IMPORTANT NOTICE

THE OFFERING OF ANY SECURITIES IN CONNECTION WITH THE ATTACHED BASE PROSPECTUS IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) NON-U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the Base Prospectus following this page and you are therefore advised to read this page carefully before reading, accessing or making any other use of the attached Base Prospectus. In accessing the attached Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer (as defined in the attached Base Prospectus), BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc and VTB Capital plc (the "**Joint Arrangers**") as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

Confirmation of your representation: In order to be eligible to view the attached Base Prospectus or make an investment decision with respect to the securities being offered, prospective investors must be either (1) Qualified Institutional Buyers ("**QIBs**") (within the meaning of Rule 144A under the Securities Act ("**Rule 144A**")) or (2) non-U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) located outside the United States. The attached Base Prospectus is being sent to you at your request, and by accessing the attached Base Prospectus you shall be deemed to have represented to the Issuer, the Joint Arrangers that (1) either (a) you and any customers you represent are QIBs or (b) you and any customers you represent are outside of the United States and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia and (2) you consent to delivery of such attached Base Prospectus by electronic transmission.

You are reminded that the attached Base Prospectus has been delivered to you on the basis that you are a person into whose possession such attached Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver such attached Base Prospectus to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Dealers (as defined in the Base Prospectus) or any affiliate of the Dealers is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

The attached Base Prospectus may only be distributed to, and is directed at (1) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (2) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). The securities to which the attached Base Prospectus relates are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be available only to, or will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on the attached Base Prospectus or any of its contents.

The attached Base Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Joint Arrangers any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Arrangers.

Eurasian Development Bank

U.S.$3,500,000,000
Euro Medium Term Note Programme

The Eurasian Development Bank (the "**Issuer**"), an international development bank founded by the Russian Federation and the Republic of Kazakhstan, has established this U.S.$3,500,000,000 Euro medium term note programme (the "**Programme**"), pursuant to which the Issuer may from time to time issue and have outstanding Euro medium term notes (the "**Notes**"), which will constitute direct, general, unsubordinated and unsecured obligations of the Issuer.

This base prospectus (this "**Base Prospectus**") has been approved by the United Kingdom Financial Services Authority in its capacity as competent authority for the purposes of Article 5.4 of Directive 2003/71/EC, as amended, (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom (the "**UK Listing Authority**"), as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Notes under the Programme during the twelve month period after the date hereof.

Application has been made to the UK Listing Authority to admit Notes issued under the Programme during the period of twelve months after the date hereof to listing on the official list of the UK Listing Authority (the "**Official List**") and to trading on the regulated market (the "**Regulated Market**") of the London Stock Exchange plc (the "**London Stock Exchange**"). The Regulated Market is regulated for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. The Programme permits Notes to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges, regulated markets and/or quotation systems, including the Joint Stock Company "Kazakhstan Stock Exchange" (the "**KASE**") or the Open Joint Stock Company "Moscow Exchange MICEX-RTS" (the "**MICEX**"), as may be agreed between the Issuer and the relevant Dealer(s) (as defined herein) in relation to the relevant Series.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities law, and, subject to certain exceptions, may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). Notes may be offered and sold (i) within the United States to qualified institutional buyers (each, a "**QIB**"), as defined in Rule 144A under the Securities Act ("**Rule 144A**") in reliance on the exemption from registration provided by Rule 144A (such Notes so offered and sold, the "**Rule 144A Notes**") and (ii) to non-U.S. persons in offshore transactions in reliance on Regulation S (such Notes so offered and sold, the "**Regulation S Notes**"). Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain other restrictions, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Factors which may affect the ability of the Issuer to fulfil its obligations under the Programme and factors which are material for the purpose of assessing the risks associated with the Notes are set out in "*Risk Factors*". Prospective investors should carefully consider the risks described beginning on page 1 of this Base Prospectus prior to making an investment decision with respect to the Notes.

EACH INITIAL AND SUBSEQUENT PURCHASER OF THE NOTES OFFERED HEREBY IN MAKING ITS PURCHASE WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS AS SET FORTH IN THIS BASE PROSPECTUS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER OF NOTES AND MAY IN CERTAIN CIRCUMSTANCES BE REQUIRED TO PROVIDE CONFIRMATION OF COMPLIANCE WITH SUCH RESALE OR TRANSFER RESTRICTIONS.

The Issuer has been assigned long-term foreign currency ratings of "BBB" (outlook – stable) by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"), "BBB" (outlook – positive) by Fitch Ratings Limited ("**Fitch**") and "A3" (outlook – stable) by Moody's Investors Service Limited ("**Moody's**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused or (ii) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (iii) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. For the purposes of the credit ratings included and referred to in this Prospectus, each of Standard & Poor's, Fitch and Moody's is established in the European Union and is registered under the CRA Regulation. As such, each of Standard & Poor's, Fitch and Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Joint Arrangers

BNP PARIBAS **Citigroup** **HSBC** **VTB Capital**

Dealers

BNP PARIBAS **Citigroup** **HSBC** **VTB Capital**

Base Prospectus dated 10 September 2012

This Base Prospectus contains information provided by the Issuer in connection with the Programme under which the Issuer may issue and have outstanding at any time the Notes on the terms set out herein (the "**Terms and Conditions of the Notes**") as supplemented by the final terms applicable to each issue (the "**applicable Final Terms**") up to a maximum aggregate amount of U.S.$3,500,000,000 or its equivalent in other currencies. The Notes will be constituted by, and have the benefit of, an amended and restated trust deed dated on or about 10 September 2012 (the "**Trust Deed**") between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which term shall include any successor trustee or trustees under the Trust Deed). The Issuer has, pursuant to a dealer agreement (the "**Dealer Agreement**") dated on or about 10 September 2012, appointed BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc and VTB Capital plc (the "**Dealers**") as dealers for the Notes under the Programme and has authorised and requested the Dealers to circulate this Base Prospectus in connection with the Programme, subject as provided in the Dealer Agreement.

This Base Prospectus should be read and construed together with any supplements hereto and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the applicable Final Terms.

No Notes may be issued under the Programme with a minimum denomination of less than EUR100,000 (or its equivalent in another currency) or, in the case of Rule 144A Notes, U.S.$200,000 (or its equivalent in another currency). Subject thereto and to compliance with all applicable legal, regulatory and/or central bank requirements and the restrictions described in this Base Prospectus, Notes will be issued in such denominations as may be specified in the applicable Final Terms.

References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Regulated Market and admitted to the Official List.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes should be considered as a recommendation by the Issuer, the Dealers or the Trustee that any recipient of this Base Prospectus should purchase any Notes. Each recipient of this Base Prospectus contemplating the purchase of any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither Citibank N.A., London Branch (as Principal Paying Agent, Calculation Agent and Transfer Agent) nor the Trustee has independently validated the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Citibank N.A., London Branch or the Trustee as to the accuracy or completeness at any time of this Base Prospectus or any supplement hereto.

No person has been authorised by the Issuer, the Dealers or the Trustee to give any information or to make any representation not contained in this Base Prospectus or any supplement hereto and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Notes come are required by the Issuer, the Dealers and the Trustee to inform themselves about and to observe any such restrictions. In particular, such persons are required to comply with the restrictions on offers or sales of Notes and on distribution of this Base Prospectus and other information in relation to the Notes set out under

"*Subscription and Sale*" and "*Transfer Restrictions*". In particular, the Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

None of the Issuer, the Dealers or the Trustee makes any representation regarding the treatment for taxation purposes of payments or receipts in respect of any Notes under U.S. or other tax laws. Each investor contemplating the acquisition of Notes under the Programme must seek such tax or other professional advice as it considers necessary. See "*Taxation*".

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Application has been made for the Notes issued under the Programme to be admitted to the Official List and to trading on the Regulated Market. The Programme provides that Notes may in the future be listed on such other or further stock exchange(s), including the KASE or the MICEX, as may be agreed between the Issuer and the relevant Dealer(s) in relation to the relevant Series, provided that the relevant requirements have been met. The applicable Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and traded on the Regulated Market of the London Exchange or any other stock exchange(s).

Regulation S Notes of each Series (as defined herein) which are sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by interests in a global unrestricted note in registered form (each, a "**Regulation S Global Note**"), which will be deposited with a common depositary for, and registered in the name of a nominee for the common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on its Issue Date (as defined herein). Beneficial interests in a Regulation S Global Note will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. Rule 144A Notes of each Series sold to QIBs, as referred to in, and subject to, the transfer restrictions described in "*Subscription and Sale*" and "*Transfer Restrictions*", will initially be represented by interests in a global restricted Note in registered form (each, a "**Rule 144A Global Note**" and, together with any Regulation S Global Notes, the "**Global Notes**"), which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**") on its Issue Date. Beneficial interests in a Rule 144A Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "*Summary of the Provisions Relating to the Notes in Global Form*". Definitive Notes (as defined herein) in registered form will only be available in certain limited circumstances as described herein.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS OR ANY SUPPLEMENT HERETO. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) designated as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in relation to a particular issuance of Notes may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant

Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) or persons(s) acting on behalf of any Stabilising Manager(s) in accordance with all applicable laws and rules.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FORWARD LOOKING STATEMENTS

This Base Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Base Prospectus may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “continue” or similar terminology. Although the Issuer believes that the expectations reflected in its forward-looking statements are reasonable as at the date of this Base Prospectus, there can be no assurance that these expectations will prove to be correct.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Issuer’s actual results of operations, financial condition and liquidity and the development of the business environment in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Base Prospectus. In addition, even if the Issuer’s results of operations, financial condition and liquidity and the development of that environment in which the Issuer operates for any period are consistent with the forward-looking statements contained in this Base Prospectus, such results, financial condition, liquidity or developments may not be indicative of results, financial condition, liquidity or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the level of support the Issuer receives from its member states;
- the timing and success of business development efforts;
- the impact of projects undertaken to improve cost efficiencies and enhance revenue growth;
- the ability to increase and diversify the composition of the Issuer’s loan portfolio;
- overall economic and business conditions, including declines in the levels of worldwide economic and business activity or the continuation of past reduced levels of such activity for a prolonged period;
- dislocations in global financial markets that restrict access of the Issuer or its customers to capital and credit markets on favourable terms or at all;
- changes and trends in commodity prices;
- the demand for loans in the markets in which the Issuer operates and the ability of the Issuer to originate loans that fulfil its investment criteria;

- competitive factors in the industries in which the Issuer and its customers compete;
- interest rate fluctuations and other capital market conditions;
- exchange rate fluctuations;
- economic and political conditions in international markets, including governmental changes;
- hostilities and restrictions on the ability to transfer capital across borders; and
- the timing, impact and other uncertainties arising from future actions.

The sections of this Base Prospectus entitled "*Risk Factors*" and "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Factors Affecting the Issuer's Results of Operations*" contain a more complete discussion of the factors that could affect the Issuer's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Base Prospectus may not occur.

The Issuer does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Some of these factors are contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring or not occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. If any of the risks described below actually materialises, the Issuer's business, prospects, financial condition, cash flows or results of operations could be materially adversely affected. If this were to happen, the trading price of the Notes could decline or the Issuer could be unable to pay interest, principal or other amounts on or in connection with any Notes and investors may lose the value of their entire investment, or part of it.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes, or otherwise perform its obligations under any Notes, may occur for other reasons that may not be considered significant risks by the Issuer based on information currently available to it or for reasons that it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

The order in which these risk factors are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Issuer's business, prospects, financial condition, cash flows or results of operations.

Risk Factors Relating to the Issuer

The Issuer is a creature of international law and the Notes are not guaranteed by any sovereign

The Issuer is an international organisation founded by the Russian Federation and the Republic of Kazakhstan pursuant to the Agreement Establishing the Eurasian Development Bank dated 12 January 2006 (the "**Establishing Agreement**"). The Establishing Agreement has the status of a treaty under public international law, and the Issuer is a creature of, and subject to, public international law. The Issuer's existence, powers, privileges, immunities, liabilities and operations are subject to and governed by the Establishing Agreement. The Issuer is not subject to regulation by any state. Accordingly, while the Issuer has established policies and procedures to govern its internal operations in accordance with international standards, such as Basel and International Financial Reporting Standards ("**IFRS**") standards, the operations of the Issuer are not subject to the external regulatory oversight to which domestic financial institutions established in its Member States are subject. See "*Legal Personality; Enforcement of Judgments*" and "*The Issuer–Legal Status, Privileges and Immunities*".

Although its members constitute sovereign states, the Issuer is a legal entity separate from the governments of its Member States and the agencies of such governments. The Notes, interest or other amounts due or to become due in respect of the Notes, constitute obligations solely of the Issuer and do not constitute the obligation of, nor are they guaranteed or insured by, the Russian Federation, the Republic of Kazakhstan or any other Member State or sovereign entity or agency thereof.

Enforcement of foreign judgments or arbitration awards in the Member States

The courts of a Member State will not enforce any judgment obtained in a court established in a country other than that Member State unless there is in effect a treaty between such country and such Member State providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between any of the Member States and the United Kingdom or the United States. Each of the Member States (except for the Republic of Tajikistan), the United States and the United Kingdom is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**Convention**"), and, accordingly, an award by an arbitration tribunal should be recognised and enforceable in a Member State (except for the Republic of Tajikistan) provided the conditions to enforcement set out in the Convention are met and such Member State's procedures and laws relating to enforcement of arbitral awards are satisfied. See "*Legal Personality; Enforceability of Judgments*". However, in certain circumstances described under "*—Immunity in relation to the enforcement of judgments or arbitration awards in the Russian Federation and the Kyrgyz Republic*", the enforcement in the Russian Federation and the Kyrgyz Republic of an arbitral award obtained under the Convention cannot be assured. The Republic of Tajikistan is not a party to the Convention and, accordingly, an arbitration award obtained in a jurisdiction other than the Republic of Tajikistan may not be enforceable in the Republic of Tajikistan.

As at 30 June 2012, 71.3% of the Issuer's total assets were located in the Russian Federation and the Republic of Kazakhstan, of which 52.0% were in the Russian Federation and 19.3% were in the Republic of Kazakhstan. As of the same date, 10.1% of the Issuer's total assets were located in the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic, while the significant majority of the remaining 18.6% of the Issuer's total financial assets comprised U.S. Treasury securities.

Immunity in relation to the enforcement of judgments or arbitration awards in the Russian Federation and the Kyrgyz Republic

The Establishing Agreement and the Charter permit the Issuer to waive any immunity provided therein, and the Issuer has in the Trust Deed and the Terms and Conditions of the Notes waived such immunities to the fullest extent permitted by applicable law. See "*The Issuer–Legal Status, Privileges and Immunities*". However, the terms of stay agreement with the government of the Russian Federation entered into by the Issuer and the Russian Federation in 2008 (the "**Russian Terms of Stay Agreement**"), contains a provision that may limit the enforcement of claims in Russia, in that the Issuer may not waive immunities as to enforcement procedures. This limitation may be negated by provisions in the Establishing Agreement and the Charter to which the Russian Federation is a party since neither the Establishing Agreement nor the Charter envisages a similar limitation on the extent to which the immunities may be waived by the Issuer. Given that the Establishing Agreement and the Charter should be superior under both international and Russian law to the terms of the Russian Terms of Stay Agreement, the Issuer believes that it has the right to waive immunities as set forth in the Trust Deed and the Terms and Conditions of the Notes. However, due to the conflicting provisions, in assessing the merits and risks of a purchase of Notes, investors should bear in mind that there is a risk that, based on the Russian Terms of Stay Agreement, the Issuer's assets in the Russian Federation may be treated by a Russian court as immune from enforcement actions and should carefully consider the consequences of this risk in making their investment decision.

As of the date of this Base Prospectus, the Issuer does not have any projects in the Kyrgyz Republic and does not anticipate that a substantial part of its assets will be located in the Kyrgyz Republic in the future. However, similar to the situation in the Russian Federation described above, the terms of stay agreement with the government of the Kyrgyz Republic entered into by the Issuer and the Kyrgyz Republic in 2011 (the "**Kyrgyz Terms of Stay Agreement**"), contains a provision that may limit the enforcement of claims in the Kyrgyz Republic and there is a risk that a Kyrgyz court may not recognise the effectiveness of the Issuer's waiver of immunities as to enforcement procedures in the Kyrgyz Republic. As a result, no assurance can be given that an arbitral award obtained under the Convention would be enforced in the Kyrgyz Republic.

Withdrawal of a Member State

The Issuer's Charter provides that any Member State may withdraw its membership by giving the Issuer written notice to that effect. Upon receipt of such notice, all rights accorded to such Member State terminate, except the right to withdraw, and such Member State may not vote on any resolutions being adopted by the Executive Board or the Council. Such Member State continues to bear all its direct and contingent obligations to the Issuer for as long as any part of loans, investments in the authorised capital or guarantees provided prior to withdrawal remains outstanding. Prior to withdrawal, the Issuer and such Member State may agree upon the repurchase of shares held by such Member State in the authorised capital of the Issuer on mutually beneficial terms, failing which the repurchase price shall be set based on the value of net assets of the Issuer (as of the date that the withdrawal notice was received by the Issuer) and the shares in the authorised capital paid up by such a Member State. As a result, the withdrawal of a Member State may adversely affect the Issuer's share capital and financial condition, as well as its business, prospects and results of operations.

Adverse global conditions in financial and economic markets

Credit markets in the United States began to experience difficult conditions and volatility in mid-2007 that subsequently affected worldwide financial markets. By the third quarter of 2008, liquidity and credit concerns and volatility in the global financial markets had increased significantly, and a number of major U.S. and European financial institutions experienced financial difficulties, declared bankruptcy, were acquired under distressed conditions by other institutions and/or obtained government assistance. These developments resulted in reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in global financial markets.

Since mid-2007, the global economy has been experiencing a severe downturn, with the financial services industry facing extraordinary turbulence. A shortage of liquidity, lack of funding, pressure on capital and extreme price volatility across a wide range of asset classes has put financial institutions under considerable pressure. Many economies, including those of Kazakhstan and Russia, experienced adverse effects on asset values, employment, consumer confidence and levels of economic activity. The prices of oil and other commodities, which are important to the economic health of Kazakhstan and Russia, declined significantly from recent historical highs and the economies of these countries were adversely affected.

In response to the economic and financial crisis, beginning in 2008 legislators and financial regulators in various jurisdictions worldwide, including Kazakhstan and Russia, undertook unprecedented intervention designed to counteract declining levels of economic activity, stabilise the global and local financial sectors, stimulate new lending and support systemically important institutions at risk of failing. As a result, there have been periods where market conditions have generally improved and oil and commodity prices have recovered, benefitting Kazakhstan and Russia, although in Kazakhstan the positive effects of improved oil prices have been partially offset by continuing problems in its banking sector. However, recent developments, particularly in the eurozone, have demonstrated that there continues to be significant uncertainty. From April 2010 to date, financial markets have been periodically negatively impacted by ongoing fears surrounding the large sovereign debts and/or fiscal deficits of several countries in Europe (primarily Greece, Ireland, Italy, Portugal and Spain) and the possibility of one or more defaults on sovereign debt. In 2011 and 2012 to date, concerns relating to Greece, Italy and Spain have been particularly high, and the ongoing sovereign debt crisis across Europe continues to significantly impact the market. In May 2012, the uncertainty surrounding Greece's possible exit from the eurozone further weakened already strained market conditions.

The risk of contagion to other more stable countries throughout and beyond the eurozone has exacerbated further the ongoing economic crisis. A significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by nations that are under considerable financial pressure. Should any of these nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilised, resulting in the further spread of the ongoing economic crisis, and it is unclear what impact this would have on the recovering economies of the Member States.

If the condition of the global and local economic and financial markets does not continue to improve or if conditions deteriorate, it could have an adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

Soundness of the Issuer's customers, clients and counterparties

The Issuer's business exposes it to credit risk. The quality of the Issuer's credit exposures will have a significant impact on its earnings. The Issuer estimates and establishes allowances for losses for credit risks and potential credit losses inherent in its credit exposure in accordance with IFRS. This process, which is critical to its financial condition and results of operations, requires difficult, subjective and complex judgments, including forecasts of how economic conditions might impair the ability of its borrowers to repay their loans. As is the case with any such assessment, there is always the possibility that the Issuer will fail to identify the proper factors or that it will fail to accurately estimate the impact of factors that it identifies. The Issuer's ability to assess the creditworthiness of its customers or to estimate the values of its assets may be impaired if the recent adverse financial and economic market conditions render the models and techniques used by the Issuer less accurate in their predictions of future behaviour, valuations or estimates. Any such failure could result in increased default rates.

As a result of the current economic uncertainty, the demand for borrowing from creditworthy customers may decline. In addition, there is a greater likelihood that more of the Issuer's customers or counterparties (including other financial institutions) could become delinquent on their loans or other obligations to the Issuer, which, in turn, could result in a higher level of write offs and provisions for credit losses or requirements that the Issuer purchase assets or provide other funding, any of which could adversely affect the Issuer's and its customers' business, prospects, financial condition, cash flows and results of operations.

Limited operating history

Although the Issuer commenced operations in 2006, it did not commence lending until the first quarter of 2007. Accordingly, the Issuer has a limited operating history on which an investor can base its evaluation of the Issuer's business, prospects, financial condition, cash flows and results of operations. The Issuer plans to continue to expand and develop significantly its lending business throughout its Member States and the Eurasian Economic Community (the "**EurAsEC**"), which comprises the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Kyrgyz Republic and the Republic of Tajikistan. The Republic of Uzbekistan has temporarily suspended its membership in the EurAsEC. The Issuer's business, prospects, financial condition, cash flows and results of operations must be considered in light of the inherent risks, uncertainties, expenses and difficulties encountered by an enterprise in the early stages of its development. For example, the Issuer has a limited track record of corporate governance and risk management. There can be no assurance that the Issuer will be successful in implementing its business strategy in the future, and any failure to do so could have a material adverse effect on its business, prospects, financial condition, cash flows and results of operations.

Loan portfolio growth and funding risks

The Issuer started making loans to borrowers in early 2007 and, as at 30 June 2012, its outstanding loans to customers amounted to U.S.$1,397.3 million (compared to U.S.$1,344.0 million as at 31 December 2011), while its loans and advances to banks amounted to U.S.$652.3 million (compared to U.S.$731.2 million as at 31 December 2011). Continued growth of the Issuer's customer loan portfolio is contingent upon the Issuer finding sufficient projects to finance, while growth of its loan portfolio to banks depends upon banks continuing to seek finance from the Issuer to fund their lending activities. Failure by the Issuer to find additional development projects that satisfy its lending policies and criteria, and/or additional banks seeking finance to fund their lending activities could adversely affect the Issuer's ability to maintain the quality of its assets and result in a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

The Issuer does not accept retail deposits but can use its equity capital for lending purposes. However, in practice, the Issuer expects that its investments will be financed predominately through external fund raising. The Issuer expects to finance additional development projects through, *inter alia*, borrowing from financial institutions and issuing debt securities in the international and local capital markets. The Issuer's ability to repay its borrowings will depend in part on the Issuer's customers repaying loans made by the Issuer. The use of these sources of external financing could also increase the Issuer's funding costs above the costs of competitors that rely on other funding sources such as term deposits of corporate and individual customers. The Issuer's ability to borrow from other financial institutions, to issue securities in the international and local capital markets or otherwise to obtain funding for transactions on favourable terms, or at all, could continue to be adversely affected by the recent adverse financial and economic market conditions, any disruption in international or local capital markets or deteriorating investor sentiment. If the Issuer is unable at any time to raise financing on acceptable terms to comply with its investment strategy, it may not be able to pursue investment opportunities as planned, which could adversely affect the Issuer's business, prospects, financial condition, cash flows and results of operations.

Credit risk management

The Issuer has implemented specific credit risk management policies. See "*Risk Management*". However, the Issuer was only recently formed and its loan portfolio consists of medium to long-term loans. Consequently, there is little historical track record regarding the efficacy of these policies. There can be no assurance that the Issuer's credit policies will be sufficient to mitigate credit risks arising from lending for medium and long terms to borrowers located in emerging markets such as the EurAsEC countries.

The Issuer commenced lending operations in 2007. Consequently, none of the Issuer's loans is more than five years old. As its loans age, the Issuer may experience a significant increase in losses in its loans to customers portfolio and may be required to increase its allowance for losses accordingly. This could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

The Issuer's allowance for losses was U.S.$9.2 million as at 30 June 2012, representing 0.7% of total loans to customers outstanding on that date compared to nil as at 31 December 2011 and compared to U.S.$19.2 million as at 31 December 2010, representing 2.3% of total loans to customers outstanding on that date. The Issuer's ability to assess the creditworthiness of customers and to estimate the losses inherent in its loan portfolio is made more complex by the recent adverse financial market and economic conditions. The reoccurrence of the recent adverse financial and economic market conditions, or the failure of the global and local economic and financial markets to continue to improve, could have the following consequences:

- increases in loan delinquencies;
- increases in distressed assets; and
- decreases in the value of the collateral securing the Issuer's loans, which could reduce the borrowing power of the Issuer's customers.

The occurrence of such events could require significant increases in the allowance for losses. If the Issuer's allowance for losses is not adequate to absorb losses in its loan portfolio, it may experience excessive loan losses, which could have an adverse impact on the Issuer's business, prospects, financial condition, cash flows and results of operations.

Credit risk due to high lending concentration

The Issuer's loan portfolio includes, and is likely to continue to include, concentrations in the non-financial sectors of its Member States' economies. As at 30 June 2012, the Issuer had made U.S.$1,406.5 million in gross loans to 24 borrowers, largely in the transport and communication, chemical and agriculture sectors. Of these loans, 40.6% were in the transport and communication sector, 17.2% were in the chemical sector, 15.1% were in the agriculture sector, 8.0% were in the mining and metallurgy sector, 7.1% were in the energy sector and 12.0% were in other processing sectors.

The Issuer's loan portfolio also includes, and is likely to continue to include, concentrations in particular Member States. As at 30 June 2012, 53.9%, 26.4% and 19.7 % of the Issuer's total loans to customers and loans and advances to banks were to borrowers based in the Russian Federation, borrowers based in the Republic of Kazakhstan and borrowers based in other countries, respectively. In addition, the Issuer's top ten borrowers account for 51.3% of the Issuer's total loans to customers and loans and advances to banks.

The Issuer expects that, to fulfil its purposes as set out in the Establishing Agreement, it will continue to have a high lending concentration. This concentration may result in an adverse impact on the business, prospects, financial condition, cash flows and results of operations of the Issuer if short-term economic changes particularly affect its largest customers, or its customers in the countries or business sectors to which its loan portfolio is concentrated and exposed. As a result, the Issuer is potentially subject to high credit risk concentration and earnings volatility.

Interest rate risks

The profitability of the Issuer is dependent to a large extent on interest rate differentials, which are the differences between interest income that the Issuer earns on interest bearing assets, such as loans and investment securities, and the interest expense paid by the Issuer on interest bearing liabilities, such as borrowings. These rates are highly sensitive to many factors beyond the Issuer's control, including general economic conditions and policies of various government and regulatory authorities. Fluctuations in interest rates are not predictable or controllable.

The Issuer's net interest margin (net interest income before provision for losses on interest bearing assets and liabilities as a percentage of average interest bearing assets) was 2.60% for the six-month period ended 30 June 2012, as compared to 2.09% for the same period in 2011. For the year ended 31 December 2011, the Issuer's net interest rate margin was 2.59% as compared to 1.89% for the year ended 31 December 2010. This increase was primarily due to continuous growth of loans portfolio in 2011 and 2012, which led to an increase in interest income of the Issuer. The average interest rate on the Issuer's total interest bearing assets for the six-month period ended 30 June 2012 was 5.84% as compared to 4.92% for the same period in 2011. For the years ended 31 December 2011 and 2010 the average interest rate on the Issuer's total interest bearing assets was 5.45% and 4.80%, respectively. The average interest rate on the Issuer's total interest bearing liabilities was 6.81%, 7.02%, 6.96% and 8.09%, respectively, for the six-month periods ended 30 June 2012 and 2011 and the years ended 31 December 2011 and 2010, respectively.

The Issuer is exposed to interest rate risks resulting from mismatches between the interest rates on its interest bearing assets and interest bearing liabilities. Any future increase or decrease in interest rates could have an adverse effect on the net interest margin and results of operations of the Issuer. Additionally, absolute changes in market interest rates, changes in the relationships between short-term and long-term market interest rates or changes in the relationships between different interest rate indices may affect the interest received by the Issuer on interest bearing assets differently than the interest paid by the Issuer on interest bearing liabilities. This difference could result in an increase in interest expense relative to interest income and, therefore, reduce the Issuer's net interest income. While the Issuer monitors its interest rate sensitivity by analysing the composition of its assets and liabilities, including off balance sheet financial instruments, interest rate movements may have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

Foreign currency risks

Although the Issuer in most cases extends loans in the same currency as its principal liabilities, it remains exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position. Pursuant to its internal policies, the Issuer sets limits on its open currency positions and performs certain other measures aimed at reducing exchange rate risk which include, but are not limited to, entering into foreign exchange derivative contracts. Because the Issuer only commenced lending operations in 2007, there is little historical experience regarding the effectiveness of these policies to mitigate risk of loss from changes in foreign currency exchange rates. In addition, the Issuer might not be able to obtain hedging for its liabilities or, if it does, its counterparties could default on their obligations to the Issuer. Future changes in currency exchange rates and the volatility of the U.S. Dollar and of other currencies may adversely affect the Issuer's foreign currency position and, accordingly, the Issuer's business, prospects, financial condition, cash flows and results of operations.

Lack of information for risk assessments

The systems in place in Member States for gathering and publishing economic data, both generally and relating to specific economic sectors or individual enterprises, are not as comprehensive as those of many more developed countries. The Issuer ordinarily estimates the credit capacity of a borrower based on its solvency and the net realisable value of the collateral in determining applicable provisioning and collateralisation requirements. The Issuer has established relationships with certain credit reference organisations in the Republic of Kazakhstan, the Russian Federation and other jurisdictions to receive information about potential borrowers in the countries where the Issuer operates. However, the information that these credit reference organisations provide may not be sufficient in all cases to carry out a comprehensive credit assessment of a potential borrower. This, in turn, may have a negative effect on the Issuer's loan portfolio and, accordingly, the Issuer's business, prospects, financial condition, cash flows and results of operations.

Shortage of qualified personnel

Although the Issuer believes it has highly qualified personnel, there is generally a considerable shortage of adequately qualified personnel in the banking sectors of Kazakhstan and Russia, particularly in such areas as risk management and credit assessment. If the shortage of adequately qualified banking personnel persists, the Issuer's ability to conduct its business may be affected which could, in turn, affect the Issuer's financial results. In addition, the shortage of adequately qualified banking personnel may cause the Issuer to increase expenditures to implement additional financial and other incentives in order to retain its existing personnel and recruit additional personnel.

Competition

The market in providing financing to development projects is relatively competitive. The Issuer's principal competitors are national, regional and other international development banks as well as large local commercial banks operating within the region (including the EurAsEC markets), although the Issuer attempts to avoid direct competition with commercial banks where possible. In addition to local commercial and development banks, foreign commercial banks, especially in the Russian Federation, play an important role in providing financing to corporate customers. Foreign entries into the Member States' banking markets may further increase competition in the banking industry in Member States. Certain of these competitors could be more established, and have greater financial resources, than the Issuer.

In recent years, sovereign wealth funds, private equity funds and hedge funds have risen in prominence as alternative sources of financing. Consolidation in the financial services industry worldwide is increasingly concentrating activity in larger institutions, with globalisation exposing the Issuer to competition at global and local levels, both for funding in the capital markets and for access to the most creditworthy borrowers. In addition, the recent economic and financial crisis reduced the number of suitable investment projects in the EurAsEC markets in which the Issuer operates. Also, certain financial institution competitors have received government assistance and may be brought into full or partial public ownership in response to the ongoing difficulties in the financial markets. In many cases, the government assistance received by these financial institutions provided them with a lower cost source for funding their loans and an opportunity to refinance or restructure their borrowings and reduce their interest expense. The Issuer's profitability depends principally on its ability to compete. No assurance can be given that the Issuer will be able to compete effectively as it continues to implement its strategy which may adversely affect the Issuer's business, prospects, financial condition, cash flows and results of operations.

Operational risk

The Issuer is exposed to operational risk. Operational risk is the risk of loss resulting from inadequacy or failure of internal processes or systems (including IT systems) or from external events. The Issuer also is susceptible to fraud by employees or outsiders, unauthorised transactions by employees and operational errors, clerical or record keeping errors and errors resulting from faulty IT or telecommunications systems.

The Issuer relies upon communication systems furnished by third party service providers to conduct its business. Although, the Issuer utilises several communication providers simultaneously to mitigate the risks of communication failures, a failure or interruption or breach in security of a vendor's communication systems could occur, causing a failure or interruption in the Issuer's communication systems. Any of such events could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

The Issuer maintains a system of controls designed to monitor and control operational risk. See "*Risk Management–Operational Risk Management*". However, a control system, no matter how well designed and operated, can only provide reasonable, not absolute, assurance that the objectives of the control system will be satisfied. Inherent limitations in any system of controls include the possibility that judgments in decision making could be faulty and that breakdowns could occur because of simple human error or mistake. The design of the Issuer's control system is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that the Issuer will not suffer losses from any failure of these controls to detect or contain operational risk (including the risk of IT system failure) in the future. Consequently, the potential inadequacy of the Issuer's internal processes or systems may result in unauthorised transactions and errors not being detected, or the Issuer's insurance may not cover the Issuer's losses from such transactions or errors, which may have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List.

Conflicts of interest between Member States and Noteholders

Under its Charter, the Member States are required to refrain from attempts to influence any employee or governing body of the Issuer. However, the Council is the primary governing body of the Issuer, and its members are all government officials appointed by each of the Member States. Although the Issuer has not experienced any pressure from the Member States to deviate from its credit and lending policies and procedures, there is no guarantee that the Issuer may not experience this type of pressure in the future. Any deviation from its credit and lending policies and procedures as a result of such pressure could have a material adverse effect on the Issuer's business, financial condition and results of operations. In addition, if any political disagreement arises between the governments of any of the Member States this could also adversely affect the development of the Issuer's business, prospects, financial condition, cash flows and results of operations.

The Issuer is exposed to legal risks

Despite being an international organisation, the Issuer is exposed to legal risks arising from a variety of sources to the extent that, where applicable, the Issuer has waived immunity with respect to such exposure. See "*The Issuer–Legal Status, Privileges and Immunities*". The Issuer also may be affected by actions of governments that affect access to the worldwide financial infrastructure. These issues require the Issuer to deal appropriately with potential conflicts of interest, legal requirements, ethical issues, anti-money laundering laws and similar laws and regulations, including sanctions regulations administered by the U.S. Department of Treasury Office of Foreign Assets Control ("**OFAC**") and equivalent sanctions or measures imposed by the European Union, privacy laws and confidentiality issues, information security policies and conduct by companies with which the Issuer does business. For example, OFAC subjects U.S. persons who do business with certain persons or entities listed on the "specially designated nationals" list promulgated by OFAC to potential sanctions, and this list currently includes, and from time to time in the future may include, officials of one or more of the Member States or prospective Member States. The Issuer has implemented policies and procedures designed to identify whether persons with whom the Issuer does business, including potential Council and Executive Board members and potential borrowers and their affiliated parties, are included on such list. The compliance procedures applied by the Issuer are recommended by the Financial Action Task Force, the Wolfsberg Group and the Eurasian Group on combating money laundering and the financing of terrorism. As a part of these procedures, the Issuer uses the OFAC card-index database, the Consolidated List of Financial Sanctions Targets in the UK, the World-Check database and other information resources. As at the date of this Base Prospectus, no person designated to serve on any management body of the Issuer is the subject of sanctions administered by OFAC or sanctions or measures imposed by the European Union. While the Issuer believes its procedures are effective, procedures can only provide reasonable, not absolute, assurance that their objectives will be obtained. Failure to address these issues appropriately may give rise to additional legal and compliance risk to the Issuer, result in litigation and other action against the Issuer, or subject the Issuer to fines, penalties or reputational damage, which may have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

Acts of terrorism, war and other catastrophic events

The threat of terrorism and war remains a concern in both developed and emerging economies. In conducting its business, the Issuer relies on telecommunication and other financial infrastructure worldwide. The Issuer is unable to predict the effect that any potential future terrorist or other attack on the elements of the global financial infrastructure may have on the Issuer, regardless of where any such attack may occur.

The Issuer has historically obtained collateral security for its loans on infrastructure projects. A terrorist or other attack, or the occurrence of any natural disaster affecting the collateral for any loan made by the Issuer, could adversely affect the value of such collateral and the credit quality of the borrower, increasing the risk of default by the borrower and could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

Similarly, a terrorist or other attack on elements of the global financial infrastructure affecting the Issuer, or a similar attack or natural disaster damaging the collateral for loans made by the Issuer, may have a material adverse affect on the Issuer's business, prospects, financial condition, cash flows or results of operations.

Risk Factors Relating to the Member States

General

Investors in emerging markets, such as the Republic of Kazakhstan or the Russian Federation, being the respective jurisdictions of the Issuer's founding Member States in which a significant part of its business is undertaken and its customers and assets are located, should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Investors should be aware that these risks may be applicable to the Issuer notwithstanding that its status as an international organisation affords it certain privileges, immunities and political protection. Investors should also note that emerging markets such as the Republic of Kazakhstan, the Russian Federation and the other Member States are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment in the Notes is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

Liquidity problems in the economies of the Member States

The disruptions recently experienced globally in the inter-bank and capital markets have led, generally, to reduced liquidity and increased costs of funding, both for banks and for other participants in and users of these markets. Banks have experienced a reduction in available financing both in the inter-bank and short-term public funding markets, as well as in longer term capital markets. Corporate borrowers have not only found it difficult to access short-term funds through media such as commercial paper but have also found banks unwilling to extend credit. The combination of these factors has resulted in significant increases in the costs of financing across these markets, for both high grade and non-investment grade borrowers, as well as marked reductions in the volume of credit extended. Although there seems to have been some recovery in the emerging markets banking sector with one or two participants having been able to access the international debt markets recently at more reasonable rates, if the availability of international wholesale debt financing continues to be limited or available at significantly higher costs this could materially and adversely affect the Issuer's business, prospects, financial condition, cash flows and results of operations or the value of the Notes.

Although the authorities in the Member States have taken action to provide liquidity to their banking sectors, these measures may not prove to be successful and may, in fact, result in reduced lending, which in turn may exacerbate recessionary influences. If these circumstances continue, the Member States' economies, as well as the Issuer's customers, may suffer, which in turn could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations and the value of the Notes.

Corporate and commodity risk

Many businesses in the Member States have much more limited operating experience in competitive market conditions than their Western counterparts. In addition, the Member States' economies have experienced significant volatility recently. Accordingly, the financial performance of companies in the Member States is generally more volatile, and the credit quality of such companies has been, on average, less predictable than the credit quality of similar companies doing business in more mature markets and economies.

In addition, Member State countries, such as the Republic of Kazakhstan and the Russian Federation, whose economies and state budgets rely materially on the export of hydrocarbon products and other commodities and the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by any resulting volatility in oil and other commodity prices and by any sustained fall in such prices or by the frustration or delay of any infrastructure projects caused by political or economic instability in countries involved in such projects.

Given the Issuer's customer base, the operations and earnings of its customers may be indirectly affected by changes in oil, gas and petrochemical prices. Oil, gas and petrochemical prices are volatile and depend on local, regional and global events and conditions that are beyond the control of the Issuer.

If a number of the Issuer's borrowers were to experience poor financial performance due to a downturn in the Member States' economies generally, or in the sectors in which such borrowers operate specifically, or volatility in certain sectors thereof, this could potentially have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

Actions of Member States may affect the Issuer

Although the Issuer is an international organisation having a legal personality separate from its Member States, the Issuer and its business operations may be affected by decisions of the Member States in their relations with other nations. These decisions may result in adverse effects on the Issuer and the business environment in which the Issuer and its counterparties operate, including the reduction or cessation of commercial activity by private counterparties as the result of perceived increases in operational risk, or more formal actions by countries or international organisations to limit or preclude business activity by their nationals or organisational participants with the Issuer or in the areas in which the Issuer operates. No assurance can be given that such circumstances in the future will not adversely affect the creditworthiness of borrowers and increase the Issuer's funding costs, and accordingly, adversely affect the Issuer's business, prospects, financial condition, cash flows and results of operations.

Political, regional and economic considerations

The Member States became independent sovereign states as a result of the dissolution of the former Soviet Union in the early 1990s. Since then, these countries have experienced significant changes as they moved from single party political systems and centrally controlled command economies to market oriented economies. These transitions were marked in the earlier years by political uncertainty and economic recession (together with high inflation and an unstable local currency) and rapid changes in the legal environment.

These Member States' political systems remain in a relatively nascent stage. In particular, the course of political and economic reforms in the Russian Federation during the 1990s was uneven in some respects and the composition of the government of the Russian Federation (in particular, the prime minister and the other heads of federal ministries) was at times unstable. Although political stability improved significantly after Mr. Putin's election as President in 2000 and continued following the election of Mr. Medvedev as the president in March 2008 and re-election of Mr. Putin to this post in 2012, the various government institutions and the relations among them, as well as the Russian government's policies and the political leaders who formulate and implement them, have been subject to unexpected change. While the Russian political system and the relationship between the Russian president, the Russian government and the State Duma currently appears to be stable, future instability could result either from an economic downturn, a decrease in standards of living, political disagreements or unrest, a change in government policy, or otherwise.

Although the Member States' have pursued programmes of economic reform designed to establish a free market economy, as with any economies in transition, there can be no assurance that such reforms and other reforms described elsewhere in this Base Prospectus will continue or that such reforms will achieve all or any of their intended aims. Additionally, state authorities within the Member States have a high degree of discretion and their actions have, at times, been perceived as arbitrary and shifts in government policy and regulation may be less predictable than in many Western democracies and could disrupt or reverse such reforms.

The Establishing Agreement and the respective terms of stay agreements with the Member States provide that the Issuer is an international organisation with legal capacity, including the right to enter into agreements within its competence and that the Issuer enjoys the rights of a legal entity or a corporation, respectively, in its Member States (each of the Member States being sovereign states recognised by the United Kingdom). However, it remains the right of a Member State under public international law to cease conferring separate legal personality on the Issuer by withdrawing from the Establishing Agreement and terminating its terms of stay agreement or changing and/or amending its domestic laws appropriately. If the Issuer ceases to have separate legal personality under the domestic laws of a state recognised by the United Kingdom it may not be recognised by the English courts as an entity with separate legal personality and, in particular, the capacity to sue and be sued in the English courts or to submit to arbitration as provided in the Trust Deed and the Notes.

The Issuer's legal status, its business, prospects, financial condition, cash flows and results of operations, including the value of the Notes, could be materially adversely affected and the value of investments of the Issuer in the Member States could be reduced, if governmental instability occurs, arbitrary actions by state authorities are taken, or if reforms are reversed.

Emergence and evolution of legislative and regulatory framework

Although a large volume of legislation has come into force in the Republic of Kazakhstan, the Russian Federation and the other Member States since their independence, including laws relating to investments, additional regulation of the banking sector and other legislation covering matters such as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation, the legal framework in these countries is at a relatively early stage of development compared to countries with established market economies. In addition, the judicial systems in the Republic of Kazakhstan, the Russian Federation and the other Member States may not be regarded as fully independent of outside social, economic and political forces, and court decisions can be difficult to predict. The governments of both the Republic of Kazakhstan and the Russian Federation have indicated a commitment to continued reform of corporate governance processes and a desire to improve discipline and transparency in the corporate sector to promote growth and stability. However, there can be no assurance that the governments of these countries will continue such policy, or that such policy, if continued, will ultimately prove to be successful. Therefore, it is not possible to predict the effect of future legislative developments on the Issuer's business, prospects, financial condition, cash flows or results of operations.

Inflation could increase the Issuer's costs

Each of the Member States' economies have historically experienced high rates of inflation. For example, in 1998 the annual inflation rate in Russia was 84.4%. More recently, in 2011 the Republic of Belarus reported an annual inflation rate of 108.7%. Although inflation rates in the Member States have generally been in decline in recent years, they remain high compared to inflation rates in Europe and the United States. According to the Bank of Russia, the annual inflation rate in the Russian Federation (based on the consumer price index) was approximately 8.8% in 2009, 8.8% in 2010 and 8.1% in 2011, while, according to the National Bank of Kazakhstan ("**NBK**"), the annual inflation rate in the Republic of Kazakhstan based on the consumer price index was approximately 6.2% in 2009, 7.8% in 2010 and 7.4% in 2011.

Certain of the Issuer's costs, including salaries, rent and utilities, are sensitive to inflation in the Member States. Due to competitive pressures, regulatory constraints or other factors, the Issuer may not be able to reflect rising costs caused by the growth in inflation, sufficiently and in a timely manner, in the interest rates on its loans to customers and banks and the fees it charges in connection with such loans, which could have a negative impact on its margins. As a result, to the extent an increase in inflation in any of the Member States leads to an increase in the Issuer's costs, there can be no assurance that the Issuer will be able to maintain or increase its margins, which could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

Crime and corruption could disrupt the Issuer's ability to conduct its business effectively

Levels of organised criminal activity continue to be significant in the Member States. The Russian, Kazakhstani and international press have reported high levels of corruption in the Member States, including the bribing of officials for the purpose of initiating investigations by government agencies. Additionally, published reports indicate that a significant number of Russian and Kazakhstani media regularly publish biased articles in exchange for payment. Illegal activities, corruption or claims implicating the Issuer in illegal activities could have a material adverse effect on the Issuer's business, financial condition, cash flows and results of operation.

Social and labour unrest could lead to increased support for renewed centralised authority and a rise in nationalism or violence could restrict the Issuer's ability to conduct its business effectively

Social and labour unrest has arisen in the past, and may arise in the future, in the Member States due to a failure of the Member States' governments and private enterprises to pay full salaries on a regular basis and the failure of such salaries and benefits generally to keep pace with the rapidly increasing cost of living and the elimination of many subsidised services. These conditions have already led to a certain amount of labour and social unrest that may continue or escalate in the future. Such social and labour unrest may cause other significant political, social and economic consequences, such as increased violence and support for renewed centralisation of authority, re-nationalisation or expropriation of property, or restrictions on foreign involvement in the economy of the Member States. Any of these consequences, in particular those which would disrupt the operations of the Issuer could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

Risks related to the Notes generally

The Notes do not limit incurrence of additional indebtedness

The Terms and Conditions of the Notes do not restrict the ability of the Issuer to incur additional indebtedness or require the Issuer to maintain financial ratios or specified levels of net worth or liquidity. If the Issuer incurs additional indebtedness in the future, these higher levels of indebtedness may adversely affect the Issuer's creditworthiness generally and its ability to pay principal of and interest on the Notes.

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions stipulate defined majorities required to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree with the Issuer to (i) any modification of any of the provisions of the Notes or the Trust Deed that is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as specified in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Notes or the Trust Deed that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders, or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in "*Terms and Conditions of the Notes–Condition 12 (Meetings of Noteholders, Modification, Waiver and Substitution)*".

