

EURASIAN DEVELOPMENT BANK

Financial Statements

For the Years Ended 31 December 2010,
2009 and 2008

EURASIAN DEVELOPMENT BANK

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EURASIAN DEVELOPMENT BANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

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 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 2010, 2009 and 2008, 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 2010, 2009 and 2008 were authorized for issue on 11 February 2011 by the management of the Bank.

On behalf of the management of the Bank:


I.V. Finogenov
Chairman of the Executive Board

11 February 2011
Almaty, Kazakhstan




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

11 February 2011
Almaty, Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the members of the Council of Eurasian Development Bank:

Report on the financial statements

We have audited the accompanying financial statements of Eurasian Development Bank ("the Bank"), which comprise the statements of financial position as at 31 December 2010, 2009 and 2008, 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

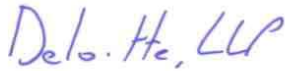
In our opinion, the financial statements present fairly, in all material respects the financial position of Eurasian Development Bank as at 31 December 2010, 2009 and 2008, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.



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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


11 February 2011
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK


STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008 (in thousands of US dollars)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Interest income	4	116,845	108,365	108,083
Interest expense	4	(70,941)	(44,432)	(28,849)
NET INTEREST INCOME BEFORE PROVISION FOR LOSSES ON INTEREST BEARING ASSETS		45,904	63,933	79,234
Provision for losses on interest bearing assets	5	(12,980)	(5,064)	(821)
NET INTEREST INCOME		32,924	58,869	78,413
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	6	16,985	4,444	(6,798)
Net realized gain on financial assets available- for-sale		7,174	2,348	-
Net loss on transactions in foreign currencies	7	(12,728)	(124)	(9,560)
Fee and commission income	8	6,215	3,092	5,427
Fee and commission expense	8	(221)	(447)	(1,075)
Other income		82	1,203	9
NET NON-INTEREST INCOME/(EXPENSE)		17,507	10,516	(11,997)
OPERATING INCOME		50,431	69,385	66,416
OPERATING EXPENSES	9	(34,618)	(29,596)	(25,876)
NET PROFIT		15,813	39,789	40,540
OTHER COMPREHENSIVE INCOME:				
Net unrealized gain/(loss) on revaluation of financial assets available-for-sale		5,962	64,372	(58,195)
Net realized gain on financial assets available- for-sale transferred to the profit and loss during the year		(7,174)	(2,348)	-
OTHER COMPREHENSIVE (LOSS)/INCOME		(1,212)	62,024	(58,195)
TOTAL COMPREHENSIVE INCOME/(LOSS)		14,601	101,813	(17,655)

On behalf of the management of the Bank:


I.V. Finogenov
Chairman of the Executive Board




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

11 February 2011
Almaty, Kazakhstan

11 February 2011
Almaty, Kazakhstan


The notes on pages 8-52 form an integral part of these financial statements.

EURASIAN DEVELOPMENT BANK


STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010, 2009 AND 2008 (in thousands of US dollars)

	Notes	31 December 2010	31 December 2009	31 December 2008
ASSETS:				
Cash and balances with national (central) banks of Member-states of the Bank	10	222,389	94,872	155
Financial assets at fair value through profit or loss	11	910	40,933	8,331
Loans and advances to banks	12	521,894	590,321	694,597
Loans to customers	13	820,953	608,984	435,699
Financial assets available-for-sale	14	215,147	287,866	267,062
Investments held to maturity	15	697,088	843,753	577,201
Non-current assets held for sale	16	45,613	-	-
Property and equipment	17	22,112	21,146	17,845
Intangible assets		1,188	1,059	1,328
Other assets	18	5,299	6,524	5,429
TOTAL ASSETS		2,552,593	2,495,458	2,007,647
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and deposits from banks	19	56,541	36,840	464,357
Financial liabilities at fair value through profit or loss	11	2,337	117	742
Anti-crisis Fund		499	-	-
Debt securities issued	20	810,687	812,769	-
Other liabilities	21	19,032	11,836	11,065
Total liabilities		889,096	861,562	476,164
EQUITY:				
Share capital	22	1,515,600	1,500,600	1,500,000
Reserve fund		64,733	44,839	24,569
Revaluation reserve/(deficit) for financial assets available-for-sale		2,617	3,829	(58,195)
Retained earnings		80,547	84,628	65,109
Total equity		1,663,497	1,633,896	1,531,483
TOTAL LIABILITIES AND EQUITY		2,552,593	2,495,458	2,007,647

On behalf of the management of the Bank:


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Chairman of the Executive Board




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

11 February 2011
Almaty, Kazakhstan

11 February 2011
Almaty, Kazakhstan

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EURASIAN DEVELOPMENT BANK

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008


(in thousands of US dollars)

	Share capital	Reserve fund	Revaluation reserve/(deficit) for financial assets available-for-sale	Retained earnings	Total
31 December 2007	804,787	4,940	-	44,198	853,925
Other comprehensive loss	-	-	(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)	-
31 December 2008	1,500,000	24,569	(58,195)	65,109	1,531,483
Other comprehensive income	-	-	62,024	-	62,024
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)	-
31 December 2009	1,500,600	44,839	3,829	84,628	1,633,896
Other comprehensive loss	-	-	(1,212)	-	(1,212)
Net profit	-	-	-	15,813	15,813
Total comprehensive (loss)/income	-	-	(1,212)	15,813	14,601
Issue of ordinary share capital	15,000	-	-	-	15,000
Transfer to reserve fund	-	19,894	-	(19,894)	-
31 December 2010	<u>1,515,600</u>	<u>64,733</u>	<u>2,617</u>	<u>80,547</u>	<u>1,663,497</u>

On behalf of the management of the Bank:


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Chairman of the Executive Board




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Member of the Executive Board

11 February 2011
Almaty, Kazakhstan

11 February 2011
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EURASIAN DEVELOPMENT BANK

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008 (in thousands of US dollars)

Notes	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received on loans to customers	60,558	38,892	18,886
Interest received on loans and advances to banks	17,192	19,669	34,346
Interest and income received from financial assets and liabilities at fair value through profit or loss	17,076	6,820	27,696
Interest and income received on financial assets available-for-sale	22,498	22,719	8,667
Interest received on investments held to maturity	23,421	23,302	10,873
Interest paid on loans and deposits from banks	(1,066)	(25,412)	(25,102)
Interest paid on debt securities issued	(70,434)	(7,819)	-
Fee and commission received	5,852	3,137	5,084
Fee and commission paid	(273)	(483)	(1,022)
Other income received	39	1,203	9
Operating expenses paid	(30,262)	(28,572)	(22,908)
Cash inflow from operating activities before changes in operating assets and liabilities	44,601	53,456	56,529
Changes in operating assets			
Increase in loans to customers	(258,821)	(170,324)	(269,593)
(Increase)/decrease in loans and advances to banks	(2,517)	46,252	(143,041)
Decrease/(increase) in financial assets at fair value through profit or loss	43,571	(34,057)	(151,621)
Decrease/(increase) in other assets	451	(5,807)	(2,090)
Changes in operating liabilities			
(Decrease)/increase in deposits from banks	-	(114,729)	51,973
(Decrease)/increase in financial liabilities at fair value through profit or loss	(1,349)	(2,784)	3,071
Increase of Anti-crisis Fund	499	-	-
Increase in other liabilities	-	248	1,306
Net cash outflow from operating activities	(173,565)	(227,745)	(453,466)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of financial assets available-for-sale	(136,769)	(71,367)	(58,935)
Proceeds from redemption of financial assets available-for-sale	205,857	107,996	-
Purchase of investments held to maturity	(3,643,920)	(1,432,845)	(183,922)
Proceeds from redemption of investments held to maturity	3,787,955	1,165,400	-
Purchase of property, equipment and intangible assets	(2,016)	(2,911)	(8,696)
Net cash inflow/(outflow) from investing activities	211,107	(233,727)	(251,553)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of share capital	15,000	600	695,213
Proceeds from issuance of debt securities	-	800,994	-
Proceeds from loans from banks	16,954	43,059	371,998
Repayments of loans from banks	-	(344,995)	(400,000)
Net cash inflow from financing activities	31,954	499,658	667,211
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	69,496	38,186	(37,808)
CASH AND CASH EQUIVALENTS, at beginning of the year	438,948	400,110	438,508
Effect of changes in foreign exchange rate on cash and cash equivalents	(13,103)	652	(590)
CASH AND CASH EQUIVALENTS, at end of the year	495,341	438,948	400,110

