	Fair value
Equity securities						
Investments into private equity fund “Macquarie Renaissance Infrastructure Fund”	15.87%	72,557	15.87%	73,324	15.87%	25,506
Shares of OJSC “Bank of Khanty- Mansiysk”	-	-	-	-	3%	34,720
		<u>72,557</u>		<u>73,324</u>		<u>60,226</u>

16 INVESTMENTS HELD-TO-MATURITY

	Unaudited 30 June 2013		31 December 2012		31 December 2011	
	Nominal interest Rate	Amount	Nominal interest Rate	Amount	Nominal interest rate	Amount
Eurobonds of the Russian Federation	3.25% - 7.50%	276,039	3.25% - 7.50%	233,340	7.50%	245,628
Bonds issued by non-financial organisations	3.15% - 5.74%	78,169	9.63%	35,262	9.63%	36,328
Bonds issued by banks and financial institutions of the Russian Federation	4.95% - 6.25%	58,455	4.95%	46,758	6.61%	21,024
Total investments held-to-maturity		<u>412,663</u>		<u>315,360</u>		<u>302,980</u>

17 LOANS AND DEPOSITS FROM BANKS

	Unaudited 30 June 2013	31 December 2012	31 December 2011
Loans from banks	51,628	37,676	49,681
Short-term deposit from bank	-	-	23,376
Total loans and deposits from banks	<u>51,628</u>	<u>37,676</u>	<u>73,057</u>

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18 DEBT SECURITIES ISSUED

	Unaudited 30 June 2013	31 December 2012	31 December 2011
USD denominated 5-year Eurobonds due in September 2014, interest rate 7.375%, net of discount	508,831	508,637	508,244
USD denominated 10-year Eurobonds due in September 2022, interest rate 4.767%, net of discount	504,805	505,297	-
RUB denominated 7-year bonds (“the Rouble Bonds”) due in February 2018, interest rate 7.7%, net of discount	156,179	167,996	159,398
RUB denominated 5-year Eurobonds due in October 2017, interest rate 8.0%, net of discount	154,855	166,700	-
RUB denominated 7-year bonds (“the Rouble Bonds”) due in January 2019, interest rate 8.5%, net of discount	153,849	165,518	-
RUB denominated 7-year bonds (“the Rouble Bonds”) due in February 2019, interest rate 8.5%, net of discount	153,000	164,605	-
RUB denominated 7-year bonds (“the Rouble Bonds”) due in October 2016, interest rate 7.5%, net of discount	151,754	162,906	153,927
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 2013 until 28 October 2013, net of discount	133,451	134,591	136,579
KZT denominated 5-year bonds (“the Tenge bonds”) due in April 2018, interest rate 6.0%, net of discount	99,745	-	-
KZT denominated 5-year bonds (“the Tenge bonds”) due in December 2017, interest rate 6.25%, net of discount	65,150	65,830	-
USD denominated 1-month euro-commercial papers due in July 2013, interest rate 0%, net of discount	54,968	-	-
USD denominated 1-year euro-commercial papers due in January 2013, interest rate 0%, net of discount	-	49,914	-
USD denominated 1-year euro-commercial papers due in November 2012, interest rate 0%, net of discount	-	-	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	2,136,587	2,091,994	1,037,817

On 29 September 2009, the Bank issued its debut international Eurobonds on the London Stock Exchange as part of its Euro-Medium Term Note Programme (“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 20 September 2012, 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 20 September 2022. The Eurobonds bear an interest rate fixed at 4.767% 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 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 5 October 2012, the Bank issued Rouble denominated Eurobonds listed on the London Stock Exchange as part of its EMTN Programme 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 8.0% per annum.

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 3 February 2014 and after 03 February 2014 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.

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18 DEBT SECURITIES ISSUED, CONTINUED

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 6 February 2019. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 8.5% 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 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 the Bank unilaterally determined the new interest rate at 7.5% per annum, which is effective until 29 October 2013. The bondholders are entitled to demand the redemption of the Rouble Bonds in two years after the new interest rate reset. After 29 October 2013 the interest rate will be determined by the Bank unilaterally.