EU Savings Tax Directive

Under EU Council Directive 2003/48/EC on the taxation of savings income ("**EU Savings Tax Directive**"), an EU Member State is required to provide to the tax authorities of another EU Member State, details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident or a "residual entity" established in that other EU Member State. However, for a transitional period, Luxembourg and Austria are instead permitted (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures to the EU Savings Tax Directive (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a participating country or territory which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer will, however, be required to maintain a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Tax Directive.

On 13 November 2008, the European Commission adopted proposals to amend the Directive, which could, if implemented, extend the scope of the Directive to a wider range of circumstances and make certain other amendments (including to the transitional period provisions). However, legislation has not yet been enacted to effect these proposals.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the effect of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Notes where denominations involve integral multiples: Definitive Notes

In relation to any issue of Notes that have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amount of Notes, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If Definitive Notes are issued, holders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

U.S. Holders of the Notes may be required to pay U.S. federal income tax on certain amounts of interest received without the corresponding receipt of cash.

Some Series of the Notes may be issued with original issue discount for U.S. federal income tax purposes, and, therefore, a U.S. Holder would be required to include the original issue discount in gross income on a constant yield to maturity basis without the corresponding receipt of cash to which such original issue discount is attributable. See "*Taxation – U.S. Federal Income Taxation*".

Additional Notes issued in further offerings by the Issuer may not be fungible for U.S. federal income tax purposes with the Notes issued in an existing offering.

Additional Notes that are treated for non-tax purposes as a single series with previously issued Notes may not be treated as fungible with previously outstanding Notes of that series for U.S. federal income tax purposes. In such case, the additional Notes may be considered to have been issued with original issue discount ("OID") for U.S. federal income tax purposes. The market value of the previously outstanding Notes of a series may be adversely affected if additional Notes are issued with a greater amount of OID than the OID with which the originally issued Notes were issued, if any, unless the additional Notes can be distinguished from the originally issued Notes (for example by use of a different Common Code and International Securities Identification Number ("ISIN") and, where applicable, CUSIP number). See "*Taxation—United States Federal Income Taxation—Additional Notes*."

Risks Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features that contain particular risks for potential investors. Set out below is a description of certain of those features.

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on such Notes. At such times, an investor would generally not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to reinvest such proceeds at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at the relevant time. Please refer to "*Terms and Conditions of the Notes - Condition 7 (Redemption, Purchase and Options)*" for further details.

Kazakhstan Consumer Prices Index Linked Interest Notes

The Issuer may issue Kazakhstan Consumer Prices Index Linked Interest Notes with interest determined by reference to the Kazakhstan consumer prices index published in the Kazakh language only by the Agency of Statistics of the Republic of Kazakhstan on a monthly basis on its website (http://www.stat.kz) in a monthly press release entitled "On Inflation in the Republic of Kazakhstan". Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of interest may occur at a different time than expected;
- the Kazakhstan consumer prices index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; and
- the timing of changes in the Kazakhstan consumer prices index will affect the actual yield to investors.

Movements in the Kazakhstan consumer prices index that have occurred in the past are not necessarily indicative of changes that may occur in the future, which may be wider or more confined than those that have occurred historically. Accordingly, historical experience should not be viewed as an indication of the future performance of the Kazakhstan consumer prices index during the term of any Kazakhstan Consumer Prices Index Linked Interest Notes. Changes in the Kazakhstan consumer prices index will impact the rate of interest payable on Kazakhstan Consumer Prices Index Linked Interest Notes, but it is not possible to predict whether the level of such will rise or fall. Accordingly, each potential investor should consult its own advisers about the risk entailed by an investment in any Kazakhstan Consumer Prices Index Linked Interest Notes and the suitability of such Notes in light of its particular circumstances.

Fixed or Floating Rate Notes

Fixed or Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when doing so is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed or Floating Rate Notes may be less favourable than spreads then prevailing on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

Risks Related to the Market For Notes Generally

Set out below is a brief description of market risks that will be applicable to holders of the Notes, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease the Investor's Currency equivalent yield on the Notes, the Investor's Currency equivalent value of the principal payable on the Notes and the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes. For example, the market price of Fixed Rate Notes will generally decrease as market interest rates rise. Investment in Floating Rate Notes involves the risk that the interest rate payable on the Notes declines.

Credit ratings do not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes, as described elsewhere in this Base Prospectus. The ratings do not reflect the potential effect of all risks related to the structure, the market, other additional risk factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its own advisers to determine whether and to what extent Notes are legal investments for it, whether Notes can be used as security for indebtedness, and whether other restrictions apply to its purchase or holding of any Notes. Financial institutions should consult their own advisers or regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Base Prospectus. Unless otherwise indicated, terms used in this overview shall be deemed to have the meanings given to them in the Terms and Conditions of the Notes.

Issuer:	Eurasian Development Bank.
Description:	Euro Medium Term Note Programme.
Size:	Up to U.S.$3,500,000,000 (or the equivalent amount in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Joint Arrangers:	BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc and VTB Capital plc.
Dealers:	BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc and VTB Capital plc. The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as Dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	Citicorp Trustee Company Limited.
Principal Paying Agent, Calculation Agent and Transfer Agent:	Citibank N.A., London Branch.
Registrar:	Citigroup Global Markets Deutschland AG.
Paying Agent and Transfer Agent:	Citibank N.A., London Branch.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the issue date, the issue price and the date for the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, the date for the first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the applicable Final Terms.
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.

Form of Notes:	Each Series of Notes will be issued in registered form only. The Regulation S Notes and the Rule 144A Notes will be represented by the Regulation S Global Note and the Rule 144A Global Note, respectively. The Global Notes will be exchangeable for Definitive Notes in the limited circumstances specified in the relevant Global Note.
Clearing Systems:	DTC (in the case of Rule 144A Notes) and Clearstream, Luxembourg and Euroclear (in the case of Regulation S Notes), and such other clearing system(s) as may be agreed between the Issuer, the Principal Paying Agent, the Trustee and the relevant Dealer(s).
Initial Delivery of Notes:	On or before the issue date for each Tranche, the Rule 144A Global Note will be deposited with a custodian for DTC and the Regulation S Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. The Rule 144A Global Note will be registered in the name of a nominee of DTC, and the Regulation S Global Note will be registered in the name of a nominee for the common depositary for Euroclear and Clearstream, Luxembourg. Global Notes relating to Notes that are not listed on the Regulated Market may also be deposited with any other clearing system(s) or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Principal Paying Agent, the Trustee and the relevant Dealer(s). From time to time, the Issuer may agree with the Principal Paying Agent, the Trustee and the relevant Dealer(s) that Noteholders holding a particular Series of Notes which are denominated in Kazakhstan Tenge shall be entitled to hold their interest in the relevant Global Note through an account with the JSC Central Securities Depository.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer(s).
Maturities:	Subject to compliance with all relevant laws, regulations and directives, Notes may have any maturity between one month and 30 years. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) that have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the UK Financial Services and Markets Act of 2000, as amended (the "**FSMA**"), must be issued to a limited class of professional investors and have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Denomination:	Notes will be issued in such denominations as may be specified in the applicable Final Terms (the "**Specified Denomination**"), provided that (i) the Specified Denomination(s) shall not be less than EUR100,000 or its equivalent in another currency, (ii) with respect to (a) Notes

which are not admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA Member State (as defined herein) in circumstances which require the publication of a prospectus under the Prospectus Directive and (b) Notes with a maturity of less than 365 days, a lower Specified Denomination may apply as more fully set out in the applicable Final Terms and (iii) interests in the Rule 144A Notes shall be held in amounts of not less than U.S.$200,000 or its equivalent in other currencies.

Fixed Rate Notes: Interest at a fixed rate will be payable in arrear on the date or dates in each year specified in the applicable Final Terms.

Floating Rate Notes: Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating either the 2000 ISDA Definitions or the 2006 ISDA Definitions (as specified in the applicable Final Terms), each as published by the International Swaps and Derivatives Association, Inc., or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service or on such other basis as may be agreed between the relevant Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each series of Floating Rate Notes. Interest on Floating Rate Notes in respect of each Interest Period will be payable on the first business day of the next Interest Period and on redemption or repayment, and will be calculated using the Day Count Fraction (as specified in the applicable Final Terms).

Kazakhstan Consumer Prices Index Linked Interest Notes: Payments of interest in respect of Kazakhstan Consumer Prices Index Linked Interest Notes will be calculated by reference to the Kazakhstan consumer prices index published in the Kazakh language only by the Agency of Statistics of the Republic of Kazakhstan on a monthly basis on its website (http://www.stat.kz) in a monthly press release entitled "On Inflation in the Republic of Kazakhstan". See "*Terms and Conditions of the Notes— Condition 6(b)(iv) (Rate of Interest for Kazakhstan Consumer Prices Index Linked Interest Notes)*".

Interest Periods and Interest Rates: The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the applicable Final Terms.

Redemption: The applicable Final Terms will specify the basis for calculating the redemption amounts payable.

Optional Redemption:	Any issue of Notes may be redeemed at the option of the holders on the occurrence of a change of control put event, as described in "*Terms and Conditions of the Notes—Condition 7(e) (Redemption, Purchase and Options)*", or at the option of the Issuer (either in whole or in part) and/or the holders, if so specified in the applicable Final Terms for an issue of Notes.
Status of Notes:	The Notes will constitute direct, general, unsubordinated and (subject to the terms of the Negative Pledge) unsecured obligations of the Issuer, all as described in "*Terms and Conditions of the Notes—Condition 3 (Status of the Notes)*".
Negative Pledge:	See "*Terms and Conditions of the Notes—Condition 4 (Negative Pledge)*".
Cross Acceleration:	See "*Terms and Conditions of the Notes—Condition 11 (Events of Default)*".
Issue Ratings:	Notes to be issued under the Programme may be rated or unrated, and where an issue of Notes under the Programme is rated, its rating will not necessarily be the same as the rating applicable to the Programme. Ratings assigned to the Notes do not mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of securities do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.
Organisation Ratings:	The Issuer has been assigned long-term foreign currency ratings of "BBB" (outlook – stable) by Standard & Poor's, "BBB" (outlook – positive) by Fitch and "A3" (outlook – stable) by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused or (ii) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating

agency established in the EEA and registered under the CRA Regulation or (iii) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

For the purposes of the credit ratings included and referred to in this Prospectus, each of Standard & Poor's, Fitch and Moody's is established in the European Union and is registered under the CRA Regulation. As such, each of Standard & Poor's, Fitch and Moody's are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Early Redemption: Except as provided in "*—Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes—Condition 7 (Redemption, Purchase and Options)*".

Withholding Tax: All payments by the Issuer in respect of the Notes will be made without deduction for or on account of any withholding taxes imposed by the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia or the Kyrgyz Republic (together, the "**Member States**"), subject as provided in Condition 9 ("*Taxation*"). In the event that any such deduction is required by law, the Issuer will, save in certain circumstances provided by Condition 9, be required to pay additional amount to cover the amounts so deducted.

Governing Law: The Notes and the Trust Deed, including any non-contractual obligations arising out of or in connection therewith, will be governed by, and shall be construed in accordance with, English law.

Listing: Applications have been made to list Notes issued under the Programme on the Official List and to be traded on the Regulated Market. Application may also be made to list Notes on the KASE or the MICEX and/or such other or further listing authorities, stock exchanges, regulated markets and/or quotation systems as may be agreed between the Issuer and the relevant Dealer(s) in relation to the relevant Series. As specified in the applicable Final Terms, a Series of Notes may be unlisted.

Selling Restrictions: The offering and sale of Notes is subject to all applicable selling restrictions, including, without limitation, those of the United States, the European Economic Area, the United Kingdom, the Russian Federation, the Republic of Kazakhstan and Japan. See "*Subscription and Sale*".

Further Issues: The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having in all respects the same terms and conditions as a Series of Notes that was previously issued (or in all respects except for the issue date, the issue price and the date for the first payment of interest on them) and so that such further issue shall be consolidated and form a single Series with the outstanding securities of any Series (including such Notes) or upon such terms as the Issuer may determine at the time of their issue.

See "*Taxation—United States Federal Income Taxation—Additional Notes*."

IMPORTANT INFORMATION

Responsibility Statement

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Third Party Information

Statistical data and other market information appearing in this Base Prospectus relating to the economies of Kazakhstan and the Russian Federation have, unless otherwise stated, been extracted from documents and other publications released by the National Statistical Agency of Kazakhstan (the "**NSA**"), the Federal Service for State Statistics of the Russian Federation ("**RosStat**"), the NBK, the Central Bank of the Russian Federation ("**Russian Central Bank**"), the World Bank and other public sources, including reports of the United Nations Economic Commission for Europe, the International Monetary Fund (the "**IMF**") and the European Bank for Reconstruction and Development ("**EBRD**"). See "*Management's Discussion and Analysis of Results of Operations and Financial Condition*". The information described in this paragraph has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no fact has been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Base Prospectus, the source of such information has been identified.

In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Any discussion of matters relating to Kazakhstan or the Russian Federation in this Base Prospectus may be subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

Presentation of Financial Information

The financial information of the Issuer set forth herein has, unless otherwise indicated, been extracted without material adjustment from its audited annual financial statements as at and for the year ended 31 December 2011 and its audited annual financial statements as at and for the years ended 2010, 2009 and 2008, all of which were prepared in accordance with IFRS and its unaudited condensed interim financial statements as at 30 June 2012 and for the six-month period then ended, prepared in accordance with IAS 34, (collectively, the "**Financial Statements**"). In this Base Prospectus, unless otherwise specified, references to "**U.S.$**" and "**U.S. Dollar**" are to the lawful currency of the United States of America; references to "**Sterling**" and "**£**" are to the lawful currency of the United Kingdom; references to "**EUR**" and "**Euro**" are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as further amended by the Treaty of Amsterdam; references to "**RUB**" or "**Roubles**" are to Russian Roubles, the lawful currency of the Russian Federation; and references to "**KZT**" or "**Tenge**" are to Kazakh Tenge, the lawful currency of the Republic of Kazakhstan.

Foreign Currency Translation and Rates of Exchange

The Financial Statements are presented in U.S. Dollars, the Issuer's functional currency. In preparing the Financial Statements, monetary assets and liabilities denominated in currencies other than U.S. Dollars (foreign currencies) are translated at the appropriate spot rates of exchange rates prevailing at the reporting date. Transactions in currencies other than U.S. Dollars 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.

The exchange rates used by the Issuer in the preparation of the Financial Statements as at the end of the respective periods were as follows:

	As at 30 June	As at 31 December		
	2012	2011	2010	2009
U.S. Dollar/1 Tenge	0.0066892	0.0067499	0.0067856	0.0067404
U.S. Dollar/1 Rouble	0.0308408	0.0311305	0.0327472	0.0330642
U.S. Dollar/1 Sterling	1.5707500	1.5399500	1.5611500	1.5884996
U.S. Dollar/1 Euro	1.2667000	1.2941000	1.3383500	1.4345990

Certain Defined Terms

A glossary defining certain terms used in this Base Prospectus, which are not defined in "*Terms and Conditions of the Notes*", is contained in the Appendix to this Base Prospectus.

Supplemental Base Prospectus

The Issuer will, in connection with the listing of the Notes on the Official List and admission to trading on the Regulated Market, in the event of any material change in the condition of the Issuer which is not reflected in this Base Prospectus or if there arises or is noted a significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of the Notes to be listed on the Official List and admitted to trading on the Regulated Market.

The Issuer may agree with any Dealer that a Series of Notes may be issued in a form not contemplated by the "*Terms and Conditions of the Notes*", in which event, if appropriate, a supplemental Base Prospectus that will describe the effect of the agreement reached in relation to such Series of Notes will be published.

Additional Information

The Issuer is not required to file periodic reports under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). For so long as the Issuer is not a reporting company under Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer will, upon request, furnish to each holder or beneficial owner of Rule 144A Notes that are "restricted securities" (within the meaning of Rule 144(a)(3) under the Securities Act) and to each prospective purchaser thereof designated by such holder or beneficial owner upon request of such holder, beneficial owner or prospective purchaser, in connection with a transfer or proposed transfer of any such Rule 144A Notes under the Securities Act, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Legal Personality; Enforceability of Judgments

The Issuer is an international organisation established by Establishing Agreement. As at the date of this Base Prospectus, the Issuer has six members: the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic (the "**Member States**"). The Issuer's presence and legal status in the Republic of Kazakhstan are governed by the agreement between the government of the Republic of Kazakhstan and the Issuer on the terms of the Issuer's stay in the Republic of Kazakhstan dated 17 June 2006 and ratified on 11 January 2007 (the "**Kazakhstan Terms of Stay Agreement**"). On 7 October 2008, the Issuer entered into a similar agreement with the government of the Russian Federation, the Russian Terms of Stay Agreement, which agreement was ratified by the Russian Federation on 27 December 2009. On 4 January 2010, the Republic of Tajikistan ratified the agreement between the government of the Republic of Tajikistan and the Issuer on the terms of the Issuer's stay in the Republic of Tajikistan dated 21 October 2009 (the "**Tajikistan Terms of Stay Agreement**"). The Issuer entered into a terms of stay agreement with the government of the Republic of Armenia on 27 April 2010 (the "**Armenia Terms of Stay Agreement**"), which agreement was ratified by the Republic of Armenia on 25 October 2010. The Issuer entered into a terms of stay agreement with the government of the Republic of Belarus on 17 June 2010 (the "**Belarus Terms of Stay Agreement**"), which agreement was ratified by the Republic of Belarus on 3 June 2011. The Issuer entered into a terms of stay agreement with the government of the Kyrgyz Republic on 14 September 2011, the Kyrgyz Terms of Stay Agreement, which was ratified by the Kyrgyz Republic on 18 October 2011.

As an international organisation, the Issuer is not incorporated under the laws of any state and it is a creature of, and subject to, public international law. In a situation where the United Kingdom is not a party to the agreement establishing an international organisation and no Order in Council has been made under the International Organisations Act 1968 of the United Kingdom in relation to the relevant organisation (as is currently the case for the Issuer), the English courts have held that an international organisation will be recognised as an entity with separate legal personality that can sue and be sued before the English courts where the organisation concerned has been incorporated in, or has separate legal personality otherwise conferred upon it by the laws of, at least one state which is recognised by the United Kingdom.

In this connection, the Establishing Agreement, the Kazakhstan Terms of Stay Agreement, the Russian Terms of Stay Agreement, the Tajikistan Terms of Stay Agreement, the Armenia Terms of Stay Agreement, the Belarus Terms of Stay Agreement and the Kyrgyz Terms of Stay Agreement provide that the Issuer is an international institution with international legal capacity including the right to enter into international agreements within its competence and that the Issuer is recognised as a separate legal entity in its Member States, all of which are sovereign states recognised by the United Kingdom.

The Notes and the Trust Deed are governed by the laws of England, and the Issuer has agreed in the Trust Deed that disputes arising thereunder or in respect of the Notes are subject to arbitration in London, England. The courts of a Member State will not enforce any judgment obtained in a court established in a country other than that Member State unless there is in effect a treaty between such country and such Member State providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between any of the Member States and the United Kingdom or the United States. Accordingly, should a holder of the Notes be successful in obtaining a judgment against the Issuer in any jurisdiction other than a Member State, no assurance can be given that such judgment will be enforced against the Issuer in such Member State. However, each of the Member States (except for the Republic of Tajikistan), the United States and the United Kingdom is a party to the Convention and, accordingly, an award by an arbitration tribunal should be recognised and enforceable in a Member State (except for the Republic of Tajikistan) provided the conditions to enforcement set out in the Convention are met and such Member State's procedures and laws relating to enforcement of arbitral awards are satisfied. In the circumstances described in the following paragraph, however, the enforcement in the Russian Federation and the Kyrgyz Republic of an arbitral award obtained under the Convention cannot be assured. Provided any new Member State which accedes to the Establishing Agreement in the future is a party to the Convention, an award by an arbitration tribunal should be recognised and enforced in the new Member State provided the conditions to enforcement set out in the Convention are met and such new Member State's procedures and laws relating to enforcement of arbitral awards are satisfied. If a Member State is not a party to the Convention, an arbitration award may not be enforceable in that new Member State.

The Establishing Agreement and the charter of the Issuer, as appended to the Establishing Agreement (the "**Charter**"), permit the Issuer to waive any immunity provided therein, and the Issuer has in the Trust Deed and the Terms and Conditions of the Notes waived such immunities to the fullest extent permitted by applicable law. See "*The Issuer–Legal Status, Privileges and Immunities*". However, the Russian Terms of Stay Agreement and the Kyrgyz Terms of Stay Agreement each contain a provision that may limit the enforcement of claims in the Russian Federation and the Kyrgyz Republic respectively, in that the Issuer may not waive immunities as to enforcement procedures in the Russian Federation and the Kyrgyz Republic respectively. There is no comparable limitation in the Establishing Agreement, the Charter, the Kazakhstan Terms of Stay Agreement, the Belarus Terms of Stay Agreement, the Tajikistan Terms of Stay Agreement or the Armenia Terms of Stay Agreement. The Russian Federation is a party to the Establishing Agreement (the Charter being an integral part thereof), which should be superior under both international and Russian law to the terms of the Russian Terms of Stay Agreement. Given that the Establishing Agreement and the Charter should be superior under both international and Russian law to the Russian Terms of Stay Agreement, the Issuer believes that it has the right to waive immunities as set forth in the Trust Deed and the Terms and

Conditions of the Notes. However, due to the conflicting provisions, there is a risk that, based on the Russian Terms of Stay Agreement provision as to the waiver of immunities, a Russian court may not recognise the effectiveness of the Issuer's waiver of immunities as to enforcement procedures in Russia. In these circumstances, no assurance can be given that an arbitral award obtained under the Convention would be enforced in Russia. In assessing the merits of a purchase of Notes investors should bear in mind that there is a risk that, based on the Russian Terms of Stay Agreement, the Issuer's assets in the Russian Federation may be treated by a Russian court as immune from enforcement actions and should carefully consider the consequences of this risk in making their investment decision. As of the date of this Base Prospectus, the Issuer does not have any projects in the Kyrgyz Republic and does not anticipate that a substantial part of its assets will be located in the Kyrgyz Republic in the future. However, similar to the situation in the Russian Federation described above, there is a risk that a Kyrgyz court may not recognise the effectiveness of the Issuer's waiver of immunities as to enforcement procedures in the Kyrgyz Republic, and no assurance can be given that an arbitral award obtained under the Convention would be enforced in the Kyrgyz Republic.

Most of the members of the Council and Executive Board (each as defined herein) are residents of a Member State. A substantial portion of the assets of the Issuer and most of such persons are located in the Russian Federation or the Republic of Kazakhstan. As a result, it may not be possible to effect service of process upon the Issuer or any such person outside the Russian Federation or the Republic of Kazakhstan, to enforce against any of them, in courts of jurisdictions other than the Russian Federation or the Republic of Kazakhstan, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or to enforce against any of them, in the courts of the Russian Federation or the Republic of Kazakhstan, judgments obtained in jurisdictions other than the Russian Federation or the Republic of Kazakhstan, including judgments obtained on the Trust Deed in the courts of England.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. Each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its own particular financial situation, an investment in the relevant Notes and the effect such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including the Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- thoroughly understand the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes to be issued pursuant to this Base Prospectus may be complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield by an understood, measured, appropriate addition of risk to an investor's overall portfolio. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effect on the value of such Notes and the effect this investment will have on the potential investor's overall investment portfolio.

USE OF PROCEEDS

The net proceeds of each Tranche of Notes will be applied by the Issuer for its general corporate purposes and for providing financing in accordance with its Investment Regulations (as defined herein).

CAPITALISATION OF THE ISSUER

The following table sets out the capitalisation of the Issuer as at the date indicated and should be read in conjunction with "*Selected Financial and Other Information*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*" and the Financial Statements and the related notes thereto.

	As at 30 June 2012
	(U.S.$'000) *(unaudited)*
Liabilities	
Debt securities issued	1,353,706
Loans and deposits from banks	68,634
Total capital liabilities	1,422,340
Equity	
Share capital	1,515,700
Reserve fund	84,878
Hedging reserve	(5,888)
Revaluation reserve for financial assets available-for-sale	6,782
Retained earnings	94,270
Total equity	**1,695,742**
Total capitalisation	**3,118,082**

As at the date of this Base Prospectus, there has been no material change in the Issuer's capitalisation since 30 June 2012.

SELECTED FINANCIAL AND OTHER INFORMATION

The following selected historical financial information as at 30 June 2012 and 31 December 2011, 2010 and 2009 and for the six-month periods ended 30 June 2012 and 30 June 2011 and for the years ended 31 December 2011, 2010 and 2009 has been derived from the Financial Statements included in this Base Prospectus and is presented in U.S. Dollars.

Prospective investors should read the following selected financial and other information in conjunction with the information contained in "*Risk Factors*", "*Capitalisation of the Issuer*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*The Issuer*", the Financial Statements and the related notes thereto appearing elsewhere in this Base Prospectus.

Comprehensive Income Data

	For the six-month period ended 30 June		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(U.S.$'000) *(unaudited)*		*(U.S.$'000)* *(audited)*		
Interest income	86,081	64,819	143,047	116,845	108,365
Interest expense	(47,682)	(37,322)	(74,994)	(70,941)	(44,432)
Net interest income before provision for impairment losses on interest bearing assets	38,399	27,497	68,053	45,904	63,933
Provision for impairment losses on interest bearing assets	(9,204)	(1,396)	848	(12,980)	(5,064)
Net interest income	**29,195**	**26,101**	**68,901**	**32,924**	**58,869**
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(15,386)	(12,572)	36,537	16,985	4,444
Net realised gain on financial assets available-for-sale	202	143	44	7,174	2,348
Net gain/(loss) on transactions in foreign currencies	15,730	15,503	(40,034)	(12,728)	(124)
Fee and commission income	476	2,562	6,718	6,215	3,092
Fee and commission expense	(111)	(75)	(206)	(221)	(447)
Net loss on trading with debt securities issued	–	–	(565)	–	–
Other income	1,825	1,468	1,507	82	1,203
Other expenses	–	–	(324)	–	–
Net non-interest income	**2,736**	**7,029**	**3,677**	**17,507**	**10,516**
Operating income	31,931	33,130	72,578	50,431	69,385
Operating expenses	(22,538)	(19,445)	(48,103)	(34,618)	(29,596)
Net profit	**9,393**	**13,685**	**24,475**	**15,813**	**39,789**
Other Comprehensive Income					
Net unrealised gain/(loss) on revaluation of financial assets available-for-sale	6,695	501	(2,284)	5,962	64,372
Net realised loss on financial assets available-for-sale transferred to the profit and loss during the year	(202)	(143)	(44)	(7,174)	(2,348)
Net unrealised loss on hedging instruments	(144)	(494)	(5,744)	–	–
Total Comprehensive Income	**15,742**	**13,549**	**16,403**	**14,601**	**101,813**

Financial Position Data

	As at 30 June	As at 31 December		
	2012	2011	2010	2009
	(U.S.$'000) *(unaudited)*		*(U.S.$'000)* *(audited)*	
ASSETS				
Cash and balances with national (central) banks of Member states of the Issuer	361	102	222,389	94,872
Financial assets at fair value through profit or loss	19	5,918	910	40,933
Loans and advances to banks	652,309	731,215	521,894	590,321
Loans to customers	1,397,257	1,343,996	820,953	608,984
Financial assets available-for-sale	715,257	377,837	215,147	287,866
Investments held-to-maturity	328,918	302,980	697,088	843,753
Non-current assets held for sale	48,311	48,311	45,613	–
Property and equipment	17,210	17,841	22,112	21,146
Intangible assets	1,103	1,296	1,188	1,059
Other assets	9,406	8,187	5,299	6,524
TOTAL ASSETS	**3,170,151**	**2,837,683**	**2,552,593**	**2,495,458**
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and deposits from banks	68,634	73,057	56,541	36,840
Financial liabilities at fair value through profit or loss	4,198	5,755	2,337	117
Hedging derivative financial instrument	20,178	18,614	–	–
Debt securities issued	1,353,706	1,037,817	810,687	812,769
Other liabilities	27,693	22,440	19,531	11,836
Total liabilities	**1,474,409**	**1,157,683**	**889,096**	**861,562**
EQUITY:				
Share capital	1,515,700	1,515,700	1,515,600	1,500,600
Reserve fund	84,878	72,640	64,733	44,839
Hedging reserve	(5,888)	(5,744)	–	–
Revaluation reserve for financial assets available-for-sale	6,782	289	2,617	3,829
Retained earnings	94,270	97,115	80,547	84,628
Total equity	**1,695,742**	**1,680,000**	**1,663,497**	**1,633,896**
TOTAL LIABILITIES AND EQUITY	**3,170,151**	**2,837,683**	**2,552,593**	**2,495,458**

Segment Reporting

The Issuer's format for reporting segment information is based on geography. For further information on segment reporting, see Note 20 of the Notes to the Financial Statements as at 30 June 2012 and for the six-month period then ended, Note 26 of the Notes to the Financial Statements as at and for the year ended 31 December 2011 and Note 26 of the Notes to the Financial Statements as at and for the years ended 2010, 2009 and 2008.

Selected Financial Ratios and Other Data

The following table sets forth key financial ratios used by the Issuer's management in assessing the Issuer's performance, internal guidelines established by the Issuer for certain ratios commonly used in industry practice and other data.

	Internal Guideline[16]	As at and for the six months ended 30 June	As at and for the year ended 31 December		
		2012	2011	2010	2009
		(per cent. unless otherwise indicated) *(unaudited)*			
Key Ratios					
Return on average assets[1][2]		0.60	0.87	0.62	1.79
Return on average equity[1][3]		1.11	1.46	0.96	2.50
Profitability Ratios:					
Net interest margin[4]		2.60	2.59	1.89	3.12
Operating expenses as a percentage of net interest income before provision for impairment losses on interest bearing assets		58.69	70.68	75.41	46.29
Operating expenses as a percentage of average total assets		1.50	1.78	1.37	1.19
Statement of Financial Position/Ratios:					
Loans to customers as a percentage of total assets		44.08	47.36	32.16	24.40
Total equity as a percentage of total assets		53.49	59.20	65.17	65.47
Internal Guidelines:					
Capital adequacy ratio[5]	≥ 16	50.60	52.93	62.67	80.29
Tier I capital adequacy ratio[6]	≥ 8	50.30	52.33	61.97	78.19
Single borrower (or a group of related borrowers) limit[7]	≤ 25	16.62	17.57	15.64	8.60
Open foreign currency position limit:[8]					
-per currency	≤ 10	0.04	0.21	0.51	0.07
-consolidated	≤ 20	0.07	0.42	0.66	0.29
Financial leverage ratio[9]	≤ 200	n/a	64.16	51.48	51.06
Ratios set by the Council of the Issuer:[9]					
Minimum size of Treasury portfolio					
- required		U.S.$921.6 million	n/a	n/a	n/a
- fact		U.S.$1,306.2 million	n/a	n/a	n/a
Financial leverage ratio[10]	≤ 200	83.63	n/a	n/a	n/a
Maximal amount of the nominal value of the Issuer's borrowings by the end of the year[11]					
- allowed limit		U.S.$2,032.9 million	n/a	n/a	n/a
- current amount of the nominal value of the Issuer's borrowings		U.S.$1,409.3 million	n/a	n/a	n/a

	Internal Guideline[16]	As at and for the six months ended 30 June	As at and for the year ended 31 December		
		2012	2011	2010	2009
		(per cent. unless otherwise indicated) *(unaudited)*			
Other data:					
Period-end U.S. Dollar to Tenge exchange rate (in KZT per U.S.$1.0)[12]		149.49	148.15	147.37	148.36
Period-end U.S. Dollar to Rouble exchange rate (in RUB per U.S.$1.0)[13]		32.42	32.12	30.54	30.24
Consumer prices inflation in Kazakhstan[13] ..		4.9	7.4	7.8	6.2
Consumer prices inflation in Russia[14]		4.3	6.1	8.8	8.8
Real GDP growth in Kazakhstan[14]		5.6 (for the three months ended 31 March 2012)	7.5	7.3	1.2
Real GDP growth in Russia[15]		4.9 (for the three months ended 31 March 2012)	4.3	4.3	(7.8)

(1) Averages are based upon the average of daily balances for the period.

(2) Return on average assets is net profit as a percentage of total average assets.

(3) Return on average equity is net profit as a percentage of total average equity.

(4) Net interest margin is net interest income before provision for impairment losses on interest bearing assets as a percentage of average interest bearing assets.

(5) The ratio represents the ratio of total capital to risk-weighted assets.

(6) The ratio represents the ratio of the Tier I capital to risk-weighted assets.

(7) The limit is calculated as the ratio of the total amount of the credit obligations of the borrower or a group of related borrowers to the total capital less intangible assets.

(8) The limit is based on a percentage of the Issuer's equity capital.

(9) The Council ratios first came into force in 2012.

(10) The ratio is calculated as the ratio of the nominal value of the Issuer's borrowings to its total capital less intangible assets. Since 2012 the ratio was slightly changed by the Council and is estimated as the ratio of the nominal value of the Issuer's borrowings to its total capital.

(11) The limit sets the maximum amount of the Issuer's borrowings on the financial market by the end of the year.

(12) Source: the NBK.

(13) Source: the Russian Central Bank.

(14) Source: the NSA.

(15) Source: the RosStat.

(16) As an international organisation, the Issuer is not subject to any bank regulatory authority. However, on 20 May 2008, the Issuer adopted an Internal Guidelines Regulation, as amended and restated on 20 January 2012 (the "Internal Guidelines Regulation"), which establishes minimum operating guidelines for the Issuer.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Issuer's results of operations and financial condition. Historical results may not indicate future performance. This discussion is based on the Financial Statements and should be read in conjunction with the Financial Statements, the notes thereto, and other information appearing elsewhere in this Base Prospectus. The discussion in relation to the Financial Statements, insofar as it refers to average amounts, has been based upon daily balances unless otherwise stated. This discussion includes forward-looking statements that involve risks and uncertainties. The Issuer's actual results could differ materially from those discussed in such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those described under "Risk Factors" and "Forward Looking Statements".

Introduction

The Issuer is an international development bank established by the Russian Federation and the Republic of Kazakhstan on 12 January 2006 under the Establishing Agreement, and it commenced operations on 16 June 2006. Although its obligations, including those arising in connection with the Notes, are not guaranteed by any Member State, the Issuer believes that its constitutive status affords it strong political support from the governments of the Member States in which it seeks to conduct its business. As at the date of this Base Prospectus, the Issuer has six Member States: the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic.

For the six-month period ended 30 June 2012, the net profit of the Issuer was U.S.$9.4 million compared to U.S.$13.7 million for the six-month period ended 30 June 2011. For the year ended 31 December 2011, the net profit of the Issuer was U.S.$24.5 million compared to U.S.$15.8 million for the year ended 31 December 2010 and U.S.$39.8 million for the year ended 31 December 2009.

The total assets of the Issuer were U.S.$3,170.2 million as at 30 June 2012 compared to U.S.$2,837.7 million as at 31 December 2011, U.S.$2,552.6 million as at 31 December 2010 and U.S.$2,495.5 million as at 31 December 2009. The Issuer's total liabilities were U.S.$1,474.4 million as at 30 June 2012 compared to U.S.$1,157.7 million as at 31 December 2011, U.S.$889.1 million as at 31 December 2010 and U.S.$861.6 million as at 31 December 2009.

One of the Issuer's primary functions is to provide financing for large infrastructure projects in the Member States, which it implements through providing loans and debt and equity financing to private and public entities, providing investment consulting services and providing other financial instruments. The Issuer's primary sources of income are interest from lending and consulting fees, and its costs are principally related to its borrowing costs, including the interest payable on its outstanding debt securities.

The Issuer's format for reporting segment information is based on geography. The Issuer operates in each of the six Member States: the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic. For segmental reporting purposes, the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic, as well as all income and expenses outside the Russian Federation and the Republic of Kazakhstan, as described in the next paragraph, are grouped together and referred to as "Other countries". As a result, the "Other countries" segment does not solely reflect the profitability of the loan portfolio located in the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic.

In presenting geographical information, the allocation of the Issuer's loans, loans and deposits to banks and interest income on these line items is based on the geographical location of its customers; the allocation of financial assets available-for-sale and investments held-to-maturity and interest income on these line items is based on the domicile of the respective issuers (for example, the material amount of U.S. Treasury securities are allocated to the United States); the allocation of bonds issued and the interest expense on bonds issued is based on the geographical location of the stock exchange on which the relevant securities are admitted to trading; the allocation of loans from banks and interest expense on loans from banks is based on the domicile of the bank in question and the allocation of losses or gains on financial assets at fair value through profit or loss and foreign exchange transactions is based on the domicile of the Issuer's counterparties.

For further information on segment reporting, see Note 20 of the Notes to the Financial Statements as at 30 June 2012 and for the six-month period then ended, Note 26 of the Notes to the Financial Statements as at and for the year ended 31 December 2011 and Note 26 of the Notes to the Financial Statements as at and for the years ended 2010, 2009 and 2008.

Significant Factors Affecting the Issuer's Financial Condition and Results of Operations

Russia's Economy

In 2011, the Russian Federation generated 72.3% of the Issuer's external operating income. As at the end of 2011, the Russian Federation represented 56.2% of the Issuer's total assets. Accordingly, the Issuer's results of operations and financial condition are and will continue to be significantly affected by Russian political, regulatory and macro-economic factors.

According to the World Bank, Russia's real gross domestic product ("**GDP**") increased from 1999 until 2008 by an average of 7.0% per annum, with 5.2% growth in 2008. In 2009, the Russian economy began to experience the effects of the global financial crisis and its economy entered into a recession, with GDP contracting by 7.8%. However, supported by higher oil prices, a sustained fiscal stimulus, increasing pension payments, liquidity in the banking system and strong consumption levels, GDP increased by 4.3% in both 2010 and 2011.

According to reports and public information notices of the World Bank and IMF, the robust GDP growth of 4.3% in the Russian Federation in 2011 reflects a solid performance in the second half of that year. This growth was relatively broad-based with increasing consumption, fixed capital investment and inventories all contributing to growth. Agriculture had the highest growth rate (at 20%), recovering from a slump caused by drought in 2010. Russia's current account surplus reached 5.3% of GDP in 2011 due to a large surplus in the trade balance from high raw materials prices, and the Russian Central Bank purchasing more foreign reserves. Employment returned to pre-crisis levels in 2011 as manufacturing output grew at a solid pace. With the tightening of monetary policy over the spring of 2011 and a decline in world energy and food prices in the second half of 2011, inflation subsided in 2011 (6.1%, compared with 8.8% in 2010). In addition, the fiscal balance returned to a surplus, and public debt was less than 10% of GDP in 2011.

Despite these factors, the World Bank identified a number of weaknesses in the Russian economy. Recent manufacturing growth rates were particularly high given that they were based on comparisons with the recessionary period and the rate of growth is expected to gradually decline. Extractive industries and utilities did not increase their output significantly in 2011. Fixed investment has started to increase only recently and foreign direct investment has remained low while capital outflows remain high. Russia's non-oil current account deficit reached a record 13% of GDP in 2011, underlying the dependence on oil within Russia's export sector. Excluding oil, Russia's fiscal deficit remained close to 10% of GDP, and is projected to increase further in 2012. Inflation is expected to increase later in 2012 as delayed increases in utility and gas prices are introduced and due to wage pressures resulting from lower unemployment.

The World Bank noted that lower growth in Europe and elsewhere is likely to also contribute to lower Russian growth in 2012, before an expected increase in 2013. Additional downside risks to growth include lower oil prices either due to weak global demand or a correction of oil supply disturbances. In addition, tight liquidity in other markets could affect external demand for Russian products.

Russian Gross Domestic Product

The table below shows the Russian Federation's GDP for the periods indicated based on information from RosStat:

	For the three months months ended	For the year ended 31 December			
	31 March 2012	2011	2010	2009	2008
		(unaudited)			
Nominal GDP (RUB billions)	13,490	54,586	45,173	38,807	41,277
Real GDP (percentage change)	4.9%	4.3%	4.3%	(7.8)%	5.2%
Nominal GDP per capita (RUB)	–	382,077	315,769	273,483	290,682
Population (millions average annual)	–	143.0	142.9	141.9	142.0

When compiling macroeconomic indicators, RosStat makes adjustments based on estimates of production from the non-observed economy (grey market). These activities are legal, but are not fully recorded in economic statistics, either because of understatement by the producers, or because of the informal nature of production. Currently, illegal economic activities are not accounted for in GDP statistics. Adjustments for the non-observed economy in the Russian Federation in 2011 were approximately 15% of GDP, according to RosStat.

The following table sets forth the composition of the Russian Federation's nominal GDP by source for the periods indicated based on information from RosStat:

	For the year ended 31 December			
	2011	2010	2009	2008
	(percentage share of GDP)			
Agriculture	3.6	3.4	4.1	3.7
Mining	9.1	8.5	7.4	8.0
Manufacturing	13.6	12.9	12.9	14.9
Electricity, gas and water supply	3.2	3.3	3.6	2.5
Construction	5.5	5.8	5.4	5.4
Trade	16.2	16.3	15.6	17.3
Hotels and restaurants	0.8	0.9	0.9	0.9
Transport and communication	7.5	8.2	8.4	7.9
Financial intermediation	3.6	3.9	4.4	3.7
Real estate, renting and business activities	9.9	10.6	10.9	9.6
Public administration and defence; compulsory social security	5.0	5.2	5.7	4.6
Education	2.5	2.5	2.9	2.3
Health and social work	3.2	3.2	3.5	2.9
Other community, social and personal service activities	1.2	1.3	1.5	1.5
Net taxes on products	15.1	14.0	12.8	14.8
Total gross domestic product	**100.0**	**100.0**	**100.0**	**100.0**

Inflation in Russia

The following table sets forth the year-on-year rates of consumer price inflation and producer price inflation for the Russian Federation as at the dates indicated based on information from RosStat:

	As at	As at 31 December			
	30 June 2012	**2011**	**2010**	**2009**	**2008**
			(%)		
Consumer Prices	4.3	6.1	8.8	8.8	13.3
Producer Prices	4.1	12.0	16.7	13.9	(7.0)

Employment in Russia

According to statistics published by RosStat, as at 31 December 2011, 70.7 million people were employed in the Russian Federation (representing 93.4% of the eligible work force); compared to 69.8 million people as at 31 December 2010 (representing 92.5% of the eligible work force); 69.2 million people as at 31 December 2009 (representing 91.6% of the eligible work force) and 70.9 million as at 31 December 2008 (representing 93.7% of the eligible work force).

Kazakhstan's Economy

In 2011, Kazakhstan generated 37.6% of the Issuer's external operating income. As at the end of 2011, Kazakhstan represented 19.9% of the Issuer's total assets. Accordingly, the Issuer's results of operations and financial condition are and will continue to be significantly affected by Kazakhstani political, regulatory and macro-economic factors.

Kazakhstan has experienced extensive economic transformation since it gained independence in 1991. For example, the IMF has estimated that real GDP, which fell by 37.1% between 1992 and 1998, more than doubled between 1998 and 2008. In particular, real GDP growth accelerated from April 1999, when the Tenge was allowed to float, and was supported by the Tenge's subsequent devaluation, improvements in the global economic environment and rising commodity prices over the period. In recent years, Kazakhstan's economy has been primarily driven by increasing exports of oil and gas, but other sectors have been growing at a moderate pace as well. Sectors most closely associated with exports of oil and gas, such as construction and oil extraction and oil transportation services have grown fastest, in addition to growth in the real estate, financial services and trade sectors.

According to reports and public information notices of the IMF and EBRD, Kazakhstan experienced significant difficulties in 2009 due to the global financial downturn, with real GDP growth declining to 1.2%. However, the Kazakhstani economy returned to higher levels of growth in the last quarter of 2009, driven primarily by extractive industries, related manufacturing, a good grain harvest and a continued fiscal stimulus. In the last two years, real GDP growth reached 7.3% in 2010 and 7.5% in 2011. Although growth in oil production slowed during this period, high commodity prices helped stimulate domestic demand and activity in transport and communications. Agriculture recovered from a severe drought in 2010, but activity in construction and real estate, the sectors to which banks operating within the country generally have high exposure, remained flat. The banking sector remains weak with non-performing loans (NPLs) exceeding 30% of total loans, and provisioning for these loans remains insufficient. Kazakhstan's third largest bank, BTA, is currently planning its second debt restructuring in less than two years.

According to the IMF and EBRD, the Kazakhstani economy continues to be highly dependent on the situation in the world's resource markets. Its dependence upon extractive industries makes the Kazakhstani economy vulnerable to external shocks and global trends. The two main challenges facing Kazakhstan in the long-term are diversifying its economy and shifting its production toward value-added products.

Gross Domestic Product in Kazakhstan

The table below shows certain information regarding Kazakhstan's GDP and population for the periods indicated based on information from the NSA:

	For the three months ended 31 March 2012	For the year ended 31 December 2011	2010	2009	2008
			(unaudited)		
Nominal GDP (KZT billions)	5,977	27,579	21,816	17,008	16,053
Real GDP (percentage change)	5.6%	7.5%	7.3%	1.2%	3.3%
Nominal GDP per capita (KZT)	–	1,650,741	1,336,466	1,056,804	1,024,175
Population (millions average annual)	–	16.4	16.3	15.9	15.7

The non-observed sector (grey market) constitutes a significant portion of the Kazakhstan economy and the NSA makes adjustments to its GDP data in accordance with practices approved by the IMF in order to adjust for the existence of the grey market. According to "National Accounts for 2006 through 2010", a 2010 statistics guide issued by the NSA, the size of the non-observed economy was 19.5% of Kazakhstan's GDP in 2010.

The following table sets forth the composition of Kazakhstan's nominal GDP by source for the periods indicated based on information from the NSA:

	For the year ended 31 December 2011	2010	2009	2008
	(percentage share of GDP)			
Agriculture	5.1	4.5	6.0	5.3
Mining	18.3	19.5	17.9	18.7
Manufacturing	11.4	11.3	10.0	11.8
Electricity, gas and water supply	2.0	2.1	2.0	1.7
Construction	6.7	7.7	9.3	8.1
Trade	14.0	13.1	12.2	12.3
Hotels and restaurants	0.8	1.0	0.8	0.9
Transportation and telecommunications	9.7	11.1	11.8	11.0
Financial intermediation	3.1	3.6	5.0	5.3
Real estate, renting and business activities	8.8	8.6	8.9	14.9
Professional, scientific and technical activities	4.6	3.9	4.2	–
Activities in the field of administrative and support services	1.8	1.9	2.1	–
Public administration	2.0	2.1	2.0	1.7
Education	3.2	3.2	3.2	2.8
Health and social work	1.8	1.7	1.7	1.5
Arts, entertainment and recreation	0.6	0.6	0.6	–
Other community, social and personal service activities	-	–	–	1.6
Household services	0.1	0.1	0.1	0.1
Other services	1.3	0.9	0.8	–
Indirectly measured financial intermediation services	(2.0)	(2.2)	(3.2)	(4.8)
Net taxes on products	6.7	5.3	4.6	7.0
Product and import subsidies	–	–	–	–
Total gross domestic product	**100.0**	**100.0**	**100.0**	**100.0**

Inflation in Kazakhstan

The following table sets forth the year-on-year rates of consumer price inflation and producer price inflation for Kazakhstan as at the dates indicated based on information from the NSA:

	As at 30 June	As at 31 December			
	2012	**2011**	**2010**	**2009**	**2008**
			(%)		
Consumer Prices	4.9	7.4	7.8	6.2	9.5
Producer Prices	(0.4)	20.3	12.9	31.0	(18.6)

Employment in Kazakhstan

According to statistics published by NSA, as at 31 December 2011, 8.5 million people were employed in the Republic of Kazakhstan (representing 94.6% of the eligible workforce), compared to 8.1 million people as at 31 December 2010 (representing 94.2% of the eligible work force), 7.9 million people as at 31 December 2009 (representing 93.5% of the eligible work force) and 7.9 million people as at 31 December 2008 (representing 93.4% of the eligible work force).