On behalf of the management of the Bank:



I.V. Finogenov
Chairman of the Executive Board




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

11 February 2011
Almaty, Kazakhstan

11 February 2011
Almaty, Kazakhstan

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EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008 *(in thousands of US dollars)*

1. ORGANISATION

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

The Bank’s membership is open to new participants such that other states and international organizations may join the Agreement on Incorporation of the Bank. The strategic objective of the Bank is to promote the development of the market economy in its Member-states, including their economic growth and the expansion of mutual trade and economic relations through investment activity. The Bank was established to assist Member-states in integrating their economies and developing their infrastructure.

In December 2008, the Council of the Bank approved the accession of the Republic of Armenia, the Republic of Belarus and the Republic of Tajikistan to the Agreement on Incorporation. During 2009, the Republic of Armenia and the Republic of Tajikistan have fulfilled their respective appropriate domestic procedures related to the ratification of the Agreement on Incorporation of the Bank, made their contributions to the share capital and became Member-states of the Bank on 3 April 2009 and 22 June 2009, respectively. On 21 June 2010, the Republic of Belarus made its contribution to the share capital of the Bank and became the fifth Member-state of the Bank.

As at 31 December 2010, the following states were members of the Bank: the Russian Federation, the Republic of Kazakhstan, the Republic of Armenia, the Republic of Tajikistan and the Republic of Belarus.

The Bank’s principal activities consist of lending and operations with securities and foreign currencies. The Bank finances large and medium investment projects that are medium-term and long-term in duration, including industrial and innovative programs of the Member-states and interstate target programs. The Bank also provides financing for investment projects of inter regional significance, and lends to industrial companies of the Member-states.

The headquarters of the Bank are registered at: 220, Dostyk Avenue, Almaty, the Republic of Kazakhstan.

The total number of employees of the Bank as at 31 December 2010 was 238 (31 December 2009: 195; 31 December 2008: 181).

In accordance with its Charter, the Bank possesses immunity against any legal proceedings, except in cases which do not result from its execution of its powers. The property and the assets of the Bank possess the same immunities from search, requisition, arrest, confiscation, expropriation or any other form of withdrawal or alienation prior to final judgment in relation to the Bank. The Bank is exempted on the territory of the Member-states from any taxes, levies, duties, income taxes and other payments, except for those that represent a payment for specific types of service.

As at 31 December 2010, 2009 and 2008, shares of the Bank were owned as follows:

	31 December 2010, %	31 December 2009, %	31 December 2008, %
The Russian Federation	65.98	66.64	66.67
The Republic of Kazakhstan	32.99	33.32	33.33
The Republic of Belarus	0.99	-	-
The Republic of Tajikistan	0.03	0.03	-
The Republic of Armenia	0.01	0.01	-
	<hr/>	<hr/>	<hr/>
Total	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

These financial statements were authorized for issue on 11 February 2011 by the management of the Bank.

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

Operating Environment

Emerging markets such as the Republic of Kazakhstan, the Russian Federation and the rest of the Member-states are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in the Member-states and their economies in general.

Laws and regulations affecting businesses in the Member-states continue to change. Tax, currency and customs legislation within Member-states is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Member-states. The future economic direction of the Member-states is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial turmoil that has negatively affected the Republic of Kazakhstan, the Russian Federation and the rest of the Member-states financial and capital markets in 2008 and 2009 has receded, and the economy of the Member states returned to growth in 2010. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment and from decline in the oil and gas prices could slow or disrupt the Member-states, adversely affect the Bank's access to capital and cost of capital for the Bank and, more generally, its business, results of operations, financial condition and prospects.

The Republic of Kazakhstan and the Russian Federation is facing a relatively high level of inflation (according to the government's statistical data consumer price inflation for the years ended 31 December 2010, 2009 and 2008 was 7.8%, 6.2% and 9.5% in the Republic of Kazakhstan, respectively and 8.8%, 8.8% and 13.3% in the Russian Federation, respectively).

Because the Republic of Kazakhstan and the Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during 2010, 2009 and 2008.

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 2010, the Bank has financial assets amounting to 2,479,735 thousand US dollars (31 December 2009: 2,468,629 thousand US dollars; 31 December 2008: 1,983,418 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 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 the 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 held 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.

Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the statement of comprehensive income as loss from non-current assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and amortisation. 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%
Office buildings	3.33%

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 of 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:

	31 December 2010	31 December 2009	31 December 2008
US dollar/1 Kazakhstani tenge	0.0067856	0.0067404	0.0082764
US dollar/1 Russian rouble	0.0327472	0.0330642	0.0340363
US dollar/1 British pound sterling	1.5611500	1.5884996	1.4505010
US dollar/1 Euro	1.3383500	1.4345990	1.4105016

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.

Fiduciary activities

The Bank provides trustee services to its customers. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Bank's financial statements. The Bank accepts the operational risk on these activities, but the Bank's customers bear the credit and market risks associated with such operations.

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 year then 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 2010 was 19,214 thousand US dollars (31 December 2009: 6,562 thousand US dollars; 31 December 2008: 1,377 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.

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 2010. 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).

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:

	Financial assets at fair value through profit or loss	Financial assets available-for-sale	Investments held to maturity	Total		
1 July 2008						
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	-	233,956	386,611	620,567		
	Carrying value	2008 On reclassification Effective interest rate (%)	Cash flows expected to be recovered	31 December 2008 Carrying value	Fair value	
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	386,611	7.77%	750,479	366,997	360,320	
Total	620,567		1,136,859	535,121	528,444	
	Up to the date of the reclassification	As at and for the year ended 31 December 2008 After reclassification			Amount that would have been recognized had reclassification not occurred	
	Income from FVTPL	Interest income/ other income	Impairment losses	Movements in available-for-sale financial assets revaluation reserves	Income from FVTPL	Recognized in income statement in 2007
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
Total	6,181	17,985	-	(51,080)	(40,676)	8,287

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:

	Financial assets at fair value through profit or loss	Financial assets available-for-sale	Investments held to maturity	Total
22 December 2008				
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	-
After reclassification	-	29,504	670	30,174

	2008 Carrying value	2008 On reclassification Effective interest rate (%)	Cash flows expected to be recovered	31 December 2008 Carrying value	31 December 2008 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	670	6.61%	1,253	682	682
Total	30,174		73,164	26,558	26,558

	As at and for the year ended 31 December 2008				Amount that would have been recognized had reclassification not occurred	Recognized in income statement in 2007
	Up to the date of the reclassification	After reclassification				
	Income from FVTPL	Interest income/ other income	Impairment losses	Movements in available-for-sale financial assets 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	(253)	4	-	-	4	67
Total	(9,861)	143	-	(4,542)	(4,399)	2,734

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 Rouble 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 2010 and 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 328,696 thousand US dollars and 343,827 thousand US dollars, respectively, and a gain of 13,446 thousand US dollars 4,388 thousand US dollars, respectively, 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:

- 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 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting. IFRS 9 will be a complete replacement for IAS 39 – mandatory for 2013 and optional in earlier years.
- 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.