On 28 April 2009, the Bank issued Eurobonds listed on Kazakhstan Stock Exchange as part of its 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 2013 until 28 October 2013.

On 25 April 2013, the Bank issued Tenge bonds listed on Kazakhstan Stock Exchange for a total amount of 15.0 billion Tenge with maturity date on 25 April 2018. In accordance with the terms of the issuance, the Tenge bonds bear an interest rate fixed at 6.0% per annum.

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

On 26 June 2013 the Bank issued its euro-commercial papers for 55,000 thousand US dollars due on 26 July 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.

As at 30 June 2013, debt securities issued included accrued interest expense amounting to 31,146 thousand US dollars (31 December 2012: 31,194 thousand US dollars; 31 December 2011: 18,057 thousand US dollars).

19 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 2013, 31 December 2012 and 2011, the nominal or contractual amounts were:

	Unaudited 30 June 2013 Nominal amount	31 December 2012 Nominal amount	31 December 2011 Nominal amount
Commitments on loans and unused credit lines	1,070,796	1,316,029	1,059,241
Commitments to join private equity funds	31,943	32,043	68,870
Guarantees and letters of credit issued	24,118	25,189	-
Total contingent liabilities and credit commitments	1,126,857	1,373,261	1,128,111

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19 COMMITMENTS AND CONTINGENCIES, CONTINUED

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 2013 the maximum potential financial risk on securities and due from banks accepted by the Bank on behalf of the Fund does not exceed 27,065 thousand US dollars (31 December 2012: 86,107 thousand US dollars; 31 December 2011: 249,793 thousand US dollars). These amounts represent clients' funds under the management of the Bank as at respective dates.

20 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 9) was as follows:

	Unaudited Six-month period ended 30 June 2013		Unaudited Six-month period ended 30 June 2012		Six-month period ended 30 June 2011	
	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
Key management personnel compensation, short-term employee benefits:						
Staff costs and other payments to employees	3,411	16,040	2,648	13,470	1,569	11,506
Accommodation costs of employees	154	958	163	988	141	692
Key management personnel compensation	3,565	16,998	2,811	14,458	1,710	12,198

The outstanding balances as at 30 June 2013 and 31 December 2012 and 2011 for transactions with the members of the Executive Board are as follows:

	Unaudited 30 June 2013	31 December 2012	31 December 2011
Interim condensed statement of financial position			
Other liabilities -pension reserves and accrued bonuses	6,262	3,799	4,012

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20 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 2013, 31 December 2012 and 2011 with other related parties are as follows.

	Unaudited		31 December 2012		31 December 2011	
	30 June 2013		Other related parties	Average interest rate, %	Other related parties	Average interest rate, %
Statement of financial position						
ASSETS						
Cash and cash equivalents	96,947	0.33%	330,926	1.25%	288,562	0.13%
Loans to customers	391,908	8.03%	307,773	7.98%	134,123	5.51%
Financial assets available-for-sale	119,096	5.59%	78,520	5.85%	59,764	6.75%
Investments held-to-maturity	371,910	5.99%	301,679	7.38%	266,652	7.43%
Other assets	3,858	-	-	-	-	-
LIABILITIES						
Other liabilities	2,747	-	7,110	-	412	-
Guarantees received	248,242	-	182,775	-	100,987	-
Commitments	413,674	-	290,481	-	489,866	-

The profit or loss amounts of transactions for the six-month ended 30 June 2013, 2012 and 2011 with other related parties are as follows.

	Unaudited	Unaudited	Unaudited
	Six-month period ended 30 June 2013	Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
Profit /(loss)			
Interest income	21,081	14,604	13,684
Net realised gain on financial assets available-for-sale	-	179	-
Net (loss)/gain on transactions in foreign currencies	(1,298)	(5,014)	16,896
Fee and commission income	3,796	1,875	1,604

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21 SEGMENT REPORTING

The Bank has two reportable business segments which are the investment segment and the treasury segment. The purpose of this separation is to provide management of the Bank with the information about the segments' assets structure as treasury and investment portfolios pursue different aims of the Bank and are managed differently.