Growth of the Issuer's Loan Portfolio

The primary driver of the Issuer's interest income growth during the periods under review was the expansion of its loan portfolio. The Issuer's loan portfolio grew by 4.0% from 31 December 2011 to 30 June 2012, by 63.7% from 31 December 2010 to 31 December 2011 and by 34.8% from 31 December 2009 to 31 December 2010, reflecting the Issuer's general strategy of increasing its lending activity. The Issuer intends to continue to expand its lending operations in Member States and countries that become Member States, financing projects that are consistent with the Issuer's objectives and purpose. See "*The Issuer–Lending and Investments*". Consistent with this strategy, as at 30 June 2012 a total of 31 potential projects, the estimated total financing of which is U.S.$11.67 billion, were under consideration and being processed by the Issuer. If approved, these projects would be implemented in the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Republic of Armenia and the Republic of Tajikistan. In addition, as at 30 June 2012 the Issuer has signed non-binding commitments in respect of six new projects that have been approved by the Credit Committee, the Executive Board and, where necessary, the Council, representing financing by the Issuer in the aggregate amount of U.S.$0.55 billion. These projects remain subject to further diligence and negotiations. See "*The Issuer—Lending and Investments—Lending—Loans to Customers—Project Pipeline—Approved Projects*".

Interest Rates

As a significant portion of the Issuer's assets and liabilities are interest bearing, changes in prevailing interest rates, both in the Member States and internationally, can materially affect its results. Interest earned and paid on the Issuer's assets and liabilities reflect, to a certain degree, inflation, expectations regarding inflation, shifts in short-term interest rates set by the central banks and movements in long-term real interest rates. As a general matter, because the Issuer has both interest bearing assets and interest bearing liabilities, rising interest rates can lead to higher or lower interest margins, depending on whether the Issuer's interest bearing assets reprice at a faster rate than its interest bearing liabilities. The Issuer's net interest margin has increased in the six months ended 30 June 2012 and the year ended 31 December 2011 after decreasing in the year ended 31 December 2010. Net interest margin was 2.1% and 2.6% for the six months ended 30 June 2011 and 2012, respectively. This increase was principally due to the growth in interest income received on loans to customers resulting from an increased loan portfolio.

Net interest margin was 3.12%, 1.89% and 2.59% for the years ended 31 December 2009, 2010 and 2011, respectively. The decrease from 2009 to 2010 was primarily due to an increase in interest expenses resulting from the issuance of the Tenge Bonds, the U.S. Dollar Bonds and the 2009 Rouble Bonds (each as defined below under "*–Liquidity*") by the Issuer. The increase from 2010 to 2011 was primarily due to the significant increase in interest income received from loans to customers due to 63.7% growth in the customer loan portfolio.

Trends in international interest rates also affect the Issuer as it borrows internationally. Currently, the Issuer has loans with international banks and debt securities outstanding. See "*–Liquidity*". Interest rates in the United States and Europe fell significantly beginning in the third quarter of 2007 and continue to remain at historically low levels. When interest rates in the United States and Europe begin to increase, the Issuer's cost of funding will increase and its results of operations could be adversely affected. Additionally, although rising interest rates would, over time, increase the Issuer's income from its securities portfolio, rising interest rates may at the same time reduce the market value of the Issuer's fixed income investment portfolio.

Foreign Currency Exchange Rate Fluctuations

The Issuer's functional currency is the U.S. Dollar. However, it also has significant amounts of Rouble, Tenge and other foreign currency-denominated assets and liabilities (31.4% of total assets and 52.6% of total liabilities as of 30 June 2012 are denominated in currencies other than the U.S. Dollar).

The Issuer translates its non-U.S. Dollar-denominated assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains or losses realised upon the sale of such assets, to U.S. Dollars in preparing its financial statements. As a result, the Issuer's reported income is affected by changes in the value of the U.S. Dollar with respect to other currencies. The overall effect of exchange rate movements on the Issuer's results of operations depends upon the successful implementation of the Issuer's hedging strategies as well as upon the rate of depreciation or appreciation of the U.S. Dollar against its principal trading and financing currencies. Currently the Issuer only seeks to hedge its currency exposure with respect to its Rouble-denominated bonds. The Issuer generally seeks to have no open positions in terms of foreign exchange exposures; however, depending upon market conditions, it may choose to carry certain open positions through spot or derivative foreign exchange transactions. In such cases, exposures are managed with hedges subject to the limits set by the management of the Issuer and applicable legal limits.

For the six months ended 30 June 2011 and 2012 the Issuer recorded gains on transactions in non-U.S Dollar currencies of U.S.$15.5 million and U.S.$15.7 million, respectively. The Issuer had net losses on transactions in non-U.S Dollar currencies for 2009, 2010 and 2011 of U.S.$0.1 million, U.S.$12.7 million and U.S.$40.0 million, respectively.

Exchange rate movements also affect the U.S. Dollar-equivalent value of the Issuer's non-U.S. Dollar-denominated assets and capital, which can affect capital adequacy either positively (for example, if the U.S. Dollar appreciates, then assets in other currencies convert into fewer U.S. Dollars in the calculations of capital adequacy ratios and thus increase the capital adequacy ratios) or negatively (for example, if the U.S. Dollar depreciates, then assets in other currencies convert into more U.S. Dollars in the calculations of capital adequacy ratios and thus reduce the capital adequacy ratios).

Provisions for Possible Losses on Loans to Customers

For the six months ended 30 June 2012 the Issuer recorded an impairment provision of U.S.$9.2 million compared to U.S.$1.4 million in the same period in 2011. The increase as at 30 June 2012 resulted from the Issuer reviewing its customer loan portfolio and deciding to make a provision in connection with three outstanding customer loans, although the loans to these customers (one of which is based on the Republic of Kazakhstan and two of which are based in the Russian Federation) are currently performing. See "*—Provision for Losses on Loans to Customers*". A provision reversal of U.S.$0.8 million was recorded during the year ended 31 December 2011 for losses on interest bearing assets, as compared with a provision loss of U.S.$13.0 million during the year ended 31 December 2010 and U.S.$5.1 million during the year ended 31 December 2009. The Issuer believes that its provisions are sufficient and that its provisioning policies are adequate. As at 30 June 2012, the Issuer had an allowance for losses of U.S.$9.2 million. See "*Risk Management—Portfolio Supervision and Provisioning Policy*" for a discussion of the Issuer's internal loan categorisation policies.

As at 30 June 2012 and 31 December 2011, 2010 and 2009, the Issuer's allowance for impairment losses on loans to customers was U.S.$9.2 million, U.S.$0.0 million, U.S.$19.2 million and U.S.$6.6 million respectively, representing 0.7%, 0.0%, 2.3% and 1.1%, respectively, of the Issuer's gross loans to customers as at those dates. Although the Issuer believes it has sufficient allowance for impairment losses, it expects its allowance to increase as existing loans to customers age.

Recent Increases in Outstanding Indebtedness

The Issuer has incurred a substantial amount of indebtedness during the periods under review. As at 30 June 2012 the Issuer had outstanding issued debt securities of U.S.$1,353.7 million, which includes the recent issue of the 2012 Rouble Bonds and the Further Rouble Bonds (in aggregate RUB10.0 billion), currently bearing interest at an annual fixed rate of 8.5%. See "—*Liquidity*" below for a description of outstanding indebtedness. Issuances since the beginning of 2009 have significantly increased the Issuer's outstanding indebtedness and its interest expenses. In line with its strategy of increasing its lending activities, the Issuer intends to raise additional indebtedness in the future.

Fair Value of Financial Instruments

The Issuer's financial instruments are classified as either financial assets at fair value through profit or loss (*i.e.*, trading securities) or investment securities (which include both available-for-sale financial assets and held-to-maturity investment securities). While held-to-maturity investment securities are recorded at their acquisition cost and measured at amortised cost calculated as per the effective interest rate method, the Issuer's financial assets at fair value through profit or loss and available-for-sale financial assets (which represented 68.5% of the Issuer's total securities portfolio as of 30 June 2012) are recorded at fair value, with changes in fair value being recorded in income (for the financial assets at fair value through profit or loss and where there is a permanent impairment or sale of available-for-sale financial assets) or other comprehensive income (for other available-for-sale financial assets). In the case of permanent impairment of held-to-maturity investment securities, such impairment losses are also recognised in income.

The following table sets out the distribution of the Issuer's securities recorded at fair value as of each of the indicated dates:

	As at 30 June	**As at 31 December**		
	2012	**2011**	**2010**	**2009**
	(U.S.$ '000) *(unaudited)*		*(U.S.$ '000)* *(audited)*	
Financial assets at fair value through profit or loss	19	5,918	910	40,933
Investment securities available-for-sale	715,257	377,837	215,147	287,866
Total	**715,276**	**383,755**	**216,057**	**328,799**

When available, the Issuer measures the fair value of an instrument using quoted prices in an active market for that instrument. If a market for a financial instrument is not active, the Issuer establishes fair value using a valuation technique as discussed in *"Significant Accounting Policies"* below.

Selected Financial Ratios

The following table sets out certain selected financial ratios for the Issuer for the indicated dates/periods, which ratios are, among others, those used by the Issuer's management to manage its business:

	As at and for the six months ended 30 June		As at and for the year ended 31 December	
	2012	**2011**	**2010**	**2009**
	(%) *(unaudited)*			
Key Ratios:				
Return on average assets(1)(2)	0.60	0.98	0.62	1.79
Return on average equity(1)(3)	1.11	1.64	0.96	2.50
Profitability Ratios:				
Net interest margin(4)	2.60	2.09	1.89	3.12
Operating expenses as a percentage of net interest income before provision for losses	58.69	70.72	75.41	46.29
Operating expense as a percentage of average total assets	1.50	1.39	1.37	1.19
Statement of Financial Position/Ratios:				
Loans to customers as a percentage of total assets	44.08	37.49	32.16	24.40
Total equity as a percentage of total assets	53.49	58.99	65.17	65.47

(1) Averages are based upon the average of daily balances for the period.

(2) Return on average assets is net profit as a percentage of total average assets.

(3) Return on average equity is net profit as a percentage of total average equity.

(4) Net interest margin is net interest income before provision for impairment losses on interest bearing assets and liabilities as a percentage of average interest bearing assets.

The Issuer's return on average assets and return on average equity were lower during 2010 through 30 June 2012 compared to 2009 due to the Issuer's lower net profit in the later period, with net profit decreasing from U.S.$39.8 million in 2009 to U.S.$15.8 million in 2010, U.S.$24.5 million in 2011 and U.S.$9.4 million for the first six months of 2012.

The Issuer's net interest margin in 2010 was significantly lower than in other periods due to the Issuer experiencing a decrease in net interest income as a result of a rapid increase in interest expenses (which increased to U.S.$70.9 million in 2010 from U.S.$44.4 million in 2009).

Loans to customers as a percentage of total assets steadily increased between 2009 and 2011 due to an increase in the Issuer's loan portfolio over the period in accordance with the Issuer's strategy of expanding its lending activity. There was a slight decrease in loans to customers as a percentage of total assets in 2012 due to a more significant increase in the Issuer's financial assets available-for-sale portfolio. The financial assets available-for-sale portfolio grew by U.S.$337.4 million between 31 December 2011 and 30 June 2012, compared to loans to customers which grew by only U.S.$53.3 million over the same period.

Total equity as a percentage of total assets is primarily affected by the amount of bonds issued by the Issuer. Total equity as a percentage of total assets remained steady in 2009 and 2010, decreasing to 58.99% in the first half of 2011 and 53.5% in the first half of 2012, primarily due to the issuance of Russian rouble denominated notes by the Bank during the first half of 2011 and the first half of 2012.

Key Performance Indicators

As an international development bank, the Issuer has a number of specific key performance indicators that it uses to measure its performance against the strategic objectives established by its Council. These key performance indicators comprise:

(a) Increasing the value of the Issuer's investment portfolio;

(b) Using the Issuer's investment portfolio to increase the growth in mutual trade and investment among the Member States;

(c) Using the Issuer's investment portfolio to generate increased production and output in the Member States; and

(d) Using the Issuer's Technical Assistance Fund to promote integration among the Member States.

Results of Operations

The table below summarises the Issuer's statement of comprehensive income for the six-month periods ended 30 June 2012 and 30 June 2011 and for the years ended 31 December 2011, 2010 and 2009, the components of which are described in greater detail in the following sections:

	For the six-month period ended 30 June		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(U.S.$'000) *(unaudited)*			*(U.S.$'000)* *(audited)*	
Interest income	86,081	64,819	143,047	116,845	108,365
Interest expense	(47,682)	(37,322)	(74,994)	(70,941)	(44,432)
Net interest income before provision for impairment losses on interest bearing assets	38,399	27,497	68,053	45,904	63,933
Provision for impairment losses on interest bearing assets	(9,204)	(1,396)	848	(12,980)	(5,064)
Net interest income	29,195	26,101	68,901	32,924	58,869
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(15,386)	(12,572)	36,537	16,985	4,444
Net realised gain on financial assets available-for-sale	202	143	44	7,174	2,348
Net gain/(loss) on transactions in foreign currencies	15,730	15,503	(40,034)	(12,728)	(124)
Fee and commission income	476	2,562	6,718	6,215	3,092
Fee and commission expense	(111)	(75)	(206)	(221)	(447)
Net loss on trading with debt securities issued	–	–	(565)	–	–
Other income	1,825	1,468	1,507	82	1,203
Other expenses	–	–	(324)	–	–
Net non-interest income	2,736	7,029	3,677	17,507	10,516
Operating income	31,931	33,130	72,578	50,431	69,385
Operating expenses	(22,538)	(19,445)	(48,103)	(34,618)	(29,596)
Net profit	**9,393**	**13,685**	**24,475**	**15,813**	**39,789**
Other Comprehensive Income					
Net unrealised gain/(loss) on revaluation of financial assets available-for-sale	6,695	501	(2,284)	5,962	64,372
Net realised (loss)/gain on financial assets available-for-sale transferred to the profit and loss during the period	(202)	(143)	(44)	(7,174)	(2,348)
Net unrealised loss on hedging instruments	(144)	(494)	(5,744)	–	–
Total Comprehensive Income	**15,742**	**13,549**	**16,403**	**14,601**	**101,813**

The following table identifies the share that net interest income, net fee and commission income and other operating income have represented in the Issuer's total operating income for each of the indicated periods:

	For the six-month period ended 30 June		For the year ended 31 December		
	2012	2011	2011	2010	2009
	(unaudited)			*(unaudited)*	
Net interest income	91.4%	78.8%	94.9%	65.3%	84.8%
Net fee and commission income	1.1%	7.5%	9.0%	11.9%	3.8%
Other operating income[(1)]	7.4%	13.7%	(3.9)%	22.8%	11.4%
Total operating income	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note:

(1) Represents the sum of all statement of comprehensive income line items that comprise operating income, but which are not included in the net interest income and net fee and commission income line items.

Results of Operations for the Six Months Ended 30 June 2012 and 2011

Net Interest Income

Net interest income is the principal source of income for the Issuer and thus the differential between the interest rates that it receives on interest-earning assets and the interest rates that it pays on interest-bearing liabilities (*i.e.*, its average spread), and the volume of such assets and liabilities, tend to have the most significant impact on the Issuer's results of operations. The following table sets out the principal components of the Issuer's net interest income for the periods indicated:

	For the six months ended 30 June	
	2012	2011
	(U.S.$'000) *(unaudited)*	
Interest income	86,081	64,819
Interest expense	(47,682)	(37,322)
Net interest income before provision for impairment losses on interest bearing assets	38,399	27,497
Provision for impairment losses on interest bearing assets	(9,204)	(1,396)
Net interest income	**29,195**	**26,101**

Net interest income increased by 11.9% from U.S.$26.1 million to U.S.$29.2 million for the six months ended 30 June 2012 as compared to the six months ended 30 June 2011. Overall, the increase in net interest income was primarily attributable to an increase in interest income generated on financial assets recorded at amortised cost due to growth in the Issuer's loan portfolio from period to period. Although loans and advances to banks decreased by U.S.$11.5 million, or 1.7%, between the periods and loans to customers increased by U.S.$331.3 million, or 31.1%. Financial assets available-for-sale increased by U.S.$370.5 million, or 107.5%, although in the first six months of 2012 these primarily comprised lower-yielding U.S. Treasury securities. The increases in interest bearing assets were partially offset by a U.S.$223.6 million, or 40.5%, decrease in investments held-to-maturity.

Each of the primary factors influencing net interest income is discussed below.

Interest Income

The following table sets out the principal components of the Issuer's interest income for the periods indicated:

	For the six months ended 30 June	
	2012	2011
	(U.S.$'000) *(unaudited)*	
Interest income on financial assets at fair value through profit or loss	–	26
Interest income on financial assets available-for-sale	3,920	5,289
Interest on loans to customers	63,052	42,885
Interest on loans and advances to banks	10,179	7,165
Interest on investments classified as held-to-maturity	8,930	9,454
Total interest income	**86,081**	**64,819**

Interest income increased by 32.8% to U.S.$86.1 million for the six months ended 30 June 2012 from U.S.$64.8 million for the six months ended 30 June 2011.

The Issuer received U.S.$3.9 million in interest on financial assets available-for-sale for the six months ended 30 June 2012 as compared to U.S.$5.3 million for the six months ended 30 June 2011. The 25.9% decrease in interest was caused by the fact that more than half of the financial assets available-for-sale are U.S. Treasury securities with a low interest yield. As at 30 June 2012 the Issuer had U.S.$110.0 million of available-for-sale assets with interest rates at 3% or higher, U.S.$504.9 million of U.S. Treasury securities with yields below 1% and U.S.$100.4 million of equity securities (no interest). As a comparison, as at 30 June 2011 the Issuer had U.S.$155.9 million of available-for-sale assets at interest rates of 5.9% and above, U.S.$125.0 million of U.S. Treasury securities (with yields below 1%) and U.S.$63.9 million of non interest-bearing equity securities.

The U.S.$20.2 million, or 47.0%, increase in interest on loans to customers to U.S.$63.1 million for the six months ended 30 June 2012 as compared to U.S.$42.9 million for the six months ended 30 June 2011 was primarily due to the 31.1% increase in loans to customers from additional disbursements under existing investment projects and new loans to customers.

Interest on loans and advances to banks increased by 42.1% to U.S.$10.2 million for the six months ended 30 June 2012 as compared to U.S.$7.2 million for the six months ended 30 June 2011 due to the growth in issued loans to banks that bear higher interest rate than deposits and other advances to banks.

Interest on investments classified as held-to-maturity decreased by U.S.$0.6 million, or 5.5%, to U.S.$8.9 million for the six months ended 30 June 2012 from U.S.$9.5 million for the six months ended 30 June 2011 principally as a result of the 40.5% decrease in the amount of investments classified as held-to-maturity. Investments held-to-maturity decreased by U.S.$223.6 million to U.S.$328.9 million as at 30 June 2012 from U.S.$552.5 million as at 30 June 2011. As described below, the average interest rates for investments held-to-maturity increased 2.36% from period to period.

Interest Margin

The Issuer's net interest margin (net interest income before provision for losses on interest bearing assets and liabilities as a percentage of average interest bearing assets) increased to 2.60% for the six months ended 30 June 2012 from 2.09% for the six months ended 30 June 2011 due to loans to customers representing a greater portion of the Issuer's interest bearing assets as loans to customers bear a higher interest rate than the other classes of assets.

Average Interest Rates on Interest Bearing Assets

The overall average interest rate on the Issuer's interest bearing assets increased to 5.84% for the six months ended 30 June 2012 as compared to 4.92% for the six months ended 30 June 2011. The increase was principally due to growth of the higher interest bearing loans to customers.

The following table sets out the effective average interest rates by type of the principal interest bearing assets of the Issuer for the periods indicated. The analysis has been prepared using period-average effective contractual rates:

	For the six months ended 30 June 2012			**For the six months ended 30 June 2011**		
Interest bearing assets[1]	**Amount of Asset**	**Interest on Asset**	**Average Interest Rate**	**Amount of Asset**	**Interest on Asset**	**Average Interest Rate**
	(U.S.$'000)	*(U.S.$'000)*	*(%)* *(unaudited)*	*(U.S.$'000)*	*(U.S.$'000)*	*(%)*
Financial assets at fair value through profit or loss	–	–	–	5,572	26	0.93
Loans and advances to banks[2]	851,987	10,719	2.39	944,946	7,165	1.52
Loans to customers	1,392,043	63,052	9.06	929,241	42,885	9.23
Financial assets available-for-sale.................	395,312	3,920	1.98	203,068	5,289	5.21
Investments held-to-maturity	309,745	8,930	5.77	554,424	9,454	3.41
Total	**2,949,087**	**86,081**	**5.84**	**2,637,251**	**64,819**	**4.92**
Net yield on interest bearing assets[3]			2.60			2.09

(1) Averages are based on daily averages.

(2) Amount includes cash and balances with national (central) banks of the Member States that bears interest.

(3) Net yield on interest bearing assets is the percentage of net interest income before provision for impairment losses on interest bearing assets to total average amount of interest bearing assets for the period.

There were no interest bearing financial assets at fair value through profit or loss in 2012. For the six months ended 30 June 2011 the average interest rate on financial assets at fair value through profit or loss was 0.93% as the major part of the portfolio was represented by U.S. Treasury securities earning a 1% nominal interest rate.

The increase in the average interest rate on loans and advances to banks from 1.52% for the six months ended 30 June 2011 to 2.39% for the six months ended 30 June 2012 was primarily due to an increase in loans issued to banks and growth in the volume of deposits held at certain state-owned Russian banks, which offered higher interest rates on deposits than placements with national (central) banks. In addition, the average interest rates on the Issuer's main correspondent accounts held with a state-owned Russian bank and certain Western banks decreased in line with the global market trends.

The decrease in the average interest rate on loans to customers from 9.23% for the six months ended 30 June 2011 to 9.06% for the six months ended 30 June 2012 was primarily the result of an increased proportion of U.S. Dollar-denominated loans bearing lower interest rates than loans in other currencies.

The average interest rate on financial assets available-for-sale decreased from 5.21% for the six months ended 30 June 2011 to 1.98% for the six months ended 30 June 2012. The change was mainly due to the Issuer's purchase of highly-rated, but lower yielding U.S. Treasury securities.

During the six months ended 30 June 2012, the average interest rate on investments held-to-maturity increased to 5.77% from 3.41% for the six months ended 30 June 2011. The increase was mainly due to the redemption of highly-rated, but lower interest-bearing securities issued by the governments of western

European countries (such as Denmark, Italy and the Netherlands) in the Issuer's investments held-to-maturity portfolio.

Interest Expense

Interest expense is the interest and certain loan-related fee (such as fees paid on syndicated loans that are included in effective interest rate calculations under IFRS) expenses of the Issuer on its interest-bearing liabilities, principally time deposits and borrowings. As with interest income, interest expense is a function of both the volume of interest-bearing liabilities and the interest rates that the Issuer pays on these liabilities. The following table sets out the principal components of the Issuer's interest expense for the periods indicated:

	For the six months ended 30 June	
	2012	**2011**
	(U.S.$'000) *(unaudited)*	
Interest on debt securities issued	46,749	36,233
Interest on loans and deposits from banks	933	1,089
Total interest expense	**47,682**	**37,322**

For the six months ended 30 June 2012, interest expense increased by U.S.$10.4 million, or 27.8%, to U.S.$47.7 million as compared to U.S.$37.3 million for the six months ended 30 June 2011. The increase was mainly due to additional interest payable on the 2011 Rouble Bonds issued in February 2011 and the 2012 Rouble Bonds issued in February 2012. This was partially offset by a slight decline in the average interest rate paid on debt securities as described below. The issuance of additional bonds reduced the Issuer's need for short-term funding from loans and deposits from banks.

Average Interest Rates on Interest Bearing Liabilities

The following table sets out the effective average interest rates by amount of the principal interest bearing liabilities of the Issuer for the periods indicated:

	For the six months ended 30 June 2012			**For the six months ended 30 June 2011**		
Interest bearing assets[(1)]	**Amount of Asset**	**Interest on Asset**	**Average Interest Rate**	**Amount of Asset**	**Interest on Asset**	**Average Interest Rate**
	(U.S.$'000)	*(U.S.$'000)*	*(%)* *(unaudited)*	*(U.S.$'000)*	*(U.S.$'000)*	*(%)*
Debt securities issued	1,332,530	46,749	7.02	976,492	36,233	7.42
Loans and deposits from banks	68,248	933	2.73	87,021	1,089	2.50
Total	**1,400,778**	**47,682**	**6.81**	**1,063,513**	**37,322**	**7.02**

(1) Averages are based on daily averages.

The decrease in the average interest rate on interest bearing liabilities from 7.02% for the six months ended 30 June 2011 to 6.81% for the six months ended 30 June 2012 was primarily due to the issuance of debt securities issued by the Issuer in early 2012 at lower interest rates.

Provision for Impairment Losses on Loans to Customers

An impairment provision of U.S.$9.2 million was recorded during the six months ended 30 June 2012 on interest bearing assets, as compared with an impairment provision of U.S.$1.4 million during the six months ended 30 June 2011. In the case of the six-month period ended 30 June 2012 the issuer provisioned U.S.$12.3 million in respect of four loans to three borrowers and reversed U.S.$3.0 million of impairment provisions upon recovery of amounts due on previously provisioned loans. The charge during both periods related to loans to borrowers operating in the chemical, energy and transport and communication industries. These were recognised due to delays in the production plans, or the deterioration in the financial condition, of the relevant borrowers, which led the Issuer to believe that those customers might encounter financial difficulties in the future. See "*Risk Management–Credit Risk–Lending Policies and Procedures–Portfolio Supervision and Provisioning Policy*" for a discussion of the Issuer's internal loan categorisation policies.

Net Non-Interest Income

Net non-interest income includes fair market value adjustments relating to financial assets, net realised gains on financial assets available-for-sale, foreign exchange gains, net fees and commissions and other items. The following table sets out the principal components of the Issuer's non-interest income for the periods indicated:

	For the six months ended 30 June	
	2012	**2011**
	(U.S.$'000) *(unaudited)*	
Net loss on financial assets and liabilities at fair value through profit or loss	(15,386)	(12,572)
Net realised gain on financial assets available-for-sale	202	143
Net gain on transactions in foreign currencies	15,730	15,503
Fee and commission income	476	2,562
Fee and commission expense	(111)	(75)
Other income	1,825	1,468
Other expenses	–	–
Total net non-interest income	**2,736**	**7,029**

In the six months ended 30 June 2012 net non-interest income decreased by 61.1% to U.S.$2.7 million from U.S.$7.0 million in the six months ended 30 June 2011. The decrease in total net non-interest income was primarily the result of a U.S.$2.8 million change in net loss on financial assets and liabilities at fair value through profit or loss, as well as a U.S.$2.1 million decrease in fee and commission income. The decrease in total net non-interest income was partially off-set by a U.S.$0.4 million increase in other income.

The Issuer's commission income mainly reflects fees it receives when acting as an investment consultant when implementing investment projects, and to a lesser extent commissions based on the results of its investment activity. In 2011 the Issuer began re-categorizing some fees, excluding them from commission income and including them as part of the effective interest rate of loans to started to be amortised as a part of interest income.

Net Loss on Financial Assets and Liabilities at Fair Value Through Profit or Loss

The Issuer's net loss on financial assets and liabilities at fair value through profit or loss comprises gains and losses on financial assets held-for-trading. The following table sets out the components of the Issuer's net loss on operations with financial assets held-for-trading for the periods indicated:

	For the six months ended 30 June	
	2012	**2011**
	(U.S.$'000) *(unaudited)*	
Realised gain on trading operations	–	173
Unrealised loss on fair value adjustment of debt securities	–	(2)
Net loss on operations with derivative financial instruments in foreign currency	(15,386)	(12,743)
Total net loss on operations with financial assets and liabilities at fair value through profit or loss	**(15,386)**	**(12,572)**

The Issuer realised a net loss on operations with financial assets and liabilities at fair value through profit or loss of U.S.$15.4 million for the six months ended 30 June 2012 as compared to a net loss of U.S.$12.6 million for the six months ended 30 June 2011. This was primarily the result of a change in net loss on operations with derivative financial instruments in foreign currency of U.S.$2.6 million.

The Issuer's gains and losses with respect to its interest rate and currency rate hedge transactions listed in the balance sheet under "Hedging derivative financial instruments" are measured at the end of each financial period and are included in total net loss on operations with financial assets and liabilities held-for-trading. The change in net loss on operations with derivative financial instruments in foreign currency for the six months ended 30 June 2012 compared to the prior period was primarily due to the higher volatility of the USD/RUB exchange rate. The net unrealised loss on hedging derivatives during the first six months of 2012 was U.S.$0.1 million.

Net Realised Gain on Financial Assets Available-for-sale

The Issuer realised a net realised gain on financial assets available-for-sale of U.S.$0.2 million for the six months ended 30 June 2012 compared to U.S.$0.1 million for the six months ended 30 June 2011. This reflected normal course changes in market values from period to period.

Net Gain on Transactions in Foreign Currencies

This item reflects the foreign exchange gains/losses arising from the settlement of foreign exchange transactions and revaluation of items denominated in currencies other than U.S. Dollars (i.e. Rouble-denominated bonds issued). A net gain on transactions in foreign currencies of U.S.$15.7 million was recorded in the six months ended 30 June 2012, while a net gain on transactions in foreign currencies of U.S.$15.5 million was recorded in the six months ended 30 June 2011.

Fee and Commission Income

Fee and commission income decreased to U.S.$0.5 million during the six months ended 30 June 2012 from U.S.$2.6 million for the year six months 30 June 2011 due to the inclusion of some fees previously recognised as commissions into the effective interest rate calculation and the consequent transfer of this income into interest income received.

Fee and Commission Expense

The Issuer's fee and commission expense primarily relates to payments for transaction and custody services provided by financial institutions. Fee and commission expense remained at the same level of U.S.$0.1 million during the six months ended 30 June 2012 as for the same period in 2011.

Other Income

The substantial majority of other income consists of fees the Issuer receives in respect of fiduciary services provided to the Anti-Crisis Fund of the Eurasian Economic Community (the "**ACF**"). The Issuer acts as resources manager for the ACF, assessing applications for financing made to the ACF, providing financing from the ACF's funds and monitoring the performance of obligations under ACF financing agreements. For further, see "*The Issuer—The Anti-Crisis Fund*".

The Issuer's other income increased to U.S.$1.8 million for the six months ended 30 June 2012 from U.S.$1.5 million for the six months ended 30 June 2011. This increase was due to an increase in the volume of transactions entered into by the ACF.

Operating Expenses

The Issuer's operating expenses include business expenses such as salaries, benefits and rent, but also include depreciation and amortisation of assets. The following table sets out the principal components of the Issuer's operating expenses for the periods indicated:

	For the six months ended 30 June	
	2012	2011
	(U.S.$'000) *(unaudited)*	
Staff costs and other payments to employees	14,458	12,198
Premises expenses	1,679	1,354
Depreciation and amortisation	1,300	1,068
Business trip expenses	967	889
Business development expenses	715	475
Security	659	454
Communication expenses	513	463
Professional services	472	529
Maintenance of acquired systems and programmes	439	458
Training	223	236
Transportation expenses	199	164
Research and regional development expenses	160	403
Office, postal and printing expenses	93	86
Other expenses	661	668
Total operating expenses	**22,538**	**19,445**

Operating expenses increased by U.S.$3.1 million, or 15.9%, for the six months ended 30 June 2012 compared to the six months ended 30 June 2011. This increase was primarily due to a U.S.$2.3 million increase in staff costs and other payments to employees, a U.S.$0.3 million increase in premises expenses and a U.S.$0.2 million increase in depreciation and amortisation. Staff costs and other payments to employees increased due to an increased number of employees assisting the Issuer's growth as the financial conditions in its Member States improved. The Issuer had 284 employees at 30 June 2012 compared to 260 employees at 30 June 2011. The increase in operating expenses was partially offset by a U.S.$0.2 million decrease in research and regional development expenses relating to the Issuer's research into different programs proposed by its Member States.

Other Comprehensive income/(loss)

Upon revaluation of financial assets available-for-sale, the Issuer records net unrealised gains or losses for such assets in its statement of comprehensive income in other comprehensive income, rather than in net profit, and in its statement of financial position as equity by recording a revaluation reserve or deficit in respect of such assets within other comprehensive income (loss). The following table sets out the principal components of this item for the periods indicated:

	For the six months ended 30 June	
	2012	**2011**
	(U.S.$'000) *(unaudited)*	
Net unrealised gain on revaluation of financial assets available-for-sale	6,695	501
Net realised gain on financial assets available-for-sale transferred to the profit and loss during the year	(202)	(143)
Net unrealised loss on hedging instruments	(144)	(494)
Total other comprehensive income/(loss)	**6,349**	**(136)**

The Issuer had a net unrealised gain on revaluation of financial assets available-for-sale of U.S.$6.7 million for the six months ended 30 June 2012 as compared to U.S.$0.5 million for the six months ended 30 June 2011. This increase was primarily attributable to significant growth in the portfolio of financial assets available-for-sale, which increased from U.S.$377.8 million as at 31 December 2011 to U.S.$715.3 million as at 30 June 2012.

The Issuer had a net unrealised loss on hedging instruments of U.S.$0.1 million for the six month period ended 30 June 2012 as compared to U.S.$0.5 million for the six month period ended 30 June 2011. The Issuer entered into hedging transactions to provide a hedge against the USD/RUB forward exchange rate risk on a RUB5.0 billion issue of debt securities by the Issuer.

Results of Operations for the Years Ended 31 December 2011 and 2010

Net Interest Income

The following table sets out the principal components of the Issuer's net interest income for the periods indicated:

	For the years ended 31 December	
	2011	**2010**
	(U.S.$'000) *(unaudited)*	
Interest income	143,047	116,845
Interest expense	(74,994)	(70,941)
Net interest income before provision for impairment losses on interest bearing assets	68,053	45,904
Reversal/(provision) for impairment losses on interest bearing assets	848	(12,980)
Net interest income	**68,901**	**32,924**

Net interest income increased by 109.3% from U.S.$32.9 million to U.S.$68.9 million for the year ended 31 December 2011 as compared to the year ended 31 December 2010. This increase in net interest income was primarily attributable to (i) an increase in interest income received on loans to customers; and (ii) reversal of provision for impairment losses on loans to customers.

As at 31 December 2011 as compared to 31 December 2010 loans to customers increased by U.S.$523.0 million, loans and advances to banks increased by U.S.$209.3 million, financial assets available-for-sale increased by U.S.$162.7 million. These increases in interest bearing assets were partially offset by a U.S.$394.1 million decrease in investments held-to-maturity and a U.S.$222.3 million decrease in cash and balances with the national (central) banks of its Member States.

Interest Income

The following table sets out the principal components of the Issuer's interest income for the periods indicated:

	For the years ended 31 December	
	2011	**2010**
	(U.S.$'000) (unaudited)	
Interest income on financial assets at fair value through profit or loss	26	63
Interest income on financial assets available-for-sale	9,434	13,135
Interest on loans to customers	96,884	65,566
Interest on loans and advances to banks	18,223	17,290
Interest on investments held-to-maturity	18,480	20,791
Total interest income	**143,047**	**116,845**

Interest income increased by 22.4%, to U.S.$143.0 million for the year ended 31 December 2011 from U.S.$116.8 million for the year ended 31 December 2010.

The increase of U.S.$31.3 million in interest on loans to customers to U.S.$96.9 million for the year ended 31 December 2011 as compared to U.S.$65.6 million for the year ended 31 December 2010 was primarily due to an increase of U.S.$523.0 million, or 63.7%, in loans to customers as a result of an increase in disbursements under existing investment projects and disbursements on new loans to customers, consistent with the Issuer's objective of growing its loans to customers portfolio.

Interest on amounts due from banks increased by 5.4% to U.S.$18.2 million for the year ended 31 December 2011 as compared to U.S.$17.3 million for the year ended 31 December 2010 due to the higher amount of deposits held with commercial banks in Russia, which historically offered higher interest rates on deposits, and reduction of the volumes of deposits held at the NBK that offered lower interest rates on deposits.

Interest on investments initially held-to-maturity decreased by U.S.$2.3 million to U.S.$18.5 million for the year ended 31 December 2011 from U.S.$20.8 million for the year ended 31 December 2010. The decrease was primarily due to a decrease in bonds issued by governments of foreign countries in the portfolio of investments held-to-maturity. In total the amount of investments held-to-maturity decreased to U.S.$303.0 million as at 31 December 2010 from U.S.$697.1 million as at 31 December 2010.

The Issuer received U.S.$9.4 million in aggregate interest on financial assets available-for-sale for the year ended 31 December 2011 as compared to U.S.$13.1 million for the year ended 31 December 2010. The decrease in interest was primarily the result of the decrease in the average interest rate on financial assets available-for-sale as the low-yielding bonds issued by governments of foreign countries replaced bonds issued by Russian-based organizations that bear higher interest rates.

Interest Margin

The Issuer's net interest margin (net interest income before provision for impairment losses on interest bearing assets as a percentage of average interest bearing assets) increased to 2.59% for the year ended 31

December 2011 from 1.89% for the year ended 31 December 2010 primarily due to an increase in interest income resulting from the growth of the loan portfolio.

Average Interest Rates on Interest Bearing Assets

The overall average interest rate on the Issuer's interest bearing assets increased to 5.45% for the year ended 31 December 2011 as compared to 4.80% for the year ended 31 December 2010. The increase was principally due to growth within the Issuer's portfolio of loans to customers which generate the highest interest rates among the Issuer's assets.

The following table sets out the effective average interest rates by type of the principal interest bearing assets of the Issuer for the periods indicated. The analysis has been prepared using period-average effective contractual rates:

	For the six months ended 31 December 2011			**For the six months ended 31 December 2010**		
Interest bearing assets[1]	**Amount of Asset**	**Interest on Asset**	**Average Interest Rate**	**Amount of Asset**	**Interest on Asset**	**Average Interest Rate**
	(U.S.$'000)	*(U.S.$'000)*	*(%)* *(unaudited)*	*(U.S.$'000)*	*(U.S.$'000)*	*(%)*
Financial assets at fair value through profit or loss	2,763	26	0.94	5,868	63	1.07
Loans and advances to banks[2]	864,610	18,223	2.11	767,629	17,290	2.25
Loans to customers, gross	1,035,639	96,884	9.35	717,584	65,566	9.14
Financial assets available-for-sale..................	239,885	9,434	3.93	180,758	13,135	7.27
Investments held-to-maturity	481,469	18,480	3.84	762,381	20,791	2.73
Total	**2,624,366**	**143,047**	**5.45**	**2,434,220**	**116,845**	**4.80**
Net yield on interest bearing assets[3]			2.59			1.89

(1) Averages are based on daily averages.

(2) Amount includes cash and balances with national (central) banks of the Member States that bear interest.

(3) Net yield on interest bearing assets is the percentage of net interest income before provision for impairment losses on interest bearing assets to total average amount of interest bearing assets for the period.

The average interest rate on financial assets at fair value through profit or loss remained relatively unchanged, decreasing from 1.07% for the year ended 31 December 2010 to 0.94% for the year ended 31 December 2011 as the major part of the portfolio was represented by U.S. Treasury securities earning a 1% nominal interest rate.

The decrease in the average interest rate on loans and advances to banks from 2.25% for the year ended 31 December 2010 to 2.11% for the year ended 31 December 2011 was primarily due to a decrease in interest rates on deposits held with commercial banks in Kazakhstan and Russia. In addition, the average interest rates on the Issuer's main correspondent accounts held with a state-owned Russian bank and certain Western banks decreased in line with global market trends.

The increase in the average interest rate on loans to customers from 9.14% for the year ended 31 December 2010 to 9.35% for the year ended 31 December 2011 was primarily the result of an overall increase of the interest rates on loans to customers.

There was a strong decrease in the average interest rate on financial assets available-for-sale from 7.27% for the year ended 31 December 2010 to 3.93% for the year ended 31 December 2011. The change was mainly due to the redemption of some securities with higher interest rates in 2011 and the purchase of bonds issued by governments of foreign countries with low interest rates.

During 2011, the average interest rate on investments held-to-maturity increased to 3.84% for the year ended 31 December 2011 from 2.73% for the year ended 31 December 2010. The increase was mainly due to the decrease in volume of highly-rated, but lower interest-bearing securities issued by the governments of western European countries (such as Denmark, Italy and the Netherlands) in the Issuer's investments held-to-maturity portfolio.

Interest Expense

The following table sets out the principal components of the Issuer's interest expense for the periods indicated:

	For the years ended 31 December	
	2011	**2010**
	(U.S.$'000) *(unaudited)*	
Interest on loans and deposits from banks	1,592	1,855
Interest on debt securities issued	73,402	69,086
Total interest expense	**74,994**	**70,941**

For the year ended 31 December 2011, interest expense increased by U.S.$4.1 million to U.S.$75.0 million as compared to U.S.$70.9 million for the year ended 31 December 2010. The increase was mainly due to the issue of 2011 Rouble Bonds and euro-commercial paper of the Issuer.

Average Interest Rates on Interest Bearing Liabilities

The following table sets out the effective average interest rates by amount of the principal interest bearing liabilities of the Issuer for the periods indicated:

	For the year ended 31 December 2011			For the year ended 31 December 2010		
Interest bearing assets[1]	**Amount of Liability**	**Interest on Liability**	**Average Interest Rate**	**Amount of Liability**	**Interest on Liability**	**Average Interest Rate**
	(U.S.$'000)	*(U.S.$'000)*	*(%)* *(unaudited)*	*(U.S.$'000)*	*(U.S.$'000)*	*(%)*
Debt securities issued	1,009,793	73,402	7.27	814,631	69,086	8.48
Loans and deposits from banks	67,958	1,592	2.34	62,001	1,855	2.99
Total	**1,077,751**	**74,994**	**6.96**	**876,632**	**70,941**	**8.09**

(1) Averages are based on daily averages.

The decrease in the average interest rate on interest bearing liabilities from 8.09% for the year ended 31 December 2010 to 6.96% for the year ended 31 December 2010 was primarily due to the decrease in interest rates on Tenge Bonds and 2009 Rouble Bonds in 2011.

Provision for Losses on Loans to Customers

A reversal of provision of U.S.$0.8 million was recorded during the year ended 31 December 2011 on loans to customers and loans to banks, as compared with a provision of U.S.$13.0 million during the year ended 31 December 2010. The reversal during 2011 was on certain loans extended by the Issuer to borrowers operating in the mining and metallurgy, agriculture and wood processing sectors as a result of the improvement in the financial condition of the borrowers.

Net Non-Interest Income

The following table sets out the principal components of the Issuer's non-interest income for the periods indicated:

	For the years ended 31 December	
	2011	**2010**
	(U.S.$'000) (audited)	
Net gain on financial assets and liabilities at fair value through profit or loss	36,537	16,985
Net realised gain on financial assets available-for-sale	44	7,174
Net loss on transactions in foreign currencies	(40,034)	(12,728)
Fee and commission income	6,718	6,215
Fee and commission expense	(206)	(221)
Net loss on trading with debt securities issued	(565)	-
Other income	1,507	82
Other expenses	(324)	-
Total net non-interest income	**3,677**	**17,507**

In the year ended 31 December 2011 net non-interest income decreased by 79.0% to U.S.$3.7 million from U.S.$17.5 million in the year ended 31 December 2010. The decrease in net non-interest income was primarily the result of a U.S.$40.0 million loss on transactions in foreign currencies partially offset by U.S.$36.5 million net gain on financial assets and liabilities at fair value through profit or loss. Also other income of the Issuer increased to U.S.$1.5 million in the year ended 31 December 2011 from U.S.$0.1 million in the year ended 31 December 2010.

Net Gain on Financial Assets and Liabilities at Fair Value Through Profit or Loss

The Issuer's net gain on financial assets and liabilities at fair value through profit or loss comprises gains and losses on financial assets held-for-trading. The following table sets out the components of the Issuer's net gain on operations with financial assets held-for-trading for the periods indicated:

	For the years ended 31 December	
	2011	**2010**
	(U.S.$'000) (audited)	
Net gain on derivative financial instruments in foreign currency	36,366	16,587
Unrealised (loss)/gain on debt securities	(2)	219
Realised gain on trading operations	173	179
Total net gain on operations with financial assets and liabilities at fair value through profit or loss	**36,537**	**16,985**

The Issuer realised a net gain on operations with financial assets and liabilities at fair value through profit or loss of U.S.$36.5 million for the year ended 31 December 2011 as compared to U.S.$17.0 million for the year ended 31 December 2010. This increase in 2011 was primarily the result of an increase in net gain on derivative financial instruments in foreign currency of U.S.$19.8 million. The increase in net gain on derivative financial instruments in foreign currency in 2011 was primarily due to gain on USD/EUR and USD/RUB swap deals. Derivative financial instruments in foreign currency consist primarily of foreign currency swaps used to provide economic hedges against exposure to fluctuations in foreign currency exchange rates.

Net Realised Gain on Financial Assets Available-for-sale

The Issuer realised a net realised gain on financial assets available-for-sale of nil for the year ended 31 December 2011 compared to U.S.$7.2 million for the year ended 31 December 2010. This U.S.$7.2 million decrease was principally attributable to the lower amount of securities sold in 2011.

Net Loss on Transactions in Foreign Currencies

A net loss on transactions in foreign currencies of U.S.$40.0 million for the year ended 31 December 2011 as compared to U.S.$12.7 million for the year ended 31 December 2010 was mainly the result of the negative revaluation of EUR and RUB denominated on-balance sheet items.

Fee and Commission Income

Fee and commission income increased to U.S.$6.7 million during the year ended 31 December 2011 from U.S.$6.2 million for the year ended 31 December 2010 due to a U.S.$0.5 million increase in professional fees services resulting from the Issuer's increased lending activity and performance of various services related thereto. Expertise services provided to customers include project analysis and advice relating to financing structures.

Fee and Commission Expense

Fee and commission expense during the year ended 31 December 2011 remained at the same level of U.S.$0.2 million as for the year ended 31 December 2010. This was due to the absence of significant changes in fees paid for custody and transfer services from external counterparties of the Issuer.

Other Income

The Issuer's other income increased to U.S.$1.5 million for the year ended 31 December 2011, from U.S.$0.1 million for the year ended 31 December 2010. This increase was principally due to the Issuer starting to provide fiduciary services to the ACF during 2011 and receiving management fees in relation to these services.