All other Standards and Interpretations are not applicable to the Bank’s operations. Management believe the adoption of these Standards and Interpretations will not have a significant impact on the results of the Bank’s operations.

4. NET INTEREST INCOME

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Interest income comprises:			
Interest income on financial assets recorded at amortized cost:			
- interest income on impaired financial assets	5,372	18,391	8,826
- interest income on unimpaired financial assets	98,275	68,279	62,658
Interest income on financial assets at fair value through profit or loss	63	93	23,541
Interest income on financial assets initially recognized as available-for-sale	9,912	7,018	-
Interest income on financial assets reclassified to available-for-sale	3,223	14,584	13,058
Total interest income	<u>116,845</u>	<u>108,365</u>	<u>108,083</u>
Interest income on financial assets recorded at amortized cost comprises:			
Interest on loans to customers	65,566	45,684	18,658
Interest on due from banks	17,290	18,577	35,285
Interest on investments initially recognized as held to maturity	2,496	2,874	1,487
Interest on investments reclassified to held to maturity	18,295	19,535	16,054
Total interest income on financial assets recorded at amortized cost	<u>103,647</u>	<u>86,670</u>	<u>71,484</u>
Interest income on financial assets at fair value through profit or loss:			
Interest income on financial assets held for trading	63	93	23,541
Total interest income on financial assets at fair value through profit or loss	<u>63</u>	<u>93</u>	<u>23,541</u>
Interest expense comprises:			
Interest expense on financial liabilities recorded at amortized cost	(70,941)	(44,432)	(28,849)
Total interest expense	<u>(70,941)</u>	<u>(44,432)</u>	<u>(28,849)</u>
Interest expense on financial liabilities recorded at amortized cost comprise:			
Interest on loans and deposits from banks	(1,855)	(20,941)	(28,849)
Interest on debt securities issued	(69,086)	(23,491)	-
Total interest expense on financial liabilities recorded at amortized cost	<u>(70,941)</u>	<u>(44,432)</u>	<u>(28,849)</u>
Net interest income before provision for losses on interest bearing financial assets	<u><u>45,904</u></u>	<u><u>63,933</u></u>	<u><u>79,234</u></u>

5. ALLOWANCE FOR LOSSES ON INTEREST BEARING ASSETS

The movements in allowance for losses on loans to customers were as follows:

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Beginning of the year	(6,562)	(1,377)	(556)
Provision for losses (*)	(27,013)	(14,159)	(1,016)
Reversal of provision for losses (*)	14,093	9,095	195
Revaluation	268	(121)	-
End of the year	<u>(19,214)</u>	<u>(6,562)</u>	<u>(1,377)</u>

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

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Beginning of the year	-	-	-
Provision for losses	(60)	-	-
Reversal of provision for losses	-	-	-
Revaluation	-	-	-
End of the year	<u>(60)</u>	<u>-</u>	<u>-</u>

(*) refer to Note 13 for an explanation about these movements.

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

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Net gain/(loss) on financial assets held for trading	16,985	4,444	(6,798)
Total net gain/(loss) on financial assets at fair value through profit or loss	<u>16,985</u>	<u>4,444</u>	<u>(6,798)</u>
Net gain/(loss) on operations with financial assets held-for-trading comprise:			
Realized gain/(loss) on trading operations	179	(103)	79
Unrealized income/(expense) on fair value adjustment	219	49	(27,222)
Net gain on operations with derivative financial instruments on bonds	-	-	1,225
Net gain on operations with derivative financial instruments in foreign currency	16,587	4,498	19,120
Total net gain/(loss) on operations with financial assets held for trading	<u>16,985</u>	<u>4,444</u>	<u>(6,798)</u>

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

7. NET LOSS ON TRANSACTIONS IN FOREIGN CURRENCIES

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Translation differences, net	(12,166)	156	(9,580)
Dealing, net	(562)	(280)	20
Total net loss on transactions in foreign currencies	<u>(12,728)</u>	<u>(124)</u>	<u>(9,560)</u>

8. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Fee and commission income:			
Expertise services	6,215	3,092	1,127
Syndicated loan organization fees	-	-	4,300
Total fee and commission income	<u>6,215</u>	<u>3,092</u>	<u>5,427</u>
Fee and commission expense:			
Operations with securities	(126)	(376)	(388)
Money transfer services	(47)	(37)	(105)
Fees for trust management services	-	-	(574)
Other	(48)	(34)	(8)
Total fee and commission expense	<u>(221)</u>	<u>(447)</u>	<u>(1,075)</u>

9. OPERATING EXPENSES

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Staff costs and other payments to employees	19,017	17,021	14,312
Premises expenses	2,458	2,682	1,245
Research and regional development expenses	2,287	1,754	76
Depreciation and amortization	2,087	1,784	1,357
Business trip expenses	1,982	1,075	1,397
Professional services	1,531	1,326	3,259
Communication expenses	866	674	694
Business development expenses	851	610	996
Maintenance of acquired systems and programs	835	793	448
Security	830	597	521
Training	423	344	583
Transportation expenses	349	288	445
Office, postal and printing expenses	244	321	260
Other expenses	858	327	283
Total operating expenses	<u>34,618</u>	<u>29,596</u>	<u>25,876</u>

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

	31 December 2010	31 December 2009	31 December 2008
Balances with the National Bank of the Republic of Kazakhstan	222,351	94,836	116
Cash	38	36	39
Total cash and balances with national (central) banks of Member-states of the Bank	<u>222,389</u>	<u>94,872</u>	<u>155</u>

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

	31 December 2010	31 December 2009	31 December 2008
Cash and balances with national (central) banks of Member-states of the Bank	222,389	94,872	155
Loans and advances to banks of OECD countries, the Russian Federation and the Republic of Kazakhstan	272,952	344,076	399,955
Total cash and cash equivalents	<u>495,341</u>	<u>438,948</u>	<u>400,110</u>

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

	31 December 2010	31 December 2009	31 December 2008
Financial assets held-for-trading:			
Debt securities	-	40,037	-
Derivative financial instruments	910	896	8,331
Total financial assets held-for-trading	910	40,933	8,331
Total financial assets at fair value through profit or loss	910	40,933	8,331

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

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. There was no accrued interest income as at 31 December 2010 and 2008.

