

# **EURASIAN DEVELOPMENT BANK**

## **Financial Statements**

For the Years Ended 31 December 2009,  
2008 and 2007

# EURASIAN DEVELOPMENT BANK

## TABLE OF CONTENTS

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	<b>Page</b>
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007	1
INDEPENDENT AUDITORS' REPORT	2-3
FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007	
Statements of comprehensive income	4
Statements of financial position	5
Statements of changes in equity	6
Statements of cash flows	7
Notes to the financial statements	8-58

# EURASIAN DEVELOPMENT BANK

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

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

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at 31 December 2009, 2008 and 2007, the results of its operations, cash flows and changes in equity for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

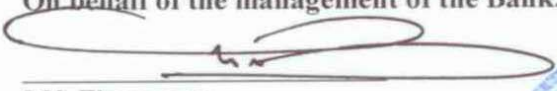
- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank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

Management is also responsible for:

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


The financial statements for the years ended 31 December 2009, 2008 and 2007 were authorized for issue on 12 February 2010 by the management of the Bank.

**On behalf of the management of the Bank:**

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

12 February 2010  
Almaty, Kazakhstan



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

12 February 2010  
Almaty, Kazakhstan

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the financial statements**

We have audited the accompanying financial statements of the Eurasian Development Bank ("the Bank"), which comprise the statements of financial position as at 31 December 2009, 2008 and 2007, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the financial statements**

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

### **Auditors' responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects the financial position of the Eurasian Development Bank as at 31 December 2009, 2008 and 2007, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.



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



Nurlan Bekenov  
Auditor-performer  
Auditor's qualification certificate No 0082,  
The Republic of Kazakhstan  
General Director  
Deloitte, LLP



12 February 2010  
Almaty, Kazakhstan


# EURASIAN DEVELOPMENT BANK

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007


(in thousands of US dollars)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Interest income	4	108,365	108,083	59,281
Interest expense	4	(44,432)	(28,849)	(13,436)
<b>NET INTEREST INCOME BEFORE PROVISION FOR LOSSES ON INTEREST BEARING ASSETS</b>		<b>63,933</b>	<b>79,234</b>	<b>45,845</b>
Provision for losses on loans to customers	5	(5,064)	(821)	(556)
<b>NET INTEREST INCOME</b>		<b>58,869</b>	<b>78,413</b>	<b>45,289</b>
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	6	4,444	(6,798)	(11,358)
Net realized gain on financial assets available-for- sale		2,348	-	-
Net (loss)/gain on transactions in foreign currencies	7	(124)	(9,560)	22,046
Fee and commission income	8	3,092	5,427	75
Fee and commission expense	8	(447)	(1,075)	(1,070)
Other income		1,203	9	-
<b>NET NON-INTEREST INCOME/(EXPENSE)</b>		<b>10,516</b>	<b>(11,997)</b>	<b>9,693</b>
<b>OPERATING INCOME</b>		<b>69,385</b>	<b>66,416</b>	<b>54,982</b>
<b>OPERATING EXPENSES</b>	9	<b>(29,596)</b>	<b>(25,876)</b>	<b>(15,723)</b>
<b>NET PROFIT</b>		<b>39,789</b>	<b>40,540</b>	<b>39,259</b>
<b>OTHER COMPREHENSIVE INCOME:</b>				
Net unrealized gain/(loss) on revaluation of financial assets available-for-sale		64,372	(58,195)	-
Net realized gain on financial assets available-for- sale transferred to the profit and loss during the year		(2,348)	-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>101,813</b>	<b>(17,655)</b>	<b>39,259</b>

On behalf of the management of the Bank:

  
I.V. Finogenov  
Chairman of the Executive Board



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

12 February 2010  
Almaty, Kazakhstan

12 February 2010  
Almaty, Kazakhstan

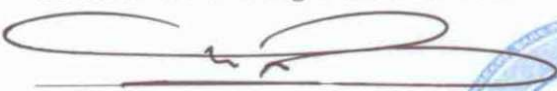
The notes on pages 8-58 form an integral part of these financial statements.

# EURASIAN DEVELOPMENT BANK

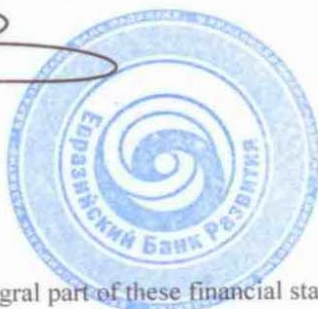
## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2009, 2008 AND 2007 (in thousands of US dollars)


	Notes	31 December 2009	31 December 2008	31 December 2007
<b>ASSETS:</b>				
Cash and balances with national (central) banks of Member-states of the Bank	10	94,872	155	1,533
Financial assets at fair value through profit or loss	11	40,933	8,331	490,844
Loans and advances to banks	12	590,321	694,597	599,379
Loans to customers	13	608,984	435,699	164,673
Financial assets available-for-sale	14	287,866	267,062	39,883
Investments held to maturity	15	843,753	577,201	-
Property and equipment	16	21,146	17,845	12,073
Intangible assets		1,059	1,328	1,368
Other assets	17	6,524	5,429	3,100
<b>TOTAL ASSETS</b>		<b>2,495,458</b>	<b>2,007,647</b>	<b>1,312,853</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES:</b>				
Loans and deposits from banks	18	36,840	464,357	450,267
Financial liabilities at fair value through profit or loss	11	117	742	4,392
Debt securities issued	19	812,769	-	-
Other liabilities	20	11,836	11,065	4,269
<b>Total liabilities</b>		<b>861,562</b>	<b>476,164</b>	<b>458,928</b>
<b>EQUITY:</b>				
Share capital	21	1,500,600	1,500,000	804,787
Reserve fund		44,839	24,569	4,940
Revaluation reserve/(deficit) for financial assets available-for-sale		3,829	(58,195)	-
Retained earnings		84,628	65,109	44,198
<b>Total equity</b>		<b>1,633,896</b>	<b>1,531,483</b>	<b>853,925</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,495,458</b>	<b>2,007,647</b>	<b>1,312,853</b>

On behalf of the management of the Bank:

  
I.V. Finogenov  
Chairman of the Executive Board

12 February 2010  
Almaty, Kazakhstan



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

12 February 2010  
Almaty, Kazakhstan

The notes on pages 8-58 form an integral part of these financial statements.

# EURASIAN DEVELOPMENT BANK

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007 (in thousands of US dollars)

	Share capital	Reserve fund	Revaluation reserves for financial assets available-for-sale	Retained earnings	Total
<b>31 December 2006</b>	614,016	-	-	9,879	623,895
Net profit	-	-	-	39,259	39,259
Total comprehensive income	-	-	-	39,259	39,259
Issue of ordinary share capital	190,771	-	-	-	190,771
Transfer to reserve fund	-	4,940	-	(4,940)	-
<b>31 December 2007</b>	804,787	4,940	-	44,198	853,925
Unrealized loss on financial assets available-for-sale recognized directly in other comprehensive income during the year	-	-	(58,195)	-	(58,195)
Net profit	-	-	-	40,540	40,540
Total comprehensive (loss)/income	-	-	(58,195)	40,540	(17,655)
Issue of ordinary share capital	695,213	-	-	-	695,213
Transfer to reserve fund	-	19,629	-	(19,629)	-
<b>31 December 2008</b>	1,500,000	24,569	(58,195)	65,109	1,531,483
Unrealized gain on financial assets available-for-sale recognized directly in other comprehensive income during the year	-	-	64,372	-	64,372
Net realized gain on financial assets available-for-sale transferred to the profit and loss during the year	-	-	(2,348)	-	(2,348)
Net profit	-	-	-	39,789	39,789
Total comprehensive income	-	-	62,024	39,789	101,813
Issue of ordinary share capital	600	-	-	-	600
Transfer to reserve fund	-	20,270	-	(20,270)	-
<b>31 December 2009</b>	1,500,600	44,839	3,829	84,628	1,633,896

On behalf of the management of the Bank:



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

12 February 2010  
Almaty, Kazakhstan




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

12 February 2010  
Almaty, Kazakhstan

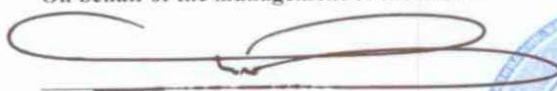
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# EURASIAN DEVELOPMENT BANK

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007 (in thousands of US dollars)

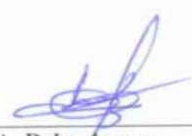
Notes	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Interest received on loans to customers	38,892	18,886	4,932
Interest received on loans and advances to banks	19,669	34,346	35,903
Interest and income received from financial assets and liabilities at fair value through profit or loss	6,820	27,696	3,416
Interest received on financial assets available-for-sale	22,719	8,667	-
Interest received on investments held to maturity	23,302	10,873	-
Interest paid on loans and deposits from banks	(25,412)	(25,102)	(11,879)
Interest paid on debt securities issued	(7,819)	-	-
Fee and commission received	3,137	5,084	-
Fee and commission paid	(483)	(1,022)	(1,008)
Other income received	1,203	9	-
Operating expenses paid	(28,572)	(22,908)	(12,141)
Cash inflow from operating activities before changes in operating assets and liabilities	53,456	56,529	19,223
<b>Changes in operating assets</b>			
Increase in loans to customers	(170,324)	(269,593)	(162,562)
Decrease/(increase) in loans and advances to banks	46,252	(143,041)	(51,417)
Increase in financial assets at fair value through profit or loss	(34,057)	(151,621)	(192,869)
(Increase)/decrease in other assets	(5,807)	(2,090)	1,486
<b>Changes in operating liabilities</b>			
(Decrease)/increase in deposits from banks	(114,729)	51,973	51,814
(Decrease)/increase in financial liabilities at fair value through profit or loss	(2,784)	3,071	4,086
Increase in other liabilities	248	1,306	3,539
Net cash outflow from operating activities	(227,745)	(453,466)	(326,700)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of financial assets available-for-sale	(71,367)	(58,935)	(39,760)
Proceeds from redemption of financial assets available-for-sale	107,996	-	-
Purchase of investments held to maturity	(1,432,845)	(183,922)	-
Proceeds from redemption of investments held to maturity	1,165,400	-	-
Purchase of property, equipment and intangible assets	(2,911)	(8,696)	(5,408)
Net cash outflow from investing activities	(233,727)	(251,553)	(45,168)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of share capital	600	695,213	190,771
Proceeds from issuance of debt securities	800,994	-	-
Proceeds from loans from banks	43,059	371,998	397,568
Repayments of loans from banks	(344,995)	(400,000)	(150,000)
Net cash inflow from financing activities	499,658	667,211	438,339
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	38,186	(37,808)	66,471
CASH AND CASH EQUIVALENTS, at beginning of the year	400,110	438,508	358,248
Effect of changes in foreign exchange rate on cash and cash equivalents	652	(590)	13,789
CASH AND CASH EQUIVALENTS, at end of the year	10 438,948	400,110	438,508

On behalf of the management of the Bank:

  
I.V. Finogenov  
Chairman of the Executive Board

12 February 2010  
Almaty, Kazakhstan



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

12 February 2010  
Almaty, Kazakhstan

The notes on pages 8-58 form an integral part of these financial statements.

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007 *(in thousands of US dollars)*

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### 1. ORGANISATION

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

The Bank’s membership is open to new participants such that other states and international organizations may join the Agreement on Incorporation of the Bank. The strategic objective of the Bank is to promote development of the market economy in its Member-states, including their economic growth and the expansion of mutual trade and economic relations through investment activity. The Bank 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. During 2009, the Republic of Tajikistan and the Republic of Armenia have fulfilled their domestic procedures related to the ratification of the Agreement on Incorporation and made their contributions to the share capital of the Bank. On 3 April 2009 and 22 June 2009, the Republic of Tajikistan and the Republic of Armenia, respectively, were formally admitted as Member-states of the Bank. As at the date of these financial statements, the Bank has four Member States: the Russian Federation, the Republic of Kazakhstan, the Republic of Tajikistan and the Republic of Armenia. The Republic of Belarus still has to contribute to the share capital in order to become a member-state of the Bank. All other terms for acceptance of that country have been met.