Information regarding the results of each reportable segment is included below:

	Unaudited Current investment portfolio	Unaudited Treasury portfolio	Unaudited Unallocated	Unaudited Total as at and for the six-month period ended 30 June 2013
Cash and cash equivalents	-	253,515	-	253,515
Financial assets at fair value through profit or loss	-	1,273	-	1,273
Loans and advances to banks	229,150	151,474	753	381,377
Loans to customers	2,201,225	-	(28,914)	2,172,311
Financial assets available-for-sale	76,122	586,352	(1,617)	660,857
Investments held-to-maturity	-	412,663	-	412,663
Non-current assets held for sale	35,499	-	(15,206)	20,293
Property and equipment and intangible assets	-	-	17,130	17,130
Other assets	-	-	10,141	10,141
Total assets	2,541,996	1,405,277	(17,713)	3,929,560
Total liabilities	-	799	2,260,252	2,261,051
Contingent liabilities and credit commitments	1,126,857	-	-	1,126,857
Total current investment portfolio	3,668,853			
Segment revenue:				
Interest income	106,146	10,819	-	116,965
Other segment items:				
Capital expenditure	-	-	390	390
Depreciation and amortisation	-	-	943	943
				Total as at 31 December 2012 and for the six-month period ended 30 June 2012
	Current investment portfolio	Treasury portfolio	Unallocated	
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
Total assets	2,297,147	1,548,655	38,206	3,884,008
Total liabilities	-	1,853	2,173,073	2,174,926
Contingent liabilities and credit commitments	1,373,261	-	-	1,373,261
Total current investment portfolio	3,670,408			
Segment revenue:				
Interest income, unaudited	72,960	13,121	-	86,081
Other segment items:				
Capital expenditure, unaudited	-	-	482	482
Depreciation and amortisation, unaudited	-	-	1,300	1,300

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21 SEGMENT REPORTING, CONTINUED

	Current investment portfolio	Treasury portfolio	Unallocated	Total as at 31 December 2011 and for the six- month period ended 30 June 2011
Cash and cash equivalents	-	361,683	-	361,683
Financial assets at fair value through profit or loss	-	5,918	-	5,918
Loans and advances to banks	237,432	131,417	785	369,634
Loans to customers	1,325,362	-	18,634	1,343,996
Financial assets available-for-sale	100,226	277,639	(28)	377,837
Investments held-to-maturity	-	302,980	-	302,980
Non-current assets held for sale	35,499	-	12,812	48,311
Property and equipment and intangible assets	-	-	19,137	19,137
Other assets	-	-	8,187	8,187
Total assets	1,698,519	1,079,637	59,527	2,837,683
Total liabilities	-	29,131	1,128,552	1,157,683
Contingent liabilities and credit commitments	1,128,111	-	-	1,128,111
Total current investment portfolio	2,826,630			
Segment revenue:				
Interest income	48,692	16,127	-	64,819
Other segment items:				
Capital expenditure	-	-	522	522
Depreciation and amortisation	-	-	1,068	1,068

Investment portfolio is an aggregate amount of all financing commitments taken by the Bank since its establishment under the signed financing agreements except for those commitments where financing agreements were terminated prior to commencement of funding. The investment portfolio includes both funded and unfunded outstanding commitments (current investment portfolio) and redeemed commitments. As at 30 June 2013, the investment portfolio is equal to 4,931,352 thousand US dollars (unaudited) (31 December 2012: 4,593,084 thousand US dollars (unaudited); 31 December 2011: 3,421,377 thousand US dollars (unaudited)).