Operating Expenses

The following table sets out the principal components of the Issuer's operating expenses for the periods indicated:

	For the years ended 31 December	
	2011	2010
	(U.S.$'000) (audited)	
Staff costs and other payments to employees	27,668	19,017
Impairment of construction-in-progress and land	3,372	–
Premises expenses	2,849	2,458
Depreciation and amortisation	2,452	2,087
Business trip expenses	2,221	1,982
Professional services	1,898	1,531
Business development expenses	1,575	851
Maintenance of acquired systems and programs	988	835
Security	986	830
Communication expenses	952	866
Research and regional development expenses	755	2,287
Training	414	423
Transportation expenses	369	349
Office, postal and printing expenses	205	244
Provision for losses	269	–
Other expenses	1,130	858
Total operating expenses	**48,103**	**34,618**

Operating expenses increased by U.S.$13.5 million for the year ended 31 December 2011 compared to the year ended 31 December 2010. This increase was primarily due to a U.S.$8.7 million increase in staff costs and other payments to employees, a U.S.$3.4 million impairment of construction-in-progress and land, a U.S.$0.7 million increase in business development expenses. Staff costs and other payments to employees increased because the Issuer increased its number of employees as the financial conditions in its Member States improved. The impairment of construction-in-progress and land was the result of a revaluation of construction-in-progress and land of the Issuer.

Other Comprehensive Income

The following table sets out the principal components of the Issuer's other comprehensive income for the periods indicated:

	For the years ended 31 December	
	2011	2010
	(U.S.$'000) (audited)	
Net unrealised (loss)/gain on revaluation of financial assets available-for-sale	(2,284)	5,962
Net realised loss on financial assets available-for-sale transferred to the profit and loss during the year	(44)	(7,174)
Net unrealised loss on hedging instruments	(5,744)	–
Total other comprehensive (loss)	**(8,072)**	**(1,212)**

The Issuer had a net unrealised loss on hedging instruments of U.S.$5.7 million for the year ended 31 December 2011. This loss represents an effective portion of hedge revaluation that would dissolve by the hedge expiration. The Issuer entered into hedge deal to provide a hedge for the USD/RUB forward exchange rate risk for a RUB5.0 billion issue of debt securities of the Issuer.

Upon revaluation of financial assets available-for-sale, the Issuer records net unrealised gains or losses for such assets in its statement of comprehensive income in other comprehensive income, rather than in net profit, and in its statement of financial position as equity by recording a revaluation reserve or deficit in respect of such assets.

The Issuer had a net unrealised loss on revaluation of financial assets available-for-sale of U.S.$2.3 million for the year ended 31 December 2011 as compared to a gain of U.S.$6.0 million for the year ended 31 December 2010. This decrease was primarily attributable to the negative revaluation of assets in the Issuer's available-for-sale portfolio in 2011.

Results of Operations for the Years Ended 31 December 2010 and 2009

Net Interest Income

The following table sets out the principal components of the Issuer's net interest income for the periods indicated:

	For the years ended 31 December	
	2010	**2009**
	(U.S.$'000) *(audited)*	
Interest income	116,845	108,365
Interest expense	(70,941)	(44,432)
Net interest income before provision for impairment losses on interest bearing assets	45,904	63,933
Provision for impairment losses on interest bearing assets	(12,980)	(5,064)
Net interest income	**32,924**	**58,869**

Net interest income decreased by 44.1% from U.S.$58.9 million to U.S.$33.0 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009. This decrease in net interest income was primarily attributable to (i) an increase in interest expenses resulting from the issuance of the Tenge Bonds, the U.S. Dollar Bonds and the Rouble Bonds; and (ii) growth in provision for impairment losses on loans to customers operating in the mining and metallurgy, agriculture and wood processing sectors as a result of delays in production plans and the overall deterioration of market conditions that adversely affected the results of operations and cash flows of these borrowers partially offset by an increase in interest income resulting from the growth of the Issuer's loans to customers portfolio.

As at 31 December 2010 as compared to 31 December 2009 financial assets at fair value through profit or loss decreased by U.S.$40.0 million, or 97.8% loans and advances to banks decreased by U.S.$68.4 million or 11.6%, financial assets available-for-sale decreased by U.S.$72.7 million, or 25.3%, and investments held-to-maturity decreased by U.S.$146.7 million, or 17.4% The decreases in interest bearing assets were partially offset by an increase of U.S.$212.0 million or 34.8%, in loans to customers.

Interest Income

The following table sets out the principal components of the Issuer's interest income for the periods indicated:

	For the years ended 31 December	
	2010	2009
	(U.S.$'000) *(audited)*	
Interest income on financial assets at fair value through profit or loss	63	93
Interest income on financial assets available-for-sale	13,135	21,602
Interest on loans to customers	65,566	45,684
Interest on loans and advances to banks	17,290	18,577
Interest on investments held-to-maturity	20,791	22,409
Total interest income	**116,845**	**108,365**

Interest income increased by 7.8%, to U.S.$116.8 million for the year ended 31 December 2010 from U.S.$108.4 million for the year ended 31 December 2009.

The Issuer received U.S.$13.1 million interest on financial assets available-for-sale for the year ended 31 December 2010 as compared to U.S.$21.6 million for the year ended 31 December 2009. The decrease in interest was primarily the result of the decrease in the Issuer's portfolio of financials assets available-for-sale from U.S.$287.9 million to U.S.$215.1 million.

The increase of U.S.$19.9 million in interest on loans to customers to U.S.$65.6 million for the year ended 31 December 2010 as compared to U.S.$45.7 million for the year ended 31 December 2009 was primarily due to an increase of U.S.$212.0 million, or 34.8%, in loans to customers as a result of an increase in disbursements under existing investment projects and disbursements on new loans to customers, consistent with the Issuer's objective of growing its loans to customers portfolio.

Interest on loans due from banks decreased by 6.9% to U.S.$17.3 million for the year ended 31 December 2010 as compared to U.S.$18.6 million for the year ended 31 December 2009 due to the Issuer's continuing risk management efforts to decrease the volumes of deposits held with commercial banks in Kazakhstan and Russia, which historically offered higher interest rates on deposits, and increase the volumes of deposits held at the NBK and certain state-owned Russian banks that offered lower interest rates on deposits but had better credit ratings and were considered by the Issuer to be more financially sound. In addition, the average interest rates on the Issuer's main correspondent accounts held with a state-owned Russian bank and certain Western banks decreased in line with the global market trends.

Interest on investments held-to-maturity decreased by U.S.$1.6 million to U.S.$20.8 million for the year ended 31 December 2010 from U.S.$22.4 million for the year ended 31 December 2009. The decrease was primarily due to a U.S.$146.7 million decrease in the total amount of investments held-to-maturity to U.S.$697.1 million as at 31 December 2010 from U.S.$843.8 million as at 31 December 2009.

Interest Margin

The Issuer's net interest margin (net interest income before provision for losses on interest bearing assets and liabilities as a percentage of average interest bearing assets) decreased to 1.89% for the year ended 31 December 2010 from 3.12% for the year ended 31 December 2009 primarily due to an increase in interest expenses resulting from the issuance of the Tenge Bonds, the U.S. Dollar Bonds and the Rouble Bonds and a decrease in the average interest income on the Issuer's treasury portfolio as the Issuer decreased its volume of higher yielding financial assets for risk management purposes.

Average Interest Rates on Interest Bearing Assets

The overall average interest rate on the Issuer's interest bearing assets decreased to 4.80% for the year ended 31 December 2010 as compared to 5.29% for the year ended 31 December 2009. The decrease was principally due to the decline in the average interest rate on investments held-to-maturity and loans and advances to banks from 3.57%, and 3.01%, respectively, for the year ended 31 December 2009 to 2.73% and 2.25%, respectively, for the year ended 31 December 2010.

The following table sets out the effective average interest rates by type of the principal interest bearing assets of the Issuer for the periods indicated. The analysis has been prepared using period-average effective contractual rates:

	For the year ended 31 December 2010			For the year ended 31 December 2010		
Interest bearing assets[1]	**Amount of Asset**	**Interest on Asset**	**Average Interest Rate**	**Amount of Asset**	**Interest on Asset**	**Average Interest Rate**
	(U.S.$'000)	*(U.S.$'000)*	*(%)* *(unaudited)*	*(U.S.$'000)*	*(U.S.$'000)*	*(%)*
Financial assets at fair value through profit or loss	5,868	63	1.07	9,517	93	0.98
Loans and advances to banks[2]	767,629	17,290	2.25	617,711	18,577	3.01
Loans to customers	717,584	65,566	9.14	504,489	45,684	9.06
Financial assets available-for-sale.................	180,758	13,135	7.27	290,646	21,602	7.43
Investments held-to-maturity	762,381	20,791	2.73	627,726	22,409	3.57
Total	**2,434,220**	**116,845**	**4.80**	**2,050,089**	**108,365**	**5.29**
Net yield on interest bearing assets[3]			1.89			3.12

(1) Averages are based on daily averages.

(2) Amount includes cash and balances with national (central) banks of the Member States that bears interest.

(3) Net yield on interest bearing assets is the percentage of net interest income before provision for impairment losses on interest bearing assets to total average amount of interest bearing assets for the period.

The average interest rate on financial assets at fair value through profit or loss remained almost the same, increasing from 0.98% for the year ended 31 December 2009 to 1.07% for the year ended 31 December 2010 as the major part of the portfolio was represented by U.S. Treasury securities earning 1% nominal interest rate.

The decrease in the average interest rate on loans and advances to banks from 3.01% for the year ended 31 December 2009 to 2.25% for the year ended 31 December 2010 was primarily due to a decrease in volumes of deposits held with commercial banks in Kazakhstan and Russia, which historically offered higher interest rates on deposits, and an increase in volumes of deposits held at the NBK and certain state-owned Russian banks that offered lower interest rates on deposits but had better credit ratings and were considered by the Issuer to be more financially sound. In addition, the average interest rates on the Issuer's main correspondent accounts held with a state-owned Russian bank and certain Western banks decreased in line with the global market trends.

The increase in the average interest rate on loans to customers from 9.06% for the year ended 31 December 2009 to 9.14% for the year ended 31 December 2010 was primarily the result of a slight increase in the interest rates on loans to customers.

There was a slight decrease in the average interest rate on financial assets available-for-sale from 7.43% for the year ended 31 December 2009 to 7.27% for the year ended 31 December 2010. The change was mainly due to the redemption of some securities with higher interest rates in the 2009.

During 2010, the average interest rate on investments held-to-maturity decreased to 2.73% for the year ended 31 December 2010 from 3.57% for the year ended 31 December 2009. The decrease was mainly due to the increase in volume of highly-rated, but lower interest-bearing securities issued by the governments of western European countries (such as Denmark, Italy and the Netherlands) in the Issuer's investments held-to-maturity portfolio.

Interest Expense

The following table sets out the principal components of the Issuer's interest expense for the periods indicated:

	For the years ended 31 December	
	2010	**2009**
	(U.S.$'000) *(audited)*	
Interest on loans and deposits from banks	1,855	20,941
Interest on debt securities issued	69,086	23,491
Total interest expense	**70,941**	**44,432**

For the year ended 31 December 2010, interest expense increased by U.S.$26.5 million to U.S.$70.9 million as compared to U.S.$44.4 million for the year ended 31 December 2009. The increase was mainly due to the incurrence by the Issuer of U.S.$45.6 million in additional interest on the Tenge Bonds, the U.S. Dollar Bonds and the Rouble Bonds, which were issued in April, September and November 2009, respectively. This increase was partly offset by a decrease in interest on loans and deposits from banks of U.S.$19.1 million to U.S.$1.9 million for the year ended 31 December 2010 from U.S.$20.9 million for the year ended 31 December 2009, primarily due to the lower balance on loans and deposits from banks as the Issuer replaced such loans and deposits as a funding source with issued debt securities.

Average Interest Rates on Interest Bearing Liabilities

The following table sets out the effective average interest rates by amount of the principal interest bearing liabilities of the Issuer for the periods indicated:

	For the year ended 31 December 2010			For the year ended 31 December 2009		
Interest bearing assets(1)	**Amount of Liability**	**Interest on Liability**	**Average Interest Rate**	**Amount of Liability**	**Interest on Liability**	**Average Interest Rate**
	(U.S.$'000)	*(U.S.$'000)*	*(%)* *(unaudited*	*(U.S.$'000)*	*(U.S.$'000)*	*(%)*
Debt securities issued	814,631	69,086	8.48	233,701	20,941	8.96
Loans and deposits from banks	62,001	1,855	2.99	384,839	23,491	6.10
Total	**876,632**	**70,941**	**8.09**	**618,540**	**44,432**	**7.18**

(1) Averages are based on daily averages.

The increase in the average interest rate on interest bearing liabilities from 7.18% for the year ended 31 December 2009 to 8.09% for the year ended 31 December 2010 was primarily due to the issuance of the Tenge Bonds, the U.S. Dollar Bonds and the Rouble Bonds.

Provision for Losses on Loans to Customers

A provision of U.S.$13.0 million was recorded during the year ended 31 December 2010 on loans to customers, as compared with a provision of U.S.$5.1 million during the year ended 31 December 2009. The charge during both 2010 and 2009 on certain loans extended by the Issuer to borrowers operating in the mining and metallurgy, agriculture and wood processing sectors was the result of delays in production plans and the overall deterioration of market conditions that adversely affected the results of operations and cash flows of these borrowers. See "*–Factors Affecting the Issuers Results of Operations–Provisions*" and see "*Risk Management–Credit Risk–Lending Policies and Procedures–Portfolio Supervision and Provisioning Policy*" for a discussion of the Issuer's internal loan categorisation policies.

Net Non-Interest Income

The following table sets out the principal components of the Issuer's non-interest income for the periods indicated:

	For the years ended 31 December	
	2010	**2009**
	(U.S.$'000) *(audited)*	
Net gain on financial assets and liabilities at fair value through profit or loss	16,985	4,444
Net realised gain on financial assets available-for-sale	7,174	2,348
Net loss on transactions in foreign currencies	(12,728)	(124)
Fee and commission income	6,215	3,092
Fee and commission expense	(221)	(447)
Other income	82	1,203
Total net non-interest income	**17,507**	**10,516**

In the year ended 31 December 2010 net non-interest income increased by 66.5% to U.S.$17.5 million from U.S.$10.5 million in the year ended 31 December 2009. The increase in net non-interest income was primarily the result of a U.S.$12.5 million increase in net gain on financial assets and liabilities at fair value through profit or loss attributable principally to a U.S.$12.1 million increase in net gain on operations with derivative financial instruments in foreign currency and a U.S.$4.8 million increase in net realised gain on financial assets available-for-sale attributable to the sale and redemption of some of these securities. These increases were partially offset by a U.S.$12.6 million increase in net loss on transactions in foreign currencies due to negative foreign exchange translation differences.

Net Gain on Financial Assets and Liabilities at Fair Value Through Profit or Loss

The Issuer's net gain on financial assets and liabilities at fair value through profit or loss comprises gains and losses on financial assets held-for-trading. The following table sets out the components of the Issuer's net gain on operations with financial assets held-for-trading for the periods indicated:

	For the years ended 31 December	
	2010	**2009**
	(U.S.$'000) *(audited)*	
Realised gain/(loss) on trading operations	179	(103)
Unrealised income on fair value adjustment	219	49
Net gain on operations with derivative financial instruments in foreign currency	16,587	4,498
Total net gain on operations with financial assets and liabilities held-for-trading	**16,985**	**4,444**

The Issuer realised a net gain on operations with financial assets and liabilities held-for-trading of U.S.$17.0 million for the year ended 31 December 2010 as compared to U.S.$4.4 million for the year ended 31 December 2009. This increase in 2010 was primarily the result of an increase in net gain on operations with derivative financial instruments in foreign currency of U.S.$12.1 million. The increase in net gain on operations with derivative financial instruments in foreign currency in 2010 was primarily due to gains on USD/EUR and USD/RUB swap deals. Derivative financial instruments in foreign currency consist primarily of foreign currency swaps used to provide economic hedges against exposure to fluctuations in foreign currency exchange rates.

Net Realised Gain on Financial Assets Available-for-Sale

The Issuer realised a net realised gain on financial assets available-for-sale of U.S.$7.2 million for the year ended 31 December 2010 compared to U.S.$2.3 million for the year ended 31 December 2009. This U.S.$4.8 million increase was principally attributable to the sale and redemption of additional securities in 2010.

Net Loss on Transactions in Foreign Currencies

A net loss on transactions in foreign currencies of U.S.$12.7 million for the year ended 31 December 2010 as compared to U.S.$0.1 million for the year ended 31 December 2009 was mainly the result of the negative revaluation of EUR and RUB denominated on-balance sheet items.

Fee and Commission Income

Fee and commission income increased to U.S.$6.2 million during the year ended 31 December 2010 from U.S.$3.1 million for the year ended 31 December 2009 due to a U.S.$3.1 million increase in expertise services resulting from the Issuer's increased lending activity and performance of various services related thereto. Expertise services provided to customers include project analysis and advice relating to financing structures.

Fee and Commission Expense

Fee and commission expense decreased to U.S.$0.2 million during the year ended 31 December 2010 from U.S.$0.4 million for the year ended 31 December 2009. This decrease was primarily due to a U.S.$0.2 million decrease in fees paid for brokerage operations as the result of switching to the Euroclear payment system, which charges lower fees than the Issuer's previous payment system provider.

Other Income

Other income decreased by 93.2% from U.S.$1.2 million to U.S.$0.1 million in the year ended 31 December 2010 as compared to the year ended 31 December 2009. This decrease resulted principally from changes in the Issuer's approach in relation to reimbursable expenses. In 2009, other income included the reimbursement of expenses the Issuer incurred in relation to determining whether to extend a loan to a customer, but from the beginning of 2010 these reimbursable expenses were recognised in the operational expenses line item.

Operating Expenses

The following table sets out the principal components of the Issuer's operating expenses for the periods indicated:

	For the years ended 31 December	
	2010	2009
	(U.S.$'000) *(audited)*	
Staff costs and other payments to employees	19,017	17,021
Premises expenses	2,458	2,682
Research and regional development expenses	2,287	1,754
Depreciation and amortisation	2,087	1,784
Business trip expenses	1,982	1,075
Professional services	1,531	1,326
Communication expenses	866	674
Business development expenses	851	610
Maintenance of acquired systems and programmes	835	793
Security	830	597
Training	423	344
Transportation expenses	349	288
Office, postal and printing expenses	244	321
Other expenses	858	327
Total operating expenses	**34,618**	**29,596**

Operating expenses increased by U.S.$5.0 million for the year ended 31 December 2010 compared to the year ended 31 December 2009. This increase was primarily due to a U.S.$2.0 million increase in staff costs and other payments to employees, a U.S.$0.5 million increase in research and regional development expenses and a U.S.$0.9 million increase in business trip expenses. Staff costs and other payments to employees increased because the Issuer increased its number of employees as the financial conditions in its Member States improved. The Issuer had 238 employees at 31 December 2010 compared to 195 employees at 31 December 2009. The increase in operating expenses was partially offset by a U.S.$0.2 million decrease in premises services.

Research and regional development expenses represent expenditures for a fund established by the Issuer in February 2008 that is dedicated to sponsoring various research programmes intended to promote regional economic integration and economic development in the Member States (the "**Technical Assistance Fund**"). The Council of the Issuer has allowed up to 15% of the Issuer's planned profits to be allocated to this fund. For the years ended 31 December 2010 and 2009, the Issuer charged amounts to the Technical Assistance Fund as the expenses were incurred, contributing to the research and regional development expenses of U.S.$2.3 million for the year ended 31 December 2010 and U.S.$1.8 million for the year ended 31 December 2009.

Other Comprehensive Income

The following table sets out the principal components of the Issuer's other comprehensive income for the periods indicated:

	For the years ended 31 December	
	2010	2009
	(U.S.$'000) *(audited)*	
Net unrealised gain on revaluation of financial assets available-for-sale	5,962	64,372
Net realised gain on financial assets available-for-sale transferred to the profit and loss during the year	(7,174)	(2,348)
Total other comprehensive (loss) income	**(1,212)**	**62,024**

Upon revaluation of financial assets available-for-sale, the Issuer records net unrealised gains or losses for such assets in its statement of comprehensive income in other comprehensive income, rather than in net profit, and in its statement of financial position as equity by recording a revaluation reserve or deficit in respect of such assets.

The Issuer had a net unrealised gain on revaluation of financial assets available-for-sale of U.S.$6.0 million for the year ended 31 December 2010 as compared to U.S.$64.4 million for the year ended 31 December 2009. This decrease was primarily attributable to the significant increase in the value of the Issuer's available-for-sale portfolio in 2009 after a significant decline in the value of such portfolio in 2008. The Issuer did not experience a comparable significant increase in 2010.

The U.S.$6.0 million in net unrealised gain on revaluation of financial assets available-for-sale for the year ended 31 December 2010 resulted in a U.S.$2.6 million revaluation reserve for such assets at 31 December 2010, after giving effect to U.S.$7.2 million in net realised gain on financial assets available-for-sale transferred to the profit and loss during the year and transaction costs associated therewith, which increased the Issuer's total equity at 31 December 2010. The U.S.$64.4 million in net unrealised gain on revaluation of financial assets available-for-sale for the year ended 31 December 2009 resulted in a U.S.$3.8 million revaluation reserve for such assets as at 31 December 2009, after giving effect to U.S.$2.3 million in net realised gain on financial assets available-for-sale transferred to the profit and loss during the year and transaction costs associated therewith, which increased the Issuer's total equity at 31 December 2009.

Financial Condition as at 30 June 2012 and 31 December 2011, 2010 and 2009

The following selected balance sheet information as at 30 June 2012 and 31 December 2011, 2010 and 2009 has been derived from the Financial Statements which are included elsewhere in this Base Prospectus.

	As at 30 June 2012	As at 31 December		
	2012	2011	2010	2009
	(U.S.$'000) *(unaudited)*		*(U.S.$'000)* *(audited)*	
ASSETS				
Cash and balances with national (central) banks of Member states of the Issuer	361	102	222,389	94,872
Financial assets at fair value through profit or loss	19	5,918	910	40,933
Loans and advances to banks	652,309	731,215	521,894	590,321
Loans to customers	1,397,257	1,343,996	820,953	608,984
Financial assets available-for-sale	715,257	377,837	215,147	287,866
Investments held-to-maturity	328,918	302,980	697,088	843,753
Non-current assets held for sale	48,311	48,311	45,613	–
Property and equipment	17,210	17,841	22,112	21,146
Intangible assets	1,103	1,296	1,188	1,059
Other assets	9,406	8,187	5,299	6,524
TOTAL ASSETS	**3,170,151**	**2,837,683**	**2,552,593**	**2,495,458**
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and deposits from banks	68,634	73,057	56,541	36,840
Financial liabilities at fair value through profit or loss	4,198	5,755	2,337	117
Hedging derivative financial instrument	20,178	18,614	–	–
Debt securities issued	1,353,706	1,037,817	810,687	812,769
Other liabilities	27,693	22,440	19,531	11,836
Total Liabilities	**1,474,409**	**1,157,683**	**889,096**	**861,562**
EQUITY:				
Share capital	1,515,700	1,515,700	1,515,600	1,500,600
Reserve Fund	84,878	72,640	64,733	44,839
Hedging reserve	(5,888)	(5,744)	–	–
Revaluation reserve for financial assets available-for-sale	6,782	289	2,617	3,829
Retained earnings	94,270	97,115	80,547	84,628
Total equity	**1,695,742**	**1,680,000**	**1,663,497**	**1,633,896**
TOTAL LIABILITIES AND EQUITY	**3,170,151**	**2,837,683**	**2,552,593**	**2,495,458**

Total Assets

As at 30 June 2012 the Issuer's total assets were U.S.$3,170.2 million, an increase of 11.7% as compared to U.S.$2,837.7 million as at 31 December 2011. As at 31 December 2011, the Issuer's total assets were U.S.$2,837.7 million, an increase of 11.2% as compared to U.S.$2,552.6 million as at 31 December 2010, which in turn represents an increase of 2.3% compared to U.S.$2,495.5 million as at 31 December 2009.

The U.S.$332.5 million increase in total assets as at 30 June 2012, as compared to 31 December 2011, was primarily attributable to a U.S.$337.5 million increase in financial assets available-for-sale, a U.S.$53.3

million increase in loans to customers, a U.S.$25.9 million increase in investments held-to-maturity partially offset by a U.S.$78.9 million decrease in loans and advances to banks and a U.S.$5.9 million decrease in financial assets at fair value through profit or loss of the Issuer. The increase in financial assets available-for-sale in the six months ended 30 June 2012 was a result of the temporary placement of unutilised funds received from the 2012 Rouble Bonds issue.

The U.S.$285.1 million increase in total assets as at 31 December 2011 as compared to 31 December 2010 was primarily attributable to a U.S.$523.0 million increase in loans to customers, a U.S.$209.3 million increase in loans and advances to banks, a U.S.$162.7 million increase in financial assets available-for-sale partially offset by a U.S.$394.1 million decrease in investments held-to-maturity and a U.S.$222.3 million decrease in cash and balances with the national (central) banks of its Member States. The increase in financial assets available-for-sale in the six months ended 30 June 2012 was a result of the temporary placement of unutilized funds received from the 2012 Rouble Bonds issue.

The U.S.$57.1 million increase in total assets as at 31 December 2010 as compared to 31 December 2009 was primarily attributable to a U.S.$212.0 million increase in loans to customers, a U.S.$127.5 million increase in cash and balances with national (central) banks of Member States of the Issuer and a U.S.$45.6 million increase in non-current assets held for sale, which was partially offset by a U.S.$146.7 million decrease in investments held-to-maturity and a U.S.$68.4 million decrease in loans and advances to banks. The increase in loans to customers in 2010 was a result of the increase in the Issuer's lending activity due to growth of its client base and increase in disbursements under existing investment projects.

Cash and Balances with National (Central) Banks of the Member States

The Issuer's cash and balances with the national (central) banks of its Member States was U.S.$0.4 million, U.S.$0.1 million, U.S.$222.4 million and U.S.$94.9 million as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively.

The Issuer's cash and balances with national (central) banks of Member States increase of U.S.$0.2 million as at 30 June 2012 as compared to 31 December 2011 was due to a U.S.$0.3 million increase in cash and balances with the Russian Central Bank.

The Issuer's cash and balances with national (central) banks of Member States decreased by U.S.$222.3 million as at 31 December 2011 as compared to 31 December 2010, due to an equivalent decrease in cash and balances with the NBK. The Issuer's cash and balances with the NBK frequently fluctuate as they form part of the Issuer's liquid treasury assets that are often moved between different short term instruments, such as money market placements, accounts with other banks and assets available-for-sale.

The increase of U.S.$127.5 million as at 31 December 2010 as compared to 31 December 2009 was primarily due to the Issuer's more cautious approach in dealing with commercial banks in the aftermath of the European liquidity crisis spurred on by the financial difficulties of Greece.

Financial Assets at Fair Value Through Profit or Loss

The Issuer's financial assets at fair value through profit or loss were U.S.$0.0 million, U.S.$5.9 million, U.S.$0.9 million and U.S.$40.9 million as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively.

The decrease of U.S.$5.9 million as at 30 June 2012 compared to 31 December 2011 was primarily due to the expiration of derivative financial instruments.

The increase of U.S.$5.0 million as at 31 December 2011 as compared to 31 December 2010 was primarily due to the positive revaluation of outstanding derivative financial instruments.

The decrease of U.S.$40.0 million as at 31 December 2010 as compared to 31 December 2009 was primarily due to the sale of U.S.$40.0 million of U.S. Treasury securities.

Loans and Advances to Banks

The Issuer's loans and advances to banks were U.S.$652.3 million, U.S.$731.2 million, U.S.$521.9 million and U.S.$590.3 million as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively. Loans and advances to banks as at 30 June 2012 comprised U.S.$248.1 million of loans to banks, U.S.$222.4 million of correspondent accounts, U.S.$139.4 million of short-term deposits placed with Russian banks, U.S.$41.5 million of loans under reverse repurchase agreements and U.S.$1.2 million of correspondent accounts with other banks on broker operations.

The decrease of U.S.$78.9 million as at 30 June 2012 as compared to 31 December 2011 was primarily attributable to the U.S.$82.4 million decrease in loans under reverse repurchase agreements.

The increase of U.S.$209.3 million as at 31 December 2011 as compared to 31 December 2010 was primarily attributable to U.S.$122.4 million growth of loans to banks and U.S.$99.1 million growth of term deposits with other banks.

The decrease of U.S.$68.4 million as at 31 December 2010 as compared to 31 December 2009 was primarily attributable to higher amount of placements with the NBK accounted under the "Cash and balances with national (central) banks of Member states of the Bank" balance sheet line item.

Loans to Customers

The Issuer's loans to customers were U.S.$1,397.3 million, U.S.$1,344.0 million, U.S.$821.0 million and U.S.$609.0 million as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively. See "*The Issuer – Lending and Investments – Lending – Loans to Customers*".

The increase of U.S.$53.3 million as at 30 June 2012 as compared to 31 December 2011 was due to an increase in disbursements under existing investment projects. The increase was relatively small due to the fact that each project is significant in size and disbursements mainly take place in the second half of the year.

The increase of U.S.$523.0 million as at 31 December 2011 as compared to 31 December 2010 was mainly due to a growth of the Issuer's client base and an increase in disbursements under existing investment projects.

The increase of U.S.$212.0 million as at 31 December 2010 as compared to 31 December 2009 was mainly due to an increase in economic activity in the Member States which facilitated project activity.

The Issuer had outstanding loans to 24, 22, 16 and 13 customers at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively.

Financial Assets Available-for-Sale

The Issuer's financial assets available-for-sale were U.S.$715.3 million, U.S.$377.8 million, U.S.$215.1 million and U.S.$287.9 million as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively. Financial assets available-for-sale as at 30 June 2012 comprised U.S.$504.9 million in U.S. Treasury securities, U.S.$108.1 million in bonds issued by banks and financial institutions of the Russian Federation, U.S.$1.9 million in bonds issued by non-financial organisations, U.S.$34.7 million of shares of OJSC "Bank of Khanty-Mansiysk" and U.S.$65.7 million of investments into the private equity fund "Macquarie Renaissance Infrastructure Fund".

The increase of U.S.$337.4 million as at 30 June 2012 as compared to 31 December 2011 was primarily the result of a U.S.$304.9 million purchase of bonds issued by the U.S. Treasury and a U.S.$40.1 million increase of investments into the private equity fund "Macquarie Renaissance Infrastructure Fund" partially offset by the sale and redemption of the bonds issued by financial and non-financial organisations of the Russian Federation.

The increase of U.S.$162.7 million as at 31 December 2011 as compared to 31 December 2010 was primarily the result of a U.S.$200.0 million purchase of bonds issued by Governments of foreign countries partially offset by the sale and redemption of the bonds issued by financial and non-financial organisations of the Russian Federation.

The decrease of U.S.$72.7 million as at 31 December 2010 as compared to 31 December 2009 was primarily the result of the sale and redemption of some securities.

Investments Held-to-maturity

The Issuer's investments held-to-maturity were U.S.$328.9 million, U.S.$303.0 million, U.S.$697.1 million and U.S.$843.8 million as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively.

Investments held-to-maturity as at 30 June 2012 comprised U.S.$242.5 million in Eurobonds of the Russian Federation, U.S.$52.1 million in bonds issued by banks and financial institutions of the Russian Federation and U.S.$34.4 million in bonds issued by non-financial organisations.

The increase of U.S.$25.9 million as at 30 June 2012 as compared to 31 December 2011 was primarily the result of purchases of bonds issued by financial and non-financial organisations of the Russian Federation.

The decrease of U.S.$394.1 million as at 31 December 2011 as compared to 31 December 2010 was the result of the redemption of bonds issued by governments of foreign countries and of Eurobonds of the Russian Federation, which as at 31 December 2010 amounted for U.S.$374.9 million and U.S.$264.0 million, respectively.

The decrease of U.S.$146.7 million as at 31 December 2010 as compared to 31 December 2009 was primarily the result of the Issuer's redemption on maturity of U.S.$125.0 million of bonds issued by governments of foreign countries and U.S.$14.0 million of Eurobonds of the Russian Federation. The effect of these dispositions was partially compensated for by a purchase of U.S.$6.3 million of bonds issued by non-financial organisations.

Other Assets

The Issuer's other assets were U.S.$9.4 million, U.S.$8.2 million, U.S.$5.3 million and U.S.$6.5 million as at 30 June 2012, 31 December 2011, 2010 and 2009, respectively. Other assets consist mainly of prepaid amounts on construction works, prepayments on rent, advertisement, technical maintenance, medical insurance and accrued commission income.

The increase of U.S.$1.2 million as at 30 June 2012 as compared to 31 December 2011 was primarily the result of an increase in other receivables.

The increase of U.S.$2.9 million as at 31 December 2011 as compared to 31 December 2010 was primarily the result of a U.S.$2.3 million prepayment to the private equity fund "Macquarie Renaissance Infrastructure Fund".

The decrease of U.S.$1.2 million as at 31 December 2010 as compared to 31 December 2009 was primarily the result of a decrease in prepayments on construction works related to the construction of the Issuer's headquarters in Almaty.

Total Liabilities

The Issuer's total liabilities were U.S.$1,474.4 million, U.S.$1,157.7 million, U.S.$889.1 million and U.S.$861.6 million as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively.

The increase of U.S.$316.7 million as at 30 June 2012 as compared to 31 December 2011 was due to the issue of U.S.$337.2 million of 2012 Rouble Bonds.

The increase of U.S.$268.6 million as at 31 December 2011 as compared to 31 December 2010 was primarily due to an issue of U.S.$170.8 million of 2011 Rouble Bonds and U.S.$44.0 million and U.S.$38.5 million USD denominated euro-commercial paper.

The increase of U.S.$27.5 million as at 31 December 2010 as compared to 31 December 2009 was primarily due to an increase of loans and deposits from banks and other liabilities partially offset by a decrease in debt securities issued.

Loans and Deposits from Banks

The Issuer's loans and deposits from banks were U.S.$68.6 million, U.S.$73.1 million, U.S.$56.5 million and U.S.$36.8 million as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively.

The decrease of U.S.$4.4 million as at 30 June 2012 as compared to 31 December 2011 was primarily the result of the repayment of a deposit from International Investment Bank Moscow ("**IIBM**") partially offset by an increase of U.S.$20.0 million in a bilateral loan from the Bank of Tokyo-Mitsubishi.

The increase of U.S.$16.5 million as at 31 December 2011 as compared to 31 December 2010 was primarily the result of the receipt of a short-term U.S.$23.4 million deposit in 2011 from IIBM for liquidity purposes.

The increase of U.S.$19.7 million as at 31 December 2010 as compared to 31 December 2009 was primarily the result of receiving U.S.$23.1 million in 2010 from Landesbank Berlin for the purpose of financing the Olim textile project in Tajikistan.

Financial Liabilities at Fair Value Through Profit or Loss

The Issuer's financial liabilities at fair value through profit or loss were U.S.$4.2 million, U.S.$5.8 million, U.S.$2.3 million and U.S.$0.1 million as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively.

The decrease of U.S.$1.6 million as at 30 June 2012 as compared to 31 December 2011 was primarily the result of current mark-to-market revaluation of derivative financial liabilities under foreign currency swaps, spot and forward contracts.

The increase of U.S.$3.5 million as at 31 December 2011 as compared to 31 December 2010 was primarily the result of current mark-to-market revaluation of derivative financial liabilities under foreign currency swaps, spot and forward contracts.

The increase of U.S.$2.2 million as at 31 December 2010 as compared to 31 December 2009 was primarily the result of the current mark-to-market revaluation of derivative financial liabilities under foreign currency swaps, spot and forward contracts.

Debt Securities Issued

As at 30 June 2012 and 31 December 2011, 2010 and 2009, the Issuer's debt securities issued were U.S.$1,353.7 million, U.S.$1,037.8 million, U.S.$810.7 million and U.S.$812.8 million, respectively. In February 2012 and February 2011 the Issuer issued the 2012 and 2011 Rouble Bonds, respectively. In 2009, the Issuer issued the Tenge Bonds, the U.S. Dollar Bonds and the 2009 Rouble Bonds. See *"Capitalisation of the Issuer"*.

Other Liabilities

The Issuer's other liabilities were U.S.$27.7 million, U.S.$22.4 million, U.S.$19.5 million and U.S.$11.8 million as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively.

The increase of U.S.$5.3 million as at 30 June 2012 as compared to 31 December 2011 was primarily attributable to a U.S.$5.2 million increase in deferred income of the Issuer.

The increase of U.S.$2.9 million as at 31 December 2011 as compared to 31 December 2010 was primarily attributable to a U.S.$1.9 million increase in retirement obligations of the Issuer.

The increase of U.S.$7.7 million as at 31 December 2010 as compared to 31 December 2009 was primarily attributable to a U.S.$5.0 million increase of deferred income of the Issuer.

Equity

The Issuer's total shareholders' equity was U.S.$1,695.7 million, U.S.$1,680 million, U.S.$1,663.5 million and U.S.$1,633.9 million as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively.

The increase of U.S.$15.7 million as at 30 June 2012 as compared to 31 December 2011 was primarily attributable to U.S.$9.4 million of net profit in the six month period ended 30 June 2012 and U.S.$6.5 million increase in revaluation reserve for financial assets available-for-sale partially offset by a U.S.$0.1 million decrease in the hedging reserve.

The increase of U.S.$16.6 million as at 31 December 2011 as compared to 31 December 2010 was attributable to a capital contribution by the Kyrgyz Republic in 2011 of U.S.$0.1 million and U.S.$24.5 million of net profit in 2011 transferred to equity partially offset by a U.S.$8.0 million decrease in the hedging reserve and revaluation reserve for financial assets available-for-sale.

The increase of U.S.$29.6 million as at 31 December 2010 as compared to 31 December 2009 was primarily attributable to a capital contribution by the Republic of Belarus in June 2010 of U.S.$15.0 million and U.S.$15.8 million of net profit in 2010 transferred to equity partially offset by a U.S.$1.2 million decrease in revaluation reserve for financial assets available-for-sale.

Liquidity

Liquidity is the measurement of the Issuer's ability to meet its cash requirements. The Issuer's objective in managing its liquidity is to maintain the ability to meet loan commitments, purchase investments and pay other liabilities in accordance with their terms, without an adverse impact on the Issuer's current or future earnings. The Issuer's liquidity management is guided by policies developed and monitored by the ALMC (as defined herein) and the Risk Management Department. See "*Risk Management–Liquidity Risk Management*".

As at 30 June 2012, the Issuer has signed non-binding commitments in respect of six new projects that have been approved by the Credit Committee, the Executive Board and, where necessary, the Council, representing financing by the Issuer in the aggregate amount of U.S.$0.55 billion. These projects remain subject to further diligence and negotiations. See "*The Issuer—Lending and Investments—Lending—Loans to Customers—Project Pipeline—Approved Projects*". These commitments, investments and liabilities are expected to be financed predominately through borrowing from banks and the issuance of securities in the international capital markets. As at the date of this Base Prospectus, the Issuer had the following debt securities issued and borrowings from banks:

- On 28 April 2009, the Issuer 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 for a total of KZT20.0 billion with maturity date on 28 April 2014 (the "**Tenge Bonds**"). The Tenge Bonds bear an interest rate which is indexed to the consumer price index of Kazakhstan, with the rate fixed at 9.7% per annum from 29 October 2011 until 28 April 2012. As at 30 June 2012, the Tenge Bonds bore interest at 8.0% per annum.

- On 29 September 2009, the Issuer issued its debut international Eurobonds on the London Stock Exchange as part of its Euro Medium Term Note Programme for a total amount of U.S.$500.0 million with maturity date on 29 September 2014 (the "**U.S. Dollar Bonds**"). The U.S. Dollar Bonds bear an interest rate fixed at 7.375% per annum.

- On 3 November 2009, the Issuer issued Rouble bonds listed on the Moscow Interbank Currency Exchange for a total amount of RUB5.0 billion with maturity date on 25 October 2016 (the "**2009 Rouble Bonds**"). In accordance with the terms of the issuance, the 2009 Rouble Bonds bear an interest rate fixed at 10.5% per annum until 1 November 2011 and after

1 November 2011 and consequently unilaterally determined by the Issuer at 7.5% per annum until 31 October 2013.

- On 17 November 2009, the Issuer entered into a loan agreement (as a part of a Basic Agreement dated 27 October 2009), due to mature on 1 March 2021, with Landesbank Berlin AG covered by Euler Hermes Kreditversicherungs-AG, under which it borrowed U.S.$20.8 million in two tranches at a floating rate of interest based on LIBOR. These funds were used to finance a customer's purchase contract for the delivery of equipment to erect a production line for a cotton spinnery and related services such as supervision and training of personnel.

- On 15 February 2011, the Issuer issued Rouble bonds listed on the Moscow Interbank Currency Exchange for a total amount of RUB5.0 billion with maturity date on 6 February 2018 (the "**2011 Rouble Bonds**"). In accordance with the terms of the issuance, the 2011 Rouble Bonds bear an interest rate fixed at 7.7% per annum until 11 February 2014 and after 11 February 2014 will be determined by the Issuer unilaterally. The bondholders are entitled to demand the redemption of the 2011 Rouble Bonds in three years after their issuance.

- In May 2011, the Issuer issued commercial paper in aggregate principal amounts of U.S.$25.0 million (which was repaid in full in November 2011) and EUR32.0 million (which was repaid in full in May 2012) pursuant to its U.S.$3.5 billion Euro commercial paper programme (the "**Commercial Paper Programme**").

- On 18 November 2011, the Issuer issued commercial paper in aggregate principal amount of U.S.$40.0 million due on 16 November 2012 pursuant to the Commercial Paper Programme.

- On 22 November 2011, the Issuer entered into a Dual Tranche Term Loan Facility agreement with the Bank of Tokyo-Mitsubishi UFJ, due to mature on 3 May 2015, under which it borrowed U.S.$50.0 million at a floating rate based on LIBOR.

- On 6 February 2012, the Issuer issued Rouble bonds listed on the Moscow Interbank Currency Exchange for a total amount of RUB5.0 billion with maturity date on 28 January 2019 (the "**2012 Rouble Bonds**"). In accordance with the terms of the issuance, the 2012 Rouble Bonds bear an interest rate fixed at 8.5% per annum until 5 February 2014 and after 5 February 2014 will be determined by the Issuer unilaterally. The bondholders are entitled to demand the redemption of the 2012 Rouble Bonds in two years after their issuance.

- On 1 March 2012, the Issuer issued Rouble bonds listed on the Moscow Interbank Currency Exchange for a total amount of RUB5.0 billion with maturity date on 21 February 2019 (the "**Further Rouble Bonds**"). In accordance with the terms of the issuance, the Further Rouble Bonds bear an interest rate fixed at 8.5% per annum until 2 March 2015 and after 2 March 2015 will be determined by the Issuer unilaterally. The bondholders are entitled to demand the redemption of the Further Rouble Bonds in three years after their issuance.

- On 19 January 2012, the Issuer issued commercial paper in aggregate principal amounts of U.S.$50.0 million due on 17 January 2013 pursuant to its Commercial Paper Programme.

- On 22 August 2012, the Issuer registered a prospectus for the issuance of Rouble bonds in an amount up to RUB35.0 billion. The bonds will be listed on the MICEX.

Additionally, the Issuer has committed access to credit at Landesbank Berlin AG and access to credit at Deutsche Bank AG and BNP Paribas in association with the Organisation for Economic Co-operation and Development ("**OECD**"). See "*The Issuer – Lending and Investments – Export Credit Financing*".

The Internal Guidelines Regulation requires that the Issuer maintain a financial leverage ratio of total borrowings to total capital of not more than 200.0% and maintain its minimum capital adequacy ratio calculated on the basis of Basel II principles at 16.0%. As at 30 June 2012, these ratios were 83.63% and 50.60%, respectively.

Off-Balance Sheet Arrangements

In the normal course of business, the Issuer is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, which involve varying degrees of credit risk, are not reflected in the statement of financial position.

The Issuer's principal exposure under off-balance sheet arrangements 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. The amount of this exposure is represented by the contractual amounts of those instruments. The Issuer uses the same credit control and management policies for both on- and off-balance sheet operations.

The following table shows the nominal or contract amounts of the Issuer's off-balance sheet arrangements as at the dates indicated:

	As at 30 June	As at 31 December		
	2012	**2011**	**2010**	**2009**
	(U.S.$'000) *(unaudited)*		*(U.S.$'000)* *(audited)*	
(audited)				
Commitments on loans and unused credit lines	1,427,481	1,059,241	1,044,878	569,725
Commitments to join private equity funds	32,145	68,870	100,000	–
Guarantees issued	15,420	–	–	–
Letters of credit issued	–	–	194	–
Total contingent liabilities and credit commitments	**1,475,046**	**1,128,111**	**1,145,072**	**569,725**

Commitments on loans and unused credit lines as at 30 June 2012 increased to U.S.$1,427.5 million from U.S.$1,059.2 million as at 31 December 2011 primarily due to the expansion of the Issuer's lending activity in the first half of 2012 as a result of growth in the Issuer's customer base and an increase in disbursements under existing investment projects. As at 30 June 2012 commitments to join private equity funds decreased to U.S.$32.1 million from U.S.$68.9 million at 31 December 2011, as a result of the Issuer funding previously existing private equity commitments in the six months ended 30 June 2012. As at 30 June 2012 the Issuer had U.S.$15.4 million guarantees issued in favour of Russian-based customers. As at 30 June 2012 the Issuer had no outstanding letters of credit.

Commitments on loans and unused credit lines as at 31 December 2011 increased to U.S.$1,059.2 million from U.S.$1,044.9 million as at 31 December 2010 primarily due to the expansion of the Issuer's lending activity in 2011 as a result of growth in the Issuer's customer base and an increase in disbursements under existing investment projects. As at 31 December 2011 commitments to join private equity funds decreased to U.S.$68.9 million from U.S.$100.0 million at 31 December 2010, as a result of the Issuer funding previously existing private equity commitments during 2011. As at 31 December 2011, the Issuer had no outstanding letters of credit.

Commitments on loans and unused credit lines as at 31 December 2010 increased to U.S.$1,044.9 million from U.S.$569.7 million as at 31 December 2009 primarily due to the expansion of the Issuer's lending activity in 2010 as a result of growth of its customer base, and an increase in disbursements under existing investment projects. At 31 December 2010 the Issuer also had commitments to join private equity funds of U.S.$100.0 million and letters of credit issued of U.S.$0.2 million.

As at 30 June 2012 and 31 December 2011 and 2010, the Issuer had no capital commitments. Capital commitments of the Issuer were U.S.$0.5 million as at 31 December 2009. They were in line with the payment structure set by construction contracts in respect of construction of the Issuer's headquarters in Almaty.

Related Party Transactions

Note 19 of the Notes to the Condensed Interim Financial Statements as at and for the six-month period ended 30 June 2012, Note 25 of the Notes to the Financial Statements as at and for the year ended 31 December 2011 and Note 25 of the Notes to the Financial Statements as at and for the years ended 31 December 2010, 2009 and 2008 summarise certain related party transactions entered into by the Issuer regarding compensation of key management personnel and some of the state-owned entities of its Member States.