	31 December 2010		31 December 2009		31 December 2008	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
Debt securities:						
US Treasury notes	-	-	1.0%	40,000	-	-
Total debt securities	-	-		40,000	-	-

	31 December 2010			31 December 2009			31 December 2008		
	Notional amount	Net fair value Asset Liability		Notional amount	Net fair value Asset Liability		Notional amount	Net fair value Asset Liability	
Derivative financial instruments:									
Foreign currency contracts									
Swaps	231,461	-	(2,307)	252,571	896	(117)	295,708	7,786	(742)
Forwards	151,891	910	(30)	-	-	-	25,000	545	-
		<u>910</u>	<u>(2,337)</u>		<u>896</u>	<u>(117)</u>		<u>8,331</u>	<u>(742)</u>

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

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

Forwards

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

The Bank has credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and are, therefore, considered to bear a liquidity risk and result in a market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

12. LOANS AND ADVANCES TO BANKS

	31 December 2010	31 December 2009	31 December 2008
Correspondent accounts in other banks	212,932	210,723	259,874
Loans under reverse repurchase agreements	132,867	175,989	223,412
Loans to banks	116,112	69,830	70,792
Term deposits in other banks	58,455	132,488	140,194
Correspondent accounts in other banks on broker operations	1,588	1,291	47
Trust management funds	-	-	278
	<u>521,954</u>	<u>590,321</u>	<u>694,597</u>
Less allowance for losses on loans to banks	(60)	-	-
Total loans and advances to banks	<u><u>521,894</u></u>	<u><u>590,321</u></u>	<u><u>694,597</u></u>

Movements in allowances for losses for the years ended 31 December 2010, 2009 and 2008 are disclosed in Note 5.

As at 31 December 2010, the Bank had receivables amounting to 211,805 thousand US dollars from one bank of the Member-state of the Bank (31 December 2009: 205,038 thousand US dollars from one bank; 31 December 2008: 234,654 thousand US dollars and 198,604 thousand US dollars from two banks). All these amounts individually exceeded 10% of the Bank's equity as at 31 December 2010, 2009 and 2008, respectively.

As at 31 December 2010, loans and advances to banks included one loan in the amount of 3,000 thousand US dollars (31 December 2009 and 2008: Nil), against which the Bank recorded a country risk provision in the amount of 60 thousand US dollars (31 December 2009 and 2008: Nil).

As at 31 December 2010, loans and advances to banks included accrued interest income amounting to 899 thousand US dollars (31 December 2009: 840 thousand US dollars; 31 December 2008: 1,932 thousand US dollars).

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 December 2010, 2009 and 2008 are presented as follows:

	31 December 2010		31 December 2009		31 December 2008	
	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	84,067	89,273	75,990	90,428	144,591	165,346
Bonds issued by non-financial organizations	48,800	54,711	54,212	66,314	78,821	94,717
Eurobonds of the Russian Federation	-	-	45,787	53,047	-	-
	<u>132,867</u>	<u>143,984</u>	<u>175,989</u>	<u>209,789</u>	<u>223,412</u>	<u>260,063</u>

13. LOANS TO CUSTOMERS

	31 December 2010	31 December 2009	31 December 2008
Loans to customers	840,167	615,546	437,076
Less allowance for losses	<u>(19,214)</u>	<u>(6,562)</u>	<u>(1,377)</u>
Total loans to customers	<u>820,953</u>	<u>608,984</u>	<u>435,699</u>

Movements in allowances for losses for the years ended 31 December 2010, 2009 and 2008 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 2010	31 December 2009	31 December 2008
Loans collateralized by real estate, equipment and inventories	491,950	203,863	144,667
Loans collateralized by guarantees	322,798	370,209	246,524
Loans collateralized by future cash inflows	<u>25,419</u>	<u>41,474</u>	<u>45,885</u>
	840,167	615,546	437,076
Less allowance for losses	<u>(19,214)</u>	<u>(6,562)</u>	<u>(1,377)</u>
Total loans to customers	<u>820,953</u>	<u>608,984</u>	<u>435,699</u>

	31 December 2010	31 December 2009	31 December 2008
Analysis by sector:			
Transport and communication	306,386	210,646	86,677
Agriculture	160,160	134,641	89,034
Wood processing	123,901	135,576	78,301
Chemical industry	81,290	21,087	9,284
Mining and metallurgy	77,254	41,641	109,329
Energy	67,647	71,955	64,451
Textiles	<u>23,529</u>	<u>-</u>	<u>-</u>
	840,167	615,546	437,076
Less allowance for losses	<u>(19,214)</u>	<u>(6,562)</u>	<u>(1,377)</u>
Total loans to customers	<u>820,953</u>	<u>608,984</u>	<u>435,699</u>

Certain balances in the analysis by sector in the above table have been reclassified between categories as at 31 December 2009 and 2008, in order to conform to the classification of the balances as at 31 December 2010, which Management of the Bank believes is more appropriate and more accurately represents the strategy of the Bank. The Bank has reclassified amounts previously included as "Machinery construction" as at 31 December 2009 and 2008 and included them as at 31 December 2010 as "Transport and communication".

As at 31 December 2010, the maximum credit risk exposure on loans to customers amounted to 820,953 thousand US dollars (31 December 2009: 608,984 thousand US dollars; 31 December 2008: 435,699 thousand US dollars). As at 31 December 2010, the maximum credit risk exposure on loan commitments and overdrafts extended by the Bank to its customers amounted to 1,044,878 thousand US dollars (31 December 2009: 1,177,709 thousand US dollars; 31 December 2008: 615,994 thousand US dollars).

As at 31 December 2010, the Bank has a loan outstanding in the amount of 68,402 thousand US dollars for which the borrower was unable to repay the debt due to the deterioration of market conditions. The Bank has taken possession of collateral and initially recognised it in the amount of 45,613 thousand US dollars, which has been recorded as assets held for sale (see Note 16), and has reduced the loan amount outstanding accordingly to 22,789 thousand US dollars. As at 31 December 2010, the Bank has recorded an allowance for losses in the amount of 19,214 US

dollars against this debt and was in the process of taking possession of additional collateral with a fair value of 3,575 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) 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). During 2010, these loans were fully performing and the Bank reversed the allowance in the amount of 27,013 thousand US dollars.

As at 31 December 2010, loans to customers included accrued interest income amounting to 1,939 thousand US dollars (31 December 2009: 13,155 thousand US dollars; 31 December 2008: 6,363 thousand US dollars).

14. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	31 December 2010	31 December 2009	31 December 2008
Debt securities	180,427	253,146	231,322
Equity securities	34,720	34,720	35,740
Total financial assets available-for-sale	<u>215,147</u>	<u>287,866</u>	<u>267,062</u>

	31 December 2010		31 December 2009		31 December 2008	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Debt securities						
Bonds issued by banks and financial institutions of the Russian Federation	5.93-11%	118,889	5.93-11%	72,647	6.2-8.8%	59,650
Bonds issued by non-financial organizations	6.103-8.125%	56,235	6.656-9.25%	88,941	6.61-8.88%	48,472
Bonds issued by banks and financial institutions of the Republic of Kazakhstan	9.25%	5,303	8-10%	10,665	7.25-10%	10,189
Eurobonds of the Russian Federation	-	-	7.5%	80,893	7.5-12.75%	73,913
Bonds issued by banks and financial institutions of other countries	-	-	-	-	7-11%	37,856
City of Moscow bonds	-	-	-	-	5.06%	1,242
		<u>180,427</u>		<u>253,146</u>		<u>231,322</u>

	31 December 2010		31 December 2009		31 December 2008	
	Ownership interest	Fair value	Ownership interest	Fair value	Ownership interest	Fair value
Equity securities						
Shares of OJSC "Bank of Khanty-Mansiysk"	3%	34,720	3%	34,720	5%	35,740
		<u>34,720</u>		<u>34,720</u>		<u>35,740</u>

As at 31 December 2010, financial assets available-for-sale included accrued interest income amounting to 2,323 thousand US dollars (31 December 2009: 4,170 thousand US dollars; 31 December 2008: 5,287 thousand US dollars).