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21 SEGMENT REPORTING, CONTINUED

Segment performance – geographic

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

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

	Unaudited Russia	Unaudited Kazakhstan	Unaudited Other Member states	Unaudited Non-member states	Unaudited Total as at and for the six-month period ended 30 June 2013
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)
External operating income/(expense)	(26,810)	29,602	6,958	(23,468)	(13,718)
Capital expenditure	65	174	151	-	390
Depreciation and amortisation	125	771	47	-	943
Cash and cash equivalents	145,284	1,219	73	106,939	253,515
Financial assets at fair value through profit or loss	474	-	-	799	1,273
Loans and advances to banks	207,438	23,517	150,422	-	381,377
Loans to customers	1,159,107	879,681	133,523	-	2,172,311
Financial assets available-for- sale	202,465	8,450	-	449,942	660,857
Investments held-to-maturity	412,663	-	-	-	412,663
Non-current assets held for sale	-	20,293	-	-	20,293
Property, equipment and intangible assets	506	16,461	163	-	17,130
Other assets	4,316	1,421	169	4,235	10,141
Total assets	2,132,253	951,042	284,350	561,915	3,929,560
Total liabilities	772,949	345,003	3,456	1,139,643	2,261,051
Contingent liabilities and credit commitments	461,054	521,313	144,490	-	1,126,857

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013
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21 SEGMENT REPORTING, 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)/recovery 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)
External operating income/(expense)	54,033	14,585	13,900	(50,587)	31,931
Capital expenditure	102	358	22	-	482
Depreciation and amortisation	170	1,085	45	-	1,300
	Russia	Kazakhstan	Other Member states	Non-member states	Total as at 31 December 2012
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
Total assets	1,850,223	934,931	262,308	836,546	3,884,008
Total liabilities	667,745	228,431	978	1,277,772	2,174,926
Contingent liabilities and credit commitments	741,770	482,489	149,002	-	1,373,261

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(in thousands of US dollars)

21 SEGMENT REPORTING, CONTINUED

	Russia	Kazakhstan	Other Member states	Non-member states	Total for the six-month period ended 30 June 2011
Interest income	38,861	16,252	4,335	5,371	64,819
Interest expense	(11,438)	(5,990)	-	(19,894)	(37,322)
Net charge of provisions for impairment losses	-	(1,395)	(1)	-	(1,396)
(Loss)/gain on financial assets and liabilities at fair value through profit or loss	(16,618)	(208)	-	4,254	(12,572)
Realised gain/(loss) on financial assets available-for- sale	36	29	-	78	143
(Loss)/gain on transactions in foreign currencies	(5,656)	2,240	(14)	18,933	15,503
Fee and commission income	2,952	666	390	-	4,008
Fee and commission expense	(16)	-	-	(59)	(75)
Other income	11	10	-	1	22
External operating income	8,132	11,604	4,710	8,684	33,130
Capital expenditure	151	345	26	-	522
Depreciation and amortisation	203	829	36	-	1,068
					Total as at 31 December 2011
Cash and cash equivalents	339,574	71	97	21,941	361,683
Financial assets at fair value through profit or loss	1,904	-	-	4,014	5,918
Loans and advances to banks	67,394	70,030	100,795	131,415	369,634
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	319,363	357,368	2,837,683
Total liabilities	316,731	154,700	748	685,504	1,157,683
Contingent liabilities and credit commitments	363,394	640,694	124,023	-	1,128,111

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 2013, interest income on one loan to a customer (30 June 2012 and 2011: one loan) individually exceeds 10% of interest income and amounts to 14,914 thousand US dollars (30 June 2012: 15,685 thousand US dollars; 30 June 2011: 10,225 thousand US dollars). For the six-month periods ended 30 June 2013 and 2012, interest income on none of the issuers of financial assets held-to-maturity and available-for sale individually exceeds 10% of total revenue. For the six-month period ended 30 June 2011 interest income on financial assets held-to-maturity and available-for-sale of one issuer individually exceeds 10% of total revenue and amounts to 7,328 thousand US dollars, respectively.

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22 RISK MANAGEMENT POLICIES

(a) Credit risk

As at 30 June 2013, the credit ratings and credit risk of the counterparties have not significantly changed compared to 31 December 2012, except for one borrower disclosed in Note 14.

(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.