Market Risk Management

See *"Risk Management"*.

Significant Accounting Policies

Certain of the Issuer's significant accounting policies are described below. The Issuer's significant accounting policies are discussed in Note 3 of the Notes to the Financial Statements that are included elsewhere in this Base Prospectus.

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, income and expenses. Actual results could differ from those estimates.

The management's major areas of judgment in respect of the Issuer are:

- *The Issuer's approach to derivative transactions:* Swap agreements and similar transactions can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structures, swap agreements may increase or decrease the Issuer's exposure to long- or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors such as security prices or inflation rates. The value of the Issuer's swap positions would increase or decrease depending on the changes in value of the underlying rates or currency values. Depending on how they are used, swap agreements may increase or decrease the overall volatility of Issuer's investments. The Issuer's ability to realise profit from such transactions will depend on the ability of the financial institution with which it enters into the transaction to meet their obligations to the Issuer. If a counterparty's creditworthiness declines, the value of the agreement would be likely to decline, potentially resulting in losses. If the other party to the transaction defaults, the Issuer will have contractual remedies pursuant to the agreements it entered into in relation to the transaction. However, these may be limited by applicable law in the case of a counterparty's insolvency; and
- *Loan impairment allowance:* The Issuer assesses all possible risks on loans to customers and loans to banks in individual impairment tests, then considers the need for collective provision. However, changes in estimates could affect the loan impairment provision.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Financial instruments

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

– acquired or incurred principally for the purpose of selling or repurchasing in the near term

– part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking

– derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,

– upon initial recognition, designated by the Issuer as at fair value through profit or loss.

The Issuer may designate financial assets and liabilities at fair value through profit or loss where either:

– the assets or liabilities are managed, evaluated and reported internally on a fair value basis

– the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,

– the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeble future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances: "rare circumstances" arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Issuer:

– intends to sell immediately or in the near term

- upon initial recognition designates as at fair value through profit or loss

- upon initial recognition designates as available-for-sale or,

– may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Issuer has the positive intention and ability to hold to maturity, other than those that:

– the Issuer upon initial recognition designates as at fair value through profit or loss

- the Issuer designates as available-for-sale or,

– meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Issuer becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method
- held-to-maturity investments which are measured at amortised cost using the effective interest method and,
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Issuer measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Issuer establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Issuer, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an offer price. Where the Issuer has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Issuer and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Issuer believes a third-party market participant would take them into account in pricing a transaction.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

– a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss

– a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised as earned in profit or loss calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

Derecognition

The Issuer derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Issuer neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Issuer is recognised as a separate asset or liability in the statement of financial position. The Issuer derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Issuer enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Issuer neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Issuer continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Issuer purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Issuer writes off assets deemed to be uncollectible.

Impairment

Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (“loans and receivables”). The Issuer reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Issuer on terms that the Issuer would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Issuer first assesses whether objective evidence of impairment exists individually for all loans and receivables. If the Issuer determines that no objective evidence of impairment exists for an individually assessed loan or receivable, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Issuer uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Loans and receivables 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 Issuer and after the Issuer has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the provision for impairment losses on loans to customers in the statement of comprehensive income in the period of recovery.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and cannot be reversed.

Available-for-sale assets

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non financial assets

Other non financial assets are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in interest income and expense.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised when the corresponding services provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Adoption of New and Revised Standards

From 1 January 2011 the Issuer has applied Revised IAS 24 *Related Party Disclosures* (2009) in disclosing transactions with related parties of the Issuer. The new accounting policy has been applied prospectively. Related party transactions are disclosed in Note 19 of the Notes to the Condensed Interim Financial Statements for the six-month period ended 30 June 2012, Note 25 of the Notes to the Financial Statements for the year ended 31 December 2011 and Note 25 of the Notes to the Financial Statements for the years ended 31 December 2010, 2009 and 2008. Application of this standard did not have a significant impact on the Financial Statements.

From 1 January 2011, the Issuer has prospectively applied limited amendments to IFRS 7 *Financial Instruments: Disclosures* issued as part of *Improvements to IFRS 2010.* These amendments mainly relate to disclosures on collateral.

RISK MANAGEMENT

General

The Issuer's operations are subject to a variety of risks, many of which are beyond its control, including risks relating to changes in equity or commodity prices, interest rates, foreign exchange rates, declines in liquidity and deterioration in the credit quality of its loan and treasury portfolios. See "*Risk Factors*". The Issuer monitors and manages the maturities of its loans, its interest rate and exchange rate exposure, its liquidity position and the credit quality of each individual loan and any equity investment proposal it might receive in order to minimise the effects of changes in them relative to the Issuer's profitability and liquidity position.

To manage risks the Issuer uses (i) the Council, (ii) the Executive Board, (iii) the Assets and Liabilities Management Committee (the "**ALMC**"), (iv) a committee that implements the Issuer's credit policies (the "**Credit Committee**") and (v) the Risk Management Department, which together are responsible for devising, implementing and monitoring the Issuer's risk management policies, including financial, credit and market risks. The basic credit policy of the Issuer is set out in, and governed by, the Charter. On 4 February 2008, the Issuer adopted a regulation concerning its future investment activities (the "**Investment Regulations**"), a key policy and strategic document of the Issuer, which allows it to manage its credit risks. Certain additional prudential risk policies and other internal guidelines to manage risks are contained in the Internal Guidelines Regulation.

The Council

The Council participates in the risk management of the Issuer by:

- determining the strategy of the Issuer and its lending policy;
- determining the maximum credit risk exposure the Issuer has to individual borrowers; and
- considering and approving the Issuer's investment projects in accordance with the Investment Regulations.

The Executive Board

The Executive Board is responsible for the overall supervision of risk management of the Issuer, including:

- establishing the Issuer's priority lines of business and implementing an optimum level of diversification of its business;
- setting the maximum size of capital at risk and an acceptable level of risk associated with the possibility of loss of capital;
- implementing the Issuer's strategy and ensuring that the level of risks that are deemed to be acceptable comply with the Issuer's strategy;
- approving risk management guidelines and other underlying procedures for managing risk developed by the Risk Management Department; and
- approving loans and investment projects within established limits. See "*The Issuer –Lending and Investments – General*".

Assets and Liabilities Management Committee

The overall asset and liability position of the Issuer is monitored and managed by the ALMC, which is a permanent collective body reporting to the Executive Board. The ALMC monitors and manages the Issuer's liquidity position, maturity gaps, interest income and expense and the condition of the international financial markets. The ALMC is responsible for setting the Issuer's lending rates in U.S. Dollars and certain other currencies, establishing the range of margins to be charged to borrowers and setting both financial and non-financial covenants to be complied with by the Issuer and by the counterparties in transactions with the Issuer. The ALMC currently has six members and comprises the Member of the Executive Board - Managing Director (Finance), the Member of the Executive Board - Managing Director (Corporate Finance), the Member of the Executive Board – Treasurer, the Managing Director (Business planning), the Deputy Head of the Risk Management Department and the Head of the Credit and Investment Department. The ALMC has regular meetings no less often than monthly. The ALMC is headed by the Member of the Executive Board – Managing Director (Finance).

Credit Committee

The Credit Committee monitors and manages overall risk concentration by reference to borrower and industry exposure and critically reviews each individual loan and equity investment proposal made by the project groups involved in corporate lending activity (the "**Project Groups**"). The Credit Committee has, as one of its major functions, responsibility for minimising insofar as practicable the credit risk presented by each individual loan and equity investment proposal and the overall portfolio risk by carrying out an analysis of each individual proposal and the overall investment portfolio of the Issuer. It is a permanent collective body reporting to the Executive Board. The Credit Committee currently has 12 members and consists of representatives of the Project Groups, the Risk Management Department, the Credit and Investment Department, the Finance Department, the Research Department, the Legal Department, the Treasury Department and the Security Department. The Credit Committee is headed by the Managing Director (Business Development).

Risk Management Department

The Risk Management Department is responsible for proposing risk management policies for approval by the Executive Board. In addition, the Risk Management Department monitors the implementation of the Issuer's risk management policies and guidelines and is also responsible for:

- analysing the credit risk of each individual lending and equity investment proposal and making recommendations to the Credit Committee based on the documentation and analysis produced by the Project Groups;
- monitoring each individual loan and equity investment based on the reports prepared and presented by the Project Groups and Credit and Investment Department;
- evaluating the Issuer's risk profile;
- supporting the Executive Board by providing it with research concerning the Issuer's activities;
- assessing, monitoring and preparing proposals concerning the management of currency, liquidity, interest rate and other risks; and
- producing qualitative and quantitative assessments of the foregoing risks.

Market Risk Management

Market risk is the risk that occurs from changes in foreign exchange rates, interest rates or equity and commodity prices and may result in losses to the Issuer. Market risk arises on financial instruments that are valued at current market prices (mark-to-market basis) or those valued at cost plus any accrued interest (accrual basis).

The Executive Board has approved risk management policies and limits within which exposure to market risk is monitored, measured and controlled. The Risk Management Department has primary responsibility for ensuring compliance with these policies and limits.

Since there is no specific measure that reflects all aspects of market risk, the Issuer utilises a range of risk measures to generate regular reports to manage the risk. The principal risk measures and instruments used are based on the general practice of banks and financial institutions and comprise:

- **System of limits on treasury operations.** The Issuer has set certain limits for, among other things, treasury portfolio structure, counterparty quality and deal terms.
- **Value at Risk.** The Issuer uses bi-weekly value at risk analysis on the basis of the mathematical risk assessment formula known as the historical simulation method. with a confidence level of 99%, a holding period of 10 days and a minimum historic interval of 180 days.
- **GAP analysis.** The Issuer uses quarterly gap analysis to determine its exposure to interest rate
  - **Stress Testing.** The Issuer uses sensitivity analysis and scenario analysis for stress testing.

Derivative financial instruments are mainly used by the Issuer to provide economic hedges against exposures to fluctuations in foreign currency exchange rates and interest rates.

Interest Rate Risk Management

The Issuer's interest rate risk management activities aim to enhance profitability by limiting the effect of adverse interest rate movements and increasing net interest income by managing interest rate exposure.

The following table presents a sensitivity analysis in relation to interest rate risk, showing the impact of a plus or minus 3% change, as the case may be, in average interest rate on the Issuer's net profit, based on asset values as at the dates indicated:

	As at 31 December					
	2011		2010		2009	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
	(US$'000) (audited)					
Assets:						
Financial assets at fair value through profit or loss	–	–	–	–	(2,089)	2,273
Loans and advances to banks	4,042	(4,028)	2,100	(2,100)	2,100	(2,100)
Loans to customers	12,056	(12,056)	6,637	(6,637)	5,780	(5,780)
Liabilities:						
Loans and deposits from banks	(1,492)	991	(1,689)	1,526	(9,708)	9,708
Debt securities issued........	(4,041)	4,041	(4,071)	4,071	–	–
Net impact on net profit	**10,565**	**(11,052)**	**2,977**	**(3,140)**	**(3,917)**	**4,101**

The following table presents a sensitivity analysis in relation to interest rate risk, showing the impact of a plus or minus 3% change, as the case may be, in average interest rate on the Issuer's equity based on asset values as at the dates indicated:

	As at 31 December					
	2011		2010		2009	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
	(US$'000) (audited)					
Assets:						
Financial assets at fair value through profit or loss	–	–	–	–	(2,089)	2,273
Loans and advances to banks	4,042	(4,028)	2,100	(2,100)	2,100	(2,100)
Loans to customers	12,056	(12,056)	6,637	(6,637)	5,780	(5,780)
Financial assets available-for-sale	(8,974)	10,370	(11,790)	13,846	(60,343)	97,936
Liabilities:						
Loans and deposits from banks	(1,492)	991	(1,689)	1,526	(9,708)	9,708
Debt securities issued........	(4,041)	4,041	(4,071)	4,071	–	–
Net impact on equity	**1,591**	**(682)**	**(8,813)**	**10,706**	**(64,260)**	**102,037**

During the six-month period ended 30 June 2012 there were no significant changes in the Issuer's exposure to interest rate risk as compared to the year ended 31 December 2011.

The computation of prospective effects of hypothetical interest rate changes is based on numerous assumptions, including relative levels of interest rates, asset prepayments and changes in liability pricing as a result of changes in general market rates. Further, the computation does not take into account any actions that the Issuer may undertake in response to changes in interest rates. Accordingly, such computation should not be relied upon as indicative of actual results. In order to assist the Issuer in computing the effects of hypothetical interest rate changes, on 19 April 2012 the Issuer introduced two interest rate risk management tools:

- the Economic Value of Equity (EVE) tool, in order to help the Issuer assess its interest risk by calculating the Issuer's EVE (the difference between the net present value of all of the Issuer's future assets and all of the Issuer's future liabilities); and
- an interest rate gap analysis tool that applies data regarding the distribution of the Issuer's interest rate sensitive assets and liabilities over selected future time periods and estimates the mismatches, if any, between the interest rates earned on the Issuer's assets and the interest rates payable on the Issuer's liabilities during those time periods.

The Issuer has a policy aimed at minimising interest rate mismatches between its assets and liabilities and/or hedges interest rate risk by entering into derivative contracts.

Foreign Currency Risk Management

General

The Issuer's risk management policies seek to minimise currency exposures by requiring net liabilities in any one currency to be matched closely with net assets in the same currency. This is achieved primarily by holding or lending the proceeds of its borrowings in the currencies in which they were borrowed. In practice, the Issuer also utilises various types of derivative instruments (such as cross currency swaps, foreign exchange swaps and forwards) to mitigate against its foreign currency risks and in order to avoid currency mismatches between its funding and lending activities.

The maximum amount of any currency position of the Issuer may not exceed 10% of the Issuer's prudential capital or bank's capital (calculated using the Basel II standardised approach which as at 30 June 2012 was U.S.$1,694.6 million) in any one currency or 20% in all currencies.

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

The following table presents the Issuer's exposure to foreign currency exchange rate risk as at the date indicated:

	As at 30 June 2012					
	U.S. Dollars	**Tenge**	**Rouble**	**Euro**	**Other currencies**	**Total**
			(U.S.$'000) (unaudited)			
Open balance sheet position	1,512,531	(26,106)	(128,539)	337,696	173	1,695,755
Net spot and derivative financial instruments position	159,697	25,487	128,364	(337,905)	–	(24,357)
TOTAL OPEN POSITION	**1,672,228**	**(619)**	**(175)**	**(209)**	**173**	

	As at 31 December 2011					
	U.S. Dollars	**Tenge**	**Rouble**	**Euro**	**Other currencies**	**Total**
			(U.S.$'000) (audited)			
Financial assets:						
Cash and balances with the national (central) banks of the Member states of the Bank	56	15	31	–	–	102
Financial assets at fair value through profit or loss	5,918	–	–	–	–	5,918
Loans and advances to banks	442,363	36,277	36,142	216,337	96	731,215
Loans to customers	839,391	43,163	391,443	69,999	–	1,343,996
Financial assets available-for-sale	353,255	–	24,582	–	–	377,837
Investments held-to-maturity	302,980	–	–	–	–	302,980
Other financial assets	2,699	65	740	115	–	3,619
Total financial assets	**1,946,662**	**79,520**	**452,938**	**286,451**	**96**	**2,765,667**

	As at 31 December 2011					
	U.S. Dollars	Tenge	Rouble	Euro	Other currencies	Total
	(U.S.$'000) *(audited)*					
Financial liabilities:						
Loans and deposits from banks	49,681	–	–	23,376	–	73,057
Financial liabilities at fair value through profit or loss	5,755	–	–	–	–	5,755
Hedging derivative financial instrument	18,614	–	–	–	–	18,614
Amounts due to Anti-crisis Fund	412	–	–	–	–	412
Debt securities issued	546,910	136,579	313,325	41,003	–	1,037,817
Other financial liabilities	20,995	371	361	8	8	21,743
Total financial liabilities	642,367	136,950	313,686	64,387	8	1,157,398
OPEN BALANCE SHEET POSITION	**1,304,295**	**(57,430)**	**139,252**	**222,064**	**88**	

The fair value of derivative financial instruments and spot contracts is included in the foreign currency information presented in the table above. The following table presents a further analysis of currency risk on derivative financial instruments and spot contracts as at the date indicated:

	As at 31 December 2011					
	U.S. Dollars	Tenge	Rouble	Euro	Other currencies	Total
	(U.S.$'000) *(audited)*					
Accounts payable on spot and derivative contracts	(228,176)	(2,996)	(298,485)	(222,479)	–	(752,136)
Accounts receivable on spot and derivative contracts	524,230	57,363	155,584	–	–	737,177
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	296,054	54,367	(142,901)	(222,479)	–	(14,959)
TOTAL OPEN POSITION	**1,600,349**	**(3,063)**	**(3,649)**	**(415)**	**88**	

The following table presents the Issuer's exposure to foreign currency exchange rate risk as at the date indicated:

	As at 31 December 2010					
	U.S. Dollars	**Tenge**	**Rouble**	**Euro**	**Other currencies**	**Total**
			(U.S.$'000) *(audited)*			
Financial assets						
Cash and balances with the national (central) banks of Member States	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**	

The fair value of derivative financial instruments and spot contracts is included in the foreign currency information presented in the table above. The following table presents a further analysis of currency risk on derivative financial instruments and spot contracts as at the date indicated:

	As at 31 December 2010					
	U.S. Dollars	Tenge	Rouble	Euro	Other currencies	Total
			(U.S.$'000) *(audited)*			
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)**	**(508)**	**5**	

The following table presents the Issuer's exposure to foreign currency exchange rate risk as at the date indicated:

	As at 31 December 2009					
	U.S. Dollars	Tenge	Rouble	Euro	Other currencies	Total
			(U.S.$'000) *(audited)*			
Financial assets						
Cash and balances with the national (central) banks of Member States	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**	

The fair value of derivative financial instruments and spot contracts is included in the foreign currency information presented in the table above. The following table presents a further analysis of currency risk on derivative financial instruments and spot contracts as at the date indicated:

	As at 31 December 2009					
	U.S. Dollars	Tenge	Rouble	Euro	Other currencies	Total
	(U.S.$'000) (audited)					
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**	

Currency Risk Sensitivity

For years ended 31 December 2011 and 2010, the ALMC considered a 15% decrease in the Rouble and Tenge against the U.S. Dollar and a 10% decrease in the Euro against the U.S. Dollar to be a realistic given a significant devaluation of the currency exchange against the US Dollar was less likely than in prior years because of the more stable economic environment in the Russian Federation and Kazakhstan.

For the year ended 31 December 2009, the ALMC considered a 25% decrease in the Rouble and Tenge against the U.S. Dollar and a 10% decrease in the Euro against the U.S. Dollar to be realistic given the economic conditions in the Russian Federation and Kazakhstan and Europe, respectively, at that time.

The following tables indicate the impact on net profit based on asset values as at the dates indicated:

	As at 31 December					
	2011		2010		2009	
	U.S.$/ RUB +15%	U.S.$/ RUB -15%	U.S.$/ RUB +15%	U.S.$/ RUB -15%	U.S.$/ RUB +25%	U.S.$/ RUB -25%
	(US$'000) (audited)					
Impact on net profit	(547)	547	(291)	291	(470)	470

	As at 31 December					
	2011		2010		2009	
	U.S.$/ KZT +15%	U.S.$/ KZT -15%	U.S.$/ KZT +15%	U.S.$/ KZT -15%	U.S.$/ KZT +25%	U.S.$/ KZT -25%
	(US$'000) (audited)					
Impact on net profit	(459)	459	(1,273)	1,273	(408)	408

	As at 31 December					
	2011		2010		2009	
	U.S.$/ EUR +10%	U.S.$/ EUR -10%	U.S.$/ EUR +10%	U.S.$/ EUR -10%	U.S.$/ EUR +10%	U.S.$/ EUR -10%
	(US$'000) (audited)					
Impact on net profit	(42)	42	(51)	51	(120)	120

The following tables indicate the impact on equity based on asset values as at the dates indicated:

	As at 31 December					
	2011		2010		2009	
	U.S.$/ RUB +15%	U.S.$/ RUB -15%	U.S.$/ RUB +15%	U.S.$/ RUB -15%	U.S.$/ RUB +25%	U.S.$/ RUB -25%
	(US$'000) (audited)					
Impact on equity	(547)	547	(291)	291	(470)	470

	As at 31 December					
	2011		2010		2009	
	U.S.$/ KZT +15%	U.S.$/ KZT -15%	U.S.$/ KZT +15%	U.S.$/ KZT -15%	U.S.$/ KZT +25%	U.S.$/ KZT -25%
	(US$'000) (audited)					
Impact on equity	(459)	459	(1,273)	1,273	(408)	408

	As at 31 December					
	2011		2010		2009	
	U.S.$/ EUR +10%	U.S.$/ EUR -10%	U.S.$/ EUR +10%	U.S.$/ EUR -10%	U.S.$/ EUR +10%	U.S.$/ EUR -10%
	(US$'000) (audited)					
Impact on equity	(42)	42	(51)	51	(120)	120

During the six-month period ended 30 June 2012 there were no significant changes in the Issuer's currency risk sensitivity as compared to the year ended 31 December 2011.

The computation of prospective effects of hypothetical changes in exchange rates among currencies is based on an assumption that significant changes in economic conditions of Russian and Kazakhstan may affect exchange rates. Further, the computation does not take into account any actions that the Issuer may undertake in response to changes in exchange rates. Accordingly, such computation should not be relied upon as indicative of actual results.

Geographic Concentration

The following tables set out certain information relating to the Issuer's assets and liabilities by geographical location. In presenting geographical information, the allocation of the Issuer's loans, loans and deposits to banks and interest income on these line items is based on the geographical location of its customers; the allocation of financial assets available-for-sale and investments held-to-maturity and interest income on these line items is based on the domicile of the respective issuers (for example, the material amount of U.S. Treasury securities are allocated to the United States); the allocation of bonds issued and the interest expense on bonds issued is based on the geographical location of the stock exchange on which the relevant securities are admitted to trading; the allocation of loans from banks and interest expense on loans from banks is based on the domicile of the bank in question and the allocation of losses or gains on financial assets at fair value through profit or loss and foreign exchange transactions is based on the domicile of the Issuer's counterparties.

	As at 30 June 2012			
	Russia	**Kazakhstan**	**Other countries[(1)]**	**Total**
		(US$'000) *(unaudited)*		
Cash and balances with national (central) banks of Member states of the Issuer	309	52	–	361
Financial assets at fair value through profit or loss	2	–	17	19
Loans and advances to banks	400,888	69,855	181,566	652,309
Loans to customers	704,322	470,588	222,347	1,397,257
Financial assets available-for-sale	208,444	1,945	504,868	715,257
Investments held-to-maturity	328,918	–	–	328,918
Non-current assets held for sale	–	48,311	–	48,311
Property, equipment and intangible assets	667	17,517	129	18,313
Other assets	5,927	3,187	292	9,406
Total assets	**1,649,477**	**611,455**	**909,219**	**3,170,151**
Total liabilities	**620,680**	**153,359**	**700,370**	**1,474,409**

Note:

(1) Other countries comprises the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic, as well as all other countries outside the Russian Federation and the Republic of Kazakhstan.

	As at 31 December 2011			
	Russia	**Kazakhstan**	**Other countries[(1)]**	**Total**
	(US$'000) *(audited)*			
Cash and balances with national (central) banks of Member states of the Issuer ..	31	71	–	102
Hedging derivative financial instrument ..	1,904	–	4,014	5,918
Loans and advances to banks	406,937	70,030	254,248	731,215
Loans to customers	700,046	425,680	218,270	1,343,996
Financial assets available-for-sale	177,839	–	199,998	377,837
Investments held-to-maturity	302,980	–	–	302,980
Assets held-for-sale	–	48,311	–	48,311
Property, equipment and intangible assets	734	18,252	151	19,137
Other assets	5,304	2,833	50	8,187
Total assets	**1,595,775**	**565,177**	**676,731**	**2,837,683**
Total liabilities	**316,731**	**154,700**	**686,252**	**1,157,683**

Note:

(1) Other countries comprises the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic, as well as all other countries outside the Russian Federation and the Republic of Kazakhstan.

	As at 31 December 2010			
	Russia	**Kazakhstan**	**Other countries[(1)]**	**Total**
	(US$'000) *(audited)*			
Cash and balances with national (central) banks of the Member States	–	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**

Note:

(1) Other countries comprises the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic, as well as all other countries outside the Russian Federation and the Republic of Kazakhstan.

	As at 31 December 2009			
	Russia	Kazakhstan	Other countries[(1)]	Total
	(US$'000) (audited)			
Cash and balances with national (central) banks of the Member States	–	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**

Note:

(1) Other countries comprises the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic, as well as all other countries outside the Russian Federation and the Republic of Kazakhstan.

Liquidity Risk Management

Liquidity risk arises in the general funding of the Issuer's financing and investment activities and in the management of positions. This risk involves both the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner on reasonable terms. Liquidity management seeks to ensure that, even under adverse conditions, the Issuer has access to the funds necessary to satisfy customer needs, maturing liabilities and the capital requirements of its operations.

The Issuer maintains liquid assets at prudential levels to ensure that cash can quickly be made available to honour all of its obligations, even under adverse conditions. The ALMC is primarily responsible for the management of liquidity risk and the liquidity profile of the Issuer.

The Issuer's principal source of liquidity is its treasury portfolio and the Issuer's equity capital is treated as a liquidity reserve to fund its treasury portfolio. The size of the Issuer's treasury portfolio must be maintained within a range set semi-annually by the Issuer and, from 20 January 2012, should not be less than 65% of the Bank's off-balance sheet liabilities under its investment activities plus the annual cost of financial debt.

The Issuer manages its treasury portfolio in accordance with its investment declaration, approved on 20 November 2007, as amended on 24 August 2011 (the "Investment Declaration") and the market and treasury risks management rules, approved on 8 September 2009 (the "Market and Treasury Risks Management Rules"), as amended on 26 June 2012. The Investment Declaration and Market and Treasury Risks Management Rules, together with the Internal Guidelines Regulation, set forth the treasury strategy, treasury structure and principles of the formation of the treasury portfolio. The main principles are:

- **Credit quality of securities in treasury portfolio**. The treasury portfolio may include only securities for which organised accredited market quotations exist on or prior to the date of purchase. This requirement does not apply to securities purchased upon initial placement thereof by way of auction, subscription or any other method of public placement, government and municipal securities of the Member States or administrative units thereof, debt securities of issuers founded under the laws of the Member States having a long-term credit rating of not less than BBB-, BBB-, or Baa3 assigned by Fitch, Standard & Poor's or Moody's, respectively, or debt securities of issuers having a long-term credit rating not less than AA-, AA- or Aa3 or the equivalent assigned by Fitch, Standard & Poor's or Moody's, respectively, provided that the terms of issue and circulation of such securities permit circulation on the secondary market.

- **Investment of available funds**. In order to form its treasury portfolio, the Issuer invests its available funds, including borrowed funds and its equity capital, in securities of issuers having a long-term credit rating not less than BB-, BB- or Ba3 or the equivalent assigned by Fitch, Standard & Poor's or Moody's, respectively, or under unconditional guarantees of the respective issuers.

- **External management of funds**. The Issuer may place any part of its available funds/assets into external management. Any funds/assets so placed remain an integral part of the treasury.

- **Limitation on equity capital**. For the purposes of management and formation of the treasury portfolio, the Issuer may not hold securities of any one borrower or issuer that represents more than 25% of the Issuer's equity capital. The above restriction does not apply to (i) government securities of the Member States having a long-term credit rating of not less than BBB-, BBB- or Baa3 or the equivalent assigned by Fitch, Standard & Poor's or Moody's, respectively; (ii) government securities of other countries having a long-term credit rating not less than AA-, AA- or Aa3 or the equivalent assigned by Fitch, Standard & Poor's or Moody's, respectively; and (iii) securities issued by international financial organisations having a long-term credit rating not less than AA-, AA- or Aa3 or the equivalent assigned by Fitch, Standard and Poor's or Moody's, respectively.

- **Rating of depositary institutions and other financial organisations**. If available funds are placed on deposit in a credit organisation established in a Member State or on broker, custodial or other account in a financial organisation, such depository or respective financial institution must have a long-term credit rating not less than B, B or B2 or the equivalent assigned by Fitch, Standard & Poor's or Moody's, respectively. If deposits are being placed with a bank subsidiary of a financial institution, it is not necessary for the bank subsidiary to have a credit rating provided that the parent financial institution has a credit rating not less than A, A or A2 or the equivalent assigned by Fitch, Standard & Poor's or Moody's, respectively.

- **Term of deposits**. The maximum term of any one deposit (inter-bank credit) is determined by the ALMC.

- **Hedging**. Derivatives (forwards, swaps, interest rate swaps, forward rate agreements, options, futures or any combination of the foregoing) may be used for full or partial hedging, reducing the effect of market risks or open positions, subject to the restrictions imposed by the Investment Declaration. The Issuer may open short positions only for the purposes of hedging or risk-reducing transactions.

- **Currency positions**. The maximum amount of any currency position of the Issuer may not exceed 10% of the Issuer's equity capital in any one currency or 20% of the Issuer's equity capital in all currencies.

- **Structured products**. Structured products may be purchased only if the market value of such products is established or the issuer provides a method for assessing their market value.

- **Reverse repurchase transactions**. A discounting method is applied to repurchase transactions, which takes into account the current market conditions and the characteristics of the financial instruments. The maximum term of any one repurchase or reverse repurchase transaction is determined by the ALMC.

In accordance with the Market and Treasury Risks Management Rules, particular groups of limits are applied to manage and mitigate treasury portfolio devaluation risks. The groups of limits are concentration limits, operational limits and limits relating to the economic properties of the financial asset.

The Issuer imposes concentration limits within its treasury portfolio in order to manage concentration risk. The components of the portfolio are subject to specific concentration limits calculated by reference to a percentage of the Issuer's equity, based on the type of asset, the nature of its liquidity characteristics and its credit rating.

Operational limits include the following items, the numerical values of which are determined by the ALMC:

- Limits applied to certain securities issuers and financial instruments;
- Limits for active banking operations with counterparties;
- Portfolio limits;
- Term limits (e.g., terms for reverse repurchase transactions, interbank deposits/loans, debt security maturity); and
- Stop-loss limits (limit for revaluation of trade portfolio, stop-loss limit).

Limits relating to the economic properties of the financial asset include the following items, the numerical values of which are determined by the ALMC:

- Limits for interest rate value at risk; and
- Limits for the U.S. Dollar changes in bond value for a one basis point change in bond rate.

The Issuer implements the broad system of limits to control risks in related to its operations and revises the limits periodically.

The following table presents the financial assets that comprise the Issuer's treasury portfolio as at the date indicated:

	As at 30 June 2012
	(U.S.$'000) (unaudited)
Cash and balances with the national (central) banks of Member States	361
Financial assets at fair value through profit or loss	19
Loans and advances to banks	404,483
Financial assets available-for-sale	572,429
Investments held-to-maturity	328,918
Total	**1,306,210**

The following table presents the concentration by rating and geography of the financial assets that comprise the Issuer's treasury portfolio as at the date indicated:

	As at 30 June 2012			
	Russian Federaton	Republic of Kazakhstan	Other countries[(1)]	Total
		(US$'000) *(audited)*		
A-/A3 and above:				
Cash and balances with the national (central) banks of Member States	–	–	–	0
Financial assets at fair value through profit or loss	–	–	17	17
Loans and advances to banks	–	0	40,424	40,424
Financial assets available-for-sale:				
Debt securities	–	–	504,868	504,868
Investments held-to-maturity	–	–	–	0
Total -/A3 and above	0	0	545,309	545,309
BBB-/Baa3 to BBB+/Baa1:				
Cash and balances with the national (central) banks of Member States	309	52	–	361
Financial assets at fair value through profit or loss	2	–	–	2
Loans and advances to banks	271,188	–	–	271,188
Financial assets available-for-sale:				
Debt securities	67,561	–	–	67,561
Investments held-to-maturity	312,668	–	–	312,668
Total BBB-/Baa3 to BBB+/Baa1	651,728	52	0	651,780
BB+/B1 and below:				
Cash and balances with the national (central) banks of Member States	–	–	–	0
Financial assets at fair value through profit or loss	–	–	–	0
Loans and advances to banks	92,774	–	97	92,871
Financial assets available-for-sale:				
Debt securities	–	–	–	0
Investments held-to-maturity	16,250	–	–	16,250
Total BB+/B1 and below	109,024	0	97	109,121
Total	**760,752**	**52**	**545,406**	**1,306,210**

Note:

(1) Other countries comprises the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic, as well as all other countries outside the Russian Federation and the Republic of Kazakhstan.

The following tables contain an analysis of the Issuer's liquidity and interest rate risks based on the expected repricing characteristics of its assets and liabilities as at the dates indicated:

	As at 30 June 2012							
	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**	**Total**
	(US$'000 unless otherwise indicated) (unaudited)							
FINANCIAL ASSETS:								
Loans and advances to banks	2.74%	386,208	26,667	120,032	108,931	–	–	641,838
Loans to customers	8.98%	–	–	173,052	563,737	660,468	–	1,397,257
Financial assets available-for-sale	2.15%	99,998	199,977	193,533	72,959	48,430	–	614,897
Investments held-to-maturity	6.55%	-	-	82,841	9,620	236,457	–	328,918
Total interest bearing financial assets		486,206	226,644	569,458	755,247	945,355	–	2,982,910
Cash and balances with the national (central) banks of the Member states of the Issuer	–	361	–	–	–	–	–	361
Financial assets at fair value through profit or loss	–	19	–	–	–	–	–	19
Loans and advances to banks	–	10,471	–	–	–	–	–	10,471
Financial assets available-for-sale	–	–	–	–	–	65,640	34,720	100,360
Other financial assets	–	–	–	4,114	–	–	–	4,114
Total financial assets		497,057	226,644	573,572	755,247	1,010,995	34,720	3,098,235
FINANCIAL LIABILITIES:								
Loans and deposits from banks	2.26%	–	–	29,937	19,805	18,892	–	68,634
Debt securities issued	7.24%	–	–	88,410	796,687	468,609	–	1,353,706
Total interest bearing financial liabilities		–	–	118,347	816,492	487,501	–	1,422,340
Financial liabilities at fair value through profit or loss	–	4,198	–	–	–	–	–	4,198
Hedging derivative financial instrument	–	–	–	–	20,178	–	–	20,178
Other financial liabilities	–	1,307	–	17,982	7,927	–	–	27,216
Total financial liabilities		5,505	-	136,329	844,597	487,501	-	1,473,932
Liquidity gap		491,552	226,644	437,243	(89,350)	523,494	34,720	
Interest sensitivity gap		486,206	226,644	451,111	(61,245)	457,854	-	
Cumulative interest sensitivity gap		486,206	712,850	1,163,961	1,102,716	1,560,570	1,560,570	
Cumulative interest sensitivity gap as a percentage of total assets		15.69%	23.01%	37.57%	35.59%	50.37%	50.37%	

	As at 31 December 2011							
	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**	**Total**
	(US$'000 unless otherwise indicated) (audited)							
FINANCIAL ASSETS:								
Loans and advances to banks	2.50%	490,780	–	82,548	154,776	–	–	728,104
Loans to customers	9.02%	–	–	99,658	373,115	871,223	–	1,343,996
Financial assets available-for-sale	3.05%	–	207,710	24,534	37,631	47,736	–	317,611
Investments held-to-maturity	7.70%	–	–	21,024	36,328	245,628	–	302,980
Total interest bearing financial assets		490,780	207,710	227,764	601,850	1,164,587	–	2,692,691
Cash and balances with the national (central) banks of the Member states of the Issuer	–	102	–	–	–	–	–	102
Financial assets at fair value through profit or loss	–	2,669	545	2,704	–	–	–	5,918
Loans and advances to banks	–	3,111	–	–	–	–	–	3,111
Financial assets available-for-sale	–	–	–	–	–	25,506	34,720	60,226
Other financial assets	–	83	–	3,536	–	–	–	3,619
Total financial assets		496,745	208,255	234,004	601,850	1,190,093	34,720	2,765,667
FINANCIAL LIABILITIES:								
Loans and deposits from banks	1.91%	–	23,276	29,903	–	19,878	–	73,057
Debt securities issued	7.14%	–	–	79,668	798,751	159,398	–	1,037,817
Total interest bearing financial liabilities		–	23,276	109,571	798,751	179,276	–	1,110,874
Financial liabilities at fair value through profit or loss	–	83	23	5,649	–	–	–	5,755
Hedging derivative financial instrument	–	–	–	–	18,614	–	–	18,614
Other financial liabilities	–	970	5,895	8,657	6,633	–	–	22,155
Total financial liabilities		1,053	29,194	123,877	823,998	179,276	–	1,157,398
Liquidity gap		495,692	179,061	110,127	(222,148)	1,010,817	34,720	
Interest sensitivity gap		490,780	184,434	118,193	(196,901)	985,311	–	
Cumulative interest sensitivity gap		490,780	675,214	793,407	596,506	1,581,817	1,581,817	
Cumulative interest sensitivity gap as a percentage of total assets		17.75%	24.41%	28.69%	21.57%	57.19%	57.19%	

	As at 31 December 2010							
	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	Total
				(US$'000 unless otherwise indicated) *(audited)*				
FINANCIAL ASSETS:								
Cash and balances with the national (central) banks of the Member States	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		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%	

	As at 31 December 2009							
	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**	**Total**
	(US$'000 unless otherwise indicated) *(audited)*							
FINANCIAL ASSETS:								
Cash and balances with the national (central) banks of the Member States	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		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 financial assets		34.99%	47.01%	50.49%	34.76%	64.04%	64.04%	

A further analysis of liquidity and interest rate risks is presented in the following tables, which were prepared in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the statements of financial position contained in the Financial Statements because the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments) which are not recognised in such balance sheets under the effective interest rate method and should be reviewed in the foregoing tables.

	As at 30 June 2012					
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	(US$'000) *(unaudited)*					
FINANCIAL LIABILITIES:						
Loans and deposits from banks ..	–	–	31,038	23,059	20,661	74,758
Financial liabilities at fair value through profit or loss	4,198	–	–	–	–	4,198
Hedging derivative financial instrument	–	–	–	20,178	–	20,178
Debt securities issued	6,554	30,928	156,303	932,570	526,915	1,653,270
Other financial liabilities	1,307	–	17,982	7,927	–	27,216
Commitments	52,050	62,341	371,106	974,129	–	1,459,626
Total financial liabilities	**64,109**	**93,269**	**576,429**	**1,957,863**	**547,576**	**3,239,246**

	As at 31 December 2011					
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	(US$'000) *(audited)*					
FINANCIAL LIABILITIES:						
Loans and deposits from banks	–	23,615	30,870	1,880	21,677	78,042
Financial liabilities at fair value through profit or loss	83	23	5,649	–	–	5,755
Hedging derivative financial instrument	–	–	–	18,614	–	18,614
Debt securities issued	–	5,990	149,074	964,441	168,794	1,288,299
Other financial liabilities	970	5,895	8,657	6,633	–	22,155
Commitments	23,838	–	227,285	876,988	–	1,128,111
Total financial liabilities	**24,891**	**35,523**	**421,535**	**1,868,556**	**190,471**	**2,540,976**

	As at 31 December 2010					
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
			(US$'000) *(audited)*			
FINANCIAL LIABILITIES:						
Loans and deposits from banks	–	–	34,559	2,451	27,747	64,757
Financial liabilities at fair value through profit or loss	2,337	–	–	–	–	2,337
Debt securities issued	–	–	64,924	830,979	177,810	1,073,713
Other financial liabilities	2,412	3,842	8,484	4,747	–	19,485
Commitments	556	36,068	275,532	832,916	–	1,145,072
Total financial liabilities	**5,305**	**39,910**	**383,499**	**1,671,093**	**205,557**	**2,305,364**

	As at 31 December 2009					
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
			(US$'000) *(audited)*			
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
Commitments to extend credit	–	–	–	–	569,725	569,725
Total financial liabilities	**374**	**4,690**	**3,002**	**950,598**	**858,126**	**1,816,790**

Credit Risk

General

The banking industry is generally exposed to credit risk through its financial assets, derivative instruments and contingent liabilities. At present, credit risk exposure of the Issuer is predominately concentrated within its major Member States – the Russian Federation and Kazakhstan. The Council sets the overall credit risk limits by determining the maximum credit risk exposure to a single borrower or group of borrowers. Within the limits set by the Council, the Executive Board sets limits in relation to the credit risk to one borrower or group of borrowers, as well as limits on individual counterparties (including banks and brokers), and determines the amount and structure of risk bearing assets. The exposure is monitored on a regular basis by the Credit and Investment Department and the Risk Management Department to ensure compliance with these limits.

The global financial crisis significantly affected the economies of the Member States, which in turn, had an adverse impact on the results of operations and cash flows of some of the Issuer's borrowers. In order to mitigate increased credit risk, in the second half of 2008 and first half of 2009, the Issuer introduced stricter credit risk management requirements. In particular, the Issuer introduced stress-testing of investment projects for foreign exchange rate fluctuations, price volatility and inflation changes on a monthly basis, imposed restrictions on short-term borrower refinancing and took a more conservative approach in respect of collateral assessment. The Issuer rejects credit applications where the collateral comprises only guarantees issued by commercial banks.

Expected cash flow of prospective borrowers, key risk factors (in particular market strategy, technical feasibility, cost structure, operational risks, etc) and the overall structure of any investment proposal are critically reviewed by the Risk Management Department and the Credit and Investment Department. In all cases, these departments assess availability of recourse to the project sponsors and the existence of sufficient collateral in the form of assets or third party guarantees (see "*Collateral Policy*" below). For evaluating the cost of collateral, the Issuer uses significant discount factors depending on the quality and liquidity of the collateral. The discount may range from 0% to 100% depending on the quality of the collateral. For example, if the collateral is represented by the fixed assets related to an investment project, the discount may be higher as the collateral is industry specific and the market for sale of such asset may be smaller.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the interim statement of financial position and unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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 tables detail the credit ratings of financial assets held by the Issuer as at the dates indicated:

	As at 31 December 2011						
	AAA	**AA**	**A**	**BBB**	**<BBB-**	**Not rated**	**Total**
				(US$'000) *(unaudited)*			
Cash and balances with national (central) banks of the Member States	–	–	–	102	–	–	102
Financial assets at fair value through profit or loss	–	3,463	550	4	1,901	–	5,918
Loans and advances to banks	–	29,401	97	340,798	295,782	65,137	731,215
Loans to customers	–	–	–	–	87,302	1,256,694	1,343,996
Financial assets available-for-sale	–	199,998	–	67,476	50,137	–	317,611
Investments held-to-maturity	–	–	–	302,980	–	–	302,980
Other assets	–	–	–	–	–	3,619	3,619

	As at 31 December 2010						
	AAA	AA	A	BBB	<BBB-	Not rated	Total
			(US$'000) *(unaudited)*				
Cash and balances with national (central) banks of the Member States	–	–	–	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	86,299	–	180,427
Investments held-to-maturity	374,942	–	–	322,146	–	–	697,088
Other assets	–	–	–	–	–	1,354	1,354

	As at 31 December 2009						
	AAA	AA	A	BBB	<BBB-	Not rated	Total
			(US$'000) *(unaudited)*				
Cash and balances with national (central) banks of the Member States	–	–	–	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	69,402	–	253,146
Investments held-to-maturity	499,926	–	–	343,827	–	–	843,753
Other assets	–	–	–	–	–	1,900	1,900

Lending Policies and Procedures

General

The Executive Board makes all decisions regarding the Issuer's lending activities except where the approval of the Council is explicitly required by the Investment Regulations as described below. In making its decision on whether or not to finance a particular project and, if so, on what terms, the Investment Regulations require the Executive Board to take into account the following financial and economic factors:

- **Investment risk limits**. Loans to any single borrower or a group of related borrowers may not exceed an equivalent of U.S.$100 million.

- **Minimum levels of investment**. The total value of an investment project generally may not be less than U.S.$30 million. The Executive Board may accept an investment project that is less than U.S.$30 million if the project meets all other requirements of the Investment Regulations.
- **Term of investment**. The repayment period of a project may not exceed 15 years.
- **Minimum share of owner's participation in the project**. Generally, the Issuer may finance only a maximum of 80% of any investment project, with the borrower assuming a minimum exposure of 20% of the project's overall costs.

In addition, each proposed project must comply with and not be in contravention of the Issuer's mission and strategic goals, such compliance being determined pursuant to methodology approved from time to time by the Executive Board. Additionally, projects must conform to the Issuer's principles of investment, present acceptable credit, market and other risks and offer an acceptable return. The Executive Board may override these requirements in exceptional circumstances if an investment project is otherwise generally consistent with the Investment Regulations and the Issuer's overall strategic objectives.

Approval of the Council is required where a proposed investment project falls within one of the following categories:

- **Maximum exposure risk**. The total value of the investments provided to any single borrower or group of related borrowers exceeds the equivalent of U.S.$100 million.
- **Material investment risk**. The Issuer's total exposure to material investment risks exceeds 300% of the Issuer's net worth. An investment risk is considered material if the value of investments and guarantees provided in favour of a single borrower or a group of related borrowers exceeds 10% of the Issuer's net worth.
- **Non-member jurisdiction**. The project is to be implemented in a jurisdiction that is not a Member State.
- **Maximum Tenor**. The term of the Issuer's investment in the project exceeds 15 years.

Loan Application Process

At the initial stage of the Issuer's loan application process, the Project Groups and the Research Department make a preliminary analysis of the proposed project and prepare their conclusions as to whether or not it complies with the Issuer's mission and strategic objectives. The Security and Compliance-control Department conducts preliminary compliance control procedures and assesses business reputation of project initiators. The Risk Management Department evaluates whether the project presents an acceptable level of risks for the Issuer. The Credit and Investment Department prepares conclusions and recommendations on optimisation of project structure and adequacy and sufficiency of proposed security. After all of the foregoing, the project concept is must be approved by the Chairman of the Executive Board of the Issuer. After preliminary clearance of a proposed project, the Project Group submits a credit proposal to the Issuer's Credit Committee, at which stage various divisions involved in the loan application process (for example, the Legal Department, the Risk Management Department, the Credit and Investment Department and the Research Department) prepare credit, legal and other opinions on the proposed project (independently from the opinions of the Project Groups). In most cases, the Issuer requires confirmation of key project risk drivers by an independent external consulting company (market demand forecasts, cash flow assumptions, evaluation of fixed assets to be secured as collateral, etc). The Credit Committee then discusses the proposed project and the conclusions made by the various divisions within the Issuer that are involved in the proposed project and then decides whether to pre-approve or decline that project. If pre-approved, the Credit Committee's decision is then submitted to the Executive Board for final approval, unless the final approval is to be made by the Council. The Council approves projects in cases specified in the Investment Regulations. See "—*General*". This decision making process is the same for all borrowers, irrespective of their industry, geographical location or type of ownership.