15. INVESTMENTS HELD TO MATURITY

	31 December 2010		31 December 2009		31 December 2008	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
Bonds issued by Governments of foreign countries	-	374,942	-	499,926	-	199,649
Eurobonds of the Russian Federation	7.5%	264,016	7.5%	278,019	7.5%	290,588
Bonds issued by non-financial organizations	9.625%	37,330	9.625%	31,076	9.63%	31,677
Bonds issued by banks and financial institutions of the Russian Federation	6.609%	<u>20,800</u>	6.609-6.875%	<u>34,732</u>	6.61-10.89%	<u>55,287</u>
Total investments held to maturity		<u><u>697,088</u></u>		<u><u>843,753</u></u>		<u><u>577,201</u></u>

As at 31 December 2010, investments held to maturity included accrued interest income amounting to 5,633 thousand US dollars (31 December 2009: 5,784 thousand US dollars; 31 December 2008: 6,677 thousand US dollars).

As at 31 December 2010, 2009 and 2008, the Bank has invested in short term bonds issued by Governments of foreign countries. These bonds have credit ratings not lower than AA- and a yield to maturity between 0.15% and 0.2%.

16. NON-CURRENT ASSETS HELD FOR SALE

	31 December 2010	31 December 2009	31 December 2008
Non-current assets held for sale	<u>45,613</u>	<u>-</u>	<u>-</u>
Total non-current assets held for sale	<u><u>45,613</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Non-current assets held for sale represent collateral that the Bank has taken over as a new owner as the result of a customer's inability to pay out his debt. It consists of property and equipment that the Bank intends to sell during 2011.

17. PROPERTY AND EQUIPMENT

	Land	Office buildings	Vehicles	Furniture and equipment	Construction-in-progress	Total
At historical cost						
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
Transfer from construction-in-progress	-	13,606	-	802	(14,408)	-
Additions	-	133	123	1,498	880	2,634
Disposals	-	-	-	(475)	-	(475)
31 December 2010	1,231	13,739	1,436	4,713	3,993	25,112
Accumulated depreciation						
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
Charge for the year	-	349	339	980	-	1,668
Eliminated on disposals	-	-	-	(475)	-	(475)
31 December 2010	-	349	1,078	1,573	-	3,000
Net book value						
As at 31 December 2010	<u>1,231</u>	<u>13,390</u>	<u>358</u>	<u>3,140</u>	<u>3,993</u>	<u>22,112</u>
As at 31 December 2009	<u>1,231</u>	<u>-</u>	<u>574</u>	<u>1,820</u>	<u>17,521</u>	<u>21,146</u>
As at 31 December 2008	<u>1,231</u>	<u>-</u>	<u>761</u>	<u>1,133</u>	<u>14,720</u>	<u>17,845</u>

In March 2010 an office building for the headquarters of the Bank in Almaty, Kazakhstan, became fully operational and its cost was transferred from construction-in-progress into office buildings and furniture and equipment categories.

18. OTHER ASSETS

	31 December 2010	31 December 2009	31 December 2008
Other financial assets recorded as loans and receivables in accordance with IAS 39:			
Accrued commission income and other receivables	1,354	1,900	373
	1,354	1,900	373
Other non-financial assets:			
Prepaid expenses	3,058	1,613	612
Prepaid amounts on construction works	366	1,547	3,348
Value added tax reimbursable	190	301	609
Other debtors	331	1,163	487
Total other assets	<u>5,299</u>	<u>6,524</u>	<u>5,429</u>

19. LOANS AND DEPOSITS FROM BANKS

	31 December 2010	31 December 2009	31 December 2008
Recorded at amortized cost:			
Loan from a bank due in April 2011, net of discount	33,455	35,267	-
Loan from financial organization	23,086	1,573	-
Syndicated loan from a group of banks due in July 2010, net of discount	-	-	298,850
Loan from a bank due in July 2009, net of discount	-	-	50,713
Loans under repurchase agreements	-	-	114,794
Total loans and deposits from banks	<u>56,541</u>	<u>36,840</u>	<u>464,357</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 2010, 2009 and 2008 the Bank was in compliance with all such covenants.

As at 31 December 2010, loans and deposits from banks included accrued interest expense amounting to 412 thousand US dollars (31 December 2009: 162 thousand US dollars; 31 December 2008: 4,633 thousand US dollars).

The fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2010, 2009 and 2008 are presented as follows:

	31 December 2010		31 December 2009		31 December 2008	
	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
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,052</u>	<u>114,794</u>

Maturities of amounts of loans and deposits from banks are included in Note 28 under liquidity risk.

These liabilities are measured at amortized cost.

20. DEBT SECURITIES ISSUED

	31 December 2010	31 December 2009	31 December 2008
Recorded at amortized cost:			
USD denominated 5-year Eurobonds due in September 2014, interest rate 7.375%, net of discount	507,853	507,921	-
RUR denominated 7-year bonds (“the Rouble Bonds”) due in October 2016, interest rate 10.5%, net of discount	165,814	167,250	-
KZT denominated 5-year Eurobonds due in April 2014, interest rate indexed to the consumer price index of Kazakhstan, with the rate fixed at 8% from 29 October 2010 until 28 April 2011, net of discount	137,020	137,598	-
Total debt securities issued	<u>810,687</u>	<u>812,769</u>	<u>-</u>

On 28 April 2009, the Bank has issued its debut Eurobonds denominated in Tenge on the special trading platform of the Regional Financial Centre of Almaty city as part of its Euro Medium Term Note Programme (“EMTN Programme”). The Eurobonds have senior payment priority and mature on 28 April 2014. The Eurobonds bear an interest rate which is indexed to the consumer price index of Kazakhstan, with the rate fixed at 8% per annum from 29 October 2010 until 28 April 2011.

On 29 September 2009, the Bank issued its debut international Eurobonds on the London Stock Exchange as part of its EMTN Programme for a total amount of 500,000 thousand US dollars. The Eurobonds have senior payment priority and mature on 29 September 2014. The Eurobonds bear an interest rate fixed at 7.375% per annum.

On 3 November 2009, the Bank issued Rouble Bonds listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles. The Rouble Bonds have senior payment priority and mature on 25 October 2016. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 10.50% per annum until 1 November 2011 and after 1 November 2011 will be determined by the Bank unilaterally. The bondholders are entitled to demand the redemption of the Rouble Bonds in two years after their issuance.

As at 31 December 2010, debt securities issued included accrued interest expense amounting to 14,029 thousand US dollars (31 December 2009: 15,672 thousand US dollars; 31 December 2008: Nil).

21. OTHER LIABILITIES

	31 December 2010	31 December 2009	31 December 2008
Other financial liabilities:			
Deferred income	8,037	3,002	3,977
Retirement savings plan	4,747	3,134	1,634
Short-term payments to employees	4,293	4,690	3,858
Accrued commission expenses	1,909	257	213
	<u>18,986</u>	<u>11,083</u>	<u>9,682</u>
Other non-financial liabilities:			
Accrued administrative expenses	-	183	144
Other	46	570	1,239
Total other liabilities	<u>19,032</u>	<u>11,836</u>	<u>11,065</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.

22. SHARE CAPITAL

As at 31 December 2010, 2009 and 2008, the authorized share capital consists of 1,515,600 common shares, 1,515,600 common shares and 1,500,000 common shares, respectively, with a nominal value of 1,000 US dollars each. One paid-in share represents one voting right.

As at 31 December 2010, 2009 and 2008, shares issued and outstanding consisted of 1,515,600, 1,500,600 and 1,500,000 shares, respectively.