	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	Unaudited 30 June 2013 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	0.24%	179,787	-	-	-	-	179,787
Loans and advances to banks	4.22%	151,473	-	50,587	179,317	-	381,377
Loans to customers	9.21%	-	-	45,575	637,831	1,488,905	2,172,311
Financial assets available-for-sale	1.41%	112,394	99,996	276,938	65,840	33,132	588,300
Investments held-to-maturity	5.20%	9,977	13,914	29,741	140,873	218,158	412,663
Total interest bearing financial assets		453,631	113,910	402,841	1,023,861	1,740,195	3,734,438
Cash and cash equivalents		73,728	-	-	-	-	73,728
Financial assets at fair value through profit or loss		1,273	-	-	-	-	1,273
Financial assets available-for-sale		-	-	-	-	72,557	72,557
Other financial assets		-	-	3,527	-	-	3,527
Total financial assets		528,632	113,910	406,368	1,023,861	1,812,752	3,885,523
FINANCIAL LIABILITIES:							
Loans and deposits from banks	2.42%	-	-	-	34,890	16,738	51,628
Debt securities issued	6.69%	54,968	-	285,204	984,760	811,655	2,136,587
Total interest bearing financial liabilities		54,968	-	285,204	1,019,650	828,393	2,188,215
Financial liabilities at fair value through profit or loss		799	-	-	-	-	799
Hedging derivative financial instrument		-	-	18,678	-	-	18,678
Other financial liabilities		26,117	1,509	15,317	10,283	-	53,226
Total financial liabilities		81,884	1,509	319,199	1,029,933	828,393	2,260,918
Liquidity gap		446,748	112,401	87,169	(6,072)	984,359	
Interest sensitivity gap		398,663	113,910	117,637	4,211	911,802	
Cumulative interest sensitivity gap		398,663	512,573	630,210	634,421	1,546,223	
Cumulative interest sensitivity gap as a percentage of total financial assets		10.26%	13.19%	16.22%	16.33%	39.79%	

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22 RISK MANAGEMENT POLICIES, CONTINUED**(b) Liquidity risk, continued**

	Weighted average effective interest rate						31 December
		Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	2012 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1.63%	346,587	-	-	-	-	346,587
Loans and advances to banks	5.10%	48,941	-	131,627	123,608	-	304,176
Loans to customers	9.36%	-	40,111	138,962	519,802	1,190,916	1,889,791
Financial assets available-for-sale	2.11%	149,998	210,341	331,783	50,074	49,142	791,338
Investments held-to-maturity	6.49%	-	35,262	43,181	9,621	227,296	315,360
Total interest bearing financial assets		545,526	285,714	645,553	703,105	1,467,354	3,647,252
Cash and cash equivalents		88,349	-	-	-	-	88,349
Financial assets at fair value through profit or loss		657	-	-	-	-	657
Financial assets available-for-sale		-	-	-	-	73,324	73,324
Other financial assets		-	-	3,216	-	-	3,216
Total financial assets		634,532	285,714	648,769	703,105	1,540,678	3,812,798
FINANCIAL LIABILITIES:							
Loans and deposits from banks	2.57%	-	-	-	19,881	17,795	37,676
Debt securities issued	6.83%	49,914	-	-	1,038,663	1,003,417	2,091,994
Total interest bearing financial liabilities		49,914	-	-	1,058,544	1,021,212	2,129,670
Financial liabilities at fair value through profit or loss	-	1,853	-	-	-	-	1,853
Hedging derivative financial instrument	-	-	-	-	7,434	-	7,434
Other financial liabilities	-	134	7,466	17,786	8,650	-	34,036
Total financial liabilities		51,901	7,466	17,786	1,074,628	1,021,212	2,172,993
Liquidity gap		582,631	278,248	630,983	(371,523)	519,466	
Interest sensitivity gap		495,612	285,714	645,553	(355,439)	446,142	
Cumulative interest sensitivity gap		495,612	781,326	1,426,879	1,071,440	1,517,582	
Cumulative interest sensitivity gap as a percentage of total financial assets		13.00%	20.49%	37.42%	28.10%	39.80%	