Loan Terms

Loans are approved with either fixed or variable rates of interest, depending on negotiations with the prospective borrowers. In addition to the interest rate, the Issuer charges a commitment fee on any undisbursed amount of the approved and signed loan and a one-off, front-end fee calculated by reference to the principal amount of the loan. In almost all cases, depending on the expected cash flow of the project and its overall structure, the Issuer requires acceptable security with a discounted value covering not less than 100% of the loan amount. Typically, loans will be secured by a first mortgage on land, buildings (including the project site), machinery and other commercial goods, domestic securities, assignments of receivables, pledges of licenses or subsurface use rights as well as corporate and government guarantees and insurance against non-payment from a borrower. These types of guarantees can be used separately or can be combined. The Issuer's procedures require it to estimate the net realisable value of the collateral provided and, in cases of third party guarantees, regularly monitor the quality of the collateral taken as security and the financial standing of the entity providing the security or guarantee. The Issuer obtains appraisals on its collateral from independent licensed appraisers that are accredited by the Issuer in addition to conducting its own internal appraisals.

Portfolio Supervision and Provisioning Policy

The Risk Management Department and the Credit and Investment Department evaluate the Issuer's loans and assign provisions thereto on a monthly basis. Each Department evaluates the level of risk in connection with a loan (or project) both as part of the loan application process and, thereafter, pursuant to its ongoing monitoring procedures.

The Issuer classifies its loans in accordance with a number of criteria. The Issuer uses this classification system to evaluate the quality of its loans. The Credit and Investment Department collates all of the information necessary in order to monitor each individual borrower's financial condition and uses this information to evaluate the borrower's debt service quality, while the Risk Management Department evaluates the risks relating to the relevant borrower's loan (or project).

The Issuer has adopted two separate loan classification policies: one for assessing loans to corporate clients and one for assessing loans to banking and financial institutions.

Classification of loans to corporate clients

As the majority of loans to corporate clients are secured, the Issuer classifies the quality of such loans according to two criteria, being: (i) the rating of the relevant borrower; and (ii) the rating of the relevant collateral. The Issuer uses its own proprietary system to allocate ratings to borrowers and collateral on an individual basis. The Issuer calculates a borrower's rating on the basis of numerous criteria, including the following: the key terms of the loan (or project); the credit and business reputation of a borrower; the delay in start-up risks; the organisation of the borrower's business; industry-related risks and marketing risks; the financial condition of the borrower; and political, country and environmental risks associated with the borrower. The Issuer allocates a score for each of the aforementioned criteria and, based on the total score, assigns an appropriate rating to the borrower.

The Issuer calculates the rating to be assigned to collateral primarily based on the type of collateral, the liquidity of the collateral and the existence of any risks associated with the collateral. As with the borrower's rating system, the Issuer allocates different scores for various types of collateral and its liquidity and applies coefficients to reflect the risks associated with such collateral. Based on the resulting score, the Issuer assigns an appropriate rating to the collateral.

Based on a combination of the relevant borrower's rating and the rating of the associated collateral, all loans to corporate clients are classified into one of the following five categories:

(1) high quality loans (1st category);

(2) good quality loans (2nd category);

(3) satisfactory quality loans (3rd category);

(4) loans under supervision (4th category); and

(5) loss loans (5th category).

Classification of loans to banking and financial institutions

Loans to banking and financial institutions are classified on the basis of risk associated with the loan and the quality of loan servicing by relevant borrowers.

The Issuer evaluates the level of risk associated with a loan on the basis of the borrower's financial condition and the professional opinion of relevant officers from the Credit and Investment Department and the Risk Management Department.

The level of risk associated with a loan is categorised as:

- low;
- average; or
- high.

The Issuer also evaluates the quality of loan servicing by the borrower. The quality of loan servicing is categorised as:

- good;
- average; or
- unsatisfactory.

Based on a combination of the level of risk associated with a loan and the quality of loan servicing, the loans to banking and financial institutions are then put into one of five categories, which are the same categories as for loans to corporate clients (see, "*Classification of loans to corporate clients*" above).

Impairment

The Issuer tests all of its loans in the 3rd, 4th or 5th categories for impairment. If the Issuer finds objective evidence of impairment, it will create provisions for the relevant loans. A loan provision is calculated by taking the balance of the total carrying amount of payment under the loan (including principal amount, interest, commissions and other payments) less either: (i) the net value of collateral securing the loan; or (ii) the present value of expected future cash flows, including amounts recoverable from non-project collateral, discounted at the loan's original effective interest rate, depending on which value is higher. In addition, the provision for loan impairment for the entire loan portfolio is adjusted based upon country-related risks.

As at 30 June 2012, no loans were classified as 5th category loans (31 December 2011: nil; 31 December 2010: one (in an outstanding amount of U.S.$22.8 million); and 31 December 2009: nil); four loans (in an aggregate amount of U.S.$169.8 million) were classified as 4th category loans (31 December 2011: one (in an amount of U.S.$1.7 million); and 31 December 2010 and 2009: nil) and the rest of the loans were classified as 3rd category or higher rated loans.

As at 31 December 2010, one of the Issuer's borrowers had a loan outstanding in the amount of U.S.$22.8 million which it was unable to repay to the Issuer due to a deterioration in market conditions. The Issuer earlier took possession over collateral put up by the borrower in respect of the loan and initially recognised it as an asset held-for-sale in the amount of U.S.$45.6 million. On 14 August 2012, the Issuer signed an amicable settlement agreement with the borrower and its affiliate pursuant to which the borrower agreed to arrange the sale (or, if it fails to arrange such sale, to repurchase) part of the collateral by 1 January

2013, and to lease the rest of the collateral with the right to repurchase such collateral for the outstanding amount of the total sale price of U.S.$54.9 million.

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. The Issuer's credit risk exposure 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 Issuer's risk management policy are not breached.

Collateral Policy

Each loan or guarantee provided by the Issuer must be adequately secured unless an exception is granted by the Executive Board.

The Issuer's collateral policy generally allows for the use of the following types of collateral:

- pledge of assets or property rights;
- third party suretyships or guarantees;
- guarantee deposits; and
- insurance against non-payment provided by a borrower.

In accordance with the Issuer's Collateral Policy, collateral is categorised as either highly liquid, liquid, acceptably liquid, or low liquid.

The Issuer can accept future assets that may come into existence during the term of the loan (or project) as collateral. In these types of cases, the borrower is generally allowed to provide less up-front security, subject to the approval by the Executive Board.

The borrower must obtain insurance in respect of all of the collateral from an approved insurance company for the benefit of the Issuer. The term of the insurance must exceed the term of the loan agreement and/or guarantee agreement by at least 3 months.

The Issuer may also accept third party guarantees or suretyships as security for a loan (or project), having considered the following factors:

- whether the guarantor is in a stable financial condition;
- whether the guarantor owners suitable assets;
- whether the guarantor is participating in the financed project; and
- the long-term credit rating of the entity providing a guarantee to the Issuer.

The Issuer may also accept the assignment of a borrower's rights under sale, loan, agency or other agreements as security.

In addition to conducting its own internal appraisals, the Issuer obtains appraisals on its collateral from independent licensed appraisers that are accredited by the Issuer. The internal appraisals are determined by the Risk Management Department and by licensed appraisers in the Issuer's Credit and Investment Department. The Issuer conducts a re-evaluation of the internal appraisers on a quarterly basis in respect of inventory and on a semi-annual basis for all other types of collateral. The Issuer performs on-site inspections of collateral at least once every six months.

The Issuer continues to evaluate and develop its Collateral Policy.

Operational Risk Management

On 10 November 2009, the Issuer adopted operational risk management rules. These rules establish procedures for classification, assessment and management of the following operational risks:

- risk of illegal and negligent activities and abuses by the Issuer's personnel;
- risk of fraudulent actions by third parties;
- risk of nonconformity of internal regulations and processes with the medium-term and current goals of the Issuer;
- risk of malfunction or poor performance of the Issuer's information technology systems;
- risk of miscommunication between the Issuer's personnel or misuse of information by the Issuer's personnel;
- risk of interference with the Issuer's activity by factors beyond the Issuer's control;
- risk of security violations of the Issuer's property;
- risk of signing legal agreements which are incomplete, insufficient or otherwise unenforceable; and
- risk of changes to legislation.

In order to assess operational risks the Issuer uses electronic databases that retain the Issuer's statistical data, contain information on events presenting operational risks that occurred or were identified and their cost to the Issuer, and contain self-evaluation reports. The Issuer maintains these databases at each of its offices. The Issuer also maintains a database under the supervision of the Risk Management Department that collects and consolidates the relevant data from each of the individual office databases.

The Issuer implements the following procedures to manage operational risks:

- adoption of internal regulations governing the Issuer's activity and establishing allocation of responsibilities, internal compliance procedures and avoidance of conflicts of interest;
- application of a personnel management policy designed to encourage compliance with high ethical and professional standards;
- establishment of limitations on operational powers of employees;
- establishment of communication channels to ensure prompt risk detection and alerts;
- updating of current internal regulations and processes to ensure timely responsiveness to changes in the Issuer's activity and operating environment;
- updating of the Issuer's processes governing its external operations in response to changes in the Issuer's activity or environment;
- maintenance of external and internal information security;
- maintenance of physical security of the Issuer's property;
- setting of limitations on treasury operations; and
- transfer of risks to third parties through the insurance of its risks and property or the outsourcing of certain operations.

THE ISSUER

Introduction and Overview

The Issuer, an international development bank established by the Russian Federation and the Republic of Kazakhstan on 12 January 2006 under the Establishing Agreement, commenced operations on 16 June 2006. Although its obligations, including those arising in connection with the Notes, are not guaranteed by any Member State, the Issuer believes that its constitutive status affords it strong political support from the governments of the Member States in which it seeks to conduct its business. As at the date of this Base Prospectus, the Issuer has six Member States: the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic.

The Issuer was established with the strategic goal of promoting the development of a market economy in the Member States, facilitating regional economic development, and promoting cooperation and economic integration among its Member States. Any interested states and international organisations sharing the Issuer's objectives may apply to become a member of the Issuer. However, the Issuer's current strategic regional focus is on the countries of the EurAsEC.

The Issuer is a non-political organisation, and its Charter provides that the Issuer should neither intervene in political events within the Member States, nor make lending decisions based upon recommendations of the Member States.

As at 30 June 2012, the Issuer had total assets of U.S.$3,170.2 million. For the six months ended 30 June 2012, the Issuer had net profit of U.S.$9.4 million, which represents a 31.4% decrease compared to the same period in 2011. As at 30 June 2012, the Issuer had, in aggregate, U.S.$2,049.6 million in loans and advances to banks and loans to customers.

One of the Issuer's primary functions is to provide financing for large infrastructure projects in the Member States, which it implements through the provision of loans and debt financing to private and public entities, investing in the equity of customers, participating in, or establishing, private equity funds, providing investment consulting, and providing other financial instruments. The Issuer seeks to ensure that all projects that it finances are financially viable. The Issuer does not finance social projects, such as the construction of schools or hospitals, and does not engage in providing loans which have lower interest rates and/or longer repayment periods than standard market loans (concessional lending).

The Issuer cooperates with various international organisations, including as an observer at the General Assembly of the United Nations, the United Nations Conference on Trade and Development Board and the Eurasian Group, which status allows the Issuer to participate in plenary meetings without having the right to vote, and as a member of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). The Issuer's status as an observer at EurAsEC allows it, among other things, to participate in EurAsEC activities aimed at regional, interbank and financial cooperation between its member countries. The Issuer has entered into various memoranda expressing an intention to cooperate with the Interbank Consortium of the Shanghai Cooperation Organisation, the International Bank for Reconstruction and Development, the Islamic Development Bank and the United Nations Food and Agriculture Organisation, and has been engaged by the EurAsEC Interstate Council to administer its Anti-Crisis Fund. See "–*Management and Consulting Services–Anti-Crisis Fund*".

The Issuer has full legal personality as an international organisation, is subject to international law and has the capacity to contract, acquire and dispose of property and to institute judicial and arbitral proceedings. The Member States of the Issuer are not responsible for its liabilities, including those under the Trust Deed and the Notes. The Issuer's formation documents contain provisions that accord the Issuer's legal status and certain immunities and privileges in the territories of its Member States. See "*Legal Personality; Enforceability of Judgments*" and " – *Legal Status, Privileges and Immunities*".

Purpose

The Issuer finances development projects in strategic and capital intensive sectors in the Member States. In particular, the Issuer plans to attract long-term financing to implement development projects (with a particular focus on infrastructure projects) in the industries that are of a high priority to its members.

The Council of the Issuer has established the following strategic objectives for its investment activities for the period from 2011 to 2013:

- to facilitate mutual trade and mutual investments by undertaking each of the following:
  - (i) financing projects that will, within the Member States, contribute to sustainable economic development, increase production, increase the volume of mutual trade and investments and develop industrial cooperation;
  - (ii) providing technical assistance through the Technical Assistance Fund under interstate cooperation programmes and integration development in the EurAsEC; and
  - (iii) conducting research through its Integration Research Centre on economic integration issues;
- to promote sustainable growth within the Member States, to mitigate the effects of the global financial crisis and economic recession, and to modernise and enhance the competitiveness of the economies of the Member States by undertaking each of the following:
  - (i) investing primarily in infrastructure development projects (such as transport, energy, telecommunications and municipal);
  - (ii) increasing the manufacturing capacity for competitive high technology products with high added value; and
  - (iii) investing in projects aimed at enhancing energy efficiency in its Member States;
- to expand the geographic regions in which the Issuer operates by undertaking each of the following:
  - (i) involving new member states;
  - (ii) increasing the Issuer's relative and absolute portfolio exposure in the Republic of Armenia, the Republic of Tajikistan and the Republic of Belarus; and
  - (iii) ensuring a balanced diversification of the investment portfolios in the Member States.

In addition to investing in significant regional development projects, the Issuer is also required by its Charter to advise its Member States on issues of economic development, the effective use of resources and the expansion of trade and economic relations and to collect and analyse data on public and international finance. The Issuer also seeks to cooperate with other international organisations and foreign states interested in financing economic development and may carry out other activities that do not conflict with its objectives.

Strengths

The Issuer believes that it has four key competitive advantages over the national, regional and other international development banks as well as large local commercial banks operating within the region with which it competes:

- **Capitalisation and status**. The Issuer is highly capitalised, with a total capitalisation of U.S.$3.1 billion as at 30 June 2012. Accordingly, it can raise funds to finance large projects. In addition, the Issuer believes that its status as an international organisation with specific privileges, immunities and tax exemptions places it in a better position than many of its competitors. See " – *Legal Status, Privileges and Immunities*".

- **Political support**. One of the Issuer's purposes is to facilitate the integration process within the EurAsEC and it anticipates that a number of the projects in which it invests will be projects based on bilateral and multilateral treaties. The Issuer believes that this will generate a degree of political support for it within its Member States and, accordingly, will provide it with a competitive advantage over many of its competitors.

- **Regional Focus**. The Issuer has investment projects not only within the Russian Federation and the Republic of Kazakhstan, the Issuer's two founding Member States, but also within the Republic of Belarus, the Republic of Tajikistan and the Republic of Armenia. The Issuer anticipates that it will invest in projects in the Kyrgyz Republic, prospective Member States and adjacent territories within the region in the future. The Issuer believes that this regional focus will provide it access to information relevant to its target investment area that will facilitate the origination of additional projects.

- **Personnel**. The Issuer believes its unique purpose, regional visibility and competitive compensation allow it to attract and retain high quality personnel with knowledge and experience throughout its target investment region.

Lending and Investments

General

The Issuer, as an international development bank, provides long-term financing for investment projects, primarily in its Member States. The financing activities of the Issuer must conform with the Investment Regulations, which set out the main principles that guide the Issuer when considering investment projects. These principles are as follows:

- **Conformity with the Issuer's mission and strategic goals**. Any investment project being implemented by the Issuer must comply with its mission and strategic goals pursuant to a methodology approved by the Executive Board.

- **Compliance with international banking standards**. The Issuer finances projects in accordance with the principles of international banking practice, including those pertaining to loan term, interest rate, repayment and security.

- **Transparent investments**. The Issuer endeavours to be open toward the public, manage its investments in a transparent manner and follow the best corporate management practices of international development banks.

- **Avoidance of direct competition with commercial banks**. The Issuer endeavours to finance investment projects where such financing cannot be obtained by a borrower in commercial markets on acceptable terms.

- **Diversification of funding sources**. The Issuer seeks opportunities to obtain funding from commercial sources, including investments through public and private partnerships and private equity investment funds. The Issuer may also provide financing jointly with international financial institutions, commercial banks or other organisations.

- **High credit ratings**. The Issuer endeavours to have high credit ratings in order to have access to the most favourable terms of financing.

- **Social and environmental responsibility**. The Issuer endeavours to finance projects that minimise harm to the environment and do not deteriorate the social, working or living conditions of the population. Investments undertaken by the Issuer are intended to raise living standards and increase employment and social welfare in the local population.

- **Prohibited areas of investment**. The Issuer is prohibited from financing alcohol, tobacco or gambling businesses, or businesses that use forced or child labour or that involve activities prohibited by the laws of its Member States or international conventions pertaining to the protection of biological diversity of resources or cultural heritage.

- **Diversification of investments**. The Issuer endeavours to reasonably diversify its investments and avoid favouring any particular Member State or project.
- **Liquidity**. The Issuer endeavours to maintain liquidity and renew its funds by selling its investments to other investors on an arms-length basis.
- **Adequacy of investment profitability and risk**. When financing projects, the Issuer endeavours to ensure that profitability is commensurate with the level of risks involved.

Forms of Investments

The Investment Regulations provide that investments made by the Issuer may take a number of forms, including:

- **Lending**. Loans and debt financing may be provided on sound and commercially viable terms. The Issuer endeavours to exercise proper control over the use of funds by the borrower. The Issuer approves the rate of interest to be paid by borrowers on a case by case basis following an analysis of the project's risks, its cost and its conformity with the purpose and strategic objectives of the Issuer.
- **Equity participation**. Equity may be acquired by the Issuer during the period of a loan. Often, such participation will be made with a view to giving the Issuer access to the management framework of the borrower thereby allowing the Issuer to better assess and monitor the financial risk of a loan. Upon repayment of the loan, the Issuer may sell its equity interest either on market terms or in the manner agreed at the time the investment was made.
- **Private equity funds**. The Charter permits the Issuer to participate in, or establish, private equity funds to support and consolidate the financial infrastructure of the Member States. The Issuer may participate in existing funds that have a good reputation and experience operating in the markets of the Member States. Alternatively, the Issuer may establish such funds, whether jointly with other commercial enterprises, banks or international and national development institutions, or on its own with subsequent assignment of the management functions to a managing company. Although the Issuer is not prohibited from managing the funds itself, fund management is not an operational priority of the Issuer.
- **Other financial instruments**. The Issuer may offer other financial instruments, including leasing and guarantees.

Each of these forms of investment is discussed in more detail below.

Lending

One of the ways in which the Issuer provides financing for large infrastructure projects in the Member States is through the provision of loans and debt financing to corporate customers ("**loans to customers**") and to banks and financial institutions ("**loans to banks**").

Loans to Customers

The Issuer provides loan facilities to certain corporate customers in Member States for the purpose of financing specific projects which meet the following criteria established by the Issuer:

- the project will be implemented in a Member State;
- the project complies with the Issuer's mission and its strategic goals and objectives with respect to the facilitation of the sustainable economic growth of the Member States and the development of mutual investments and trade between such states;

- the project serves the social and economic interests of the national economies of the Member States, their growth and enhanced competitiveness;
- the project complies with certain environmental standards.

Corporate businesses are generally eligible for loans between U.S.$30 million and U.S.$100million. On average, the Issuer provides loan facilities of around U.S.$50 million.

The table below sets forth total loans to customers as at the dates indicated:

	As at 30 June 2012	**As at 31 December 2011**
	(U.S.$'000) *(unaudited)*	*(U.S.$'000)* *(audited)*
Loans to customers	1,406,493	1,343,996
Less allowance for losses	(9,236)	–
Total loans to customers	**1,397,257**	**1,343,996**

All of the U.S.$1,397.3 million and U.S.$1,344.0 million loans to customers (net of allowance for losses) as at 30 June 2012 and 31 December 2011, respectively, were secured loans.

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

	As at 30 June	**As at 31 December**	
	2012	**2011**	**2010**
	(U.S.$'000) *(unaudited)*	*(U.S.$'000)* *(audited)*	
Loans collateralised by real estate, equipment and inventories	748,365	657,179	491,950
Loans collateralised by guarantees	627,165	661,869	322,798
Loans collateralised by future cash inflows	30,963	24,948	25,419
	1,406,493	1,343,996	840,167
Less allowance for impairment losses	(9,236)	–	(19,214)
Total loans to customers	**1,397,257**	**1,343,996**	**820,953**

The following table sets forth the Issuer's exposure by sector as at the date indicated:

	As at 30 June	As at 31 December	
	2012	**2011**	**2010**
	(U.S.$'000) *(unaudited)*	*(U.S.$'000)* *(audited)*	
Analysis by sector:			
Transport and communication	570,687	564,205	306,386
Chemical industry	242,063	231,280	81,290
Agriculture	212,827	232,171	160,160
Mining and metallurgy	113,074	81,401	77,254
Energy	99,445	81,682	67,647
Infrastructure	19,060	2,219	–
Other processing	149,337	151,038	147,430
	1,406,493	1,343,996	840,167
Less allowance for losses	(9,236)	–	(19,214)
Total loans to customers	**1,397,257**	**1,343,996**	**820,953**

For information regarding the geographic concentration of loans to customers, see "*Risk Management—Geographic Concentration*" and for information regarding the currency of loans to customers, see "*Risk Management—Foreign Currency Risk Management*".

Loans to Banks

The Issuer provides the following five types of financing to banks and financial institutions in the Member States: (i) small- and medium-sized business ("**SMB**") Financing, (ii) Micro-business Financing; (iii) Trade Financing; (iv) Energy Efficiency Financing; and (v) Lease Financing. The banks and financial institutions then use the financing they receive from the Issuer to provide loan facilities, at their own risk, to borrowers that meet certain criteria. The Issuer may also provide loans to banks for the purpose of agribusiness and subordinated and syndicated financing.

The table below sets forth total loans to banks as at the dates indicated:

	As at 30 June 2012	As at 31 December 2011
	(U.S.$'000) *(unaudited)*	*(U.S.$'000)* *(audited)*
Loans to banks	248,062	238,515

For information regarding the geographic concentration of loans to banks, see "*Risk Management—Geographic Concentration*" and for information regarding the currency of loans to banks, see "*Risk Management—Foreign Currency Risk Management*".

SMB Financing

The Issuer provides loan facilities to banks and financial institutions in the Member States for the purpose of those banks and financial institutions financing the projects of their SMB clients. The banks and financial institutions select borrowers to provide loans to at their own risk and discretion, provided that such borrowers satisfy certain criteria laid down by the Issuer. The banks and financial institutions can use the financing they receive from the Issuer to provide loans to borrowers who are looking to:

- acquire and/or upgrade of fixed assets;

- expand and diversify their business;
- introduce new technologies;
- develop innovative activities;
- produce export and import substitutes;
- produce high value added competitive goods in non-resource sectors;
- expand mutual trade and investments between businesses in Member States for the account of exports, supply of equipment, raw materials, spare parts, other goods and services; and
- finance working capital.

Micro-business Financing

The Issuer also operates a Microfinance Support Programme, which is aimed at establishing favourable conditions for the development of micro-business in the Member States. The aim of the programme is to promote the establishment, expansion, modernization and diversification of micro-business in the Member States, to maintain and promote the existing micro-businesses and to develop trade and small commodity production. In the same way that the Issuer supports SMB clients, under the Microfinance Support Programme the Issuer provides loan facilities to banks and financial institutions in Member States who then provide loans, at their own risk and discretion, to micro-businesses in Member States, primarily trade and production companies with 15 or fewer employees.

Trade Financing

In addition, the Issuer also operates a Programme for the Development of Trade Finance Instruments and Expansion of Mutual Trade among Member States. This programme aims to increase the sources of funding in each of the Member States for corporates involved in international trade, thereby enhancing mutual trade between, and further integration of, Member States. Pursuant to this programme, the Issuer provides specific-purpose credit facilities to banks and financial institutions, who then use these credit facilities to provide credit facilities to their corporate clients, exporters and importers.

Energy Efficiency Financing

The Issuer operates a Programme for Energy Efficiency Improvements in the Member States. This programme aims to decrease overall energy consumption, optimise the use of energy resources and implement renewable energy projects in the Member States. Pursuant to this programme, the Issuer provides specific-purpose credit facilities to banks and financial institutions, who then use these credit facilities to grant loans to their corporate clients in the energy sector in order to finance projects which reduce or optimise energy consumption.

Lease Financing

The Issuer operates a Programme for the Financing of Lease Operations among the Member States. This programme aims to develop the economies of the Member States by helping businesses based therein increase their competitiveness, efficiency and production volumes by modernising and upgrading their equipment and facilities. Pursuant to this programme, the Issuer provides specific-purpose credit facilities to banks and their subsidiary leasing companies, who then use these credit facilities to finance the purchase of facilities and equipment to be leased to companies in the Member States.

Top 20 Loans to Customers and Banks

As at 30 June 2012, the Issuer's portfolio of loans to customers and banks consisted of 60 committed loans to 49 customers and banks. The following table sets forth the Issuer's top 20 loans by amount committed by the Issuer to customers and banks:

Investment project	Location of Project	Total expected cost by the Issuer	Amount committed committed by the Issuer	Outstanding amount committed by the Issuer as at 30 June 2012	Per cent. of total amount committed by the Issuer as at 30 June 2012	Sector
				(U.S.$'000,000) (unaudited)		
Ekibastuz Project Gres-2 (2)	Republic of Kazakhstan	789.2	384.9	8.5	11.7%	Energy and energy infrastructure
Western Speed Diameter (Highway).............................	Russian Federation	3,806.8	308.4	0.0	9.4%	Transport and transport infrastructure
Tikhvin Rail Car Plant Facility	Russian Federation	1,044.3	283.7	283.7	8.7%	Transport and transport infrastructure
Partner-Tomsk (including North-West Leasing company)	Russian Federation	215.3	103.0	103.0	3.1%	Other processing industry
Altynalmas	Republic of Kazakhstan	146.0	100.6	84.7	3.1%	Metallurgy chemicals,
Belaruskali	Republic of Belarus	1,000.0	100.0	100.0	3.1%	Chemicals, electrochemistry and mineral fertilizers
Usol Sibir Silicone (Nitol)	Russian Federation	835.8	100.0	100.0	3.0%	Chemicals, petro-chemistry and mineral fertilizers
Vitebskenergo	Republic of Belarus	142.7	99.8	34.1	3.0%	Energy and energy infrastructure
Infrastructure Fund «Macquarie Renaissance Infrastructure Fund»	n/a	630.0	97.8	65.6	3.0%	Private equity fund
Sukhoi Civil Aircrafts.............	Russian Federation	1,349.2	92.9	92.9	2.8%	Transport and transport infrastructure
Argunenergo	Russian Federation	91.9	91.9	0.0	2.8%	Energy and energy infrastructure
Northern Capital Gateway	Russian Federation	1,460.5	90.0	12.8	2.7%	Transport and transport infrastructure
Yakutugol	Russian Federation	1,233.6	86.4	86.4	2.6%	Transport and transport infrastructure
Ekibastuz Project Gres-2 (1)	Republic of Kazakhstan	93.5	77.3	25.2	2.4%	Energy and energy infrastructure
RAIL 1520	Russian Federation	107.1	75.0	12.4	2.3%	Transport and transport infrastructure
APK-Invest (1)	Republic of Kazakhstan	75.0	75.0	75.0	2.3%	Agriculture
Bank Centercredit...................	Republic of Kazakhstan	70.0	69.3	69.3	2.1%	SMB Financing
Gaztehleasing/Leasing Stroy Invest...........................	Russian Federation	44.1	67.8	0.0	2.1%	Transport and transport infrastructure
Osipovichi Rail Car Plant Facility	Russian Federation	130.2	63.5	55.3	1.9%	Transport and transport infrastructure
Kazatomprom	Republic of Kazakhstan	64.9	51.7	0.0	1.5%	Chemicals, petro-chemistry and mineral fertilisers
Other	N/A	1,860.0	861.0	596		
Total		**15,190.2**	**3,280.0**	**1,804.9**	**100.0**	

Project Pipeline for the second half of 2012

Approved Projects

In addition to the above, by 30 June 2012 the Issuer had signed non-binding commitments in respect of six new projects which have been approved by the Credit Committee, the Executive Board and, where necessary, the Council, representing financing by the Issuer in the aggregate amount of U.S.$0.55 billion. These projects remain subject to further diligence and negotiations.

Each of the six projects are described in the table below. Each project is subject to due diligence and negotiation of contractual terms and no assurance can be given that the Issuer will agree contractual terms with the relevant borrower or that the projects will be completed at the investment levels described below.

Investment project	**Location of project**	**Total expected cost of project**	**Amount approved to be committed by the Issuer**	**Per cent. of total amount approved to be committed by the Issuer**	**Sector**
			(U.S.$'000,000) *(unaudited)*	*(%)*	
Development of a facility for the construction of electric locomotives in the Republic of Kazakhstan	Republic of Kazakhstan	124.8	67.0	12.1%	Transport infrastructure
Construction of a railway carriage repair complex and a railway carriage washing and steaming station in the Republic of Kazakhstan	Republic of Kazakhstan	70.0	56.0	10.1%	Transport infrastructure
Construction of an innovative biomedical plant producing vaccines and drugs, including through the use of nanotechnologies, in the Russian Federation	Russian Federation	124.3	46.6	8.5%	Chemical industry
Financing an investment programme of TGK-13, including financing the construction of a new power unit at a heat and power plant in Abakan	Russian Federation	321.5	273.2	49.4%	Energy industry
Financing the launch of a Class A industrial warehouse complex....	Russian Federation	139.1	100.0	18.1%	Transport infrastructure
Guarantee of KazAgroFinance's.. debt obligations	Republic of Kazakhstan	20.0	10.0	1.8%	Agricultural industry
Total		**799.8**	**552.8**	**100%**	

Potential Projects

As at 30 June 2012, the Issuer was considering 31 further projects, the estimated total financing cost of which was U.S.$11.67 billion. As the Issuer would not provide 100% of the funding for each project, as at 30 June 2012 the amount of financing expected to be put forward by the Issuer in respect of these projects was U.S.$1.76 billion.

Equity Participation

On 15 October 2008, the Issuer acquired 3% of the common shares of Bank of Khanty-Mansiysk JSC ("**BK-M**") in the amount of approximately RUB1.1 billion. The Issuer's 3% interest entitles it to one seat on

BK-M's board of directors. BK-M is a Russian credit organisation of federal significance, which has a diversified resource base and offers a full range of banking products and services. Its major shareholder is OJSC NOMOS - BANK, a credit organisation registered in the Russian Federation. The acquisition of the shares is consistent with the Issuer's strategy to promote further development of the financial sector of the Member States and to place it in a position to assess and monitor the financial risk associated with its investments.

Private Equity Funds

In addition to supporting and consolidating the financial infrastructure of the Member States, the Issuer's objectives in participating in, or establishing, private equity funds include creating high yield opportunities. On 20 December 2010, the Issuer committed U.S.$100.0 million to the Macquarie Renaissance Infrastructure Fund (the "**MRIF**"). Other investors in MRIF include Vnesheconombank, Kazyna Capital Management, Renaissance Capital Holdings Limited, Macquarie Capital Group Limited, the European Bank for Reconstruction and Development and the International Finance Corporation. The primary investment objective of the MRIF is to establish a diversified portfolio of equity and equity-related investments in infrastructure projects located in the Russian Federation and other CIS countries. The MRIF has U.S.$630.0 million of capital, and it is expected that the portfolio investments of the MRIF in the Russian Federation and Kazakhstan will account for 50% and 20% of the fund, respectively.

Export Credit Financing

The Issuer entered into framework credit agreements with Deutsche Bank AG in 2007, BNP Paribas in 2008 and Landesbank Berlin AG in 2009. According to these agreements, the Issuer may provide its clients with medium and long-term financing under the guarantee or insurance coverage of OECD export credit agencies, including Hermes and SACE, among others. The terms and conditions of these agreements allow the Issuer's customers to obtain loans for the purchase of goods manufactured in OECD countries as well as any services rendered in connection with such purchase. The total amount of financing is expected to be approximately 85% of each contract value, and the financing is expected to have an average maturity of seven to ten years. As at 30 June 2012, the Issuer had not drawn down the Deutsche Bank AG or BNP Paribas credit facilities.

On 17 November 2009, the Issuer entered into an individual loan agreement under the framework credit agreement with Landesbank Berlin AG to provide financing to CSC Olim-Textiles, a company in the Republic of Tajikistan, for the delivery of equipment to launch a production line for a cotton spinnery and related services. Landesbank Berlin AG has made available to the Issuer a loan of approximately U.S.$21.0 million in connection with this individual loan agreement. As at 30 June 2012, the outstanding principal amount under this individual loan agreement was U.S.$18.7 million.

Management and Consulting Services

Anti-Crisis Fund

The ACF is a multilateral fund which provides two types of funding, comprising (i) sovereign loans and stabilisation credits provided to ACF members; and (ii) investment loans provided to ACF members or companies implementing interstate investment projects in ACF member states. The ACF was created in order to help mitigate the effects of the global economic downturn, which began in mid-2007, in ACF member countries. The ACF was formed on 9 June 2009 by treaty among the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Kyrgyz Republic, the Republic of Tajikistan and the Republic of Armenia. The ACF has an authorised capital of U.S.$8.5 billion, comprised of initial contributions from the Russian Federation (U.S.$7.5 billion), the Republic of Kazakhstan (U.S.$1.0 billion), the Republic of Belarus (U.S.$10.0 million), the Republic of Armenia, the Kyrgyz Republic and the Republic of Tajikistan (U.S.$1.0 million each). As at the date of this Base Prospectus, each ACF member has contributed 10% of its initial contribution in cash with the remaining 90% in non-negotiable, non-interest bearing promissory notes, payable on request. The ACF is an entirely separate entity from the Issuer and, as such, its results of operations, assets and liabilities are not included in the Issuer's Financial Statements.

On 9 June 2009, the governing council of the ACF entered into a management agreement with the Issuer whereby the Issuer was appointed as the manager of ACF resources (the "**ACF Resources Manager**") subject, accordingly, to the supervision and oversight of the governing council of the ACF. In accordance with the management agreement with the ACF, the Issuer, as the ACF Resources Manager, will, *inter alia*, appraise applications for financing by the ACF, provide financing from the ACF's funds in accordance with signed financing agreements, monitor the performance of obligations under ACF financing agreements, assess the efficiency of projects and operations financed by the ACF, keep records on the recipients' indebtedness, recover overdue debts and other amounts owed, open and maintain ACF accounts and credit money to such accounts, invest idle cash of the ACF and handle promissory notes issued by the ACF members. On-lending through the Issuer is prohibited by ACF regulations. On 11 December 2009, the Issuer adopted internal guidelines for the performance of its functions as the ACF Resources Manager. In accordance with these guidelines, the Chairman of the Executive Board has the authority to represent the Issuer in the performance of its ACF management functions and can delegate this authority to other members of the Executive Board and employees of the Issuer.

The ACF started taking applications for financing in December 2009 and began disbursing funds in 2010. According to regulations for investment loans adopted by the governing council of the ACF, the ACF may only fund projects that have no other sources of financing available on commercially justifiable terms.

On 20 August 2010, the ACF disbursed its first loan, a US$70.0 million loan to the Ministry of Finance of the Republic of Tajikistan to be used by the Government of Tajikistan to maintain its committed level of financing for education, health and other social programs. On 4 June 2011, the ACF approved a U.S.$3.0 billion, ten-year financing facility for the Republic of Belarus. This ten-year financing facility is to be disbursed in six tranches during 2011-2013, has a three-year grace period, carries interest at a floating rate based on the Russian Federation's cost of funding in the international loan markets (but not exceeding 4.9% annually) and has been provided in order to support the Belarusian Government's stabilisation programme, which is primarily focused on stabilising the balance of payments and increasing the competitiveness of its economy. The first tranche of the facility, comprising U.S.$800.0 million, was disbursed on 21 June 2011. The second tranche of the facility, comprising U.S.$440.0 million, was disbursed on 30 December 2011 upon satisfaction of various condition precedents imposed by the ACF's Fund Council (being the body responsible for the approval of funding provided by the ACF). The third tranche of the facility, comprising U.S.$440.0 million, was disbursed on 15 June 2012 in accordance with the ACF Fund Council's decision to make a disbursement at its meeting on 8 June 2012. The ACF Fund Council also approved a Letter of Intent given by the Government of Belarus and the National Bank of Belarus which contained stabilisation programme measures to be implemented in Belarus in 2012. The implementation of such measures will trigger the disbursement of the fourth and the fifth tranches of financing under the financing facility.

The Issuer is reimbursed for budgeted expenses incurred by it and approved by the governing council of the ACF in connection with its activities as ACF Resources Manager. The Issuer can unilaterally stop acting as ACF Resources Manager upon written notification to the ACF, whereupon it will transfer all of ACF's assets to a new ACF Resources Manager designated by the ACF.

Investment Consultation

The Issuer may act as an investment consultant when implementing investment projects that correspond to the primary sectors of the Issuer's investment activity, including the structuring of financing. The Issuer may receive commissions based on the results of investment activity.

From 2006 to 2010, the Issuer signed memoranda of understanding with, among others, the World Bank, the Kazakhstani Kazyna Fund for Sustainable Development (the Fund was merged with Samruk Kazakhstan Holding for State Assets Management into JSC Sovereign Wealth Fund «Samruk-Kazyna»), Kazyna Capital Management, National Holding KazAgro, the Japan Bank for International Cooperation, the Islamic Development Bank, the China Development Bank, National Company SaryArka Social-Enterprise Corporation, National Company Yertis Social-Enterprise Corporation, the Department CAREC of the Asian Development Bank, the Food and Agriculture Organization of United Nations, the Office of the Permanent Coordinator of the United Nations in Kazakhstan, Renaissance Capital Holdings Limited, Macquarie Capital

Group Limited, the Open Joint-Stock Company AKB "National Reserve Bank" (OAO AKB "Nacional'nyj Rezervnyj Bank"), Interbank Association "Shanghai Cooperation Organisation", the International Bank of Reconstruction and Development, the Interstate Bank, and the World Customs Organization. The Issuer has also signed similar memoranda with certain governments of constituent parts of the Russian Federation, such as the government of the Republic of Tatarstan and the governments of the Khanty-Mansiysk autonomous district and the Novosibirsk and Astrakhan regions of the Russian Federation. The memoranda state that the parties intend to actively exchange experience and information on potential investment projects and other information in order to facilitate the expansion of bilateral economic relations and allow for the participation of another party as a co-investor and/or arranger of financial projects.

Information and Research Activity

The Issuer established a Research Department in order to collect and analyse information on the condition of the economies and financial markets of its Member States, current investment opportunities in their territories, monetary and credit policies and legal matters concerning banking and currency related regulations. Information prepared by the Research Department is made available to each of the Member States and their agencies and, where approved by the Council, to third parties. Each of the reports that have been published (including reports on water and nuclear energy, electric power markets and transport corridors) are available free of charge to all interested parties.

The Issuer focuses its research and analysis on cross border cooperation and projects within the Russian Federation, the Republic of Kazakhstan and adjacent states. The Issuer also closely follows the EurAsEC initiatives, intergovernmental commissions and the research of business entities and research institutes. The Issuer believes its specialised research activities allow it to identify opportunities in a timely manner.

In accordance with its Charter, the Issuer created the Technical Assistance Fund to finance pre-investment research, support regional integration programmes and implement research aimed at economic growth, the development of a market economy in each of the Member States and the expansion of commercial and economic relationships between them.

The Technical Assistance Fund provides financing to a number of programmes designed to identify attractive investment opportunities in the member-states of the Issuer as well as in the Republic of Uzbekistan and Ukraine. The industry distribution of the projects financed through Technical Assistance Fund includes the chemical industry, the aircraft industry, the water transport industry and the agriculture machinery industry. The Technical Assistance Fund is focuses its attention on multi-sector and specialised studies in the area of regional integration.

The Issuer is involved in monitoring the market integration processes within the EurAsEC area and the CIS and works closely with various industry councils within the CIS, with other bodies within the EurAsEC (including, for example, its integration committee) as well as the Council of Governors of the Central Banks of the EurAsEC members.

In particular, the Issuer is financing a comprehensive action plan for development of automobile and rail roads included in the list of the EurAsEC transport routes. The Technical Assistance Fund also participates in exploring a prospective dimension of innovative developments in the Republic of Belarus and the Republic of Kazakhstan as well as in a study of scientific and technology cooperation capacity between the Russian Federation and the Republic of Ukraine.

The Issuer has also financed marketing and legal studies for various investment projects, including analysis of agriculture machinery and municipal engineering in the CIS countries, prospects of frontier trade in neighbouring regions of the Russian Federation and Kazakhstan, development of interstate cooperation policy between the Russian Federation and Ukraine through the Technical Assistance Fund.

In 2011, the Centre for Integration Studies, which operates under the Issuer's umbrella of activities, commenced its operations. The objectives of the Centre are as follows: organisation of research, preparation of reports and recommendations to the governments of Member States on matters concerning regional economic integration. The Centre is a mobile and a dynamic structure implementing numerous projects and conducting major continuous studies, including the "System of Indicators of Eurasian Integration", "Monitoring of Mutual Investments in the Member States of the CIS" and the "Integration Barometer", as well as publishing articles and monographs. The Centre carries out activities in the following fields:

- research on trade, economic and corporate integration, including assessment of the economic effects of the establishment of a customs union and common economic space, unification of legislation, the activities of corporations in the former Soviet states and the establishment of Eurasian multinational companies;
- research on events, phases and terms of establishment of the Eurasian Economic Union;
- research on fiscal, currency and financial integration, including the integration of securities markets,
- systematic research of Eurasian integration based on the theories and concepts of regional and global integration;
- publication of a range of periodicals (a quarterly Journal of Eurasian Integration in Russian, the Eurasian Integration Yearbook), and the hosting of conferences and round tables.

The Issuer believes that these activities support its investment activities and lead to a better understanding of the market integration processes in the EurAsEC and the CIS.

Capital Adequacy

Due to its status as an international organisation, the Issuer is not subject to any external formal minimum capital adequacy requirement. However, the Issuer's Executive Board has adopted the Internal Guidelines Regulation which stipulates, among other things, that the Issuer should maintain its minimum capital adequacy ratio calculated on the basis of Basel II principles at no less than 16.0%. As at 30 June 2012 and 31 December 2011, the Issuer's capital adequacy ratio calculated on the basis described above was 50.60% and 52.93%, respectively.

Share Capital, Shareholders and Dividends

As at 30 June 2012, the total authorised equity capital of the Issuer was U.S.$1,515,700,000 divided into 1,515,700 shares, each with a nominal value of U.S.$1,000. As initial subscribers to the Issuer's shares, the Russian Federation and the Republic of Kazakhstan subscribed for 1,000,000 and 500,000 shares, respectively. Subsequently, the Republics of Belarus, Tajikistan, Armenia and the Kyrgyz Republic have subscribed for 15,000, 500, 100 and 100 shares, respectively. As of 30 June 2012, the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic had contributed U.S.$1.0 billion, U.S.$500.0 million, U.S.$15.0 million, U.S.$0.5 million, U.S.$0.1 million and U.S.$0.1 million, respectively. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition – Equity*". At the Council's meetings, each paid share entitles the Member State shareholder to one vote. See "*Management – The Council*".

The Issuer may pay dividends based upon a resolution of the Council provided that the Issuer's reserves amount to at least 15% of the authorised equity capital of the Issuer. However, the Issuer has not paid any dividends to date and does not have any plans to pay dividends in the near term.

The authorised equity capital of the Issuer may be increased by a decision of the Council. Upon any increase in equity, current participants are entitled, but not required, to acquire new shares on a pre-emptive basis.

The Charter provides that further interested states or international organisations may become members of the Issuer and the Issuer expects that other states within the EurAsEC, in particular, may become members in the future. Such participation will require a resolution of the Council, accession to the Establishing Agreement and the acquisition of shares in the Issuer. See "*– Introduction and Overview*".

The Issuer's equity capital is treated as a liquidity reserve to fund its treasury portfolio and as a rule cannot be used for lending purposes (except on a short-term basis, up to a maximum internal limit of 30% of the total equity capital and subject to approval by the Executive Board). See "*Risk Management—Liquidity Risk Management*".

Competition

The Issuer operates in a relatively competitive market for the provision of financing to development projects. The Issuer's principal competitors are national, regional and other international development banks as well as large local commercial banks operating within the region (including the EurAsEC markets), although the Issuer attempts to avoid direct competition with commercial banks where possible. The Issuer does not, however, believe that it competes with the smaller-sized commercial banks also active in the region. Such commercial banks tend to provide shorter-term funding, have target industries that are different from those of the Issuer and, as a rule, are less competitive than the Issuer in terms of interest charged. Additionally, other development banks have their own lending criteria and focus and these do not generally overlap with the Issuer's business. In certain cases, the Issuer and other development banks cooperate in the provision of loan facilities to borrowers.

Legal Status, Privileges and Immunities

The property and assets of the Issuer that are located in the respective territories of its Member States are immune from all forms of seizure, attachment, execution, search, requisition, arrest, confiscation or expropriation before the delivery of a final judgment against the Issuer. The archives, property and information belonging to the Issuer are inviolable in the territories of its Member States. The members of the Council, the Chairman of the Executive Board, all Deputy Chairmen of the Executive Board, members of the Executive Board and all employees of the Issuer are granted immunity from most judicial or administrative prosecutions against actions carried out by them whilst performing their official duties to the Issuer.

To the extent required by the Issuer in order to achieve its objectives or perform its duties, all of the Issuer's property and assets are free from all restrictions, injunctions and moratoria. However, the Charter allows the Council to waive any immunity, privilege or benefit granted by the Charter (either with or without conditions attached to such waiver) if it is in the interests of the Issuer to do so. The Chairman of the Executive Board is obliged to waive any immunity or privilege concerning any employee of the Issuer (except members of the Executive Board) when, in his or her opinion, such immunity or privilege would be detrimental to justice, and when such a waiver would not cause any harm to the Issuer. In similar circumstances and under the same conditions, the Council is obliged to waive any immunity or privilege concerning the members of the Executive Board.

The Issuer, its income, property and other assets, as well as all of the operations and transactions carried out by it in accordance with the Charter within the territory of its Member States are exempt from all taxes, levies, duties and other payments except for certain fees for services rendered. All obligations under securities issued by the Issuer together with all interest or dividends payable thereon are paid by the Issuer free of tax in the Member States.

The Issuer is exempt from licensing, supervision and regulation, including by the central banking authorities of the Member States.

Disputes between the Issuer and the government of any Member State under agreements between the Issuer and a Member State are to be resolved first by negotiation and second, if those negotiations fail, by arbitration.

Technology

The Issuer uses information technology from well known market leaders. Information technology infrastructure and data processing are centralised at the head office, which connects other offices to all the data and applications through specialised facilities featuring automatic user identification and encryption.