The Bank’s principal activities consist of lending, 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 Member-states and interstate target programs. The Bank also provides financing for investment projects of interregional significance, and lends to industrial companies of Member-states.

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

The total number of employees of the Bank as at 31 December 2009 was 195 (31 December 2008: 181; 31 December 2007: 115).

In accordance with its Charter, the Bank possesses immunity against any legal proceedings, except for the cases which do not result from its execution of its powers. The property and the assets of the Bank possess the same immunities from search, requisition, arrest, confiscation, expropriation or any other form of withdrawal or alienation prior to final judgment in relation to the Bank. The Bank is exempted 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.

As at 31 December 2009, 2008 and 2007, shares of the Bank were owned as follows:

	<b>31December 2009, %</b>	<b>31 December 2008, %</b>	<b>31 December 2007, %</b>
The Russian Federation	66.64	66.67	49.70
The Republic of Kazakhstan	33.32	33.33	50.30
The Republic of Tajikistan	0.03	-	-
The Republic of Armenia	0.01	-	-
Total	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

These financial statements were authorized for issue on 12 February 2010 by the management of the Bank.

### **Specific volatility in global financial markets and financial markets of the Member-states**

In recent times a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in capital and credit markets both globally and in the Member-states, notwithstanding any potential economic stabilization measures that may be put into place by the Governments of the Member-states, there exists economic uncertainties surrounding the continual availability and cost of credit both for the Bank and its counterparties, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets may not be recovered at their carrying amount in the regular course of business, and a corresponding impact on the Bank's profitability.

### **Recoverability of financial assets**

As a result of recent economic turmoil in capital and credit markets globally, and the consequential economic uncertainties existing as at reporting date, there exists the potential that assets may not be recovered at their carrying amount in the regular course of business.

As at 31 December 2009, the Bank has financial assets amounting to 2,468,629 thousand US dollar (31 December 2008: 1,983,418 thousand US dollars; 31 December 2007: 1,296,342 thousand US dollars). The recoverability of these financial assets depends to a large extent on the efficacy of the fiscal measures and other measures and other actions, beyond the Bank's control, undertaken within various countries to achieve economic stability and recovery. The recoverability of the Bank's financial assets is determined based on conditions prevailing and information available as at the reporting date. It is the management's opinion that no additional provision for losses on financial assets is needed at present, based on prevailing conditions and available information.

## **2. BASIS OF PRESENTATION**

### **Accounting basis**

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

## **Functional currency**

Items included in the financial statements of the Bank are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Bank (the “functional currency”). The functional currency of the Bank is the US dollar.

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

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Recognition and measurement of financial instruments**

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

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

#### **Cash and cash equivalents**

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

#### **Loans and advances to banks**

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

#### **Financial assets and liabilities at fair value through profit or loss**

Financial assets and liabilities at fair value through profit or loss represent derivative instruments or securities (1) acquired principally for the purpose of selling them in the near future, (2) which are a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking, or (3) which are designated by the Bank at fair value through profit or loss upon initial recognition. A financial asset other than a financial asset held for trading may be designated at fair value through profit or loss upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (2) the financial asset forms part of a group of financial assets and/or liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets and liabilities at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for financial assets and liabilities at fair value through profit or loss. The fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the statement of comprehensive income for the year.

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

### **Derivative financial instruments**

In the normal course of business, the Bank enters into various derivative financial instruments including forwards, swaps and options. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the statement of financial position. Gains and losses resulting from these instruments are included in net gain/(loss) from financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income.

### **Securities repurchase and reverse repurchase agreements**

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

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

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit collateralized by securities and are classified within loans and advances to banks.

### **Loans to customers**

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

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

### **Write off of loans and advances**

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

## **Allowance for losses**

### *Financial assets carried at amortized cost*

The Bank accounts for losses on financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Losses are measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate.

Such losses are not reversed, unless if in a subsequent period the amount of the loss decreases and the decrease can be related objectively to an event occurring after the loss was recognized, such as recoveries, in which case the previously recognized loss is reversed by adjustment of an allowance account.

## **Derecognition of financial assets and liabilities**

### *Financial assets*

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

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

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

### *Financial liabilities*

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

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

## **Investments held to maturity**

Investments held to maturity are debt securities with determinable or fixed payments under condition that the Bank has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost using the effective interest method, less any allowance for losses. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method. The Bank has reclassified securities to hold to maturity based on its assessment of an active market on the date of initial purchase.

## **Financial assets available-for-sale**

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

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the statement of comprehensive income for the period. Reversals of such losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in the statement of comprehensive income for the period. Reversals of such losses on equity instruments are not recognized in the profit and loss.

## **Property and equipment and intangible assets**

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

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

Furniture and equipment	14.30%-50.00%
Vehicles	25.00%-50.00%
Intangible assets	15.00%-50.00%

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount; losses are recognized in the respective period and are included in operating expenses. After the recognition of a loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

## **Taxation**

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

## **Loans and deposits from banks**

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

## **Debt securities issued**

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

## **Provisions and contingencies**

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

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is probable.

## **Share capital**

Share capital is recognized at cost.

## **Retirement and other benefit obligations**

The Bank is exempt from payments of obligatory pension contributions to funds operating in the Member-states of the Bank. The Bank provides non-state retirement benefits in accordance with internal regulative documents of the Bank. The retirement savings plan is similar to a defined contribution plan and it is recorded as operating expenses in the statement of comprehensive income and as other financial liabilities in the statement of financial position of the Bank.

## **Recognition of income and expense**

### *Recognition of interest income and expense*

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

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

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

### *Recognition of fee and commission income and expense*

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

### **Foreign currency translation**

Financial statements of the Bank are presented in its functional currency. In preparing the financial statements monetary assets and liabilities denominated in currencies other than the Bank's functional currency (foreign currencies) are translated at the appropriate spot rates of exchange rates prevailing at the reporting date. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net (loss)/gain on foreign exchange operations.

### **Rates of exchange**

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

	<b>31 December 2009</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
US dollar/1 Kazakhstani tenge	0.0067404	0.0082764	0.0082902
US dollar/1 Russian ruble	0.0330642	0.0340363	0.0407501
US dollar/1 British pound sterling	1.5884996	1.4505010	1.9962999
US dollar/1 Euro	1.4345990	1.4105016	1.4646004

### **Offset of financial assets and liabilities**

Financial assets and liabilities are offset and reported net in the statement of financial position when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **Segment reporting**

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

## **Areas of significant management judgment and sources of estimation uncertainty**

The preparation of the Bank's financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the reporting date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Bank's financial condition.

### *Allowance for losses on loans to customers and banks*

Loans to customers and loans and advances to banks are measured at amortized cost less allowance for losses. The estimation of allowances for losses involves the exercise of significant judgment. The Bank estimates allowances for losses with the objective of maintaining provisions in the statement of financial position at a level believed by management to be sufficient to absorb losses incurred in the Bank's loan portfolio. The calculation of provisions for losses on loans to customers is based on the likelihood of the asset being written off and the estimated loss on such a write-off. These assessments are made using statistical techniques based on historic experience adjusted for current trends. These determinations are supplemented by the judgment of management. The allowance for losses as at 31 December 2009 was 6,562 thousand US dollars (31 December 2008: 1,377 thousand US dollars; 31 December 2007: 556 thousand US dollars).

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

### *Valuation of financial instruments*

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

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

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

The Bank has financial instruments at fair value which are determined in whole or in part using a valuation technique based on assumptions which are not supported by prices from observable current market transactions in the same instrument and not based on available observable market data.

### **Adoption of new and revised standards**

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by IASB and IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ending on 31 December 2009. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Bank's accounting policies that have affected the amounts reported for the current or prior years, except for amendments to IAS 1 "Presentation of Financial Statements" (revised 2007).

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Bank's Management to allocate resources and assess their performance. The internal reports about the components of the Bank that are regularly reviewed by the Bank's Management have exactly the same composition and format that was historically disclosed in the Bank's operating segments information. Therefore, the adoption of IFRS 8 did not have any significant impact on the Bank's operating segments and related disclosures.

IAS 1 (revised 2007) requires the presentation of a statement of changes in equity as a primary statement and disclosure of other comprehensive income either as part of the statement of comprehensive income or as a separate statement immediately following statement of profit and loss. As a result, the statement of comprehensive income disclosing other comprehensive income for the year has been included as the primary financial statement.

On 12 March 2009, the IASB issued an amendment to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRIC 9 "Reassessment of Embedded Derivatives" effective for annual periods ending on or after 30 June 2009. These amendments clarify that on reclassification of a financial asset out of the "at fair value through profit or loss" category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. The Bank applied this amendment for the annual period beginning on 1 January 2009 and believes that it did not have a significant impact on the annual financial statements.

On 5 March 2009, the IASB issued amendments to IFRS 7 "Financial instruments: Disclosures" named "Improving Disclosures about Financial Instruments". The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. The Bank applied this amendment for the annual period beginning on 1 January 2009.

Amendments to IAS 39 and IFRS 7 “Financial Instruments: Disclosures”, titled “Reclassification of Financial Assets” – On 13 October 2008 IASB issued amendments to IAS 39 and IFRS 7 which permits certain reclassifications of non-derivative financial assets (other than those designated as at fair value through profit or loss at initial recognition under the fair value option) out of the fair value through profit or loss category and also allow reclassification of financial assets from the available-for-sale category to the loans and receivables category in particular circumstances. The amendments to IFRS 7 introduce additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendments to IAS 39. The amendments are effective as of 13 October 2008 and in certain circumstances can be applied retrospectively from 1 July 2008.

The Bank has reclassified securities from financial assets at fair value through profit or loss into the following categories with the effect from 1 July 2008:

	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets available- for-sale</b>	<b>Investments held to maturity</b>	<b>Total</b>	
<b>1 July 2008</b>					
Before reclassification	620,567	-	-	620,567	
Reclassification from financial assets at fair value through profit or loss to financial assets available-for-sale	(233,956)	233,956	-	-	
Reclassification from financial assets at fair value through profit or loss to investments held to maturity	(386,611)	-	386,611	-	
After reclassification	<u>-</u>	<u>233,956</u>	<u>386,611</u>	<u>620,567</u>	
		<b>2008</b>			
		<b>On reclassification</b>		<b>31 December 2008</b>	
	<b>Carrying value</b>	<b>Effective interest rate (%)</b>	<b>Cash flows expected to be recovered</b>	<b>Carrying value</b>	<b>Fair value</b>
Reclassification from financial assets at fair value through profit or loss to financial assets available-for-sale	233,956	7.60%	386,380	168,124	168,124
Reclassification from financial assets at fair value through profit or loss to investments held to maturity	<u>386,611</u>	7.77%	<u>750,479</u>	<u>366,997</u>	<u>360,320</u>
Total	<u>620,567</u>		<u>1,136,859</u>	<u>535,121</u>	<u>528,444</u>

**As at and for the year ended 31 December 2008**

	<b>Up to the date of the reclassification</b>	<b>After reclassification</b>			<b>Amount that would have been recognized had reclassification not occurred</b>	<b>Recognized in income statement in 2007</b>
	<b>Income from FVTPL</b>	<b>Interest income/ other income</b>	<b>Impairment losses</b>	<b>Movements in available-for-sale revaluation reserves</b>	<b>Income from FVTPL</b>	
Reclassification from financial assets at fair value through profit or loss to financial assets available-for-sale, debt securities	2,265	6,357	-	(51,080)	(45,520)	5,753
Reclassification from financial assets at fair value through profit or loss to investments held to maturity, debt securities	3,916	11,628	-	-	4,844	2,534
<b>Total</b>	<u>6,181</u>	<u>17,985</u>	<u>-</u>	<u>(51,080)</u>	<u>(40,676)</u>	<u>8,287</u>

The Bank has reclassified securities from financial assets at fair value through profit or loss into the following categories with the effect from 22 December 2008:

	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets available-for-sale</b>	<b>Investments held to maturity</b>	<b>Total</b>
<b>22 December 2008</b>				
Before reclassification	30,174	-	-	30,174
Reclassification from financial assets at fair value through profit or loss to financial assets available-for-sale	(29,504)	29,504	-	-
Reclassification from financial assets at fair value through profit or loss to investments held to maturity	(670)	-	670	-
<b>After reclassification</b>	<u>-</u>	<u>29,504</u>	<u>670</u>	<u>30,174</u>