At 31 December 2010 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 Belarus	15,000	-	15,000
The Republic of Tajikistan	500	-	500
The Republic of Armenia	100	-	100
Total share capital	<u>1,515,600</u>	<u>-</u>	<u>1,515,600</u>

As 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>

As 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>

The below table provides a reconciliation of the number of shares outstanding as at 31 December 2010, 2009 and 2008:

	Number of shares issued, quantity	Issued share capital, thousands US dollars
31 December 2007	804,787	804,787
Issue of ordinary share capital	<u>695,213</u>	<u>695,213</u>
31 December 2008	1,500,000	1,500,000
Issue of ordinary share capital	<u>600</u>	<u>600</u>
31 December 2009	1,500,600	1,500,600
Issue of ordinary share capital	<u>15,000</u>	<u>15,000</u>
31 December 2010	<u>1,515,600</u>	<u>1,515,600</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 2010, 2009 and 2008:

	2010	2009	2008
Beginning of the year	44,839	24,569	4,940
Transfer from retained earnings	<u>19,894</u>	<u>20,270</u>	<u>19,629</u>
End of the year	<u><u>64,733</u></u>	<u><u>44,839</u></u>	<u><u>24,569</u></u>

The objective of the Bank's share capital is to cover potential losses from its operations. In accordance with the Bank's internal policies, the equity should exceed 16% of the sum of credit, market and operational risks, estimated as per the Basle II Standardized approach. As at 31 December 2010, 2009 and 2008, the Bank was in compliance with its internal policy requirements. The Bank is not subject to any capital requirements from external regulatory entities.

23. 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 19, debt securities issued disclosed in Note 20, and equity attributable to equity holders, comprising share 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.

24. 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 2010, 2009 and 2008, the nominal or contract amounts were:

	31 December 2010 Nominal Amount	31 December 2009 Nominal Amount	31 December 2008 Nominal amount
Commitments on loans and unused credit lines	1,044,878	569,725	615,994
Commitments to join private equity funds	100,000	-	-
Letters of credit issued	<u>194</u>	<u>-</u>	<u>-</u>
Total contingent liabilities and credit commitments	<u><u>1,145,072</u></u>	<u><u>569,725</u></u>	<u><u>615,994</u></u>

On 21 December 2010, the Bank agreed to invest in the Macquarie Renaissance Infrastructure Fund which is included in commitments to join private equity funds in the table above.

Capital commitments

As at 31 December 2010, the Bank had no capital commitments (31 December 2009: 484 thousand US dollars; 31 December 2008: 150 thousand US dollars). All capital commitments of the Bank are short-term in nature.

Fiduciary activities

In the normal course of its business the Bank may enter into agreements with limited right on decision making with clients for their assets management in accordance with specific criteria established by clients. The Bank may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are not returned to the client due to gross negligence or willful misconduct by the Bank only. The maximum potential financial risk of the Bank at any given moment is equal to the volume of the clients' funds plus/minus any unrealized income/loss on the clients' position. In the judgment of management, as at 31 December 2010, 2009 and 2008 the maximum potential financial risk on securities accepted by the Bank on behalf of its clients does not exceed 280,948 thousand US dollars, nil and nil, respectively. These amounts represent clients' funds under the management of the Bank as at 31 December 2010, 2009 and 2008.

25. 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 Member-states. 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 2010		Year ended 31 December 2009		Year ended 31 December 2008	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation, short- term employee benefits:						
Staff costs and other payments to employees	3,312	17,723	3,174	15,841	3,323	13,076
Accommodation costs of employees	295	1,294	303	1,180	509	1,236
Key management personnel compensation	3,607	19,017	3,477	17,021	3,832	14,312

26. 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 2010, 2009 and 2008 and for the years then ended.

	Russia	Kazakhstan	Other countries	As at and for the year ended 31 December 2010 Total
Interest income	70,163	41,016	5,666	116,845
Interest expense	(17,440)	(14,276)	(39,225)	(70,941)
Provisions for losses on loans to customers	(1,508)	(25,505)	(60)	(27,073)
Reversal of provisions for losses on loans to customers	7,163	6,930	-	14,093
Gain on financial assets at fair value through profit or loss	95,165	3,994	10,001	109,160
Loss on financial assets at fair value through profit or loss	(78,639)	(4,167)	(9,369)	(92,175)
Realized gain on financial assets available-for-sale	8,804	552	-	9,356
Realized loss on financial assets available-for-sale	(1,944)	(238)	-	(2,182)
Gain on transactions in foreign currencies	237,077	87,932	369,946	694,955
Loss on transactions in foreign currencies	(238,437)	(87,171)	(382,075)	(707,683)
Fee and commission income	5,190	938	87	6,215
Fee and commission expense	(59)	(34)	(128)	(221)
Other income	-	82	-	82
External operating income/(loss)	85,535	10,053	(45,157)	50,431
Cash and balances with national (central) banks of Member-states of the Bank	-	222,389	-	222,389
Financial assets at fair value through profit or loss	-	-	910	910
Loans and advances to banks	279,163	70,320	172,411	521,894
Loans to customers	479,924	317,500	23,529	820,953
Financial assets available-for-sale	209,844	5,303	-	215,147
Investments held to maturity	322,146	-	374,942	697,088
Assets held-for-sale	-	45,613	-	45,613
Property, equipment and intangible assets	1,059	22,028	213	23,300
Other assets	3,635	1,211	453	5,299
Total assets	1,295,771	684,364	572,458	2,552,593
Total liabilities	172,611	151,128	565,357	889,096
Capital expenditure	154	2,828	200	3,182
Depreciation and amortization	350	1,705	32	2,087

	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	5,056	1,382	139	6,577
Realized loss on financial assets available-for-sale	(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
External operating income/(loss)	45,467	34,502	(10,584)	69,385
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
Total assets	1,159,061	555,832	780,565	2,495,458
Total liabilities	170,289	146,160	545,113	861,562
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
External operating income/(loss)	63,660	27,644	(24,888)	66,416
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
Total assets	1,219,422	434,191	354,034	2,007,647
Total liabilities	120,106	6,491	349,567	476,164
Capital expenditure	682	6,553	-	7,235
Depreciation and amortization	87	1,270	-	1,357

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.

27. 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 2010		31 December 2009		31 December 2008	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Investments held to maturity	697,088	710,688	843,753	848,142	577,201	570,524

The Bank holds in its portfolio of investments held to maturity securities of internationally recognized organizations. The Bank did not recognize any impairment loss for the securities as at 31 December 2010, 2009 and 2008.

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

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 2010			31 December 2009			31 December 2008		
	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	-	910	-	40,037	896	-	-	8,331	-
Financial assets available-for-sale	180,427	-	-	253,146	-	-	231,322	-	-
Financial liabilities at fair value through profit or loss	-	2,337	-	-	117	-	-	742	-

28. 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. 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). 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.

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.

The 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 investment project financing

The Bank sets investment 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 investment 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 investment 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. 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. Basing on identified risks the Bank evaluates financial condition of borrowers and their debt servicing abilities.

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.