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22 RISK MANAGEMENT POLICIES, 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:								
Cash and cash equivalents	0.44%	358,470	-	-	-	-	-	358,470
Loans and advances to banks	4.58%	132,310	-	82,548	147,646	-	7,130	369,634
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	594,720	1,164,587	7,130	2,692,691
Cash and cash equivalents	-	3,213	-	-	-	-	-	3,213
Financial assets at fair value through profit or loss	-	2,669	545	2,704	-	-	-	5,918
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	594,720	1,190,093	41,850	2,765,667
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	(229,278)	1,010,817	41,850	
Interest sensitivity gap		490,780	184,434	118,193	(204,031)	985,311	7,130	
Cumulative interest sensitivity gap		490,780	675,214	793,407	589,376	1,574,687	1,581,817	
Cumulative interest sensitivity gap as a percentage of total financial assets		17.75%	24.41%	28.69%	21.31%	56.94%	57.19%	

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22 RISK MANAGEMENT POLICIES, 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 statement of financial position as the presentation below includes a maturity analysis for financial assets and liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognised in the statement of financial position under the effective interest rate method.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unaudited 30 June 2013 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	253,875	-	-	-	-	253,875
Financial assets at fair value through profit or loss	1,273	-	-	-	-	1,273
Loans and advances to banks	151,812	1,149	115,434	204,774	-	473,169
Loans to customers	16,077	20,725	184,597	1,355,712	1,962,728	3,539,839
Financial assets available-for-sale	114,162	101,022	279,936	74,984	123,641	693,745
Investments held-to-maturity	10,000	21,959	42,161	205,048	368,030	647,198
Other financial assets	-	-	3,527	-	-	3,527
Total financial assets	547,199	144,855	625,655	1,840,518	2,454,399	5,612,626
FINANCIAL LIABILITIES:						
Loans and deposits from banks	-	196	1,053	37,609	17,779	56,637
Financial liabilities at fair value through profit or loss	799	-	-	-	-	799
Hedging derivative financial instrument	-	-	18,678	-	-	18,678
Debt securities issued	55,000	49,159	377,316	1,313,368	937,652	2,732,495
Other financial liabilities	26,117	1,509	15,317	10,283	-	53,226
Commitments	1,126,857	-	-	-	-	1,126,857
Total financial liabilities	1,208,773	50,864	412,364	1,361,260	955,431	3,988,692
Net position	(661,574)	93,991	213,291	479,258	1,498,968	1,623,934
						31
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	December 2012 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	435,079	-	-	-	-	435,079
Financial assets at fair value through profit or loss	657	-	-	-	-	657
Loans and advances to banks	49,056	799	142,766	138,052	-	330,673
Loans to customers	52,308	10,725	269,777	1,045,244	1,590,943	2,968,997
Financial assets available-for-sale	151,058	210,664	337,558	70,423	123,282	892,985
Investments held-to-maturity	-	43,279	51,838	71,239	405,519	571,875
Other financial assets	77	-	3,139	-	-	3,216
Total financial assets	688,235	265,467	805,078	1,324,958	2,119,744	5,203,482
FINANCIAL LIABILITIES:						
Loans and deposits from banks	49	353	483	22,598	19,253	42,736
Financial liabilities at fair value through profit or loss	1,853	-	-	-	-	1,853
Hedging derivative financial instrument	-	-	-	7,434	-	7,434
Debt securities issued	56,962	43,623	90,722	1,431,440	1,158,650	2,781,397
Other financial liabilities	134	7,466	17,786	8,650	-	34,036
Commitments	1,373,261	-	-	-	-	1,373,261
Total financial liabilities	1,432,259	51,442	108,991	1,470,122	1,177,903	4,240,717
Net position	(744,024)	214,025	696,087	(145,164)	941,841	962,765

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22 RISK MANAGEMENT POLICIES, 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 2011 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	362,144	-	-	-	-	7,130	369,274
Financial assets at fair value through profit or loss	2,669	545	2,704	-	-	-	5,918
Loans and advances to banks	132,190	1,002	94,413	161,026	-	-	388,631
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	1,081,870	1,513,891	41,850	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	1,128,111	-	-	-	-	-	1,128,111
Total financial liabilities	1,129,164	35,523	194,250	991,568	190,471	-	2,540,976
Net position	(624,663)	200,291	166,752	90,302	1,323,420	41,850	1,197,952

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.