	2008			31 December 2008	
	Carrying value	On reclassification Effective interest rate (%)	Cash flows expected to be recovered	Carrying value	Fair value
Reclassification from financial assets at fair value through profit or loss to financial assets available-for-sale	29,504	7.96%	71,911	25,876	25,876
Reclassification from financial assets at fair value through profit or loss to investments held to maturity	<u>670</u>	6.61%	<u>1,253</u>	<u>682</u>	<u>682</u>
Total	<u>30,174</u>		<u>73,164</u>	<u>26,558</u>	<u>26,558</u>

	As at and for the year ended 31 December 2008					
	Up to the date of the reclassification	After reclassification			Amount that would have been recognized had reclassification not occurred	Recognized in income statement in 2007
	Income from FVTPL	Interest income/ other income	Impairment losses	Movements in available-for-sale revaluation reserves	Income from FVTPL	
Reclassification from financial assets at fair value through profit or loss to financial assets available-for-sale, debt securities	(9,608)	139	-	(4,542)	(4,403)	2,667
Reclassification from financial assets at fair value through profit or loss to investments held to maturity	<u>(253)</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>67</u>
Total	<u>(9,861)</u>	<u>143</u>	<u>-</u>	<u>(4,542)</u>	<u>(4,399)</u>	<u>2,734</u>

The Bank performed the reclassification due to the occurrence of rare circumstances. The Bank believes the combination of the dramatic fall in global oil prices and the impact that has on commodity driven economies, the withdrawal of foreign investment from CIS states, the devaluation of the Ruble and the significant fall in traded volumes in the debt markets of the Russian Federation and the Republic of Kazakhstan along with the volatility in global financial markets can be considered “rare” circumstances.

As at 31 December 2009, the fair value of the assets reclassified to investments held to maturity which are still in the portfolio as at the reporting date was 343,827 thousand US dollar and the gain would be 4,388 thousand US dollar that would have been recognized had the assets not been reclassified.

## Standards and interpretations issued and not yet adopted

The Bank has not applied the following IFRS and IFRIC that have been issued:

- IFRS 3 “Business Combinations” – IASB published IFRS 3 and related revisions to IAS 27 “Consolidated and Separate Financial Statements” following the completion in January 2008 of its project on the acquisition and disposal of subsidiaries. They are effective for accounting periods beginning on or after 1 July 2009 but may be adopted together for accounting periods beginning on or after 1 January 2007. There were no transactions during the annual reporting period perpetrated by the Bank that would be related to the acquisition or disposal of its subsidiaries.
- In December 2008, the IFRIC issued interpretation IFRIC 17 “Distributions of Non-Cash Assets to Owners” and the IASB made consequential amendments to IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations” effective for the annual periods beginning on or after 1 July 2009. The interpretation requires distributions to be presented at fair value with any surplus or deficit to be recognized in statement of comprehensive income. The amendment to IFRS 5 extends the definition of disposal groups and discontinued operations to disposals by way of distribution. The changes are not expected to have a material effect on the Bank.
- Financial instruments: Classification and Measurement - On 12 November 2009, the IASB issued IFRS 9 “Financial instruments” as the first step in its project to replace IAS 39 “Recognition and Measurement”. IFRS 9 introduces new requirements for classifying and measuring financial assets. Those requirements must be applied starting 1 January 2013, with earlier adoption permitted including for 2009. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting. By the end of 2010, IFRS 9 will be a complete replacement for IAS 39 – mandatory for 2013 and optional in earlier years. Management of the Bank decided not to adopt early this standard. The Management of the Bank has not yet completed the assessment of the effect of the standard on the financial statements once it will be adopted.
- The IASB has revised IAS 24 Related Party Disclosures on 4 November 2009 to provide a partial exemption from the disclosure requirements for government-related entities and to clarify the definition of a related party. The revised standard also clarifies that disclosure is required of any commitments of a related party to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised). The revised standard is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Management of the Bank currently assesses possible impacts of changes to the IAS 24.
- In October 2009, the IASB issued an amendment to IAS 32 on the classification of rights issues. For rights issues offered for a fixed amount of foreign currency current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for annual periods beginning on or after 1 February 2010. The Management of the Bank currently assesses the impact on adoption the amendment.

#### 4. NET INTEREST INCOME

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
<b>Interest income comprises:</b>			
Interest income on financial assets recorded at amortized cost:			
- interest income on impaired financial assets	18,391	8,826	4,426
- interest income on unimpaired financial assets	68,279	62,658	37,586
Interest income on financial assets at fair value through profit or loss	93	23,541	17,142
Interest income on financial assets initially recognized as available-for-sale	7,018	-	-
Interest income on financial assets reclassified to available-for-sale	14,584	13,058	127
<b>Total interest income</b>	<u>108,365</u>	<u>108,083</u>	<u>59,281</u>
Interest income on financial assets recorded at amortized cost comprises:			
Interest on loans to customers	45,684	18,658	7,599
Interest on due from banks	18,577	35,285	34,413
Interest on investments initially recognized as held to maturity	2,874	1,487	-
Interest on investments reclassified to held to maturity	19,535	16,054	-
<b>Total interest income on financial assets recorded at amortized cost</b>	<u>86,670</u>	<u>71,484</u>	<u>42,012</u>
Interest income on financial assets at fair value through profit or loss:			
Interest income on financial assets held for trading	93	23,541	17,142
<b>Total interest income on financial assets at fair value through profit or loss</b>	<u>93</u>	<u>23,541</u>	<u>17,142</u>
<b>Interest expense comprises:</b>			
Interest on financial liabilities recorded at amortized cost	(44,432)	(28,849)	(13,436)
<b>Total interest expense</b>	<u>(44,432)</u>	<u>(28,849)</u>	<u>(13,436)</u>
Interest expense on financial liabilities recorded at amortized cost comprise:			
Interest on loans and deposits from banks	(20,941)	(28,849)	(13,436)
Interest on debt securities issued	(23,491)	-	-
<b>Total interest expense on financial liabilities recorded at amortized cost</b>	<u>(44,432)</u>	<u>(28,849)</u>	<u>(13,436)</u>
<b>Net interest income before provision for losses on interest bearing financial assets</b>	<u><u>63,933</u></u>	<u><u>79,234</u></u>	<u><u>45,845</u></u>

## 5. ALLOWANCE FOR LOSSES

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

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Beginning of the year	(1,377)	(556)	-
Provision for losses	(14,159)	(1,016)	(558)
Reversal of provision for losses	9,095	195	2
Revaluation	(121)	-	-
<b>End of the year</b>	<u>(6,562)</u>	<u>(1,377)</u>	<u>(556)</u>

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

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Net gain/(loss) on financial assets held for trading	4,444	(6,798)	(11,358)
<b>Total net gain/(loss) on financial assets at fair value through profit or loss</b>	<u>4,444</u>	<u>(6,798)</u>	<u>(11,358)</u>
Net gain/(loss) on operations with financial assets held-for-trading comprise:			
Realized (loss)/gain on trading operations	(103)	79	2,562
Unrealized income/(expense) on fair value adjustment	49	(27,222)	1,044
Net gain on operations with derivative financial instruments on bonds	-	1,225	222
Net gain/(loss) on operations with derivative financial instruments in foreign currency	4,498	19,120	(15,186)
<b>Total net gain/(loss) on operations with financial assets held for trading</b>	<u>4,444</u>	<u>(6,798)</u>	<u>(11,358)</u>

The Bank enters into derivative financial instruments exclusively to manage currency and liquidity risks.

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

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Translation differences, net	156	(9,580)	22,017
Dealing, net	(280)	20	29
<b>Total net (loss)/gain on transactions with foreign currencies</b>	<u>(124)</u>	<u>(9,560)</u>	<u>22,046</u>

## 8. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
<b>Fee and commission income:</b>			
Expertise services	3,092	1,127	75
Syndicated loan organization fees	-	4,300	-
<b>Total fee and commission income</b>	<u>3,092</u>	<u>5,427</u>	<u>75</u>
<b>Fee and commission expense:</b>			
Operations with securities	(376)	(388)	(224)
Money transfer services	(37)	(105)	(46)
Fees for trust management services	-	(574)	(792)
Other	(34)	(8)	(8)
<b>Total fee and commission expense</b>	<u>(447)</u>	<u>(1,075)</u>	<u>(1,070)</u>

## 9. OPERATING EXPENSES

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Staff costs and other payments to employees	17,021	14,312	10,583
Premises expenses	2,682	1,245	727
Depreciation and amortization	1,784	1,357	508
Research and regional development expenses	1,754	76	-
Professional services	1,326	3,259	981
Business trip expenses	1,075	1,397	839
Maintenance of acquired systems and programs	793	448	505
Communication expenses	674	694	415
Business development expenses	610	996	357
Security	597	521	61
Training	344	583	74
Transportation expenses	288	445	304
Office, postal and printing expenses	261	260	173
Other expenses	387	283	196
	<u>29,596</u>	<u>25,876</u>	<u>15,723</u>

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

	31 December 2009	31 December 2008	31 December 2007
Balances with the National Bank of the Republic of Kazakhstan	94,836	116	1,437
Cash	36	39	96
<b>Total cash and balances with national (central) banks of Member-states of the Bank</b>	<u>94,872</u>	<u>155</u>	<u>1,533</u>

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

	31 December 2009	31 December 2008	31 December 2007
Cash and balances with national (central) banks of Member-states of the Bank	94,872	155	1,533
Loans and advances to banks of OECD countries, the Russian Federation and the Republic of Kazakhstan	344,076	399,955	436,975
<b>Total cash and cash equivalents</b>	<u>438,948</u>	<u>400,110</u>	<u>438,508</u>

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

	31 December 2009	31 December 2008	31 December 2007
Financial assets held-for-trading:			
Debt securities	40,037	-	439,522
Derivative financial instruments	896	8,331	77
Debt securities under trust management	-	-	51,245
<b>Total financial assets held-for-trading</b>	<u>40,933</u>	<u>8,331</u>	<u>490,844</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>40,933</u>	<u>8,331</u>	<u>490,844</u>

As disclosed in Note 3, in 2008 major part of financial assets through profit and loss was reclassified to financial assets available-for-sale and investments held to maturity.

	31 December 2009		31 December 2008		31 December 2007	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
<b>Debt securities:</b>						
US Treasury notes	1.0%	40,037	-	-	4.25%	51,033
Eurobonds of the Russian Federation	-	-	-	-	7.5%	206,517
Bonds issued by non-financial organizations	-	-	-	-	6.656-8.10%	72,960
Bonds issued by banks and financial institutions of the Russian Federation	-	-	-	-	6.2-7.85%	45,050
Bonds issued by banks and financial institutions of the Republic of Kazakhstan	-	-	-	-	9.0-9.25%	7,440
Bonds issued by banks and financial institutions of other countries	-	-	-	-	7.88-9.625%	56,522
<b>Total debt securities</b>		<u>40,037</u>		<u>-</u>		<u>439,522</u>

	31 December 2009			31 December 2008			31 December 2007		
	Nominal amount	Asset	Liability	Nominal amount	Asset	Liability	Nominal amount	Asset	Liability
<b>Derivative financial instruments:</b>									
<b>Foreign currency contracts</b>									
Swaps	252,571	896	(117)	295,708	7,786	(742)	330,310	-	(4,164)
Forwards	-	-	-	25,000	545	-	3,500	77	-
<b>Securities contracts</b>									
Options	-	-	-	-	-	-	40,000	-	(228)
		<u>896</u>	<u>(117)</u>		<u>8,331</u>	<u>(742)</u>		<u>77</u>	<u>(4,392)</u>

	31 December 2009		31 December 2008		31 December 2007	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
<b>Debt securities under trust management:</b>						
Eurobonds of the Russian Federation and of the Ministry of Finance of the Russian Federation	-	-	-	-	7.5%	15,932
Bonds issued by non-financial organizations	-	-	-	-	6.605-9.5%	8,848
Bonds issued by banks and financial institutions of the Russian Federation	-	-	-	-	6.332-9.125%	11,544
Bonds issued by banks and financial institutions of the Republic of Kazakhstan	-	-	-	-	7.625-10.0%	9,269
Bonds issued by banks and financial institutions of other countries	-	-	-	-	17.0-18.5%	<u>5,652</u>
<b>Total debt securities under trust management</b>		<u>-</u>		<u>-</u>		<u>51,245</u>

During 2006 to 2008 the Bank had an agreement with an asset management company. The asset management company could invest the financial funds received for trust management into securities, reverse repurchase agreement operations, cash, and derivative financial instruments for the purpose of hedging, within the set limits. In December 2008 the agreement with the asset management company was cancelled.