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 2010:

	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	222,389	-	222,389	-	222,389
Financial assets at fair value through profit or loss	910	-	910	-	910
Loans and advances to banks	521,894	-	521,894	143,984	377,910
Loans to customers	820,953	-	820,953	648,527	172,426
Financial assets available-for-sale	215,147	-	215,147	-	215,147
Investments held to maturity	697,088	-	697,088	-	697,088
Other assets	1,354	-	1,354	-	1,354

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

Collateral for loans to customers comprised of:

	31 December 2010	31 December 2009	31 December 2008
Guarantees	-	217,347	177,446
Real estate or rights thereon	446,555	38,126	154,198
Future cash inflows	201,972	5,925	35,550
	<u>648,527</u>	<u>261,398</u>	<u>367,194</u>

The collateral value represents the 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 a 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 2010 Total
Cash and balances with national (central) banks of Member-states of the Bank	-	-	-	222,389	-	-	222,389
Financial assets at fair value through profit or loss	-	798	112	-	-	-	910
Loans and advances to banks	-	7,112	21	291,390	190,960	32,411	521,894
Loans to customers	-	-	-	-	-	820,953	820,953
Financial assets available-for-sale	-	-	-	94,128	121,019	-	215,147
Investments held to maturity	374,942	-	-	322,146	-	-	697,088
Other assets	-	-	-	-	-	1,354	1,354
	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

As at 31 December 2010, the Bank had outstanding loans to 16 customers (31 December 2009: 13; 31 December 2008: 13) and six banks (31 December 2009: one bank; 31 December 2008: one bank). 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 (standard, under observation)* are expected to possess moderate 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 (substandard)* 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 (doubtful)* 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 (loss)* are considered to have the highest credit risk, full loan repayment is improbable. The borrower has considerable repayments' delays more than 30 days. The deterioration in the financial condition of the borrower has reached a critical level, including significant operating losses, a loss of market position and negative equity. It is evident that the borrower cannot repay the loan and the interest in full and the collateral value is negligible.

	31 December 2010	31 December 2009	31 December 2008
Standard loans	817,378	404,204	298,077
Loans classified to 2nd category	-	211,342	138,999
Loans classified to 5th category	22,789	-	-
	<u>840,167</u>	<u>615,546</u>	<u>437,076</u>
Less – Allowance for losses (Note 5)	<u>(19,214)</u>	<u>(6,562)</u>	<u>(1,377)</u>
Loans to customers	<u><u>820,953</u></u>	<u><u>608,984</u></u>	<u><u>435,699</u></u>

As at 31 December 2010, one loan was classified as 5th category loan (31 December 2009: nil; 31 December 2008: nil) and no loan was classified as 2nd category loan (31 December 2009: four; 31 December 2008: four).

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 2010:

	Neither past due nor impaired	Financial assets past due but not impaired	Financial assets that have been impaired	31 December 2010 Total
Cash and balances with national (central) banks of the Member-states of the Bank	222,389	-	-	222,389
Financial assets at fair value through profit or loss	910	-	-	910
Loans and advances to banks	521,894	-	-	521,894
Loans to customers	817,378	-	3,575	820,953
Financial assets available-for-sale	215,147	-	-	215,147
Investments held to maturity	697,088	-	-	697,088
Other assets	1,354	-	-	1,354

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

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 2010, an allowance for losses has been recorded against one loan (31 December 2009: four; 31 December 2008: four) and the total allowance for losses equates to an effective provision rate of 2.29% (31 December 2009: 1.07%; 31 December 2008: 0.32%), 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 2010 Total
FINANCIAL ASSETS:								
Cash and balances with the national (central) banks of the Member-states of the Bank	1.00%	220,608	-	-	-	-	-	220,608
Loans and advances to banks	3.01%	403,642	-	3,746	112,306	-	-	519,694
Loans to customers	9.30%	-	-	1,939	300,338	515,101	-	817,378
Financial assets available-for-sale	8.01%	8,797	5,997	44,537	70,474	50,622	-	180,427
Investments held to maturity	3.44%	224,980	149,962	5,677	56,816	259,653	-	697,088
Total interest bearing financial assets		858,027	155,959	55,899	539,934	825,376	-	2,435,195
Cash and balances with the national (central) banks of the Member-states of the Bank		1,781	-	-	-	-	-	1,781
Financial assets at fair value through profit or loss		910	-	-	-	-	-	910
Loans and advances to banks		2,200	-	-	-	-	-	2,200
Loans to customers		-	-	3,575	-	-	-	3,575
Financial assets available-for-sale		-	-	-	-	-	34,720	34,720
Other assets		79	-	1,275	-	-	-	1,354
Total financial assets		862,997	155,959	60,749	539,934	825,376	34,720	2,479,735
FINANCIAL LIABILITIES:								
Loans and deposits from banks	2.77%	-	-	33,697	-	22,844	-	56,541
Debt securities issued	8.01%	-	-	14,029	633,622	163,036	-	810,687
Total interest bearing financial liabilities		-	-	47,726	633,622	185,880	-	867,228
Financial liabilities at fair value through profit or loss		2,337	-	-	-	-	-	2,337
Anti-crisis Fund		499	-	-	-	-	-	499
Other liabilities		1,913	3,842	8,484	4,747	-	-	18,986
Total financial liabilities		4,749	3,842	56,210	638,369	185,880	-	889,050
Liquidity gap		858,248	152,117	4,539	(98,435)	639,496	34,720	
Interest sensitivity gap		858,027	155,959	8,173	(93,688)	639,496	-	
Cumulative interest sensitivity gap		858,027	1,013,986	1,022,159	928,471	1,567,967	1,567,967	
Cumulative interest sensitivity gap as a percentage of total assets		34.60%	40.89%	41.22%	37.44%	63.23%	63.23%	

	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
FINANCIAL ASSETS:								
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
FINANCIAL LIABILITIES:								
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
FINANCIAL ASSETS:								
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
FINANCIAL LIABILITIES:								
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%	

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 2010 Total
FINANCIAL ASSETS:							
Cash and balances with national (central) banks of the Member-states of the Bank	222,504	-	-	-	-	-	222,504
Financial assets at fair value through profit or loss	910	-	-	-	-	-	910
Loans and advances to banks	406,114	-	25,626	114,950	-	-	546,690
Loans to customers	-	-	98,196	453,153	738,213	-	1,289,562
Financial assets available-for-sale	8,816	6,026	55,076	91,506	61,379	34,720	257,523
Investments held-to-maturity	225,000	150,000	27,789	378,445	481,347	-	1,262,581
Other assets	79	-	1,275	-	-	-	1,354
Total financial assets	863,423	156,026	207,962	1,038,054	1,280,939	34,720	3,581,124
FINANCIAL LIABILITIES:							
Loans and deposits from banks	-	-	34,559	2,451	27,747	-	64,757
Financial liabilities at fair value through profit or loss	2,337	-	-	-	-	-	2,337
Anti-crisis Fund	499	-	-	-	-	-	499
Debt securities issued	-	-	64,924	830,979	177,810	-	1,073,713
Other liabilities	1,913	3,842	8,484	4,747	-	-	18,986
Commitment to extend credit	362	36,068	275,532	732,916	-	-	1,044,878
Total financial liabilities	5,111	39,910	383,499	1,571,093	205,557	-	2,205,170
	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
FINANCIAL ASSETS:							
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
Total financial assets	866,422	296,666	18,081	445,840	1,706,123	34,720	3,367,852
FINANCIAL LIABILITIES:							
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
Total financial liabilities	374	4,690	3,002	950,598	858,126	-	1,816,790

	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
FINANCIAL ASSETS:							
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
Total financial assets	685,731	160,866	32,554	412,121	1,605,779	35,740	2,932,791
FINANCIAL LIABILITIES:							
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
Total financial liabilities	120,126	3,858	51,835	324,915	615,994	-	1,116,728

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.