(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: duration, modified duration and dollar value of 1 basis point. During six-month period ended 30 June 2013 there were no significant changes in market risk comparing to 31 December 2012.

(d) Currency risk

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

	Unaudited US dollars	Unaudited Kazakhstan tenge	Unaudited Russian rouble	Unaudited Euro	Unaudited Other currencies	Unaudited 30 June 2013 Total
Open balance sheet position	1,408,855	(40,027)	213,961	29,650	12,163	1,624,602
Net spot and derivative financial instruments position	201,387	37,952	(217,755)	(29,904)	(12,033)	(20,353)
TOTAL OPEN POSITION	1,610,242	(2,075)	(3,794)	(254)	130	
	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2012 Total
Open balance sheet position	1,420,370	30,438	(167,805)	283,176	70	1,566,249
Net spot and derivative financial instruments position	144,672	(33,824)	163,800	(282,751)	-	(8,103)
TOTAL OPEN POSITION	1,565,042	(3,386)	(4,005)	425	70	

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22 RISK MANAGEMENT POLICIES, CONTINUED

(d) Currency risk, continued

	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	

(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 2013	As at 31 December 2012
Minimum amount of liquid assets in Treasury portfolio		
- required amount in thousands of US Dollars	1,234,396	1,170,506
- <i>actual</i>	1,404,004	1,547,998
Financial leverage ratio		
- should be less or equal to 200% of the Bank's equity	200.00%	200.00%
- <i>actual</i>	129.68%	123.19%
Maximum principal amount of the Bank's borrowings		
- allowed amount in thousands of US Dollars	3,432,000	2,175,000
- <i>actual</i>	2,163,677	2,105,394

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

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23 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determining fair values

The estimates presented herein are not necessarily indicative of the amounts the Bank could realise in a market exchange from the sale of its full holdings of a particular instrument.

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy of the Bank disclosed in the annual financial statements for the year ended 31 December 2012. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The fair value of financial assets and liabilities approximates the carrying amount in the statement of financial position of the Bank, except for investments held-to-maturity and debt securities issued:

	Unaudited 30 June 2013		31 December 2012		31 December 2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Investments held-to-maturity	412,663	423,335	315,360	350,558	302,980	310,386
Debt securities issued	2,136,587	2,157,242	2,091,994	2,169,058	1,037,817	1,068,593

(b) Valuation of financial instruments

Financial instruments recognised at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the observability of inputs as follows:

- Quoted prices in an active market (Level 1) – Valuations based on quoted prices in active markets that the Bank has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products do not entail a significant amount of judgment.
- Valuation techniques using observable inputs (Level 2) – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.
- Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

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

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(in thousands of US dollars)

23 FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

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

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

The Bank's valuation approach and fair value hierarchy categorisation for certain significant classes of financial instruments recognised at fair value are as follows:

	Unaudited 30 June 2013			31 December 2012			31 December 2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	-	1,273	-	-	657	-	-	5,918	-
Financial assets available-for-sale	588,300	-	72,557	791,338	-	73,324	317,611	-	60,226
Financial liabilities at fair value through profit or loss	-	799	-	-	1,853	-	-	5,755	-
Hedging derivative financial instrument	-	18,678	-	-	7,434	-	-	18,614	-

The following table shows a reconciliation for the six-month period ended 30 June 2013 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3		
	Unaudited Six-month period ended 30 June 2013	Year ended 31 December 2012	Year ended 31 December 2011
Financial assets available for sale			
Equity investments			
Balance at beginning of the period	73,324	60,226	34,720
Purchases	-	36,827	25,506
Sale	-	(39,000)	-
Revaluation	(767)	15,271	-
Balance at end of the period	72,557	73,324	60,226

Bank uses different methodologies to value the assets at Level 3 like a "Book Value to Equity multiplier", "Discounted Cash Flow". Under any scenario the above estimates are sensitive to the changes in the market parameters and future expectations and may result in change of the carrying amount of the investments by 10 or more percent.