As at 31 December 2009, financial assets at fair value through profit or loss included accrued interest income on debt securities amounting to 65 thousand US dollars (31 December 2008: Nil; 31 December 2007: 4,155 thousand US dollars).

## 12. LOANS AND ADVANCES TO BANKS

	31 December 2009	31 December 2008	31 December 2007
Correspondent accounts in other banks	210,723	259,874	201,728
Loans under reverse repurchase agreements	175,989	223,412	150,002
Term deposits in other banks	132,488	140,194	235,925
Loans to banks	69,830	70,792	10,151
Correspondent accounts in other banks on broker operations	1,291	47	26
Trust management funds	-	278	1,547
<b>Total loans and advances to banks</b>	<u>590,321</u>	<u>694,597</u>	<u>599,379</u>

As at 31 December 2009, the Bank had receivables amounting to 205,038 thousand US dollars from one bank of the Member-state of the Bank (31 December 2008: 234,654 thousand US dollars and 198,604 thousand US dollars from two banks; 31 December 2007: 200,827 thousand US dollars and 98,218 thousand US dollars from two banks). All these amounts individually exceeded 10% of the Bank's equity as at 31 December 2009, 2008 and 2007, respectively.

As at 31 December 2009, 2008 and 2007, there was no allowance for losses on loans and advances to banks. During 2009, 2008 and 2007 no losses were recognized on loans and advances to banks.

As at 31 December 2009, loans and advances to banks included accrued interest income amounting to 840 thousand US dollars (31 December 2008: 1,932 thousand US dollars; 31 December 2007: 1,015 thousand US dollars).

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 December 2009, 2008 and 2007 are presented as follows:

	31 December 2009		31 December 2008		31 December 2007	
	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	75,990	90,428	144,591	165,346	-	-
Bonds issued by non-financial organizations	54,212	66,314	78,821	94,717	-	-
Eurobonds of the Russian Federation	<u>45,787</u>	<u>53,047</u>	<u>-</u>	<u>-</u>	<u>150,002</u>	<u>150,336</u>
	<u>175,989</u>	<u>209,789</u>	<u>223,412</u>	<u>260,063</u>	<u>150,002</u>	<u>150,336</u>

### 13. LOANS TO CUSTOMERS

	31 December 2009	31 December 2008	31 December 2007
Loans to customers	615,546	437,076	165,229
Less allowance for losses	<u>(6,562)</u>	<u>(1,377)</u>	<u>(556)</u>
<b>Total loans to customers</b>	<b><u>608,984</u></b>	<b><u>435,699</u></b>	<b><u>164,673</u></b>

Movements in allowances for losses for the years ended 31 December 2009, 2008 and 2007 are disclosed in Note 5.

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

	31 December 2009	31 December 2008	31 December 2007
Loans collateralized by guarantees	370,209	246,524	62,895
Loans collateralized by pledge of real estate, equipment and inventories	203,863	144,667	60,021
Loans collateralized by pledge of future cash inflows	<u>41,474</u>	<u>45,885</u>	<u>42,313</u>
	615,546	437,076	165,229
Less allowance for losses	<u>(6,562)</u>	<u>(1,377)</u>	<u>(556)</u>
<b>Total loans to customers</b>	<b><u>608,984</u></b>	<b><u>435,699</u></b>	<b><u>164,673</u></b>

	31 December 2009	31 December 2008	31 December 2007
<b>Analysis by sector:</b>			
Machinery construction	164,547	77,724	-
Wood processing	135,576	78,301	-
Agriculture	134,641	89,034	-
Energy	71,955	64,451	42,313
Transport and communication	46,099	8,953	-
Mining and metallurgy	41,641	109,329	122,916
Oil and gas	<u>21,087</u>	<u>9,284</u>	<u>-</u>
	615,546	437,076	165,229
Less allowance for losses	<u>(6,562)</u>	<u>(1,377)</u>	<u>(556)</u>
<b>Total loans to customers</b>	<b><u>608,984</u></b>	<b><u>435,699</u></b>	<b><u>164,673</u></b>

As at 31 December 2009, the maximum credit risk exposure on loans to customers amounted to 608,984 thousand US dollars (31 December 2008: 435,699 thousand US dollars; 31 December 2007: 164,673 thousand US dollars). As at 31 December 2009, the maximum credit risk exposure on loan commitments and overdrafts extended by the Bank to its customers amounted to 1,177,709 thousand US dollars (31 December 2008: 615,994 thousand US dollars; 31 December 2007: 52,050 thousand US dollars).

As at 31 December 2009, loans to customers included loans in the amount of 211,342 thousand US dollars (31 December 2008: 138,999 thousand US dollars; 31 December 2007: 62,921 thousand US dollars) against which the Bank recorded an allowance for losses due to some delays in implementation of production plans and deterioration of market conditions. As at 31 December 2009, these loans had various types of collateral with a fair value of 118,765 thousand US dollars (31 December 2008: 112,822 thousand US dollars; 31 December 2007: 51,666 thousand US dollars).

As at 31 December 2009, loans to customers included accrued interest income amounting to 13,155 thousand US dollars (31 December 2008: 6,363 thousand US dollars; 31 December 2007: 2,666 thousand US dollars).

#### 14. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	31 December 2009	31 December 2008	31 December 2007
Debt securities	253,146	231,322	39,883
Equity securities	<u>34,720</u>	<u>35,740</u>	-
<b>Total financial assets available-for-sale</b>	<u><u>287,866</u></u>	<u><u>267,062</u></u>	<u><u>39,883</u></u>

	31 December 2009		31 December 2008		31 December 2007	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value	Nominal interest rate	Fair value
<b>Debt securities</b>						
Bonds issued by non-financial organizations	6.656-9.25%	88,941	6.61-8.88%	48,472	-	-
Eurobonds of the Russian Federation	7.5%	80,893	7.5-12.75%	73,913	-	-
Bonds issued by banks and financial institutions of the Russian Federation	5.93-11%	72,647	6.2-8.8%	59,650	-	-
Bonds issued by banks and financial institutions of the Republic of Kazakhstan	8-10%	10,665	7.25-10%	10,189	-	-
Bonds issued by banks and financial institutions of other countries	-	-	7-11%	37,856	11%	39,883
City of Moscow bonds	-	-	5.06%	<u>1,242</u>	-	<u>-</u>
		<u><u>253,146</u></u>		<u><u>231,322</u></u>		<u><u>39,883</u></u>
	<b>31 December 2009</b>	<b>Fair value</b>	<b>31 December 2008</b>	<b>Fair value</b>	<b>31 December 2007</b>	<b>Fair value</b>
	<b>Ownership interest</b>		<b>Ownership interest</b>		<b>Ownership interest</b>	
<b>Equity securities</b>						
Shares of OJSC "Bank of Khanty-Mansiysk"	3%	<u>34,720</u>	5%	<u>35,740</u>	-	<u>-</u>
		<u><u>34,720</u></u>		<u><u>35,740</u></u>		<u><u>-</u></u>

As at 31 December 2009, financial assets available-for-sale included accrued interest income amounting to 4,170 thousand US dollars (31 December 2008: 5,287 thousand US dollars; 31 December 2007: 122 thousand US dollars).

#### 15. INVESTMENTS HELD TO MATURITY

	31 December 2009		31 December 2008		31 December 2007	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
Bonds issued by Governments of foreign countries	-	499,926	-	199,649	-	-
Eurobonds of the Russian Federation	7.5%	278,019	7.5%	290,588	-	-
Bonds issued by banks and financial institutions of the Russian Federation	6.609-6.875%	34,732	6.61-10.89%	55,287	-	-
Bonds issued by non-financial organizations	9.625%	<u>31,076</u>	9.63%	<u>31,677</u>	-	<u>-</u>
<b>Total investments held to maturity</b>		<u><u>843,753</u></u>		<u><u>577,201</u></u>		<u><u>-</u></u>

As at 31 December 2009, investments held to maturity included accrued interest income amounting to 5,784 thousand US dollars (31 December 2008: 6,677 thousand US dollars; 31 December 2007: Nil).

## 16. PROPERTY AND EQUIPMENT

	Land	Vehicles	Furniture and equipment	Construction- in-progress	Total
<b>At historical cost</b>					
31 December 2006	1,231	120	577	8,739	10,667
Additions	-	759	447	558	1,764
Disposals	-	-	(2)	-	(2)
31 December 2007	1,231	879	1,022	9,297	12,429
Additions	-	286	673	5,569	6,528
Disposals	-	-	(1)	(146)	(147)
31 December 2008	1,231	1,165	1,694	14,720	18,810
Additions	-	148	1,198	2,801	4,147
Disposals	-	-	(4)	-	(4)
31 December 2009	1,231	1,313	2,888	17,521	22,953
<b>Accumulated depreciation</b>					
31 December 2006	-	5	24	-	29
Charge for the year	-	147	182	-	329
Eliminated on disposals	-	-	(2)	-	(2)
31 December 2007	-	152	204	-	356
Charge for the year	-	252	358	-	610
Eliminated on disposals	-	-	(1)	-	(1)
31 December 2008	-	404	561	-	965
Charge for the year	-	335	511	-	846
Eliminated on disposals	-	-	(4)	-	(4)
31 December 2009	-	739	1,068	-	1,807
<b>Net book value</b>					
<b>As at 31 December 2009</b>	<u>1,231</u>	<u>574</u>	<u>1,820</u>	<u>17,521</u>	<u>21,146</u>
<b>As at 31 December 2008</b>	<u>1,231</u>	<u>761</u>	<u>1,133</u>	<u>14,720</u>	<u>17,845</u>
<b>As at 31 December 2007</b>	<u>1,231</u>	<u>727</u>	<u>818</u>	<u>9,297</u>	<u>12,073</u>

Construction-in-progress is represented mainly by the construction of an office building for the headquarters of the Bank in Almaty, Kazakhstan.

## 17. OTHER ASSETS

	31 December 2009	31 December 2008	31 December 2007
<b>Other financial assets recorded as loans and receivables in accordance with IAS 39:</b>			
Accrued commission income and other	1,900	373	30
	1,900	373	30
<b>Other non-financial assets:</b>			
Prepaid expenses	1,613	612	563
Prepaid amounts on construction works	1,547	3,348	1,674
Value added tax reimbursable	301	609	144
Other debtors	1,163	487	689
<b>Total other assets</b>	<u>6,524</u>	<u>5,429</u>	<u>3,100</u>

## 18. LOANS AND DEPOSITS FROM BANKS

	31 December 2009	31 December 2008	31 December 2007
<b>Recorded at amortized cost:</b>			
Loan from a bank due in April 2011, interest rate EURIBOR+1.8%, net of discount	35,267	-	-
Loan from a financial organization, interest rate of LIBOR+1.9%	1,573	-	-
Syndicated loan from a group of banks due in July 2010, interest rate LIBOR+1.0%, net of discount	-	298,850	-
Loan from a bank due in July 2009, interest rate LIBOR+0.5%, net of discount	-	50,713	-
Loans under repurchase agreements	-	114,794	-
Syndicated loan from a group of banks due in December 2008, interest rate LIBOR+0.6%, net of discount	-	-	398,294
Term deposits of banks and other financial institutions	-	-	51,973
<b>Total loans and deposits from banks</b>	<u>36,840</u>	<u>464,357</u>	<u>450,267</u>

In November 2009, the Bank made early repayment of the syndicated loan at par from a group of banks, due in July 2010.

Loans from banks are subject to certain financial covenants under the terms of the loan agreements. During the years ended 31 December 2009, 2008 and 2007 the Bank was in compliance with all such covenants.