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% increase and decrease in the interest rates in 2010, 2009 and 2008. Management of the Bank believe that given the current economic conditions in Russia and Kazakhstan that a 3% increase/decrease 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 2010, 2009 and 2008:

	As at 31 December 2010		As at 31 December 2009		As at 31 December 2008	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
Financial assets:						
Financial assets at fair value through profit or loss	-	-	(2,089)	2,273	-	-
Loans and advances to banks	2,100	(2,100)	2,100	(2,100)	2,079	(2,079)
Loans to customers	6,637	(6,637)	5,780	(5,780)	5,850	(5,850)
Financial liabilities:						
Loans and deposits from banks	(1,689)	1,526	(9,708)	9,708	(10,488)	10,488
Debt securities issued	(4,071)	4,071	-	-	-	-
Net impact on net profit	2,977	(3,140)	(3,917)	4,101	(2,559)	2,559

Impact on equity is based on asset values as at 31 December 2010, 2009 and 2008:

	As at 31 December 2010		As at 31 December 2009		As at 31 December 2008	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
Financial assets:						
Financial assets at fair value through profit or loss	-	-	(2,089)	2,273	-	-
Loans and advances to banks	2,100	(2,100)	2,100	(2,100)	2,079	(2,079)
Loans to customers	6,637	(6,637)	5,780	(5,780)	5,850	(5,850)
Financial assets available-for-sale	(11,790)	13,846	(60,343)	97,936	(56,638)	93,320
Financial liabilities:						
Loans and deposits from banks	(1,689)	1,526	(9,708)	9,708	(10,488)	10,488
Debt securities issued	(4,071)	4,071	-	-	-	-
Net impact on equity	(8,813)	10,706	(64,260)	102,037	(59,197)	95,879

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 rouble	Euro	Other currencies	31 December 2010 Total
Financial assets:						
Cash and balances with the national (central) banks of the Member-states of the Bank	35	222,336	18	-	-	222,389
Financial assets at fair value through profit or loss	910	-	-	-	-	910
Loans and advances to banks	235,500	-	68,178	218,181	35	521,894
Loans to customers	737,465	19,523	-	63,965	-	820,953
Financial assets available-for- sale	179,843	-	35,304	-	-	215,147
Investments held to maturity	697,088	-	-	-	-	697,088
Other assets	654	19	593	88	-	1,354
Total financial assets	1,851,495	241,878	104,093	282,234	35	2,479,735
Financial liabilities:						
Loans and deposits from banks	23,086	-	-	33,455	-	56,541
Financial liabilities at fair value through profit or loss	2,337	-	-	-	-	2,337
Anti-crisis Fund	499	-	-	-	-	499
Debt securities issued	507,853	137,020	165,814	-	-	810,687
Other liabilities	17,779	312	839	26	30	18,986
Total financial liabilities	551,554	137,332	166,653	33,481	30	889,050
OPEN BALANCE SHEET POSITION	1,299,941	104,546	(62,560)	248,753	5	
	US dollars	Kazakhstani tenge	Russian rouble	Euro	Other currencies	31 December 2009 Total
Financial assets:						
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
Total financial assets	1,881,139	176,086	165,374	246,022	8	2,468,629
Financial liabilities:						
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
Total financial liabilities	520,408	137,599	167,253	35,549	-	860,809
OPEN BALANCE SHEET POSITION	1,360,731	38,487	(1,879)	210,473	8	

	US dollars	Kazakhstani tenge	Russian rouble	Euro	Other currencies	31 December 2008 Total
Financial assets:						
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
Total financial assets	1,615,779	121	127,681	239,837	-	1,983,418
Financial liabilities:						
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
Total financial liabilities	358,466	854	114,803	658	-	474,781
OPEN BALANCE SHEET POSITION	1,257,313	(733)	12,878	239,179	-	

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 rouble	Euro	Other currencies	31 December 2010 Total
Accounts payable on spot and derivative contracts	(22,400)	(113,034)	-	(249,261)	-	(384,695)
Accounts receivable on spot and derivative contracts	322,651	-	60,617	-	-	383,268
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	300,251	(113,034)	60,617	(249,261)	-	(1,427)
TOTAL OPEN POSITION	1,600,192	(8,488)	(1,943)	(507)	5	
	US dollars	Kazakhstani tenge	Russian rouble	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	252,571	-	-	-	-	252,571
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	252,571	(40,117)	-	(211,675)	-	779
TOTAL OPEN POSITION	1,613,302	(1,630)	(1,879)	(1,202)	8	

	US dollars	Kazakhstani tenge	Russian rouble	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	293,395	24,258	-	-	-	317,653
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	268,395	(197)	(20,287)	(240,322)	-	7,589
TOTAL OPEN POSITION	1,525,708	(930)	(7,409)	(1,143)	-	

Currency risk sensitivity

The following table details the Bank's sensitivity to a 15%, 25% and 25% increase and decrease in the US Dollar/Russian Rouble and US Dollar/Kazakhstani Tenge exchange rates in 2010, 2009 and 2008, respectively and a 10% increase and decrease in the US Dollar/Euro exchange rate. Management of the Bank believe that given the current conditions and more stable economic environment in Russia and Kazakhstan that a significant devaluation of the currency exchange against the US Dollar is less likely than in prior years and that a 15% increase/decrease is a realistic movement in the Rouble 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 respective changes in currency rates as at 31 December 2010, 2009 and 2008.

Impact on net profit based on asset values as at 31 December 2010, 2009 and 2008:

	As at 31 December 2010		As at 31 December 2009		As at 31 December 2008	
	USD/RUR +15%	USD/RUR -15%	USD/RUR +25%	USD/RUR -25%	USD/RUR +25%	USD/RUR -25%
Impact on net profit	(291)	(4,917)	(470)	(8,210)	(1,852)	1,852

	As at 31 December 2010		As at 31 December 2009		As at 31 December 2008	
	USD/KZT +15%	USD/KZT -15%	USD/KZT +25%	USD/KZT -25%	USD/KZT +25%	USD/KZT -25%
Impact on net profit	(1,273)	1,273	(408)	408	(233)	(233)

	As at 31 December 2010		As at 31 December 2009		As at 31 December 2008	
	USD/EUR +10%	USD/EUR -10%	USD/EUR +10%	USD/EUR -10%	USD/EUR +10%	USD/EUR -10%
Impact on net profit	(51)	51	(120)	120	(114)	114

Impact on equity based on asset values as at 31 December 2010, 2009 and 2008:

	As at 31 December 2010		As at 31 December 2009		As at 31 December 2008	
	USD/RUR +15%	USD/RUR -15%	USD/RUR +25%	USD/RUR -25%	USD/RUR +25%	USD/RUR -25%
Impact on equity	(291)	291	(470)	(8,210)	(1,852)	1,852

	As at 31 December 2010		As at 31 December 2009		As at 31 December 2008	
	USD/KZT +15%	USD/KZT -15%	USD/KZT +25%	USD/KZT -25%	USD/KZT +25%	USD/KZT -25%
Impact on equity	(1,273)	1,273	(408)	408	(233)	233

	As at 31 December 2010		As at 31 December 2009		As at 31 December 2008	
	USD/EUR +10%	USD/EUR -10%	USD/EUR +10%	USD/EUR -10%	USD/EUR +10%	USD/EUR -10%
Impact on equity	(51)	51	(120)	120	(114)	114

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.

29. SUBSEQUENT EVENTS

On 1 February 2011, the Bank began to collect investor bids for its second rouble domestic bond offering in the amount of 5 billion rouble to be listed on the Moscow Interbank Currency Exchange.

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