As at 31 December 2009, loans and deposits from banks included accrued interest expense amounting to 162 thousand US dollars (31 December 2008: 4,633 thousand US dollars; 31 December 2007: 886 thousand US dollars).

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2009, 2008 and 2007 are presented as follows:

	31 December 2009		31 December 2008		31 December 2007	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Eurobonds of the Russian Federation	-	-	122,052	114,794	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>122,052</b>	<b>114,794</b>	<b>-</b>	<b>-</b>

Maturities of amounts of loans and deposits from banks are included in Note 27 under liquidity risk.

These liabilities are measured at amortized cost.

## 19. DEBT SECURITIES ISSUED

	31 December 2009	31 December 2008	31 December 2007
<b>Recorded at amortized cost:</b>			
USD denominated 5-year Eurobonds due in September 2014, interest rate 7.375%, net of discount	507,921	-	-
RUR denominated 7-year bonds (“the Ruble Notes”) due in October 2016, interest rate 10.5%, net of discount	167,250	-	-
KZT denominated 5-year bonds (“the Tenge Notes”) due in April 2014, interest rate indexed to the consumer price index of Kazakhstan, with the rate fixed at 15% until 28 April 2010, net of discount	137,598	-	-
<b>Total debt securities issued</b>	<b>812,769</b>	<b>-</b>	<b>-</b>

On 28 April 2009, the Bank has issued Tenge Notes on the special trading platform of the Regional Financial Centre of Almaty city as part of its EMTN program. The bonds have senior payment priority and mature on 28 April 2014. The bonds bear an interest rate which is indexed to the consumer price index of Kazakhstan, with the rate fixed at 15% until 28 April 2010.

On 29 September 2009, the Bank issued Eurobonds on the London Stock Exchange as part of its EMTN Program. The Eurobonds have senior payment priority and mature on 29 September 2014. The Eurobonds bear an interest rate fixed at 7.375%.

On 3 November 2009, the Bank issued Ruble Notes on the stock exchange of the Moscow Interbank Currency Exchange. The bonds have senior payment priority and mature on 25 October 2016. In accordance with the terms of the issue, bond holders will be entitled to demand redemption in two years or if the Bank has either of the events occurred: 1) delaying payment of coupon on the bonds for more than 90 days, 2) delaying payment of coupon on other similar obligations issued on the territory of the Russian Federation for more than 90 days, 3) announcing the inability of the Bank to repay these bonds, 4) any bonds issued by the Bank being delisted from any stock exchange. The bonds bear an interest rate fixed at 10.50% until 1 November 2011.

As at 31 December 2009, debt securities issued included accrued interest expense amounting to 15,672 thousand US dollars (31 December 2008: Nil; 31 December 2007: Nil).

## 20. OTHER LIABILITIES

	31 December 2009	31 December 2008	31 December 2007
<b>Other financial liabilities:</b>			
Short-term payments to employees	4,690	3,858	3,239
Retirement savings plan	3,134	1,634	589
Deferred income	3,002	3,977	52
Accrued commission expenses	257	213	101
	<u>11,083</u>	<u>9,682</u>	<u>3,981</u>
<b>Other non-financial liabilities:</b>			
Accrued administrative expenses	183	144	162
Other	570	1,239	126
	<u>570</u>	<u>1,239</u>	<u>126</u>
<b>Total other liabilities</b>	<u><u>11,836</u></u>	<u><u>11,065</u></u>	<u><u>4,269</u></u>

The Bank has developed a retirement savings plan aimed at providing savings that are transferred to employees at the date of retirement or employment termination whichever is earlier. The program was developed as an equivalent to pension plans which are stipulated by legislation of Member-states of the Bank. The retirement savings plan consists of two savings plans: obligatory plan and optional plan. The obligatory plan covers all employees while the optional plan is at the discretion of each employee. The obligatory plan is paid by the Bank. A contribution is provided by the Bank on a monthly basis for each member of the plan, and the amount is stipulated by the Bank's internal regulation. The optional plan is jointly financed by the Bank and each employee participating in the plan in equal parts.

## 21. SHARE CAPITAL

At 31 December 2009, 2008 and 2007, the authorized share capital consists of 1,515,600 common shares, 1,500,000 common shares and 1,500,000 common shares, respectively, with a nominal value of 1,000 US dollars each.

At 31 December 2009, 2008 and 2007, shares issued and outstanding consisted of 1,500,600, 1,500,000 and 804,787 shares, respectively.

At 31 December 2009 the Bank's share capital comprised the following:

	Share capital issued	Share capital authorized and not issued	Share capital authorized
The Russian Federation	1,000,000	-	1,000,000
The Republic of Kazakhstan	500,000	-	500,000
The Republic of Tajikistan	500	-	500
The Republic of Armenia	100	-	100
The Republic of Belarus	-	15,000	15,000
Total share capital	<u>1,500,600</u>	<u>15,000</u>	<u>1,515,600</u>

At 31 December 2008 the Bank's share capital comprised the following:

	Share capital issued	Share capital authorized and not issued	Share capital authorized
The Russian Federation	1,000,000	-	1,000,000
The Republic of Kazakhstan	500,000	-	500,000
Total share capital	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>

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

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

The below table provides a reconciliation of the number of shares outstanding as at 31 December 2009, 2008 and 2007:

	Number of shares issued, quantity	Issued share capital, thousands US dollars
<b>31 December 2006</b>	614,016	614,016
Issue of ordinary share capital	<u>190,771</u>	<u>190,771</u>
<b>31 December 2007</b>	804,787	804,787
Issue of ordinary share capital	<u>695,213</u>	<u>695,213</u>
<b>31 December 2008</b>	1,500,000	1,500,000
Issue of ordinary share capital	<u>600</u>	<u>600</u>
<b>31 December 2009</b>	<u>1,500,600</u>	<u>1,500,600</u>

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

The below table provides a reconciliation of the reserve fund as at 31 December 2009, 2008 and 2007:

	2009	2008	2007
Beginning of the year	24,569	4,940	-
Transfer from retained earnings	<u>20,270</u>	<u>19,629</u>	<u>4,940</u>
End of the year	<u>44,839</u>	<u>24,569</u>	<u>4,940</u>

The objective of the Bank's share capital is to cover potential losses from its operations. In accordance with the Bank's internal policies, the Bank's capital should exceed 16% of the sum of credit, market and operational risks, estimated as per the Basle II Standardized approach. As at 31 December 2009, 2008 and 2007, the Bank was in compliance with its internal policy requirements. The Bank is not subject to any capital requirements from external regulatory entities.

## 22. CAPITAL RISK MANAGEMENT

The Bank manages its capital to ensure that the Bank will be able to continue as a going concern while improving its performance through the optimization of debt and equity.

The capital structure of the Bank consists of debt, which mainly includes loans and deposits from banks disclosed in Note 18, debt securities issued disclosed in Note 19, and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in statements of changes in equity.

The Assets and Liabilities Management Committee (“ALMC”) reviews the capital structure on a monthly basis. As a part of this review, the ALMC considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the ALMC the Executive Board of the Bank makes decisions over the issue of new debt or the redemption of existing debt. Changes in the share capital of the Bank are approved by the Council of the Bank.

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

As at 31 December 2009, 2008 and 2007 the nominal or contract amounts were:

	<b>31 December 2009 Nominal Amount</b>	<b>31 December 2008 Nominal amount</b>	<b>31 December 2007 Nominal amount</b>
Commitments on loans and unused credit lines	<u>569,725</u>	<u>615,994</u>	<u>52,050</u>
<b>Total contingent liabilities and credit commitments</b>	<u><u>569,725</u></u>	<u><u>615,994</u></u>	<u><u>52,050</u></u>

### Capital commitments

As at 31 December 2009, capital commitments amounted to 484 thousand US dollars (31 December 2008: 150 thousand US dollars; 31 December 2007: 1,853 thousand US dollars). All capital commitments of the Bank are short-term in nature.

### Operating environment

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

## 24. TRANSACTIONS WITH RELATED PARTIES

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

The remuneration of directors and other members of key management was as follows:

	Year ended 31 December 2009		Year ended 31 December 2008		Year ended 31 December 2007	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
<b>Key management personnel compensation, short-term employee benefits:</b>						
Staff costs and other payments to employees	3,174	15,841	3,323	13,076	2,337	9,484
Accommodation costs of employees	303	1,180	509	1,236	393	1,099
<b>Key management personnel compensation</b>	<b>3,477</b>	<b>17,021</b>	<b>3,832</b>	<b>14,312</b>	<b>2,730</b>	<b>10,583</b>

## 25. SEGMENT REPORTING

The Bank's format for reporting segment information is based on geography.

Segment information for the main geographical segments of the Bank is set out below as at 31 December 2009, 2008 and 2007 and for the years then ended.

	Russia	Kazakhstan	Other countries	As at and for the year ended 31 December 2009 Total
Interest income	51,598	44,588	12,179	108,365
Interest expense	(7,997)	(11,729)	(24,706)	(44,432)
Provisions for losses on loans to customers	(8,694)	(5,465)	-	(14,159)
Reversal of provisions for losses on loans to customers	3,554	5,541	-	9,095
Gain on financial assets at fair value through profit or loss	123,862	16,075	12,690	152,627
Loss on financial assets at fair value through profit or loss	(123,450)	(12,315)	(12,418)	(148,183)
Realized gain on financial assets available-for-sale transferred to profit and loss during the year	5,056	1,382	139	6,577
Realized loss on financial assets available-for-sale transferred to profit and loss during the year	(1,590)	(2,627)	(12)	(4,229)
Gain on transactions in foreign currencies	253,727	23,969	278,833	556,529
Loss on transactions in foreign currencies	(252,740)	(26,558)	(277,355)	(556,653)
Fee and commission income	1,669	1,337	86	3,092
Fee and commission expense	(358)	(69)	(20)	(447)
Other income	830	373	-	1,203
<b>External operating income/(loss)</b>	<b>45,467</b>	<b>34,502</b>	<b>(10,584)</b>	<b>69,385</b>
Cash and balances with national (central) banks of Member-states of the Bank	-	94,872	-	94,872
Financial assets at fair value through profit or loss	873	-	40,060	40,933
Loans and advances to banks	357,218	70,050	163,053	590,321
Loans to customers	251,585	357,399	-	608,984
Financial assets available-for-sale	201,359	10,666	75,841	287,866
Investments held to maturity	343,827	-	499,926	843,753
Property, equipment and intangible assets	1,277	20,883	45	22,205
Other assets	2,922	1,962	1,640	6,524
<b>Total assets</b>	<b>1,159,061</b>	<b>555,832</b>	<b>780,565</b>	<b>2,495,458</b>
<b>Total liabilities</b>	<b>170,289</b>	<b>146,160</b>	<b>545,113</b>	<b>861,562</b>
Capital expenditure	773	3,998	46	4,817
Depreciation and amortization	243	1,540	1	1,784

	Russia	Kazakhstan	Other countries	As at and for the year ended 31 December 2008 Total
Interest income	58,963	27,944	21,176	108,083
Interest expense	(2,283)	(686)	(25,880)	(28,849)
Provisions for losses on loans to customers	(679)	(337)	-	(1,016)
Reversal of provisions for losses on loans to customers	-	195	-	195
Gain on financial assets at fair value through profit or loss	169,304	12,269	6,766	188,339
Loss on financial assets at fair value through profit or loss	(161,702)	(12,492)	(20,943)	(195,137)
Gain on transactions in foreign currencies	420,477	4,705	221,282	646,464
Loss on transactions in foreign currencies	(424,934)	(4,375)	(226,715)	(656,024)
Fee and commission income	4,977	450	-	5,427
Fee and commission expense	(463)	(38)	(574)	(1,075)
Other income	-	9	-	9
<b>External operating income/(loss)</b>	<b>63,660</b>	<b>27,644</b>	<b>(24,888)</b>	<b>66,416</b>
Cash and balances with national (central) banks of Member-states of the Bank	-	155	-	155
Financial assets at fair value through profit or loss	7,370	961	-	8,331
Loans and advances to banks	507,365	70,926	116,306	694,597
Loans to customers	106,715	328,984	-	435,699
Financial assets available-for-sale	218,477	10,729	37,856	267,062
Investments held to maturity	377,552	-	199,649	577,201
Property, equipment and intangible assets	713	18,460	-	19,173
Other assets	1,230	3,976	223	5,429
<b>Total assets</b>	<b>1,219,422</b>	<b>434,191</b>	<b>354,034</b>	<b>2,007,647</b>
<b>Total liabilities</b>	<b>120,106</b>	<b>6,491</b>	<b>349,567</b>	<b>476,164</b>
Capital expenditure	682	6,553	-	7,235
Depreciation and amortization	87	1,270	-	1,357

	Russia	Kazakhstan	Other countries	As at and for the year ended 31 December 2007 Total
Interest income	27,514	27,347	4,420	59,281
Interest expense	(1,689)	(1,519)	(10,228)	(13,436)
Provisions for losses on loans to customers	-	(558)	-	(558)
Reversal of provisions for losses on loans to customers	-	2	-	2
Gain on financial assets at fair value through profit or loss	59,635	374	6,176	66,185
Loss on financial assets at fair value through profit or loss	(72,118)	(122)	(5,303)	(77,543)
Gain on transactions in foreign currencies	46,619	34,245	83,066	163,930
Loss on transactions in foreign currencies	(38,394)	(33,969)	(69,521)	(141,884)
Fee and commission income	-	75	-	75
Fee and commission expense	(187)	(23)	(860)	(1,070)
<b>External operating income</b>	<b>21,380</b>	<b>25,852</b>	<b>7,750</b>	<b>54,982</b>
Cash and balances with national (central) banks of Member-states of the Bank	-	1,533	-	1,533
Financial assets at fair value through profit or loss	414,506	16,709	59,629	490,844
Loans and advances to banks	371,293	200,979	27,107	599,379
Loans to customers	-	164,673	-	164,673
Financial assets available-for-sale	39,883	-	-	39,883
Property, equipment and intangible assets	40	13,401	-	13,441
Other assets	843	2,164	93	3,100
<b>Total assets</b>	<b>826,565</b>	<b>399,459</b>	<b>86,829</b>	<b>1,312,853</b>
<b>Total liabilities</b>	<b>4,467</b>	<b>56,118</b>	<b>398,343</b>	<b>458,928</b>
Capital expenditure	39	2,904	-	2,943
Depreciation and amortization	9	499	-	508

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.

## 26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of financial assets and liabilities approximates the carrying amount in the statement of financial position of the Bank, with the exception of these presented below:

	31 December 2009		31 December 2008		31 December 2007	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Investments held to maturity	843,753	848,142	577,201	570,524	-	-

Financial instruments recognized 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 Group 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.

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

	31 December 2009			31 December 2008			31 December 2007		
	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	40,037	896	-	-	8,331	-	490,767	77	-
Financial assets available-for-sale	253,146	-	34,720	231,322	-	35,740	39,883	-	-
Financial liabilities at fair value through profit or loss	-	117	-	-	742	-	-	4,392	-

Reconciliation from the beginning balances to the ending balances in Level 3 of the fair value hierarchy for the years ended 31 December 2009, 2008 and 2007 was presented as follows:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Beginning of the year	35,740	-	-
Purchases	-	38,390	-
Total losses recognized in the statement of comprehensive income	(1,020)	(2,650)	-
<b>End of the year</b>	<b>34,720</b>	<b>35,740</b>	<b>-</b>

## 27. RISK MANAGEMENT POLICIES

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

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

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

### **Credit risk**

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

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

The Council of the Bank determines the rate of the credit credentials of the Executive Board of the Bank. In accordance with the internal limits the maximum credit exposure on a single borrower or a group of associated borrowers cannot be more than 25 per cent of the Bank's equity. The Bank's Executive Board has the right to approve projects on a group of associated borrowers with a maximum exposure of 100 million US dollars. In cases where the credit exposure exceeds the limit, the Council of the Bank is responsible for the approval of the project. ALMC sets limits by determining maximum credit exposure on individual counterparties (including banks and brokers).

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

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

### **Credit risk in the project financing**

The Bank sets project financing as its core activity. Hence, credit risk management is the major and integral part of activities of the Bank and the major risk that the Bank is exposed to.

The Bank estimates that the major components of credit risk in project finance are:

- project risks;
- financial risks;
- market and industry risks;
- operational risks;
- country or sovereign risks;
- collateral risks; and
- legal, social, ecological risks.

The process of credit risk management in project finance consists of identification of potential risks, analysis of the risks, management and control of revealed risks.

During the identification phase the Bank reveals all components of credit risk associated with a particular project. The Bank prepares a risk matrix for each project where all major types of risks associated with a project are summarized and the magnitude of risks is assessed.

A further analysis of identified risks is performed to determine the possible consequences of risks when they occur. At this stage the Bank prepares a sensitivity analysis for each project. The main sensitivity analysis performed by the Bank are interest rate sensitivity analysis, currency sensitivity analysis, inflation sensitivity analysis, commodity price change sensitivity analysis, and an analysis of the effect of a change in major production costs of borrowers. Major factors considered in the identification of risks for the Bank are potential financial performance of borrowers and their expected debt servicing. The Bank also performs an analysis of each industry where borrowers operate to identify if there could be any risks due to current or possible negative market trends.

Risk identification and control is aimed at minimizing the credit risks of the Bank while providing necessary rate of return. The Bank developed and implemented the following action plan to protect its financial assets from impairment:

- risk sharing due to co-participation with other financial institutions;
- proposals of economical hedging strategies;
- optimization of financing structure;
- optimization of collateral structure; and
- monitoring of industry trends and the project realization to anticipate potential future problems.

The Bank performs continuous monitoring of investment portfolio projects to assess the impact of major risk on the investment portfolio. As risks have increased significantly due to the volatility in the global financial markets, the Bank initiated additional actions to control credit risks:

- performance of additional stress-tests of projects to consider currency exchange rates volatility, price risks, and inflation;
- analysis short-term solvency of borrowers;
- use of a conservative approach to the acceptance of collateral.

### Maximum Exposure

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

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

As at 31 December 2009:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and balances with national (central) banks of Member-states of the Bank	94,872	-	94,872	-	94,872
Financial assets at fair value through profit or loss	40,933	-	40,933	-	40,933
Loans and advances to banks	590,321	-	590,321	209,789	380,532
Loans to customers	608,984	-	608,984	261,398	347,586
Financial assets available-for-sale	287,866	-	287,866	-	287,866
Investments held to maturity	843,753	-	843,753	-	843,753
Other assets	1,900	-	1,900	-	1,900

As at 31 December 2008:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and balances with national (central) banks of Member-states of the Bank	155	-	155	-	155
Financial assets at fair value through profit or loss	8,331	-	8,331	-	8,331
Loans and advances to banks	694,597	-	694,597	260,063	434,534
Loans to customers	435,699	-	435,699	367,194	68,505
Financial assets available-for-sale	267,062	-	267,062	-	267,062
Investments held to maturity	577,201	-	577,201	-	577,201
Other assets	373	-	373	-	373

As at 31 December 2007:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and balances with national (central) banks of Member-states of the Bank	1,533	-	1,533	-	1,533
Financial assets at fair value through profit or loss	490,844	-	490,844	-	490,844
Loans and advances to banks	599,379	-	599,379	150,336	449,043
Loans to customers	164,673	-	164,673	125,305	39,368
Financial assets available-for-sale	39,883	-	39,883	-	39,883
Other assets	30	-	30	-	30

Collateral for loans to customers comprised of:

As at 31 December 2009:

	Nominal value	Bank's evaluated value
Guarantees	488,197	217,347
Real estate or rights thereon	172,099	38,126
Future cash inflows	118,499	5,925
	<u>778,795</u>	<u>261,398</u>

As at 31 December 2008:

	Nominal value	Bank's evaluated value
Guarantees	345,848	177,446
Real estate or rights thereon	407,016	154,198
Future cash inflows	118,500	35,550
	<u>871,364</u>	<u>367,194</u>

As at 31 December 2007:

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

Bank's evaluated value represents value that the Bank could possibly obtain if it would have to sell the collateral in a forced transaction, reduced for the assessed costs and expenses associated with such sale.

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

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

	AAA	AA	A	BBB	<BBB-	Not rated	31 December 2009 Total
Cash and balances with national (central) banks of Member-states of the Bank	-	-	-	94,872	-	-	94,872
Financial assets at fair value through profit or loss	40,037	-	23	-	873	-	40,933
Loans and advances to banks	-	37,904	4	251,767	300,638	8	590,321
Loans to customers	-	-	-	-	-	608,984	608,984
Financial assets available-for-sale	-	-	1,390	182,354	104,122	-	287,866
Investments held to maturity	499,926	-	-	343,827	-	-	843,753
Other assets	-	-	-	-	-	1,900	1,900
	AAA	AA	A	BBB	<BBB-	Not rated	31 December 2008 Total
Cash and balances with national (central) banks of Member-states of the Bank	-	-	-	155	-	-	155
Financial assets at fair value through profit or loss	-	-	-	-	8,331	-	8,331
Loans and advances to banks	-	-	116,028	198,650	379,919	-	694,597
Loans to customers	-	-	-	-	-	435,699	435,699
Financial assets available-for-sale	-	-	533	149,319	44,147	73,063	267,062
Investments held to maturity	199,649	-	-	354,603	22,949	-	577,201
Other assets	-	-	-	-	-	373	373
	AAA	AA	A	BBB	<BBB-	Not rated	31 December 2007 Total
Cash and balances with national (central) banks of Member-states of the Bank	-	-	-	1,533	-	-	1,533
Financial assets at fair value through profit or loss	51,033	-	-	337,230	102,581	-	490,844
Loans and advances to banks	-	25,559	-	210,822	362,998	-	599,379
Loans to customers	-	-	-	-	-	164,673	164,673
Financial assets available-for-sale	-	-	-	-	-	39,883	39,883
Other assets	-	-	-	-	-	30	30

As at 31 December 2009, the Bank had issued loans to 13 customers (31 December 2008: 13; 31 December 2007: 3) and one bank (31 December 2008: one bank; 31 December 2007: two banks). The loans are made with intention to develop economies of the Member-states. The borrowers are not rated by international rating agencies, however, the Bank is able to perform specific monitoring of each individual loan. Each loan is regularly reviewed by the Bank's Credit Committee.

Loans to customers are classified based on internal assessments and other analytical procedures. The Bank classifies loans according to their risk and the exposure that they potentially present to the Bank. At present, the Bank uses classifications as follows:

Loans classified to the *1st Category (standard loans)* are expected to possess minimal credit risk. The financial condition of the borrower is assessed as stable and there is no indication of any external or internal factors to suggest that the financial condition of the borrower has deteriorated. In case there are some minor negative indicators, the Bank has confidence that the borrower will be able to cope with such temporary difficulties. Interest and principal are repaid in full and in a timely fashion. The borrower is considered as having the ability to repay the loan in accordance with its terms and conditions. In those cases, security provided for the loan must cover at least 100 per cent of the outstanding amount, not less than 75 per cent in case of highly liquid collateral (which may include a Government guarantee, bank guarantee with an individual rating not lower than AA - from one of the rating agencies, corporate guarantee with an individual rating not lower than AA, cash collateral, Government securities or precious metals).

Loans classified to the *2nd category* are expected to possess medium credit risk. The financial condition of the borrower is stable, though there is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. The borrower may delay loan repayments or the interest but only in single cases and not more than for 5 days.

Loans classified to the *3rd category* are expected to possess significant credit risk. The financial condition of the borrower is stable, though there is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. Due to temporary difficulties the borrower repays the loan and the interest with several short delays.

Loans classified to the *4th category* are expected to bear high credit risk. There is evidence of a more severe deterioration in the financial condition of the borrower, including negative operating results and a declining liquidity position. The current financial condition of the borrower can be considered unstable and raises concerns as to the ability of the borrower to improve its current financial performance, thus casting doubt on the borrower's ability to repay the loan and the interest in full. Due to severe deterioration of financial health the borrower may repay the loan and interest with several long delays.

Loans classified to the *5th category* are considered to have the highest credit risk. The deterioration in the financial condition of the borrower has reached a critical level, including significant operating losses, a loss of market position, negative equity and it is probable that the borrower will be unable to repay the loan and the interest in full. The borrower has considerable repayments' delays more than for 30 days.

*Loss* – In the absence of any information to the contrary, the borrower's financial condition and operations have reached the point where it is evident that the borrower cannot repay the loan and the collateral value is negligible. The loan is uncollateralized or the value of the collateral covers less than 50 per cent of the borrowers' outstanding debt.

	<b>31 December 2009</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
Standard loans	404,204	298,077	101,752
Loans classified to 2nd category	<u>211,342</u>	<u>138,999</u>	<u>63,477</u>
	615,546	437,076	165,229
Less – Allowance for losses (Note 5)	<u>(6,562)</u>	<u>(1,377)</u>	<u>(556)</u>
Loans to customers	<u><u>608,984</u></u>	<u><u>435,699</u></u>	<u><u>164,673</u></u>

As at 31 December 2009, number of loans classified as 2nd category was four (31 December 2008: four; 31 December 2007: one).

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

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

As at 31 December 2009:

	Neither past due nor impaired	Financial assets past due but not impaired	Financial assets that have been impaired	31 December 2009 Total
Cash and balances with national (central) banks of the Member-states of the Bank	94,872	-	-	94,872
Financial assets at fair value through profit or loss	40,933	-	-	40,933
Loans and advances to banks	590,321	-	-	590,321
Loans to customers	404,204	-	204,780	608,984
Financial assets available-for-sale	287,866	-	-	287,866
Investments held to maturity	843,753	-	-	843,753
Other assets	1,900	-	-	1,900

As at 31 December 2008:

	Neither past due nor impaired	Financial assets past due but not impaired	Financial assets that have been impaired	31 December 2008 Total
Cash and balances with national (central) banks of the Member-states of the Bank	155	-	-	155
Financial assets at fair value through profit or loss	8,331	-	-	8,331
Loans and advances to banks	694,597	-	-	694,597
Loans to customers	298,077	-	137,622	435,699
Financial assets available-for-sale	267,062	-	-	267,062
Investments held to maturity	577,201	-	-	577,201
Other assets	373	-	-	373

As at 31 December 2007:

	Neither past due nor impaired	Financial assets past due but not impaired	Financial assets that have been impaired	31 December 2007 Total
Cash and balances with national (central) banks of the Member-states of the Bank	1,533	-	-	1,533
Financial assets at fair value through profit or loss	490,844	-	-	490,844
Loans and advances to banks	599,379	-	-	599,379
Loans to customers	101,752	-	62,921	164,673
Financial assets available-for-sale	39,883	-	-	39,883
Other assets	30	-	-	30

In the above tables, financial assets which are impaired are those assets against which the Bank has recorded an allowance for losses. As at 31 December 2009, an allowance for losses has been recorded against four loans (31 December 2008: four; 31 December 2007: one) and the total allowance for losses equates to an effective provision rate of 1.07% (31 December 2008: 0.32%; 31 December 2007: 0.34%), which management believe is appropriate to cover the potential loss amount on these loans.

### Liquidity risk

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

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

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

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 Total
<b>FINANCIAL ASSETS:</b>								
Cash and balances with the national (central) banks of the Member-states of the Bank	0.84%	94,379	-	-	-	-	-	94,379
Financial assets at fair value through profit or loss	1.00%	40,037	-	-	-	-	-	40,037
Loans and advances to banks	3.11%	473,825	46,666	69,830	-	-	-	590,321
Loans to customers	9.53%	-	-	-	175,660	433,324	-	608,984
Financial assets available-for-sale	7.77%	5,608	-	2,103	64,995	180,440	-	253,146
Investments held to maturity	2.89%	249,976	249,950	14,132	51,676	278,019	-	843,753
Total interest bearing financial assets		863,825	296,616	86,065	292,331	891,783	-	2,430,620
Cash and balances with the national (central) banks of the Member-states of the Bank		493	-	-	-	-	-	493
Financial assets available-for-sale		-	-	-	-	-	34,720	34,720
Financial assets at fair value through profit or loss		896	-	-	-	-	-	896
Other assets		328	-	1,572	-	-	-	1,900
Total financial assets		865,542	296,616	87,637	292,331	891,783	34,720	2,468,629
<b>FINANCIAL LIABILITIES:</b>								
Loans and deposits from banks	2.82%	-	-	-	35,267	1,573	-	36,840
Debt securities issued	9.31%	-	-	-	645,519	167,250	-	812,769
Total interest bearing financial liabilities		-	-	-	680,786	168,823	-	849,609
Financial liabilities at fair value through profit or loss		117	-	-	-	-	-	117
Other liabilities		257	4,690	3,002	3,134	-	-	11,083
Total financial liabilities		374	4,690	3,002	683,920	168,823	-	860,809
Liquidity gap		865,168	291,926	84,635	(391,589)	722,960	34,720	
Interest sensitivity gap		863,825	296,616	86,065	(388,455)	722,960	-	
Cumulative interest sensitivity gap		863,825	1,160,441	1,246,506	858,051	1,581,011	1,581,011	
Cumulative interest sensitivity gap as a percentage of total assets		34.99%	47.01%	50.49%	34.76%	64.04%	64.04%	

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2008 Total
<b>FINANCIAL ASSETS:</b>								
Loans and advances to banks	4.87%	623,805	-	-	70,792	-	-	694,597
Loans to customers	9.11%	-	-	-	143,418	292,281	-	435,699
Financial assets available-for-sale	8.19%	-	871	6,746	62,738	160,967	-	231,322
Investments held to maturity	7.77%	49,969	159,552	24,992	52,099	290,589	-	577,201
Total interest bearing financial assets		673,774	160,423	31,738	329,047	743,837	-	1,938,819
Cash and balances with the national (central) banks of the Member-states of the Bank		155	-	-	-	-	-	155
Financial assets available-for-sale		-	-	-	-	-	35,740	35,740
Financial assets at fair value through profit or loss		8,331	-	-	-	-	-	8,331
Other assets		373	-	-	-	-	-	373
Total financial assets		682,633	160,423	31,738	329,047	743,837	35,740	1,983,418
<b>FINANCIAL LIABILITIES:</b>								
Loans and deposits from banks	5.57%	114,794	-	50,713	298,850	-	-	464,357
Total interest bearing financial liabilities		114,794	-	50,713	298,850	-	-	464,357
Financial liabilities at fair value through profit or loss		742	-	-	-	-	-	742
Other liabilities		4,190	3,858	-	1,634	-	-	9,682
Total financial liabilities		119,726	3,858	50,713	300,484	-	-	474,781
Liquidity gap		562,907	156,565	(18,975)	28,563	743,837	35,740	
Interest sensitivity gap		558,980	160,423	(18,975)	30,197	743,837	-	
Cumulative interest sensitivity gap		558,980	719,403	700,428	730,625	1,474,462	1,474,462	
Cumulative interest sensitivity gap as a percentage of total assets		28.18%	36.27%	35.31%	36.84%	74.34%	74.34%	

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2007 Total
<b>FINANCIAL ASSETS:</b>							
Financial assets at fair value through profit or loss	9.33%	490,844	-	-	-	-	490,844
Loans and advances to banks	4.58%	439,226	-	160,153	-	-	599,379
Loans to customers	8.58%	-	-	-	-	164,673	164,673
Financial assets available-for-sale	11%	-	-	-	-	39,883	39,883
Total interest bearing financial assets		930,070	-	160,153	-	204,556	1,294,779
Cash and balances with the national (central) banks of the Member-states of the Bank		1,533	-	-	-	-	1,533
Other assets		30	-	-	-	-	30
Total financial assets		931,633	-	160,153	-	204,556	1,296,342
<b>FINANCIAL LIABILITIES:</b>							
Loans and deposits from banks	5.62%	51,973	-	398,294	-	-	450,267
Total interest bearing financial liabilities		51,973	-	398,294	-	-	450,267
Financial liabilities at fair value through profit or loss		4,392	-	-	-	-	4,392
Other liabilities		153	3,239	-	589	-	3,981
Total financial liabilities		56,518	3,239	398,294	589	-	458,640
Liquidity gap		875,115	(3,239)	(238,141)	(589)	204,556	
Interest sensitivity gap		878,097	-	(238,141)	-	204,556	
Cumulative interest sensitivity gap		878,097	878,097	639,956	639,956	844,512	
Cumulative interest sensitivity gap as a percentage of total assets		67.74%	67.74%	49.37%	49.37%	65.15%	

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 recognized in the 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	31 December 2009 Total
<b>FINANCIAL ASSETS:</b>							
Cash and balances with national (central) banks of the Member-states of the Bank	94,916	-	-	-	-	-	94,916
Financial assets at fair value through profit or loss	40,933	-	-	-	-	-	40,933
Loans and advances to banks	474,636	46,666	-	93,039	-	-	614,341
Loans to customers	-	-	-	215,293	729,210	-	944,503
Financial assets available-for-sale	5,609	-	2,147	74,923	356,814	34,720	474,213
Investments held-to-maturity	250,000	250,000	14,362	62,585	620,099	-	1,197,046
Other assets	328	-	1,572	-	-	-	1,900
<b>Total financial assets</b>	<b>866,422</b>	<b>296,666</b>	<b>18,081</b>	<b>445,840</b>	<b>1,706,123</b>	<b>34,720</b>	<b>3,367,852</b>
<b>FINANCIAL LIABILITIES:</b>							
Loans and deposits from banks	-	-	-	37,363	1,984	-	39,347
Debt securities issued	-	-	-	910,101	286,417	-	1,196,518
Financial liabilities at fair value through profit or loss	117	-	-	-	-	-	117
Other liabilities	257	4,690	3,002	3,134	-	-	11,083
Commitment to extend credit	-	-	-	-	569,725	-	569,725
<b>Total financial liabilities</b>	<b>374</b>	<b>4,690</b>	<b>3,002</b>	<b>950,598</b>	<b>858,126</b>	<b>-</b>	<b>1,816,790</b>

	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 2008 Total
<b>FINANCIAL ASSETS:</b>							
Cash and balances with the national (central) banks of the Member- states of the Bank	155	-	-	-	-	-	155
Financial assets at fair value through profit or loss	8,331	-	-	-	-	-	8,331
Loans and advances to banks	626,872	-	-	74,319	-	-	701,191
Loans to customers	-	-	-	186,327	499,007	-	685,334
Financial assets available- for-sale	-	866	7,426	85,932	445,741	35,740	575,705
Investments held to maturity	50,000	160,000	25,128	65,543	661,031	-	961,702
Other assets	373	-	-	-	-	-	373
<b>Total financial assets</b>	<b>685,731</b>	<b>160,866</b>	<b>32,554</b>	<b>412,121</b>	<b>1,605,779</b>	<b>35,740</b>	<b>2,932,791</b>
<b>FINANCIAL LIABILITIES:</b>							
Loans and deposits from banks	115,194	-	51,835	323,281	-	-	490,310
Financial liabilities at fair value through profit or loss	742	-	-	-	-	-	742
Other liabilities	4,190	3,858	-	1,634	-	-	9,682
Commitments to extend credit	-	-	-	-	615,994	-	615,994
<b>Total financial liabilities</b>	<b>120,126</b>	<b>3,858</b>	<b>51,835</b>	<b>324,915</b>	<b>615,994</b>	<b>-</b>	<b>1,116,728</b>

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2007 Total
<b>FINANCIAL ASSETS:</b>						
Cash and balances with the national (central) banks of the Member- states of the Bank	1,533	-	-	-	-	1,533
Financial assets at fair value through profit or loss	490,884	-	-	-	-	490,884
Loans and advances to banks	439,976	-	162,607	-	-	602,583
Loans to customers	-	-	-	72,137	151,096	223,233
Financial assets available- for-sale	42,200	-	-	-	-	42,200
Other assets	30	-	-	-	-	30
<b>Total financial assets</b>	<b>974,623</b>	<b>-</b>	<b>162,607</b>	<b>72,137</b>	<b>151,096</b>	<b>1,360,463</b>
<b>FINANCIAL LIABILITIES:</b>						
Loans and deposits from banks	52,617	-	421,496	-	-	474,113
Financial liabilities at fair value through profit or loss	1,123	3,269	-	-	-	4,392
Other liabilities	153	3,239	-	589	-	3,981
Commitment to extend credit	-	-	-	-	52,050	52,050
<b>Total financial liabilities</b>	<b>53,893</b>	<b>6,508</b>	<b>421,496</b>	<b>589</b>	<b>52,050</b>	<b>534,536</b>

## Market Risk

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

### Interest rate sensitivity

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

The ALMC of the Bank manages interest rate risk through the management of interest-sensitive asset and liability positions of the Bank, and ensures the positive margin and expected profitability from changes in market interest rates with set limits on the maximum amount of interest rate risk accepted by the Bank. The Bank's risk management department monitors interest rate risk, estimates sensitivity of the Bank in relation to changes in interest rates and the influence of changes in interest rates on the net profit of the Bank.

The following table details the Bank's Sensitivity to a 3%, 3% and 1% increase and decrease in the interest rates in 2009, 2008 and 2007, respectively. Management of the Bank believe that given the current economic conditions in Russia and Kazakhstan that a 3% increase is a realistic movement in the interest rates. This is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. The sensitivity analysis includes only outstanding financial assets and liabilities.

Impact on net profit based on asset values as at 31 December 2009, 2008 and 2007:

	As at 31 December 2009		As at 31 December 2008		As at 31 December 2007	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%	Interest rate +1%	Interest rate -1%
<b>Assets:</b>						
Financial assets at fair value through profit or loss	(2,089)	2,273	-	-	(59,110)	71,513
Loans and advances to banks	2,100	(2,100)	2,079	(2,079)	6,108	(5,913)
Loans to customers	5,780	(5,780)	5,850	(5,850)	773	(773)
<b>Liabilities:</b>						
Loans and deposits from banks	(9,708)	9,708	(10,488)	10,488	(2,133)	2,133
<b>Net impact on net profit</b>	<u>(3,917)</u>	<u>4,101</u>	<u>(2,559)</u>	<u>2,559</u>	<u>(54,362)</u>	<u>66,960</u>

Impact on equity is based on asset values as at 31 December 2009, 2008 and 2007:

	As at 31 December 2009		As at 31 December 2008		As at 31 December 2007	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%	Interest rate +1%	Interest rate -1%
<b>Assets:</b>						
Financial assets at fair value through profit or loss	(2,089)	2,273	-	-	(59,110)	71,513
Loans and advances to banks	2,100	(2,100)	2,079	(2,079)	6,108	(5,913)
Loans to customers	5,780	(5,780)	5,850	(5,850)	773	(773)
Financial assets available-for- sale	(60,343)	97,936	(56,638)	93,320	(3,681)	4,095
<b>Liabilities:</b>						
Loans and deposits from banks	(9,708)	9,708	(10,488)	10,488	(2,133)	2,133
<b>Net impact on equity</b>	<b>(64,260)</b>	<b>102,037</b>	<b>(59,197)</b>	<b>95,879</b>	<b>(58,043)</b>	<b>71,055</b>

### Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

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

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

	US dollars	Kazakhstani tenge	Russian ruble	Euro	Other currencies	31 December 2009 Total
<b>Financial assets:</b>						
Cash and balances with the national (central) banks of the Member-states of the Bank	38	94,829	5	-	-	94,872
Financial assets at fair value through profit or loss	40,933	-	-	-	-	40,933
Loans and advances to banks	305,476	-	79,746	205,091	8	590,321
Loans to customers	486,796	81,257	-	40,931	-	608,984
Financial assets available-for-sale	202,266	-	85,600	-	-	287,866
Investments held to maturity	843,753	-	-	-	-	843,753
Other assets	1,877	-	23	-	-	1,900
<b>Total financial assets</b>	<b>1,881,139</b>	<b>176,086</b>	<b>165,374</b>	<b>246,022</b>	<b>8</b>	<b>2,468,629</b>
<b>Financial liabilities:</b>						
Loans and deposits from banks	1,573	-	-	35,267	-	36,840
Financial liabilities at fair value through profit or loss	117	-	-	-	-	117
Debt securities issued	507,922	137,597	167,250	-	-	812,769
Other liabilities	10,796	2	3	282	-	11,083
<b>Total financial liabilities</b>	<b>520,408</b>	<b>137,599</b>	<b>167,253</b>	<b>35,549</b>	<b>-</b>	<b>860,809</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>1,360,731</b>	<b>38,487</b>	<b>(1,879)</b>	<b>210,473</b>	<b>8</b>	

	US dollars	Kazakhstani tenge	Russian ruble	Euro	Other currencies	31 December 2008 Total
<b>Financial assets:</b>						
Cash and balances with the national (central) banks of the Member-states of the Bank	31	121	3	-	-	155
Financial assets at fair value through profit or loss	8,331	-	-	-	-	8,331
Loans and advances to banks	436,797	-	35,020	222,780	-	694,597
Loans to customers	420,821	-	-	14,878	-	435,699
Financial assets available-for- sale	172,225	-	92,658	2,179	-	267,062
Investments held to maturity	577,201	-	-	-	-	577,201
Other assets	373	-	-	-	-	373
<b>Total financial assets</b>	<b>1,615,779</b>	<b>121</b>	<b>127,681</b>	<b>239,837</b>	<b>-</b>	<b>1,983,418</b>
<b>Financial liabilities:</b>						
Loans and deposits from banks	349,563	-	114,794	-	-	464,357
Financial liabilities at fair value through profit or loss	-	742	-	-	-	742
Other liabilities	8,903	112	9	658	-	9,682
<b>Total financial liabilities</b>	<b>358,466</b>	<b>854</b>	<b>114,803</b>	<b>658</b>	<b>-</b>	<b>474,781</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>1,257,313</b>	<b>(733)</b>	<b>12,878</b>	<b>239,179</b>	<b>-</b>	
	<b>US dollars</b>	<b>Kazakhstani tenge</b>	<b>Russian ruble</b>	<b>Euro</b>	<b>Other currencies</b>	<b>31 December 2007 Total</b>
<b>Financial assets:</b>						
Cash and balances with the national (central) banks of the Member-states of the Bank	46	1,482	5	-	-	1,533
Financial assets at fair value through profit or loss	407,621	-	83,223	-	-	490,844
Loans and advances to banks	285,870	102,465	10,055	200,989	-	599,379
Loans to customers	164,673	-	-	-	-	164,673
Financial assets available-for- sale	39,883	-	-	-	-	39,883
Other assets	30	-	-	-	-	30
<b>Total financial assets</b>	<b>898,123</b>	<b>103,947</b>	<b>93,283</b>	<b>200,989</b>	<b>-</b>	<b>1,296,342</b>
<b>Financial liabilities:</b>						
Loans and deposits from banks	398,294	51,973	-	-	-	450,267
Financial liabilities at fair value through profit or loss	3,530	-	-	862	-	4,392
Other liabilities	3,929	50	2	-	-	3,981
<b>Total financial liabilities</b>	<b>405,753</b>	<b>52,023</b>	<b>2</b>	<b>862</b>	<b>-</b>	<b>458,640</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>492,370</b>	<b>51,924</b>	<b>93,281</b>	<b>200,127</b>	<b>-</b>	

## Derivative financial instruments and spot contracts

Transactions are undertaken in derivative financial instruments (“derivatives”), which include cross currency swaps, and forwards. Derivatives are contracts or agreements whose value is derived from one or more underlying indices or asset values inherent in the contract or agreement, which require no or little initial net investment and are settled at a future date.

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

	US dollars	Kazakhstani tenge	Russian ruble	Euro	Other currencies	31 December 2009 Total
Accounts payable on spot and derivative contracts	-	(40,117)	-	(211,675)	-	(251,792)
Accounts receivable on spot and derivative contracts	<u>252,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,571</u>
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	<u>252,571</u>	<u>(40,117)</u>	<u>-</u>	<u>(211,675)</u>	<u>-</u>	<u>779</u>
TOTAL OPEN POSITION	<u>1,613,302</u>	<u>(1,630)</u>	<u>(1,879)</u>	<u>(1,202)</u>	<u>8</u>	
	US dollars	Kazakhstani tenge	Russian ruble	Euro	Other currencies	31 December 2008 Total
Accounts payable on spot and derivative contracts	(25,000)	(24,455)	(20,287)	(240,322)	-	(310,064)
Accounts receivable on spot and derivative contracts	<u>293,395</u>	<u>24,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>317,653</u>
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	<u>268,395</u>	<u>(197)</u>	<u>(20,287)</u>	<u>(240,322)</u>	<u>-</u>	<u>7,589</u>
TOTAL OPEN POSITION	<u>1,525,708</u>	<u>(930)</u>	<u>(7,409)</u>	<u>(1,143)</u>	<u>-</u>	
	US dollars	Kazakhstani tenge	Russian ruble	Euro	Other currencies	31 December 2007 Total
Accounts payable on spot and derivative contracts	-	(50,046)	(82,856)	(202,233)	(1,900)	(337,035)
Accounts receivable on spot and derivative contracts	<u>332,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>332,948</u>
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	<u>332,948</u>	<u>(50,046)</u>	<u>(82,856)</u>	<u>(202,233)</u>	<u>(1,900)</u>	<u>(4,087)</u>
TOTAL OPEN POSITION	<u>825,318</u>	<u>1,878</u>	<u>10,425</u>	<u>(2,106)</u>	<u>(1,900)</u>	

## Currency risk sensitivity

The following table details the Bank's Sensitivity to a 25%, 25% and 10% increase and decrease in the US Dollar/Russian Ruble and US Dollar/Kazakhstan Tenge exchange rates in 2009, 2008 and 2007, respectively and a 10% increase and decrease in the US Dollar/Euro exchange rate. Management of the Bank believe that given the current economic conditions in Russia and Kazakhstan that a 25% decrease is a realistic movement in the Ruble and Tenge exchange rates against the US Dollar. This is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 25%, 25% and 10% change in currency rates as at 31 December 2009, 2008 and 2007, respectively.

Impact on net profit based on asset values as at 31 December 2009, 2008 and 2007:

	As at 31 December 2009		As at 31 December 2008		As at 31 December 2007	
	USD/RUR +25%	USD/RUR -25%	USD/RUR +25%	USD/RUR -25%	USD/RUR +10%	USD/RUR -10%
Impact on net profit	8,210	(8,210)	(1,852)	1,852	2,606	(2,606)
	As at 31 December 2009		As at 31 December 2008		As at 31 December 2007	
	USD/KZT +25%	USD/KZT -25%	USD/KZT +25%	USD/KZT -25%	USD/KZT +10%	USD/KZT -10%
Impact on net profit	(408)	408	(233)	(233)	469	(469)
	As at 31 December 2009		As at 31 December 2008		As at 31 December 2007	
	USD/EUR +10%	USD/EUR -10%	USD/EUR +10%	USD/EUR -10%	USD/EUR +10%	USD/EUR -10%
Impact on net profit	(120)	120	(114)	114	(211)	211

Impact on equity based on asset values as at 31 December 2009, 2008 and 2007:

	As at 31 December 2009		As at 31 December 2008		As at 31 December 2007	
	USD/RUR +25%	USD/RUR -25%	USD/RUR +25%	USD/RUR -25%	USD/RUR +10%	USD/RUR -10%
Impact on equity	(470)	470	(1,852)	1,852	2,606	(2,606)
	As at 31 December 2009		As at 31 December 2008		As at 31 December 2007	
	USD/KZT +25%	USD/KZT -25%	USD/KZT +25%	USD/KZT -25%	USD/KZT +10%	USD/KZT -10%
Impact on equity	(408)	408	(233)	233	469	(469)
	As at 31 December 2009		As at 31 December 2008		As at 31 December 2007	
	USD/EUR +10%	USD/EUR -10%	USD/EUR +10%	USD/EUR -10%	USD/EUR +10%	USD/EUR -10%
Impact on equity	(120)	120	(114)	114	(211)	211

### **Limitations of sensitivity analysis**

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

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

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

### **28. SUBSEQUENT EVENTS**

Up to the date of issue of these financial statements Management have not identified any significant subsequent events which require disclosure.