The main information systems currently in place include corporate electronic mail and facilities for collateral data processing based on Microsoft technologies, a system of electronic document circulation also used under Microsoft DBMS, a banking account system based on Oracle DBMS, a data warehouse system based on Oracle OFSA technology and a remote access system to the Issuer's data and applications from Citrix technology. During the course of 2011, the Issuer purchased new equipment and software at a total cost of approximately U.S.$ 0.7 million. In addition, for the year ended 31 December 2011, the total expenses incurred by the Issuer in relation to the maintenance and support of software, equipment and connection channels was U.S.$ 3.8 million. During the course of 2012, the Issuer plans to purchase new equipment and software at a total cost of approximately U.S.$ 1.5 million. As at 30 June 2012, the Issuer had purchased new equipment and software at a cost of U.S.$0.3 million.

To mitigate the effects of technological failures on the Issuer's business, the Issuer maintains standby and spare data servers in Almaty and spare data centres in St. Petersburg and Moscow. Additionally, the Issuer maintains alternative SWIFT and Internet connection providers. The Issuer alternates its SWIFT communication between the channels of two different providers every month. The Issuer anticipates that, if necessary, the Issuer's Internet connection would be switched to another of the Issuer's providers if the connection of the provider then in use is not working. The Issuer also has alternative power sources available to it, including an electric generator. See "*Risk Factors – Risk Factors Relating to the Issuer – Operational risk*".

Property

The headquarters of the Issuer are located at 220 Dostyk Street, 050051, Almaty, the Republic of Kazakhstan and the Issuer's telephone number is +7 (727) 244 40 44. The Issuer has a fully operating branch office in St. Petersburg, Russian Federation and has representative offices in Moscow, Russian Federation, Astana, Republic of Kazakhstan, Dushanbe, Republic of Tajikistan, Yerevan, Republic of Armenia, Minsk, Republic of Belarus and Bishkek, Kyrgyz Republic.

Employees

As at 30 June 2012, the Issuer had 284 employees.

MANAGEMENT

General

The Charter provides that the Issuer is governed by the following:

- the Council, which is the supreme management body of the Issuer and carries out the strategic and general management of the Issuer's activities;
- the Executive Board, which is regulated by, and accountable to, the Council and oversees the day-to-day administration of the Issuer; and
- the Chairman of the Executive Board, who manages the Issuer and the Executive Board with powers vested in him by the Charter and the Council.

The Council

The Council is the supreme management body of the Issuer and is responsible for the overall supervision of its activities. Each Member State appoints, in its sole discretion, one plenipotentiary representative and one alternate plenipotentiary representative, both of whom are members of the Council. As at the date of this Base Prospectus, the Council consists of twelve members so appointed by the Russian Federation, the Republic of Kazakhstan, the Republic of Armenia, the Republic of Tajikistan and the Kyrgyz Republic.

Member States do not have equal votes at Council meetings. Rather, each Member State is allocated the equivalent number of votes in the Council as are allocated to it by the amount of its shares in the Issuer's charter capital. Unless otherwise specified in the Charter, matters are decided at Council meetings by the affirmative vote of the holders of a majority of the share capital.

As at 30 June 2012, the Russian Federation held approximately 66.0% of the issued and outstanding shares of the Issuer. Accordingly, the representatives of the Russian Federation will be able to determine most matters relating to the operations of the Issuer without the concurrence of any other Member State. However, the affirmative vote of the holders of three-fourths of the share capital is required to (i) determine the Issuer's major lines of business, (ii) admit new shareholders, (iii) make decisions with respect to increasing or decreasing the Issuer's equity capital or reallocating equity capital among shareholders, (iv) make decisions with respect to opening branches and establishing subsidiaries, (v) suspend a Member State's rights as a shareholder of the Issuer, (vi) amend the Charter and (vii) make decisions to suspend operations and dissolve the Issuer. In addition, the Issuer has established its corporate governance policies, which allow the Issuer to ensure the required balance of interests among its Member States, protection of minority shareholders and maintain its credit ratings at a level not less than the respective credit ratings of its founding Member States.

The Chairman of the Council is elected on an annual basis and is currently Mr. Storchak, Deputy Minister of Finance of the Russian Federation. The Chairman of the Executive Board may participate in meetings of the Council as a non-voting member.

The Council may delegate powers to the Executive Board, except for certain matters reserved for the Council, including the acceptance of new members, increasing or decreasing the Issuer's equity capital, redistributing the Issuer's equity capital between members, nominating and dismissing the Chairman of the Executive Board, establishing branches and subsidiaries, temporarily suspending membership of a member, suspending the Issuer's operations and amending the Charter.

The Council meets at least twice a year but is also required to meet at the request of the Executive Board, the Chairman of the Executive Board or any Member State or group of Member States holding not less than one-quarter of the Issuer's paid in equity capital.

As at the date of this Base Prospectus, the following persons have been appointed as members of the Council:

Name	Title	Appointed By
Sergey Storchak	Deputy Minister of Finance of the Russian Federation	Russian Federation
Bolat Zhamishev	Minister of Finance of the Republic of Kazakhstan	Republic of Kazakhstan
Albert Rau	First Vice Minister of Industry and New Technologies of the Republic of Kazakhstan	Republic of Kazakhstan
Vache Gabrielyan	Minister of Finance of the Republic of the Republic of Armenia	Republic of Armenia
Iosif Isayan	Deputy Minister of Energy and Natural Resources of the Republic of Armenia	Republic of Armenia
Safarali Nadjimiddinov	Minister of Finance of the Republic of Tajikistan	Republic of Tajikistan
Shuhratjon Rahmatboyev	First Deputy Chairman of the State Committee for Investments and State Property Management of the Republic of Tajikistan	Republic of Tajikistan
Nickolai Snopkov	Minister of Economics of the Republic of Belarus	Republic of Belarus
Akylbek Zhaparov	Minister of Finance of the Kyrgyz Republic	Kyrgyz Republic
Temir Sariyev	Minister of Economy and Antimonopoly Policy of the Kyrgyz Republic	Kyrgyz Republic

The business address of the Council is 220 Dostyk Street, 050051, Almaty, the Republic of Kazakhstan.

Executive Board

The Executive Board is responsible for the conduct of all of the day-to-day administration of the Issuer that is not specifically reserved for the Council and exercises all powers delegated to it by the Council.

The Council determines the number of members of the Executive Board and appoints and dismisses members of the Executive Board. Any person who is a member of the Council may not simultaneously be a member of the Executive Board and vice versa. The Charter requires that meetings of the Executive Board be held at least once every two months; however, the Executive Board has historically met more frequently. Meetings are quorate if not less than two-thirds of the total members of the Executive Board are present. Each member of the Executive Board has one vote and a resolution is passed by a simple majority of votes at a meeting that is quorate. The Chairman of the Executive Board has the authority to cast the deciding vote in the case of an equal split of votes.

As at the date of this Base Prospectus, the Executive Board comprises ten members, five of whom have served with the Issuer since its inception. Certain biographical information regarding members of the Executive Board is provided below:

Name and position	Background and principal outside activities and duties
Igor Finogenov Chairman of the Executive Board	Graduated from the Leningrad Shipbuilding Institute and the USSR Academy of Foreign Trade; completed a training course for top executives at Harvard Business School. From 2000-2005 was the President and Chairman of the Executive Board of NOMOS-BANK. In 2005, he was appointed as the Assistant to the Minister of Finance of the Russian Federation. On June 16, 2006 he was appointed as the Chairman of the Executive Board.
Gennady Zhuzhlev Deputy Chairman of the Executive Board	Graduated from the Tsiolkovsky Moscow State Technological University and the Moscow International Higher Business School "Mirbis". In 1996-2003 he occupied various positions in "MDM-Bank". In 2003-2008 he was the Executive Director of the "URALSIB" Financial Corporation, where he managed the project finance and direct investment departments of the Central Regional Direction. Starting from July 2008, he has been working at the Issuer as Director of the Project Finance Group. On June 3, 2010 he was appointed as the Deputy Chairman of the Executive Board.
Viktor Bolyassnikov Deputy Chairman of the Executive Board	Graduated from the Moscow State Institute of International Relations of the USSR Ministry of Foreign Affairs. From 2001-2004 he worked as the Adviser to the Deputy Head of the Government, Minister of Finance of the Russian Federation. From 2004 to 2006, he was the Deputy Director of Department in the Ministry of Finance of the Russian Federation and Counsellor of State of the Russian Federation, 2nd degree. On June 16, 2006 he was appointed as the Deputy Chairman of the Executive Board of the Issuer.
Marat Djaukenov Deputy Chairman of the Executive Board)	Graduated from the Kazakh State Academy of Management. From 1994-1997 he worked in the National Bank of Kazakhstan. From 1997-1998 he was the Director of the Accounting Department and Affiliate Management for Bank TuranAlem. From 1998 to 2007 he worked in HSBC Kazakhstan, initially as the Financial Controller and Chief Accountant, and from 2003 as the Deputy Chairman of the Board. In April 2007 he began working at the Issuer as the Chief Financial Officer and, on August 2, 2007, was appointed as the Deputy Chairman of the Executive Board. Currently he also holds the position of Independent Director at "Centas Insurance" JSC.
Dmitry Zhurba Deputy Chairman of the Executive Board	Graduated from the Novosibirsk Electrical Engineering Institute in 1989, majoring in electronic engineering. In 1989, he joined the Semiconductor Physics Institute of the USSR Academy of Sciences' Siberian Department as an intern researcher. From 1992 to 1993, he was the Vice President of the West Siberian Stock Exchange. In 1994-1998, he was the General Director of the Alemar Investment and Finance Corporation. In 1998-1999, he was the First Deputy General Director of Krasnoyarskenergo. In 1999-2000, he was the First Deputy Executive Director of the state-run Rosenergoatom. In 2000-2005, he was the Financial Director and member of the Executive Board of RAO UES of Russia. From September 2005 to November 2007, he was the Vice President of the Alemar

Investment and Finance Corporation and from November 2007 its President. In October 2011, he was appointed as the Deputy Chairman of the Executive Board of the Issuer. Mr. Zhurba manages and coordinates the Issuer's investment activities.

Sergey Shatalov
Deputy Chairman of the Executive Board, Managing Director of the EurAsEC Anti-Crisis Fund Department

Graduated from Moscow State University with a PhD in Economics. In 1978-1989 he was a research officer and senior research fellow of the Africa Institute of the USSR Academy of Sciences. In 1989-1991 he served as the Director of the Center for Global and Strategic Studies of the Africa Institute of Russian Academy of Sciences. In 1991-2006 he worked as an expert of the World Bank in most countries of Europe and Central Asia, and in a number of countries in Eastern Asia, the Middle East and Africa, supporting governments in the formulation and implementation of sustainable macroeconomic and fiscal policies and developing public finance institutions. In 2006-2010 held the position of the World Bank Country Manager for Kazakhstan. In February 2010 he was appointed as the Managing Director of the EurAsEC Anti-Crisis Fund Department and in December 2010 was appointed as the Deputy Chairman of the Executive Board of the Issuer.

Dmitry Krasilnikov
Member of the Executive Board, Managing Director (Corporate Finance)

Graduated from the State Finance Academy and received an MBA from Cornell University (USA). From 2001-2003 he worked at Schroder Salomon Smith Barney investment bank. From 2003-2005 he was the Vice President of ING Bank (Eurasia), and from 2005-2006, the Managing Partner of Taiga Capital. On June 16, 2006 he was appointed as the Member of the Executive Board of the Issuer, Head of Corporate Finance and Financial Institutions.

Vladimir Yassinsky
Member of the Executive Board, Managing Director (Analytical Department)

Graduated from Moscow State University and completed postgraduate studies at the Institute of Economics of the USSR Academy of Sciences. From 1982 - 1989 he taught in the School of Political Economy of the People's Friendship University. He has extensive experience working in foreign countries. From 1989 – 1992 he worked as a third secretary of the USSR embassy in Nepal, from 1992 – 1997 he worked as a deputy trade representative of the Russian Federation in India and from 1998-2002 he worked as a deputy trade representative of the Russian Federation in China. From 2002, he acted as Deputy Director of the representative office of OAO Gazprom in the People's Republic of China. On 16 June 2006, he was appointed as a Member of the Executive Board of the Issuer, Head of Research.

Sergey Elagin
Member of the Executive Board, Director of Treasury

Graduated from the astronautics faculty of Moscow State Aviation Institute and the Moscow International Higher Business School "Mirbis". Holds an MBA degree. Since 1994, he has worked in the financial markets. In 1994-1997 he was the deputy director general and director general of AlmazZoloto Finance Investment Company. In 1997-2004 he worked in a number of Russian banks as the head of the securities and financial markets departments, CFO, and head of a branch. In 2004-2006 he worked as department head responsible for liquidity regulation and market risk analysis at Nomos-Bank Treasury. From 2006 to the present he has been working as the Treasury Director of the Issuer. On January 15, 2010 by the decision of the Issuer's Council he was appointed as the Member of the Executive Board of the Issuer.

Berik Mukhambetzhanov Member of the Executive Board, Managing Director (Finance)	Graduated from the Kazakh State Academy of Management. In 1993-1997 he worked in the National Bank of Kazakhstan. From 1997 to 1998 he worked in Bank TuranAlem. From 1998 to 2006 he worked in HSBC Kazakhstan, initially as the Deputy of the Financial Controller, and from 2003 as Financial Controller and Member of the Management Board. In 2006 he was the Director of the Audit Department in Samruk Holding. Starting from September 2007 he began working at the Issuer as the Head of Planning and Reporting Department, from September 2010 he was appointed as the Managing Director for Finance and in December 2010 he was appointed as a Member of the Executive Board of the Issuer. In September 2009, he also accepted an appointment as an independent member of the Board of Directors of "Kazakhinstrakh" JSC.

The business address of each Member of the Executive Board is 220 Dostyk Street, 050051, Almaty, Kazakhstan.

Chairman of the Executive Board

The Chairman of the Executive Board is the official representative of the Issuer and is responsible for supervising the activities of the Issuer, provided that he acts within the framework of rights given to him under the Charter and by resolution of the Council.

The Chairman of the Executive Board is elected by the Council upon the nomination of the founding Member States for a period of four years with the right to be re-elected for one further term of four years. The Council has the power to terminate the appointment of any person as Chairman of the Executive Board prior to the expiration of that person's current term of office. Any resolution of the Council to terminate the appointment of the Chairman of the Executive Board must be approved by a simple majority of the total votes available to the Member States.

Conflicts of Interest

No member of either the Council or the Executive Board has any actual or potential conflict of interest between his duties to the Issuer and his private interests and/or other duties.

Internal Audit Service

The Internal Audit Service reports directly to the Council and is responsible for the internal control of the financial and administrative activities of the Issuer. The main functions of the Internal Audit Service are to establish risk controls as well as acceptable levels of credit and market risks to which the Issuer is exposed.

Committees and Commissions

Committees and Commissions of the Council

The Council has established the following committees and commissions that report directly to the Council:

- Budget Committee, which is responsible mainly for preparation of an expert opinion with respect to the draft budget for the subsequent financial year as provided by the Executive Board and review of proposals on amending the approved budget for the current financial year. The committee consists of seven members, including representatives of the Council, the Executive Board, and representatives of the Ministry of Finance of the Republic of Kazakhstan and the Ministry of Finance of the Russian Federation.

- Strategy Committee, which is a standing collegiate advisory body of the Council responsible for the preliminary consideration and coordination of decisions on priority directions of Issuer's investment activity, activity aimed at achievement of Issuer's strategic aims, as well as coordinating proposals on formation of the strategic directions of Issuer's investment activity. The Committee is composed of no less than 7 (seven) persons. Each Member State shall have the right to be represented in the Committee. The Chairman of the Committee is a member of the Board of the Issuer. The Committee consists of members of the Council, members of the Board and employees of the Issuer, as well as officials of Member States possessing the required qualifications. The Chairman is Mr. Storchak, the Deputy Minister of Finance of the Russian Federation. The other members are:
  - Mr. Kuteev, the Director of the Department of Strategic Development of the Ministry of Industry and Trade of the Russian Federation;
  - Mr. Rau, the first Vice Minister of Industry and New Technologies of Kazakhstan, Deputy Plenipotentiary Representative of the Republic of Kazakhstan in the Council;
  - Mr. Azizyan, the head of the Department of International Cooperation of the Ministry of Finance of the Republic of Armenia;
  - Mr. Davlatzod, the Deputy Minister of Economic Development and Trade of the Republic of Tajikistan;
  - Mr. Goluhov, the Deputy Minister of Economy of Belarus;
  - Mr. Shatalov, the Deputy Chairman of the Board; and
  - Mr. Jasinsky, member of the Board, Managing Director of Analytics.
- Revision Commission, which reviews financial reports of the Issuer, monitors decisions made by the Council and ensures that they are implemented by the Executive Board. The Revision Commission is also responsible for ensuring that all procedures and policies of the Issuer are observed and carried out as well as having certain responsibilities in relation to issues concerning the financial condition of the Issuer and its risk management, lending and other business and operational activities.

Committees and Commissions of the Executive Board

The Executive Board has established the following committees and commissions that report directly to the Executive Board:

- Assets and Liabilities Management Committee. See "*Risk Management—Assets and Liabilities Management Committee*".
- Credit Committee. See "*Risk Management—Credit Committee*".
- Organisation Development and Manpower Policy Committee, which establishes the Issuer's general policy on human resources and determines and develops systems for manpower management and motivation. It also creates policies and procedures relating to the Issuer's corporate culture, corporate rules and regulations and all other issues relating to the Issuer's employees. It consists of representatives of the Project Groups, Public Relations Department, the Legal Department, the Security Department, the Human Resource Service, the Finance Department and other employees.
- Procurement Committee, which controls the Issuer's procurement procedures and requirements regarding products or services to be purchased, contractors and other terms and conditions of contracts. It consists of six members and reports directly to the Chairman of the Executive Board.

- Committee on the Technical Assistance Fund, which assesses the terms of financing to be provided by the Technical Assistance Fund that are subject to final approval by the Executive Board. It consists of representatives of the Project Groups, the Credit and Investment Department, the Research Department, Public Relations and the Legal Department.
- Ethics Commission, which investigates violations of business ethics and informs regarding the results to the Chairman of the Executive Board and the Head of the Internal Audit Service. The Commission consists of the Deputy Chairman of the Executive Board (Investments), the director of Human Resource Service, the head of the Security Department, the Compliance officer and the head of the Legal Department.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as completed by the provisions of Part A of the applicable Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on the Notes in definitive form and the Global Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed or Part A of the applicable Final Terms. Those definitions will be endorsed on the Notes in definitive form or Global Notes, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by a Trust Deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**"), dated on or about 10 September 2012 between the Eurasian Development Bank (the "**Issuer**") and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated on or about 10 September 2012 has been entered into in relation to the Notes between the Issuer, the Trustee, Citibank, N.A., London Branch as calculation agent (the "**Calculation Agent**"), principal paying agent (the "**Principal Paying Agent**" and a "**Paying Agent**") and a transfer agent (a "**Transfer Agent**"), Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**"), and Citibank, N.A., London Branch as a paying agent and transfer agent (the "**Paying Agent**" and "**Transfer Agent**"). Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects. Certain terms used in these Conditions are defined in Condition 20 (*Definitions*).

1. Form, Denomination and Title

The Notes are issued in registered form in the Specified Denomination(s) shown in the applicable Final Terms or integral multiples thereof, *provided that* (i) the Specified Denomination(s) shall not be less than EUR100,000 or its equivalent in another currency, (ii) with respect to (a) Notes which are not admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive and (b) Notes with a maturity of less than 365 days, a lower Specified Denomination may apply as more fully set out in Part A of the applicable Final Terms and (iii) interests in the Rule 144A Notes shall be held in amounts of not less than U.S.$200,000 or its equivalent in other currencies.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Kazakhstan Consumer Prices Index Linked Interest Note.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the person in whose name a Note is registered, "holder" shall be read accordingly and capitalised terms have the meanings given to them in the applicable Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. Transfers of Notes

(a) **Transfer of Notes**: One or more Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the relevant Note or Notes, together with the form of transfer endorsed on such Note or Notes (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of a Note, a new Note shall be issued to the transferee in respect of the part transferred and a further new Note in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) **Exercise of Options or Partial Redemption in Respect of Notes**: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Notes, a new Note shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Notes shall be issued in respect of those Notes of that holding that have the same terms. New Notes shall only be issued against surrender of the existing Notes to the Registrar or any Transfer Agent. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Note representing the enlarged holding shall only be issued against surrender of the Note representing the existing holding.

(c) **Delivery of New Notes**: Each new Note to be issued pursuant to Conditions 2(a) or (b) shall be available for delivery within five business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 7(e)) and surrender of the Note for exchange. Delivery of the new Note(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Note shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Note to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) **Transfer Free of Charge**: Transfer of Notes on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) **Closed Periods**: No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any interest amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7(d) or (iii) after any such Note has been called for redemption.

3. Status of the Notes

The Notes constitute direct, general, unconditional and (subject to Condition 4) unsecured obligations of the Issuer which rank and will rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of any applicable law.

4. Negative Pledge

So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest, except for any Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness without at the same time or prior thereto securing the Notes equally and rateably therewith (to the satisfaction of the Trustee) or providing such other arrangement as may be approved by an Extraordinary Resolution or as the Trustee in its discretion shall deem to be not materially less beneficial to the Noteholders.

5. Information

So long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) therefore, provide to any Noteholder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such Noteholder or beneficial owner or to the Trustee for delivery to such Noteholder, beneficial owner or prospective purchaser, in each case upon the request of such Noteholder, beneficial owner, prospective purchaser or Trustee, the information satisfying the requirements of Rule 144(d)(4) under the Securities Act.

6. Interest and other Calculations

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest, such interest being payable in arrear on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified in the Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the Final Terms.

(b) **Interest on Floating Rate Notes and Kazakhstan Consumer Prices Index Linked Interest Notes**

(i) **Interest Payment Dates**: Each Floating Rate Note and Kazakhstan Consumer Prices Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the Final Terms as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown in the Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) **Business Day Convention**: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) **Rate of Interest for Floating Rate Notes**: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Final Terms.

(A) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the Final Terms

(y) the Designated Maturity is a period specified in the Final Terms and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Final Terms.

For the purposes of this sub paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) **Screen Rate Determination for Floating Rate Notes**

Where Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

(x) if a Relevant Screen Page is specified on the Final Terms, subject as provided below, the Rate of Interest shall be:

(I) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or

(II) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page, in each case appearing on such Page at the Relevant Time on the Interest Determination Date;

(y) if Reference Banks are specified on the Final Terms or if sub paragraph (x)(I) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (x)(II) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark (specified in the applicable Final Terms)) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is Euro, in Europe (the "**Principal Financial Centre**") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

(iv) **Rate of Interest for Kazakhstan Consumer Prices Index Linked Interest Notes**: The Rate of Interest in respect of Kazakhstan Consumer Prices Index Linked Interest Notes for each Interest Accrual Period shall be determined in accordance with this Condition 6(b)(iv).

(A) The Rate of Interest in respect of Kazakhstan Consumer Prices Index Linked Interest Notes for each Interest Accrual Period shall be the rate (expressed as a rate per annum) determined by the Issuer in accordance with the following formula:

$I = M + CPI - 100\%$,

where:

I = Rate of Interest;

M = the Margin specified in the Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods); and

CPI = the year-to-year percentage change in the Kazakhstan consumer prices index, as reported by the Agency of Statistics of the Republic of Kazakhstan, as of the close of the month prior to the month in which the relevant Interest Period begins. The Agency of Statistics of the Republic of Kazakhstan publishes the Kazakhstan consumer prices index on a monthly basis on its website (http://www.stat.kz) in a monthly press release entitled "On Inflation in the Republic of Kazakhstan",

subject to any applicable Minimum Rate of Interest or Maximum Rate of Interest.

(B) The Interest Amount payable in respect of each Note on the relevant Interest Payment Date will be obtained by multiplying the relevant rate by the Specified Denomination and the Day Count Fraction.

(C) The Rate of Interest calculated as described in Condition 6(b)(iv)(A) for a relevant Interest Period shall be published no later than three Business Days prior to the beginning of the relevant Interest Period. The Issuer shall inform the Noteholders of the applicable Rate of Interest by giving notice in accordance with Condition 17 or, if the Notes are expressed to be listed on the Joint Stock Company "Kazakhstan Stock Exchange" or the Open Joint Stock Company "Moscow Exchange MICEX-RTS", by publishing an announcement on the website of the Joint Stock Company "Kazakhstan Stock Exchange" (http://www.kase.kz) and/or the Open Joint Stock Company "Moscow Exchange MICEX-RTS", (http://www.micex.ru) (as applicable).

(D) If the Agency of Statistics of the Republic of Kazakhstan fails to calculate and publish or announce the Kazakhstan consumer prices index on or before the tenth Business Day following the end of the calendar in month in which the relevant Interest Payment Date falls, then the party specified in the Final Terms as the party responsible for calculating the Rate of Interest shall calculate the Kazakhstan Consumer Prices Inflation Index using the Kazakhstan consumer prices index for the most recent month in respect of which such index was published.

If the Kazakhstan consumer prices index is unavailable for six months from the last Interest Payment Date, the Kazakhstan Consumer Prices Inflation Index used to calculate the next Interest Amount shall be the Kazakhstan Consumer Prices Inflation Index used to calculate the previous Interest Amount.

If the Agency of Statistics of the Republic of Kazakhstan fails to calculate and publish or announce the Kazakhstan consumer prices index for a period of seven consecutive months or more, then the Agency of Statistics of the Republic of Kazakhstan shall be deemed to have ceased publication of the Kazakhstan consumer prices index altogether and the Issuer will, in its reasonable discretion, use a substitute index or formula and may make such amendments, adjustments and corrections to any such index, formulae or any applicable criteria as it shall in its sole discretion deem appropriate in order to set and calculate the amounts payable under the Notes.

The index used for the calculation of the Rate of Interest on the Notes is the Kazakhstan consumer prices index representing a monthly statistical measurement of the movement of prices of goods and services that the resident population of Kazakhstan consumes. If the Agency of Statistics of the Republic of Kazakhstan publishes the Kazakhstan consumer prices index on a monthly basis on its website (http://www.stat.kz) in a monthly press release entitled "On Inflation in the Republic of Kazakhstan" and information about the Kazakhstan consumer prices index can be found on that website. Information on the past performance of the Kazakhstan consumer prices index can be obtained from the "Statistics" section of the National Bank of Kazakhstan website (http://www.nationalbank.kz). The Issuer does not intend to publish post-issuance information in relation any underlying element to which the Notes are linked.

The Kazakhstan Consumer Prices Index Linked Interest Notes are Notes, the Rate of Interest on which is determined by reference to the Kazakhstan Consumer Prices Inflation Index. The settlement procedure for Kazakhstan Consumer Prices Index Linked Interest Notes is described in Condition 8, which contains the provisions for payment of interest in respect of the Kazakhstan Consumer Prices Index Linked Interest Notes. Principal and interest in respect of the Kazakhstan Consumer Prices Index Linked Interest Notes is payable only in cash in the Specified Currency.

(c) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 9).

(d) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding:**

(i) In relation to Floating Rate Notes, if any Margin is specified in the Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries (as applicable) of such currency.

(e) **Calculations**: The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(f) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts**: As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each

Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 11, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(g) **Determination or Calculation by Trustee**: If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee may do so (or may appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee may apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

7. Redemption, Purchase and Options

(a) **Final Redemption:** Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 7(d) or 7(e), each Note shall be finally redeemed on the Maturity Date specified in the Final Terms at its Final Redemption Amount (which, unless otherwise provided in the Final Terms, is its nominal amount).

(b) **Early Redemption**: The Early Redemption Amount payable in respect of any Note, upon redemption of such Note pursuant to Condition 7(c) or upon it becoming due and payable as provided in Condition 11, shall be the Final Redemption Amount unless otherwise specified in the Final Terms.

(c) **Redemption for Taxation Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified in the Final Terms, at any time, on giving not less than 30 nor more than 60 calendar days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 7(b) above) (together with interest accrued to the date fixed for redemption), if, immediately before giving such notice, the Issuer satisfies the Trustee that (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of any Member State or any political subdivision or any authority thereof having power to tax therein, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; *provided*, *however*, *that* no such notice of redemption shall be given earlier than 90 calendar days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (1) a certificate signed by two members of the Executive Board of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers in form and substance satisfactory to the Trustee of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders.

(d) **Redemption at the Option of the Issuer and Exercise of Issuer's Options**: If a Call Option is specified in the Final Terms, the Issuer may, on giving not less than 15 nor more than 30 calendar days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the Final Terms) redeem, or exercise any Issuer's option (as may be described in the Final Terms) in relation to, all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the Final Terms.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall specify the nominal amount of Notes drawn and the holder(s) of such Notes, to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements. So long as the Notes are listed on the Official List of the Financial Services Authority and admitted to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**") or any other stock exchange and the rules of the relevant stock exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published on the website of such stock exchange or as specified by such other stock exchange, a notice specifying the aggregate nominal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

(e) **Redemption at the Option of Noteholders and Exercise of Noteholders' Options**

The Issuer shall, on the occurrence of a Put Event, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 calendar days' notice to the Issuer (or such other notice period as may be specified in the Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such option the holder must deposit the relevant Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Purchases**

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price.

(g) **Cancellation**

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be held, resold or, at the option of the Issuer, surrendered for cancellation by surrendering the Notes to the Registrar and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

8. Payments

(a) Payments of Principal and Interest

(i) Payments of principal in respect of Notes shall be made against presentation and surrender of the relevant Notes at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph below.

(ii) Interest on Notes shall be paid to the person shown on the Register at the close of business on (A) in relation to Notes other than Notes represented by a Global Note, the fifteenth day before the due date for payment thereof (in relation to Notes other than Notes represented by a Global Note, the "**Record Date**") or (B) in relation to Notes represented by a Global Note, the Clearing System Business Day before the due date for payment thereof. Payments of interest on each Note shall be made in the relevant currency by cheque drawn on a bank and mailed by uninsured post to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. The holder of such Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of such Notes as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

(b) **Payments subject to Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 9. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) **Appointment of Agents**: The Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and, in certain circumstances, the Trustee and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, *provided that* the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) a Paying Agent and a Transfer Agent having specified offices in such cities as may be required by any stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (v) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(d) **Calculation Agent and Reference Banks**: The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the Notes and for so long as any such Note is outstanding (as defined in the Trust Deed). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall (with the prior written approval of the Trustee) appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, within seven calendar days of the date upon which any such amount is due to be calculated, the Issuer shall (with the prior written approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over the counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

Notice of any such change shall promptly be given to the Noteholders.

(e) **Non-Business Days**: If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Financial Centres" in the Final Terms and:

(i) (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in Euro) which is a TARGET Business Day.

9. Taxation

All payments by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without deduction or withholding for, any taxes, duties, assessments, or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any Member State or any political subdivision or any authority thereof or therein having the power to tax (collectively "**Member State Taxes**"), unless such withholding or deduction is required by law and/or by agreement of the Issuer. In such event, the Issuer will pay such additional amounts to the holder of any Note as will result in receipt by the Noteholder of such amounts as would have been received by them had no such withholding or deduction been required, except that no additional amounts shall be payable with respect to any Note:

(a) **Other connection**: to, or to a third party on behalf of, a holder who is liable to such Member State Taxes in respect of such Note by reason of his having some connection with the relevant Member State other than the mere holding of the Note or the receipt of payment thereunder; or

(b) **Presentation more than 30 days after the Relevant Date**: presented (or in respect of which the Note representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day; or

(c) **Payment to individuals**: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/ EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

As used in these Conditions, "**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note being made in accordance with the Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

10. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified to its satisfaction), but in the case of the happening of any of the events described in subparagraph (b) below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders, shall, give notice to the Issuer that the Notes are and they shall become immediately due and repayable at their Early Redemption Amount together with accrued interest if any of the following events (each, an "**Event of Default**") occurs:

(a) the Issuer fails to pay the principal of any of the Notes or fails to pay any interest or additional amounts with respect to any of the Notes when the same becomes due and payable and such default continues for a period of 14 days; or

(b) the Issuer is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes or the Trust Deed (other than a default or breach elsewhere specified in this Condition 11) and such default or breach is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer by the Trustee; or

(c) the Issuer or any of its Subsidiaries shall fail to pay any amount in excess of U.S.$50,000,000 (or the equivalent thereof in any other currency or currencies) in respect of principal of or interest on or premium in respect of any Indebtedness as and when such amount becomes due and payable and such failure continues beyond the expiration of any applicable grace period; or

(d) any Indebtedness of the Issuer or any of its Subsidiaries with an aggregate principal amount in excess of U.S.$50,000,000 (or the equivalent thereof in any other currency or currencies) becomes due and payable prior to the due date for payment thereof by reason of default by the Issuer or the relevant Subsidiary.

12. Meetings of Noteholders, Modification, Waiver and Substitution

(a) **Meetings of Noteholders**: The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown in the Final Terms, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to take any steps that as specified in the Final Terms may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution or any resolution. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

(b) **Modification**: The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Notes or the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Notes or the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) **Substitution**: The Trust Deed contains provisions permitting the Trustee to agree with the Issuer, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of the Issuer's successor in business or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed *provided that* such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) **Entitlement of the Trustee**: In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

13. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed or the Notes but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period of time and such failure is continuing.

14. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless indemnified to its satisfaction and to be paid its costs and expenses in priority to the claims of Noteholders. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons as a result of such holders being connected in any way with a particular territory or tax jurisdiction.

15. Replacement of Notes

If a Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes) and otherwise as the Issuer may require.

16. Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed or any deed supplemental to it. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

17. Notices

Notices to the Noteholders shall be sent by first class mail or (if posted overseas) by airmail to them (or, in the case of joint holders, to the first named in the Register) at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. In addition, so long as any Notes are listed on a stock exchange, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of such stock exchange. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

19. Governing Law and Arbitration

(a) **Governing law**: The Trust Deed and the Notes, including any non-contractual obligations arising out of or in connection therewith, are governed by, and shall be construed in accordance with, English law.

(b) **Arbitration**: The Issuer has in the Trust Deed (i) agreed that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Trust Deed (including a claim, dispute or difference regarding its existence, termination or validity or regarding any non-contractual obligation arising out of or in connection with the Trust Deed) shall be referred to and finally settled by arbitration in accordance with the Rules of the LCIA as at present in force and as modified by the Trust Deed; (ii) designated Law Debenture Corporate Services at Fifth Floor, 100 Wood Street, London EC2V 7EX to accept service of any process on its behalf in England; (iii) consented to the enforcement of any judgment; (iv) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction; and (v) consented generally in respect of any arbitration or proceedings to the giving of any relief or the issue of any process in connection with such arbitration or proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order, judgment or award which may be made or given in such arbitration or proceedings.

20. Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Agency Agreement**" means the amended and restated agency agreement dated on or about 10 September 2012 between the Issuer and the agents named in it relating to the Programme, as amended from time to time.

"**Business Day**" means:

(a) in the case of a currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(b) in the case of Euro, a day on which the TARGET system is operating (a "**TARGET Business Day**") and/or

(c) in the case of a currency and/or one or more Business Centres (specified in the Final Terms) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Charter**" means the charter of the Issuer appended to the Establishing Agreement, as amended.

"**Contracts**" means the Trust Deed and the Agency Agreement.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "**Calculation Period**"):

(i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "**30E/360**"or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls:

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

(vii) if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls:

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and in which case D2 will be 30.

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Determination Date**" means the date specified as such in the Final Terms or, if none is so specified, the Interest Payment Date or if none, the Interest Commencement Date.

"**Effective Date**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

"**Establishing Agreement**" means the agreement establishing the Issuer dated 12 January 2006 and made between the Republic of Kazakhstan and the Russian Federation.

"**Euro zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Event of Default**" has the meaning assigned to such term in Condition 11.

"**Extraordinary Resolution**" has the meaning assigned to such term in the Trust Deed.

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(i) amounts raised by acceptance under any acceptance credit facility or the issue of bonds, notes, debentures, loan stock or similar instruments;

(ii) amounts raised under any note purchase facility;

(iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(iv) the amount of any liability in respect of all or any part of the purchase price for any Property or services the payment of which is deferred for a period in excess of 60 days;

(v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement and the sale of receivables or other assets on a "with recourse" basis) having the commercial effect of a borrowing; and

(vi) any Indebtedness Guarantee in relation to Indebtedness of any Person of the type referred to in any of (i) to (vi) of this definition.

"**Indebtedness Guarantee**" means in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation) (i) any obligation to purchase such Indebtedness, (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, (iii) any indemnity against the consequences of a default in the payment of such Indebtedness and (iv) any other agreement to be responsible for repayment of such Indebtedness.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the Final Terms.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the Final Terms.

"**ISDA Definitions**" means, as set out in the Final Terms, either the 2000 ISDA Definitions or the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the Final Terms.

"**Material Subsidiary**" means at any time a Subsidiary of the Issuer:

(a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, are equal to) not less than five per cent. of the consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries, *provided that* in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, *provided that* the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

(c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, represent (or, in the case aforesaid, are equal to) not less than five per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, *provided that* the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets represent (or, in the case aforesaid, are equal to) not less than five per cent., of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition, all as more particularly defined in the Trust Deed.

"**Member State**" means the Republic of Kazakhstan, the Russian Federation, the Republic of Tajikistan, the Republic of Armenia, the Republic of Belarus, the Kyrgyz Republic and such other states that have become participants of the Issuer in accordance with Article 4.3 of the Charter;

"**Optional Redemption Date**" has the meaning given in the applicable Final Terms.

"**Optional Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms.

"**Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 ("Reuters") and Telerate ("Telerate")) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.

"**Permitted Security Interest**" means:

(i) Security Interests on the Property of an entity existing at the time such Property was acquired by the Issuer or a Material Subsidiary (whether by merger, consolidation, purchase of assets or otherwise) or existing at the time the entity became a Material Subsidiary; *provided*, *however*; *that* such Security Interests (i) are not created, incurred or assumed in connection with, or contemplation of, such Property being acquired by the Issuer or such Material Subsidiary and (ii) do not extend to any other Property of the Issuer or any Material Subsidiary;

(ii) Security Interests arising in relation to any Project Finance Debt;

(iii) any Security Interest to secure the purchase of, or created in connection with the financing of, all or any part of the purchase price or cost of the acquisition, purchase, construction, development, extension or improvement by the Issuer or any of its Material Subsidiaries (in each case, whether alone or in association with others) of, or of any right or interest in or in respect of, any Property, or to secure any Indebtedness incurred prior to, at the time of or within 12 months after the completion of such acquisition, purchase, construction, development, extension or improvement for the purpose of financing or refinancing all or any part of such purchase price or cost; *provided that* (a) the Security Interest relates only to that Property (including without limitation any Property forming part of or connected with the same project or development), or products from that Property, or revenue or profit from that Property or such products or to any right or interest in or in respect of that Property, or products from that Property, or revenue or profit from that Property or such products and (b) the Security Interest secures no more than the purchase price or other consideration (including, without limitation, royalties) paid for, or cost of acquisition, purchase, construction, development, extension or improvement, of that Property or any right or interest in or in respect of that Property, including any financing or refinancing costs associated with such purchase price or cost;

(iv) any Security Interest created or permitted to subsist by either the Issuer or any Material Subsidiary of the Issuer, as the case may be, upon a defined or definable pool of its assets including, but not limited to, receivables (not representing all of the assets of the Issuer or any Material Subsidiary of the Issuer, as the case may be) (the "**Secured Assets**") which is or was created pursuant to any securitisation or like arrangement in accordance with established market practice (whether or not involving itself as the issuer of any issue of asset backed securities) and whereby all payment obligations in respect of the Indebtedness of any other Person, as the case may be, secured on, or on an interest in respect of the Indebtedness of any other Person, as the case may be, secured on, or on an interest in, the Secured Assets are to be discharged solely from the Secured Assets (or solely from (i) the Secured Assets and (ii) assets of a Person other than the Issuer or any Material Subsidiary of the Issuer);

(v) any Security Interest arising in the ordinary course of banking transactions (including, without limitation, such as sale and repurchase transactions and share, loan and bond lending transactions and any netting or set-off arrangements entered into by the Issuer or any Material Subsidiary for the purpose of netting any debit and credit balances), *provided that* the Security Interest is limited to the assets which are the subject of the relevant transaction;

(vi) Security Interests imposed or required by statute or operation of law (but not through any act or omission to act on the part of the Issuer or any of its Material Subsidiaries); and

(vii) any extension, renewal, refunding or replacement (or successive extensions, renewals, refundings or replacements), as a whole or in part, of any Security Interest referred to in clauses (i) to (iv), inclusive, for amounts not exceeding the principal amount of indebtedness secured by such Security Interest so extended, renewed or replaced (plus improvements thereon or additions or accessions thereto).

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity.

"**Proceedings**" means any suit, action or proceedings which may arise out of or in connection with the Programme.

"**Programme**" means the U.S.$3,500,000,000 Euro Medium Term Note Programme for the issuance of notes by the Issuer as amended from time to time.

"**Project Finance Debt**" means any indebtedness incurred in relation to any asset solely for purposes of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to which such indebtedness is owed have recourse solely to the applicable project borrower (where such project borrower is formed solely or principally for the purpose of the relevant project) and/or to such asset (or any derivative asset thereof) or any other similar non-recourse indebtedness which is properly regarded as project finance debt.

"**Property**" of any Person means all types of real, personal, tangible, intangible or mixed property (including any related contractual rights) owned by such Person whether or not included in the most recent consolidated balance sheet of such Person under International Financial Reporting Standards.

"**Put Event**" means that combined holdings of the Republic of Kazakhstan and the Russian Federation in the statutory capital of the Issuer fall below 51 per cent. of the Issuer's statutory capital.

"**QIB**" means a qualified institutional buyer within the meaning of, and pursuant to, Rule 144A under the Securities Act.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the Final Terms.

"**Reference Banks**" means the institutions specified as such in the Final Terms or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over the counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be Europe).

"**Relevant Financial Centre**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be Europe) or, if none is so connected, London.

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over the counter market) and any Indebtedness Guarantee in respect of any such Relevant Indebtedness.

"**Relevant Rate**" means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the Final Terms or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre or, if no such customary local time exists, 11.00 hours in the Relevant Financial Centre and, for the purpose of this definition, "local time" means, with respect to Europe as a Relevant Financial Centre, Brussels time.

"**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any for the foregoing and for purposes of this definition, the term "securities" means any capital stock, share, debenture or other debt or equity instrument, or other derivative, whether issued by any private or public company, any government or agency or instrumentality thereof or any supernational, international or multilateral or organisation.

"**Representative Amount**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, an amount that is representative for a single transaction in the applicable market at the time.

"**Security Interest**" means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of the Issuer or any other type of preferential arrangement having similar effect over any assets or revenues of the Issuer.

"**Specified Currency**" means the currency specified as such in the Final Terms or, if none is specified, the currency in which the Notes are denominated.

"**Specified Duration**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 6(b)(ii).

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at a given time, any other Person (the "**second Person**")

(i) whose affairs and policies the first Person directly or indirectly controls or

(ii) as to whom the first Person owns directly or indirectly more than 50 per cent. of the capital, voting stock or other right of ownership. "Control", as used in this definition, means the power by the first Person to direct the management and the policies of the second Person, whether through the ownership of share capital, by contract or otherwise.

"**TARGET System**" means the Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

FORM OF FINAL TERMS

Final Terms dated [●]

EURASIAN DEVELOPMENT BANK

Issue of [●]

under the

U.S.$3,500,000,000 Euro Medium Term Note Programme

PART A CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 10 September (the "**Base Prospectus**") [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a Base Prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [website] [and] during normal business hours at [address] and copies may be obtained from [address].

1.	Issuer:		Eurasian Development Bank
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Date on which the Notes will be consolidated and form a single series:	[Not Applicable] [The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [the Issue Date] [●].
3.	Specified Currency:		[●]
4.	Aggregate Nominal Amount of Notes:		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6.	(i)	Specified Denomination(s):	[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive registered form will be issued with a denomination above [●].]
	(ii)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[●] [Issue Date] [Not Applicable]
8.	Maturity Date:		[●] [The Interest Payment Date falling in or nearest to [●]]
9.	Interest Basis:		[[●] per cent. Fixed Rate] [●] +/ - [●] per cent. Floating Rate] [Kazakhstan Consumer Prices Inflation Index-Linked Interest]

			(further particulars specified below)
10.	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption in accordance with the Conditions, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
11.	Change of Interest Basis:		[●] [Not Applicable]
12.	Put/Call Options:		[Noteholder Put] [Issuer Call] [(further particulars specified below)]
13.	(i)	Status of the Notes:	Senior
	(ii)	[Date [Board] approval for issuance of Notes obtained:	[●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions:		[Applicable] [Not Applicable]
	(i)	Rate(s) of Interest:	[●] per cent. per annum payable [annually] [semi-annually] [quarterly] [monthly] in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[●] [and [●]] in each year up to and including the Maturity Date
	(iii)	Fixed Coupon Amount(s):	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[[●] per Calculation Amount, payable on the Interest Payment Date falling [in] [on] [●]] [Not Applicable]
	(v)	Day Count Fraction:	[30/360] [Actual/Actual (ISDA)] [Actual/Actual]
	(vi)	Determination Dates:	[[●] in each year] [Not Applicable]
15.	Floating Rate Note Provisions		[Applicable] [Not Applicable]
	(i)	Interest Period(s):	[●]
	(ii)	Specified Interest Payment Date(s):	[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in paragraph (iv) below]
	(iii)	First Interest Payment Date:	[●]
	(iv)	Business Day Convention:	[Floating Rate Convention] [Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention]
	(v)	Business Centre(s):	[●]
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination] [ISDA Determination]
	(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent):	[●]

(viii)	Screen Rate Determination:	
	– Reference Rate	[●] month [LIBOR] [EURIBOR]
	– Relevant Screen Page	[●]
	– Interest Determination Date(s):	[●]
	– Reference Banks	[●]
(ix)	ISDA Determination:	[●]
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	– ISDA Definitions:	[2000] [2006]
(x)	Margin(s):	[+/-] [●] per cent. per annum
(xi)	Minimum Rate of Interest:	[●] per cent. per annum
(xii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiii)	Day Count Fraction:	[30/360] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]

16.	Kazakhstan Consumer Prices Inflation Index-Linked Interest Note	[Applicable] [Not Applicable]
(i)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent):	[●]
(ii)	Margin:	[●]
(iii)	Interest Period(s):	[●]
(iv)	Specified Interest Payment Date(s):	[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in paragraph (v) below]
(v)	Business Day Convention:	[Floating Rate Convention] [Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention]
(vi)	Business Centre(s):	[●]
(vii)	Minimum Rate/Amount of Interest:	[●] per cent. per annum
(viii)	Maximum Rate/Amount of Interest:	[●] per cent. per annum
(ix)	Day Count Fraction:	[30/360] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

17.	Call Option [Applicable] [Not Applicable]		
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv)	Notice period:	[●]
18.	Put Option [Applicable] [Not Applicable]		
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	Notice period:	[●]
19.	Final Redemption Amount of each Note.		[●] per Calculation Amount
20.	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:		[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	Form of Notes:	[Regulation S Global Note ([●] nominal amount) registered in the name of [a nominee for DTC] [a common depositary for Euroclear and Clearstream, Luxembourg]] [Rule 144A Global Note ([●] nominal amount) registered in the name of [a nominee for DTC] [a common depositary for Euroclear and Clearstream, Luxembourg]]
22.	Financial Centre(s):	[Not Applicable] [●]

Signed on behalf of the Issuer:

By: ....
Duly authorised

FINAL TERMS

PART B

OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing:	[London] [●] [None]
(ii)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] and this is expected to be effective from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] and this is expected to be effective from [●].] [Not Applicable.]
(iii)	Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

Ratings:	[Not Applicable] The Notes to be issued [have been] [are expected to be] assigned the following ratings:] [Standard & Poor's: [●]] [Moody's: [●]] [[Fitch: [●]]

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE OFFER]

[Save [as discussed in "Subscription and Sale" in the Base Prospectus] [for any fees payable to the [Managers] [Dealers]], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. [The [Managers] [Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

4. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]

[(i)	Reasons for the offer:	[●]
(ii)	Estimated net proceeds:	[●]
(iii)	Estimated total expenses:	[●]]

5. [YIELD]

[Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. OPERATIONAL INFORMATION

ISIN Code (Regulation S Notes):	[●]
ISIN Code (Rule 144A Notes):	[●]
Common Code (Regulation S Notes):	[●]
Common Code (Rule 144A Notes):	[●]
CUSIP number (Rule 144A Notes):	[●]
Any clearing system(s) other than Euroclear and Clearstream, Luxembourg, or DTC and the relevant identification number(s):	[Not Applicable] [●]
Delivery:	Delivery [against] [free of] payment
Names and addresses of initial Paying Agent(s):	[●]
Names and addresses of additional Paying Agent(s) (if any):	[●]

SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Notes

Each Series of Notes will be evidenced on issue (i) in the case of Regulation S Notes, by a Regulation S Global Note deposited with a common depositary for, and registered in the name of Citivic Nominees Limited as nominee for, Euroclear and Clearstream, Luxembourg and (ii) in the case of Rule 144A Notes, by a Rule 144A Global Note deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC.

Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*—Book Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in the Notes represented by a Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person and that, prior to the expiration of 40 days after completion of the distribution of the Series of which such Notes are a part as determined and certified to the Principal Paying Agent by the relevant Dealer (or in the case of a Series of Notes sold to or through more than one relevant Dealer, by each of such relevant Dealers as to the Notes of such Series sold by or through it, in which case the Principal Paying Agent shall notify each such relevant Dealer when all relevant Dealers have so certified (the "**distribution compliance period**")), it will not offer, sell, pledge or otherwise transfer such interest except to a person whom the seller reasonably believes to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See "*Transfer Restrictions*". Beneficial interests in a Rule 144A Global Note may only be held through DTC at any time. See "*—Book Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in the Notes represented by a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Agency Agreement. See "*Transfer Restrictions*".

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement, and with respect to the Rule 144A Global Note, as set forth in Rule 144A, and the Rule 144A Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*".

Any beneficial interest in the Notes represented by a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in the Notes represented by a Rule 144A Global Note will, upon transfer, cease to be an interest in the Notes represented by the Regulation S Global Note and become an interest in the Notes represented by the Rule 144A Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in the Notes represented by a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in the Notes represented by a Regulation S Global Note will, upon transfer, cease to be an interest in the Notes represented by the Rule 144A Global Note and become an interest in the Notes represented by the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the "**Definitive Notes**"). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the above Terms and Conditions of the Notes. The following is a summary of those notified to the relevant Noteholders for such purpose.

- **Payments**. Payments of principal and interest in respect of Notes represented by a Global Note shall be made to the person who appears at the relevant time on the register of Noteholders as holder of such Global Note against presentation and (if no further payment falls to be made on it) surrender thereof to or to the order of the Principal Paying Agent (or to or to the order of such other Paying Agent as shall have been notified to the Noteholders for this purpose).

- **Notices**. So long as any Notes are represented by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of the Notes.

- **Meetings**. The holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of Notes represented by the relevant Global Note.

- **Trustee's Powers**. In considering the interests of Noteholders while the relevant Global Note is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of such Global Note.

- **Redemption at the Option of the Issuer**. Any Call Option provided for in the Terms and Conditions of the Notes shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Terms and Conditions of the Notes. In the event that any Call Option is exercised by the Issuer in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of the relevant clearing system.

- **Redemption at the Option of Noteholders**. Any Put Option provided for in the Terms and Conditions of the Notes may be exercised by the holder of the Global Note (i) giving notice to the Issuer within the time limits relating to the deposit of Notes set out in the Terms and Conditions of the Notes substantially in the form of the notice available from any Paying Agent, the Registrar or any Transfer Agent (except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised) stating the nominal amount of Notes in respect of which the option is exercised and (ii) at the same time depositing the Global Note with the Registrar or any Transfer Agent at its specified office.

- **Payment Record Date**: Each payment in respect of a Global Note will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Exchange for Definitive Notes

Exchange

Registration of title to Notes initially represented by a Rule 144A Global Note in a name other than DTC or a successor depositary or one of their respective nominees will not be permitted (i) unless such depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Rule 144A Global Note or ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary and the Registrar has received a notice from the registered holder of a Rule 144 A Global Note requesting an exchange of a specified amount of the Rule 144A Global Note for Definitive Notes or (ii) following the failure to pay principal in respect of any Note at maturity or upon acceleration of any Note in circumstances where the Registrar has received a notice from the registered holder (i.e. such depositary) of the relevant Rule 144A Global Note requesting an exchange of the Rule 144A Global Note for Definitive Notes.

Registration of title to Notes initially represented by a Regulation S Global Note in a name other than the nominee of the common depositary for Euroclear and Clearstream, Luxembourg will only be permitted (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) following the failure to pay principal in respect of any Note at maturity or upon acceleration of any Note and the Registrar has received a notice from the registered holder (i.e. common depositary) of the relevant Regulation S Global Note requesting an exchange of the Regulation S Global Note for Definitive Notes.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Notes for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in Notes represented by a Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB. Definitive Notes issued in exchange for a beneficial interest in the Notes represented by a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Book Entry Procedures for the Global Notes

For each Series of Notes evidenced by both a Regulation S Global Note and a Rule 144A Global Note, custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See "*—Book Entry Ownership—Settlement and Transfer of Notes*".

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such Direct Participant or Direct Participants has or have given such direction. However, in the circumstances described under "*Exchange for Definitive Notes*", DTC will surrender the relevant Rule 144A Global Notes for exchange for individual Rule 144A Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note representing Regulation S Notes of any Series will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

DTC

The Rule 144A Global Note representing Rule 144A Notes of any Series will have a CUSIP number and will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or

DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of beneficial owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in the Notes represented by a Rule 144A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading Between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading Between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same day funds, if payment is effected in U.S. Dollars, or free of payment, if payment is not effected in U.S. Dollars. Where payment is not effected in U.S. Dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading Between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in the Notes represented by a Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Notes represented by a Regulation S Global Note (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Rule 144A Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading Between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Notes represented by a Rule 144A Global Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note who will in turn deliver such book entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Notes represented by Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Notes denominated in Kazakhstan Tenge and held through the Kazakhstan Central Depository

From time to time, the Issuer may agree with the Principal Paying Agent, the Trustee and the relevant Dealer(s) that Noteholders holding a particular Series of Notes which are denominated in Kazakhstan Tenge shall be entitled to hold their interest in the relevant Global Note through an account with the JSC Central Securities Depository (the "**Kazakhstan Central Depository**"). This section headed "*Notes held through the Kazakhstan Central Depository*" provides certain information regarding holding interests in such Notes ("**KCD Notes**") denominated in Kazakhstan Tenge through the Kazakhstan Central Depository.

Noteholders holding KCD Notes may hold their interests in a Global Note only through their accounts with the Kazakhstan Central Depository, which will maintain an account in respect of the KCD Notes with Clearstream, Luxembourg. The initial settlement of KCD Notes will be made through the account of the Kazakhstan Central Depository. Unless otherwise indicated in the applicable Final Terms, as at the Issue Date, the KCD Notes will not be accepted in the book-entry system of Euroclear. If, after the Issue Date, Kazakthstan Tenge is accepted by Euroclear and/or Clearstream, Luxembourg as a settlement currency this arrangement may be revised so that the KCD Notes are held in both of those clearing systems. It is expected that the delivery of the interests in a Global Note representing KCD Notes from the Kazakhstan Central Depository in accordance with the rule and procedures of Kazakhstan Central Depository in force from time to time.

Until such time as Kazakthstan Tenge is accepted by Euroclear and/or Clearstream, Luxembourg as a settlement currency, transfers of interests in the KCD Notes will only be effected through the Kazakhstan Central Depository in accordance with its rules and operating procedures in force from time to time.

If Kazakthstan Tenge is accepted by Euroclear and/or Clearstream Luxembourg as a settlement currency, transfers of interests in the KCD Notes within Euroclear and/or Clearstream, Luxembourg may also be able to be effected in accordance with their rules and operating procedures in force from time to time.

Until such time as KZT is accepted by Euroclear and/or Clearstream, Luxembourg as a settlement currency, settlement of all trades and all payments of principal and interest in respect of the KCD Notes will be made outside Euroclear and/or Clearstream, Luxembourg, through the account of the Kazakhstan Central Depository.

Each of the persons shown in the records of the Kazakhstan Central Depository as the beneficial holder of a particular nominal amount of KCD Notes represented by a Global Note must look solely to Kazakhstan Central Depository for such Noteholders's share of each payment made by the Issuer to, or the order of, the registered holder of the Global Note.

For as long as KZT is not eligible as a settlement currency within Euroclear and/or Clearstream, Luxembourg, neither Euroclear or Clearstream, Luxembourg shall incur any liability for any damages or losses sustained by any Noteholder in the event that this process is not followed by the Issuer, the Kazakhstan Central Depository or any Noteholder.

If KZT is accepted by Euroclear and/or Clearstream, Luxembourg as a settlement currency, the interest and principal payments under the KCD Notes may be made through Euroclear and/or Clearstream, Luxembourg. If this is the case, Noteholders will be informed of this by the Issuer.

Pre issue Trades Settlement

It is expected that the delivery of Notes will be made against payment therefor on the closing date thereof, which could be more than three business days following the date of pricing. Under Rule 15c6-l under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant closing date will be required, by virtue of the fact that the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant closing date should consult their own advisers.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the dealer agreement dated on or about 10 September 2012, as amended from time to time (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Joint Arrangers, the Notes will be offered from time to time by the Issuer to the Permanent Dealers or such other Dealers as may be appointed from time to time in respect of any Series of Notes pursuant to the Dealer Agreement. Any agreement for the sale of Notes will, inter alia, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase and the form of any indemnity to the Dealers against certain liabilities in connection with the offer and sale of the relevant Notes. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Dealer Agreement also provides for Notes to be issued in syndicated Series that may be jointly and severally underwritten by two or more Dealers.

The Issuer has agreed to indemnify the Dealers against certain losses, as set out in the Dealer Agreement. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe for the Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States of America

The Notes have not been and will not be registered under the Securities Act, the securities laws of any State or other jurisdiction of the United States, and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (i) outside the U.S. in reliance on Regulation S under the Securities Act and (ii) within the U.S. to QIBs in accordance with Rule 144A.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer or sell Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution compliance period within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has agreed that, at or prior to confirmation of a sale of Notes (other than, in the case of Rule 144A Notes, a sale pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The securities covered hereby have not and will not be been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of the Series of which such Notes are a part as determined and certified to the Principal Paying Agent by the relevant Dealer (or in the case of a such Series of Notes sold to or through more than one relevant Dealer, by each of such relevant Dealers as to the Notes of such Series sold by or through it, in which case the Principal Paying Agent shall notify each such relevant Dealer when all such relevant Dealers have so certified), except in either case in accordance with Rule 903 of Regulation S or, in the case of Rule 144A Notes, Rule 144A under the Securities Act to a person that the seller reasonably believes is a qualified institutional buyer (within the meaning of Rule 144A under the Securities Act). Terms used above which are not otherwise defined have the meanings given to them by Regulation S under the Securities Act."

In addition, until 40 days after the commencement of the offering of any Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Dealer Agreement provides that the Dealers may directly or through its respective U.S. registered broker-dealer affiliates arrange for the offer and re-sale of Notes under the Programme that are designated as Rule 144A eligible under the applicable Final Terms within the United States only to persons whom such Dealer reasonably believes are qualified institutional buyers who can represent that they are qualified institutional buyers within the meaning of Rule 144A under the Securities Act.

Terms used in the preceding paragraphs of this section have the meanings given to them by Regulation S under the Securities Act.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant EEA Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant EEA Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant EEA Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100 or, if the Relevant EEA Member State has implemented the relevant provisions of the 2010 Prospectus Directive Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant EEA Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 Prospectus Directive Amending Directive, to the extent implemented in the Relevant EEA Member State) and includes any relevant implementing measure in each Relevant EEA Member State and the expression "**2010 Prospectus Directive Amending Directive**" means Directive 2010/73/EU.

Russian Federation

Neither Notes to be issued under the Programme nor this Base Prospectus have been, or are intended to be, registered in the Russian Federation. Each Dealer has represented, warranted and agreed that Notes will not be offered, sold or otherwise transferred and will not offer, sell or otherwise transfer as part of their initial distribution or at any time thereafter any Notes to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian laws or regulations.

Republic of Kazakhstan

Each Dealer has represented, warranted and agreed and each further Dealer will be required to represent, warrant and agree that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in the Republic of Kazakhstan except in compliance with the laws of the Republic of Kazakhstan.

United Kingdom

Each Dealer has represented, warranted and agreed and each further Dealer will be required to represent, warrant and agree that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law no. 25 of 1948, as amended, the "**FIEL**") and disclosure under the FIEL has not been and will not be made with respect to the Notes. Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered, sold, resold or otherwise transferred and shall not, directly or indirectly, offer, sell, resell or otherwise transfer any Notes in Japan or to, or for the benefit of, any resident of Japan, or to others for re-offering, resale or otherwise transferring, directly or indirectly, in Japan or to or for the benefit of a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and other relevant laws, regulations and ministerial guidelines promulgated by the relevant Japanese governmental and regulatory authorities. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any set of Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any set of Final Terms and neither the Issuer, nor any other Dealer shall have responsibility therefor.

TAXATION

United States Federal Income Taxation

*The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a holder thereof. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme (including, but not limited to, Index Linked Redemption Notes and Dual Currency Notes), and the applicable Final Terms will contain additional or modified disclosure concerning certain material U.S. federal income tax consequences relevant to such type of Note, as appropriate. This summary only applies to Notes held as capital assets under Section 1221 of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax-exempt organisations, dealers or traders in securities or currencies, holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. Dollar, or certain U.S. expatriates or former U.S. residents. Moreover, this summary does not address the U.S. federal estate and gift tax, alternative minimum tax consequences of the acquisition, ownership, disposition or retirement of Notes, or the 3.8% Medicare contribution tax applicable to net investment income of certain non-corporate U.S. Holders for taxable years beginning on or after 1 January 2013. It does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at such Notes' initial issue price. This discussion assumes that the Notes will be treated as debt for U.S. federal income tax purposes.*

This summary is based on the Code, existing and proposed Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. Certain additional or different U.S. federal income tax considerations relevant to a particular issue of the Notes will be described in the applicable Final Terms.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is (i) a citizen or resident of the United States; (ii) a corporation organised in or under the laws of the United States or any State thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2) (a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

A Non-U.S. Holder is a beneficial owner of Notes other than a U.S. Holder.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax adviser as to its consequences of the partnership's acquisition, ownership, disposition and retirement of Notes.

YOU SHOULD CONSULT YOUR OWN TAX ADVISER WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF NOTES.

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY INVESTORS, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE CODE; (II) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (III) INVESTORS SHOULD SEEK ADVICE BASED ON

THEIR PARTICULAR CIRCUMSTANCES FROM THEIR OWN INDEPENDENT TAX ADVISORS.

U.S. Holders

Interest

Except as set forth below, interest paid on a Note, whether payable in U.S. Dollars or a currency other than U.S. Dollars (a "foreign currency"), including any additional amounts, will be includible in a U.S. Holder's gross income as ordinary interest income in accordance with the U.S. Holder's usual method of tax accounting. Subject to applicable limitations, a U.S. Holder may claim a foreign tax credit or deduction only for tax withheld at the appropriate rate. Interest on the Notes will be treated as foreign source income for U.S. federal income tax purposes. For U.S. foreign tax credit limitation purposes, interest on the Notes generally will constitute "passive category income" or, in the case of certain U.S. Holders, "general category income."

Foreign Currency Denominated Interest

Any interest paid in a foreign currency will be included in the gross income of a U.S. Holder in an amount equal to the U.S. Dollar value of the foreign currency, including the amount of any applicable withholding tax thereon, regardless of whether the foreign currency is converted into U.S. Dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. Dollar value using the spot rate of exchange on the date of receipt. An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a single foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year.) Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. Dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service ("**IRS**").

Original Issue Discount

U.S. Holders of Notes issued with original issue discount ("**OID**"), including Zero Coupon Notes, will be subject to special tax accounting rules, as described in greater detail below. U.S. Holders of Notes issued with OID (including cash basis taxpayers) should be aware that, as described in greater detail below, they generally must include OID in income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income. However, U.S. Holders of such Notes generally will not be required to include separately in income cash payments received on the Notes, even if denominated as interest, to the extent such payments do not constitute qualified stated interest (as defined below). Notes issued with OID will be referred to as "Original Issue Discount Notes." Notice will be given in the applicable Final Terms when the Issuer determines that a particular Note will be an Original Issue Discount Note.

The following discussion does not address the U.S. federal income tax consequences of an investment in contingent payment debt instruments. In the event the Issuer issues contingent payment debt instruments the applicable Final Terms will describe the material U.S. federal income tax consequences thereof.

Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a single currency other than the U.S. Dollar are described under Foreign Currency Discount Notes below.

For U.S. federal income tax purposes, a Note (including a Zero Coupon Note), other than a Note with a term of one year or less (a "**Short Term Note**"), will be treated as issued as an Original Issue Discount Note if the excess of the Note's stated redemption price at maturity, as defined below, over its issue price is equal to or more than a *de minimis* amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation")** will be treated as an Original Issue Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. The "**issue price**" of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, agent, wholesaler or similar persons). The "stated redemption price at maturity" of a Note is the sum of all payments required to be made on such Note other than "qualified stated interest" payments. The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Notice will be given in the applicable Final Terms if a particular Note will bear interest that is not qualified stated interest. In the case of a Note issued with *de minimis* OID, the U.S. Holder generally must include such *de minimis* OID in income as capital gain as stated principal payments on the Notes are made in proportion to the stated principal amount of the Note.

The amount of OID includible in income by a U.S. Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for an Original Issue Discount Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortisation of any acquisition or bond premium, as described below) and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period.

In the case of an Original Issue Discount Note that is a Floating Rate Note, both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index or if the principal amount of the Note is indexed in any manner. Persons considering the purchase of Floating Rate Notes should carefully examine the applicable Final Terms and should consult their own tax advisers regarding the U.S. federal income tax consequences of the holding and disposition of such Notes. Any amount of de minimis OID that has not been included in income will be treated as capital gain upon a disposition of a Note.

Certain of the Notes may be redeemed prior to their maturity at the option of the Issuer and/or at the option of the holder. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount

Notes with such features should carefully examine the applicable Final Terms and should consult their own tax advisers with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

U.S. Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method as described for U.S. Holders of Original Issue Discount Notes above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortisable bond premium. A U.S. Holder making this election with respect to a Note acquired at a premium will be deemed to have made the election (discussed below in "—*Notes Purchased at a Premium*") to amortise premium currently, which shall apply to all debt instruments (other than debt instruments the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. U.S. Holders are strongly urged to consult their own tax advisers about this election.

Short Term Notes

In the case of Short Term Notes, under the OID Treasury regulations, all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, U.S. Holders generally will be taxable on the discount in lieu of stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short Term Note, unless the U.S. Holder elects to compute this discount using its tax basis instead of issue price. In general, individuals and certain other cash method U.S. Holders of a Short Term Note are not required to include accrued discount in their income currently unless they elect to do so (but may be required to include any stated interest in income as it is received). U.S. Holders that report income for U.S. federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short Term Notes (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding of interest. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realised on the sale, exchange or retirement of the Short Term Note will generally be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, a U.S. Holder that does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the U.S. Holder's interest expense with respect to any indebtedness incurred or maintained to purchase or carry such Notes.

Foreign Currency Discount Notes

OID for any accrual period on a Discount Note that is denominated in, or determined by reference to, a single foreign currency will be determined for any accrual period in the foreign currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described under " – *Foreign Currency Denominated Interest*" above. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder will recognise foreign currency gain or loss in an amount determined in the same manner as interest income received by a holder on the accrual basis, as described above in "—*Foreign Currency Denominated Interest*."

Notes Purchased at a Premium

A U.S. Holder that purchases a Note at original issue for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note at a "premium" and will not be required to include any OID in income. A U.S. Holder generally may elect to amortise the premium over the remaining term of the Note on a constant yield method as an offset to interest income on the Note. In the case of a Note that is denominated in, or determined by reference to, a single foreign currency, bond premium will be computed in units of such foreign currency, and amortisable bond premium will reduce interest income in units of the foreign currency. At the time amortised bond premium offsets interest income, a U.S. Holder may recognise exchange gain or loss (taxable as ordinary income or loss) measured by the difference between exchange rates in effect at that time and at the time of the acquisition of the Notes. Any election to amortise bond premium shall apply to all debt instruments (other than debt instruments the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Special rules limit the amortisation of premium in the case of convertible debt. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognised on disposition of the Note.

Sale, Exchange or Retirement

A U.S. Holder's tax basis in a Note generally will be its U.S. Dollar cost (as defined herein) increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The U.S. Dollar cost of a Note purchased with a foreign currency generally will be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date with respect to the purchase. A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement (less any accrued but unpaid interest, which will be taxable as such) and the tax basis of the Note. The amount realised on a sale or retirement for an amount in foreign currency generally will be the U.S. Dollar value of such amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, within the meaning of the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale of such Note.

Gain or loss recognised on the sale or retirement of a Note (other than gain or loss that is attributable to OID, or exchange gain or loss which will be treated as ordinary income or loss) will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year. A U.S. Holder will generally recognize exchange gain or loss on disposition of a Note equal to the difference between the U.S. Dollar value of the principal amount of the Note on the date of acquisition and the date of disposition (or, if the Notes are traded on an established securities market and the U.S. Holder is a cash basis or an electing accrual basis holder, the settlement date). For purposes of this determination, the issue price of the Notes in foreign currency will be treated as their principal amount. Exchange gain or loss is taken into account only to the extent of total gain or loss realised on the transaction. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source income or loss. However, any loss realised by a U.S. Holder on such sale or retirement may be allocable to foreign source income by reference to the source of interest income on the Notes. Prospective investors should consult their tax advisers as to the foreign tax credit implications of such sale or retirement of Notes.

Sale, Exchange or Retirement of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. Dollar value at the time such interest is received or at the time of such sale or retirement. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. Dollars) will be U.S. source ordinary income or loss.

Reportable Transaction Reporting Requirements

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (US$50,000 in a single year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders) and to disclose its investment by filing Form 8886 with the IRS. Substantial penalties can apply for failure to timely file a Form 8886. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

Foreign Financial Asset Reporting Requirements

Certain U.S. Holders that own certain types of foreign financial assets such as a Note have an information reporting obligation when the aggregate value of all such foreign assets exceeds US$50,000. The new reporting requirement applies to U.S. individuals and, if specified by the Internal Revenue Service, domestic entities formed (or availed of) for the purpose of holding, directly or indirectly, specified types of foreign financial assets. Significant penalties and an extended statute of limitations apply for failure to comply with the new reporting requirements. U.S. Holders should consult their own tax advisers with respect to this and any other reporting requirement that may apply with respect to their acquisition of a Note.

Non-U.S. Holders

Under U.S. federal income tax law currently in effect, subject to the discussion below under the caption "U.S. Backup Withholding Tax and Information Reporting," payments of interest (including OID) on a Note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless the income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Subject to the discussion below under the caption "U.S. Backup Withholding Tax and Information Reporting," any gain realised by a Non-U.S. Holder upon the sale, exchange or retirement of a Note generally will not be subject to U.S. federal income tax, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realised by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

Additional Notes

Additional Notes issued in further offerings by the Issuer may not be fungible for U.S. federal income tax purposes with Notes of the same series that were issued in the original offering for that series. Additional Notes are not fungible with an earlier issue unless they are issued in a qualified reopening of the original offering. Whether the issuance of additional Notes is a qualified reopening depends on the interval after the original offering, the yield of the original Notes at that time (based on their fair market value), whether the original Notes were issued with OID and whether any original Notes are publicly traded or quoted at the time of the new issuance. If issuance of the additional Notes is not a qualified reopening, the additional Notes may be issued with OID that exceeds the remaining OID, if any, on the originally issued Notes of the series. The market value of the previously outstanding Notes of a series may be adversely affected if additional Notes are issued with a greater amount of OID than the OID with which the originally issued Notes were issued, if any, unless the additional Notes can be distinguished from the originally issued Notes (for example by use of a different Common Code and International Securities Identification Number ("ISIN") and, where applicable, CUSIP number).

Foreign Account Tax Compliance Act

Pursuant to provisions of U.S. federal income tax law enacted in 2010 and commonly known as the Foreign Account Tax Compliance Act ("**FATCA**"), a non-U.S. financial institution that is not treated as exempt under FATCA generally will be subject to a 30% withholding tax on passive income from sources within the United States received after 31 December 2013, on gross proceeds of the disposition, exchange, redemption or retirement of assets producing such income received after 31 December 2014 and on other payments attributable to income from U.S. sources as determined under FATCA ("**foreign pass-thru payments**" received after 31 December 2016, unless such non-U.S. financial institution has entered into an agreement with the IRS pursuant to which it agrees, among other responsibilities, to collect and provide to the IRS information about its direct and indirect U.S. accountholders and investors. Where a non-exempt, non-U.S. financial institution has entered into an agreement with IRS pursuant to FATCA (a "**Participating FFI**"), such non-U.S. financial institution generally will be required to withhold tax on that portion of any payment it makes that is considered a "foreign pass-thru payment" for purposes of FATCA unless the relevant payee account holder or investor has provided sufficient information for the Participating FFI either: (x) to determine that the account holder or investor is not a U.S. person, U.S. controlled non-financial foreign entity or another Participating FFI or (y) to comply with information reporting obligations under its agreement with the IRS with respect to the payee account holder or investor.

Under FATCA and proposed regulations published by the IRS that have not been finalized to date, certain non-U.S. financial institutions are exempted from these rules including certain controlled entities and instrumentalities of one or more foreign governments and political subdivisions thereof. The Issuer believes that it satisfies the requirements set out in the proposed regulations implementing FATCA to be treated as a controlled entity or instrumentality of a foreign government or of foreign governments that will be exempt from FATCA withholding on payments it receives. Accordingly, the Issuer does not expect to enter into an agreement with the IRS or otherwise to become a Participating FFI for FATCA purposes. As a result, the Issuer does not expect to withhold any amount in respect of FATCA from any payment it will make on the Notes.

U.S. Backup Withholding Tax and Information Reporting

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of Notes that are U.S. Holders. Information reporting generally may apply to payments of principal, interest and any OID or premium on a Note, and to proceeds from the sale or redemption of a Note (other than an exempt recipient, including a corporation, a payee that is not a U.S. Holder that provides an appropriate certification and certain other persons). The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a U.S. Holder of a Note, other than an exempt recipient, such as a corporation, if such U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

The above summary is not intended to constitute a complete analysis of all U.S. federal income tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisers concerning the tax consequences of their particular situations.

Republic of Kazakhstan Taxation

The following is a general summary of the Republic of Kazakhstan tax consequences as at the date hereof in relation to payments made under the Notes and in relation to the sale or transfer of Notes. It is not exhaustive and purchasers are urged to consult their professional advisers as to the tax consequences to them of holding or transferring Notes.

Under Kazakhstan law as presently in effect, and in particular on the basis of the international agreements that Kazakhstan has executed in relation to the Issuer, payments of principal and interest on the Notes to an individual who is a non-resident of the Republic of Kazakhstan for tax purposes or to a legal entity that is neither established in accordance with the legislation of the Republic of Kazakhstan, nor has its actual governing body (place of actual management) in, nor maintains a permanent establishment in, the Republic of Kazakhstan or otherwise has no taxable presence in the Republic of Kazakhstan (together, "**Non-Kazakhstan Holders**") will not be subject to taxation in the Republic of Kazakhstan, and no withholding of any Kazakhstan tax will be required on any such payments. In addition, gains realised by Non-Kazakhstan Holders derived from the disposal, sale, exchange or transfer of the Notes will not be subject to Kazakhstan income or profits tax.

EU Savings Tax Directive

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted the EU Savings Tax Directive (2003/48/EC) (the "**Directive**"). Under the Directive, EU member states are required to provide to the tax authorities of another EU member state details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident or established (as the case may be) in that other EU member state. However, for a transitional period, Austria and Luxembourg are instead permitted (unless during such period they elect otherwise) to operate a withholding system in relation to such payments. The ending of the transitional period is dependent on the conclusion of certain other agreements relating to information exchange with certain other countries.

A number of non-EU countries and certain dependant or associated territories, including Switzerland, have adopted similar measures to the EU Savings Tax Directive (a withholding system in the case of Switzerland).

On 13 November 2008, the European Commission adopted proposals to amend the Directive, which could, if implemented, extend the scope of the Directive to a wider range of circumstances and make certain other amendments (including to the transitional period provisions). However, legislation has not yet been enacted to effect these proposals.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale or other transfer of any Note.

Rule 144A Notes

Each purchaser of a beneficial interest in the Rule 144A Global Note, by accepting delivery of this Base Prospectus and purchasing any Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a QIB, (b) acquiring such Notes for its own account, or for the account of one or more QIBs for which it acts as a fiduciary or agent, and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

(2) It will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Note in a principal amount that is not less than U.S.$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries.

(3) It understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs, each of which is purchasing not less than U.S.$200,000 in principal amount of the Rule 144A Notes or (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (c) pursuant to any other available exemption from registration under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States.

(4) It understands that the Rule 144A Notes (and any individual Note Certificates issued in respect thereof), unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (A "QIB"), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.$200,000 PRINCIPAL AMOUNT OF NOTES, OR (2) TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), OR (3) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR

EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

(5) It acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the trust and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts who are QIBs, it represents that it has sole investment discretion with respect to each such account, and that it has full power to make the above acknowledgements, representations and agreements on behalf of each such account.

(6) It understands that the Rule 144A Notes will be evidenced by the Rule 144A Global Note. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(7) Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of a beneficial interest in the Regulation S Notes outside the United States, by accepting delivery of this Base Prospectus and the Regulation S Notes (including the Final Terms relating thereto), will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(2) It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs, each of which is purchasing not less than U.S.$200,000 in principal amount of the Rule 144A Notes or (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States, or (c) pursuant to any other available exemption from registration under the Securities Act.

(3) It understands that Regulation S Notes of a Series will be evidenced by a Regulation S Global Note. Before any interest in a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(4) It acknowledges that the Issuer, the Trustee, the Registrar, the Dealer(s) and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agree that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer or the Dealers). If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each

such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

GENERAL INFORMATION

(1) The Issuer is not subject to any consents, approvals and authorisations in its Member States in connection with any Series of Notes. The establishment and update of the Programme were authorised by duly adopted resolutions of the Council on 25 September 2006 and 2 August 2007 and by resolutions of the Executive Board on 20 November 2007 and 10 August 2012.

(2) There has been no significant change in the financial or trading position of the Issuer since 30 June 2012 and no material adverse change in the prospects of the Issuer since 31 December 2011.

(3) The Issuer is not involved or has not been involved during the previous 12 months in any government, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had in the recent past, significant effect on the financial position or profitability of the Issuer.

(4) *Independent Auditors*

The financial statements of the Issuer as of 31 December 2010, 2009, 2008 and for the years then ended, included in this Base Prospectus, have been audited by Deloitte LLP, independent auditors (acting as an auditor under licence No. 0000015, dated 13 September 2006 issued by the Ministry of Finance of the Republic of Kazakhstan and regulated by the Ministry of Finance of the Republic of Kazakhstan), as stated in their report appearing therein. The business address of Deloitte LLP is 36, Al-Farabi Ave., Almaty Financial District, Building “B”, 050059, Kazakhstan.

The financial statements of the Issuer as of 31 December 2011 and for the year then ended, included in this Base Prospectus, have been audited by KPMG Audit LLC (Kazakhstan), independent auditors (acting as an auditor under licence No. 0000021, dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan and regulated by the Ministry of Finance of the Republic of Kazakhstan), as stated in their report appearing therein. The business address of KPMG Audit LLC (Kazakhstan) is Koktem Business Center, 180 Dostyk Avenue, Almaty, 050051 Republic of Kazakhstan.

(5) For so long as any Series of Notes is outstanding, copies (and English translations where the documents in question are not in English, as set out below) of the following documents may be obtained free of charge at the specified offices of the Trustee and the Principal Paying Agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- the unaudited condensed interim Financial Statements of the Issuer as at 30 June 2012 and for the six-month periods ended 30 June 2012;
- the annual report and Financial Statements of the Issuer for the year ended 31 December 2011;
- the annual report and Financial Statements of the Issuer for the years ended 31 December 2010, 2009 and 2008;
- copies and English translations of the Charter of the Issuer and the Establishing Agreement, such English translations being direct and accurate translations of the original documents,

and copies of the following documents will be available for inspection at the specified offices of the Trustee and the Principal Paying Agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- the Trust Deed in respect of the Notes (including the forms of the Global Notes and Definitive Notes);

- each set of Final Terms for Notes that are listed on the Regulated Market; and
- the Agency Agreement.

Each set of Final Terms for Notes that are listed on the Official List and admitted for trading on the Regulated Market will also be published through the London Stock Exchange's Regulatory News Service.

In the event that there is a discrepancy between the English translation of the Charter and/or the Establishing Agreement and the original, Russian language version of the Charter and/or Establishing Agreement, as applicable, the original, Russian language version of the Charter and/or Establishing Agreement shall prevail.

(6) The Issuer does not intend to provide post-issuance information.

(7) The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and DTC. The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the CUSIP number and the identification number for any other relevant clearing system for each Series of Notes will be set out in the applicable Final Terms.

(8) This Base Prospectus shall be published through the London Stock Exchange's Regulatory News Service and on the Issuer's website (www.eabr.org/e/investors/debt_instruments). The contents of this website shall not be deemed to be incorporated into this Base Prospectus.

APPENDIX - CERTAIN DEFINED TERMS

The following terms are used in this Base Prospectus and are not defined in "Terms and Conditions of the *Notes*":

"**2009 Rouble Bonds**" means RUB5.0 billion Rouble bonds issued by the Issuer on 3 November 2009;

"**2011 Rouble Bonds**" means RUB5.0 billion Rouble bonds issued by the Issuer on 15 February 2011;

"**2012 Rouble Bonds**" means RUB5.0 billion Rouble bonds issued by the Issuer on 6 February 2012;

"**ACF**" means the EurAsEC Anti-Crisis Fund;

"**ACF Resources Manager**" means the entity designated as the ACF investment manager by the ACF council;

"**ALMC**" means the Assets and Liabilities Management Committee;

"**applicable Final Terms**" means the final terms applicable to each issue of Notes;

"**Armenia Terms of Stay Agreement**" means an agreement between the government of the Republic of Armenia and the Issuer on the terms of the Issuer's stay in the Republic of Armenia, dated 27 April 2010;

"**Basel II**" means the report titled "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" of the Basel Committee on Banking Supervision dated June 2004;

"**Belarus Terms of Stay Agreement**" means an agreement between the government of the Republic of Belarus and the Issuer on the terms of the Issuer's stay in the Republic of Belarus, dated 17 June 2010 and ratified on 3 June 2011;

"**Beneficial Owner**" means the ownership interest of each actual purchaser of each Note;

"**BK-M**" means the Bank of Khanty-Mansiysk JSC;

"**Charter**" means the charter of the Issuer, as appended to the Establishing Agreement;

"**CIS**" means the Commonwealth of Independent States;

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme;

"**Code**" means the United States Internal Revenue Code of 1986, as amended;

"**Collateral Policy**" means the assessment of availability of recourse to the project sponsors and the existence of sufficient collateral in the form of assets or third party guarantees;

"**Council**" means the supreme management body of the Issuer which is responsible for the overall supervision of the Issuer's activities;

"**CRA Regulation**" means Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies;

"**Convention**" means the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards;

"**Credit Committee**" means the committee that implements the Issuer's credit policies;

"**Dealer Agreement**" means the dealer agreement dated on or about 10 September 2012;

"**Dealers**" means all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches;

“**Definitive Notes**” means Notes in definitive registered form;

“**derivatives**” means derivative financial instruments;

“**Direct Participants**” means investors who hold their interests in the Global Notes directly through their Euroclear or Clearstream, Luxembourg account(s);

“**distribution compliance period**” means 40 days after completion of the distribution of the Series of which the Notes are a part as determined and certified to the Principal Paying Agent by the relevant Dealer (or in the case of a Series of Notes sold to or through more than one relevant Dealer, by each of such relevant Dealers as to the Notes of such Series sold by or through it, in which case the Principal Paying Agent shall notify each such relevant Dealer when all relevant Dealers have so certified);

“**DTC**” means The Depository Trust Company;

“**EEA Member State**” refers to a member state of the European Economic Area;

“**Establishing Agreement**” means the Agreement Establishing the Eurasian Development Bank dated 12 January 2006;

“**EU**” means the European Union;

“**EU Savings Tax Directive**” means EU Council Directive 2003/48/EC on the taxation of savings income;

“**EUR**” and “**Euro**” mean the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as further amended by the Treaty of Amsterdam;

“**EurAsEC**” means the Eurasian Economic Community which comprises the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Kyrgyz Republic, the Republic of Tajikistan and the Republic of Uzbekistan (temporarily suspended);

“**Euroclear**” means Euroclear Bank SA/NV;

“**Exchange Act**” means the U.S. Securities and Exchange Act of 1934, as amended;

“**Exchange Date**” means the day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located;

“**FATCA**” means Sections 1471 to 1474 of the Code;

“**FIEL**” means the Financial Instruments and Exchange Law of Japan (Law no. 25 of 1948, as amended);

“**Financial Statements**” means, collectively, the Issuer’s audited annual financial statements as at and for the year ended 31 December 2011and its audited annual financial statements as at and for the years ended 2010, 2009 and 2008, all of which were prepared in accordance with IFRS and its unaudited condensed interim financial statements as at 30 June 2012 and for the six-month period then ended, prepared in accordance with IAS 34.

“**Fitch**” means Fitch Ratings Limited;

“**FSMA**” means the UK Financial Services and Markets Act 2000, as amended;

“**Further Rouble Bonds**” means RUB5.0 billion Rouble bonds issued by the Issuer on 1 March 2012;

“**GDP**” means gross domestic product;

“**Global Notes**” means the Rule 144A Global Note and the Regulation S Global Notes, collectively;

"**IASB**" means the International Accounting Standards Board;

"**IFRIC**" means the International Financial Reporting Interpretations Committee;

"**IFRS**" means International Financial Reporting Standards;

"**IMF**" means the International Monetary Fund;

"**Indirect Participants**" means investors who hold their interests in the Global Notes indirectly through organisations which are Euroclear or Clearstream, Luxembourg accountholders;

"**Internal Guidelines Regulation**" means the prudential risk policies and other internal guidelines to manage risks adopted by the Issuer on 20 May 2008 and amended and restated on 11 August 2009;

"**Investment Declaration**" means the investment declaration approved by the Issuer on 20 November 2007, as amended;

"**Investment Regulations**" mean the regulation adopted by the Issuer on 4 February 2008 concerning its future investment activities;

"**Investor's Currency**" means the currency or currency unit of the investor;

"**issue price**" of each Note means the first price at which a substantial amount of the particular offering is sold (other than to an underwriter, broker, agent or wholesaler);

"**Issuer**" means the Eurasian Development Bank;

"**Kazakhstan**" means the Republic of Kazakhstan;

"**KASE**" means the Joint Stock Company "Kazakhstan Stock Exchange";

"**Kazakhstan Terms of Stay Agreement**" means the agreement between the government of the Republic of Kazakhstan and the Issuer on the terms of the Issuer's stay in the Republic of Kazakhstan dated 17 June 2006 and ratified on 11 January 2007;

"**Kyrgyz Terms of Stay Agreement**" means an agreement between the government of the Kyrgyz Republic and the Issuer on the terms of the Issuer's stay in the Kyrgyz Republic, dated 14 September 2011;

"**KZT**" and "**Tenge**" mean Kazakh Tenge, the lawful currency of the Republic of Kazakhstan;

"**London Stock Exchange**" means the London Stock Exchange plc;

"**Market and Treasury Risks Management Rules**" means the rules managing market and treasury risks approved by the Issuer on 8 September 2009;

"**Member States**" mean the Republic of Kazakhstan, the Russian Federation, the Republic of Belarus, the Republic of Armenia, the Republic of Tajikistan and the Kyrgyz Republic and any further state which may be acceded to the Issuer in the future;

"**MICEX**" means the Open Joint Stock Company "Moscow Exchange MICEX-RTS";

"**Moody's**" means Moody's Investors Service Limited;

"**MRIF**" means Macquarie Renaissance Infrastructure Fund;

"**NBK**" means the National Bank of Kazakhstan;

"**Non-Kazakhstan Holder**" means an individual who is a non-resident of the Republic of Kazakhstan or a legal entity that is neither established in accordance with the legislation of the Republic of Kazakhstan, nor has its actual governing body (place of actual management) in, nor maintains a permanent establishment in, the Republic of Kazakhstan or otherwise has no taxable presence in the Republic of Kazakhstan;

“**Notes**” means Euro medium term notes;

“**NSA**” means the National Statistical Agency of Kazakhstan;

“**OECD**” means the Organisation for Economic Co-operation and Development;

“**OFAC**” means the U.S. Department of Treasury Office of Foreign Assets Control;

“**Official List**” means the official list of the UK Listing Authority;

“**OID**” means original issue discount;

“**Participants**” means Indirect Participants and Direct Participants, collectively;

“**Permanent Dealers**” means BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, VTB Capital plc and such additional persons that are appointed as Dealers in respect of the Programme as a whole (and whose appointment has not been terminated);

“**Programme**” means the U.S.$3,500,000,000 Euro medium term note programme;

“**Project Groups**” means the seven independent project groups of the Issuer which are involved in corporate lending activity.

“**Prospectus Directive**” means Article 5.4 of Directive 2003/71/EC;

“**QIB**” means qualified institutional buyers, as defined in Rule 144A of the Securities Act;

“**Regulated Market**” means the regulated market of the London Stock Exchange plc;

“**Regulation S**” means Regulation S under the Securities Act;

“**Regulation S Global Note**” means the global unrestricted note in registered form representing Regulation S Notes of each Series to be sold in an “offshore transaction” within the meaning of Regulation S;

“**Regulation S Notes**” means notes offered and sold to non-U.S. persons in offshore transactions in reliance on Regulation S;

“**Relevant EEA Member State**” means each member states of the European Economic Area which has implemented the Prospectus Directive;

“**Relevant Implementation Date**” means the date on which the Prospectus Directive is implemented in the Relevant EEA Member State;

“**RosStat**” means the Federal Service for State Statistics of the Russian Federation;

“**RUB**” and “**Roubles**” mean Russian Roubles, the lawful currency of the Russian Federation;

“**Rule 144A**” means Rule 144A under the Securities Act;

“**Rule 144A Global Note**” means the global unrestricted Note in registered form representing Rule 144A Notes of each Series to be sold to QIBs;

“**Rule 144A Notes**” means notes offered and sold in reliance on the exemption from registration provided in Rule 144A;

“**Russia**” means the Russian Federation;

“**Russian Central Bank**” means the Central Bank of the Russian Federation;

“**Russian Terms of Stay Agreement**” means an agreement between the government of the Russian Federation and the Issuer on the terms of the Issuer’s stay in the Russian Federation dated 7 October 2008 and ratified on 27 December 2009;

"**Securities Act**" means the U.S. Securities Act of 1933, as amended;

"**Series**" means series in which Notes may be issued having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series;

"**Short Term Note**" means a Note with a term of one year or less;

"**Specified Denomination**" means the denomination of the Notes as specified in the applicable Final Terms;

"**Stabilising Manager(s)**" means such Dealer(s) as may be designated from time to time in relation to an issue of Notes;

"**Standard & Poor's**" means Standard & Poor's Credit Market Services Europe Limited;

"**Sterling**" and "**£**" mean the lawful currency of the United Kingdom;

"**Tajikistan Terms of Stay Agreement**" means an agreement between the government of the Republic of Tajikistan and the Issuer on the terms of the Issuer's stay in the Republic of Tajikistan, dated 21 October 2009 and ratified on 4 January 2010;

"**Technical Assistance Fund**" means a fund established by the Issuer in February 2008 dedicated to sponsoring various research programmes which are intended to promote regional economic integration and economic development in the Member States;

"**Tenge Bonds**" means the KZT20.0 billion in principal amount bonds due 28 April 2014;

"**Terms and Conditions of the Notes**" means the terms and conditions of the Notes as set forth in "*Terms and Conditions of the Notes*";

"**Tranche**" means tranches in which Series of Notes may be issued on the same or different issue dates, the specific terms of which will be set out in the applicable Final Terms;

"**Trust Deed**" means the amended and restated trust deed dated on or about 10 September 2012;

"**Trustee**" means Citicorp Trustee Company Limited and any successor trustee or trustees under the Trust Deed;

"**UK Listing Authority**" means the United Kingdom Financial Services Authority;

"**United States**" or "**U.S.**" means the United States of America;

"**U.S.$**" and "**U.S. Dollar**" mean the lawful currency of the United States of America; and

"**U.S. Dollar Bonds**" means the U.S.$500 million in principal amount 7.375% per annum notes due 2014.

INDEX TO FINANCIAL STATEMENTS

EURASIAN
DEVELOPMENT BANK

Unaudited Interim Condensed Financial Statements

For the six-month period ended 30 June 2012

«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
050051 Алматы, Достық д-лы 180,
Тел./факс 8 (727) 298-08-98, 298-07-08

KPMG Audit LLC
050051 Almaty, 180 Dostyk Avenue,
E-mail: company@kpmg.kz

Independent Auditors' Report on review of Interim Condensed Financial Information

To the Members of the Council of Eurasian Development Bank

Introduction

We have reviewed the accompanying condensed statement of financial position of Eurasian Development Bank as at 30 June 2012, and the related condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that interim condensed financial information as at 30 June 2012 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

KPMG Audit LLC

KPMG Audit LLC

3 August 2012

EURASIAN DEVELOPMENT BANK

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

(in thousands of US dollars)

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

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

3 August 2012
Almaty, Kazakhstan

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

3 August 2012
Almaty, Kazakhstan

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

EURASIAN DEVELOPMENT BANK

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012
(in thousands of US dollars)

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

On behalf of the management of the Bank:

Евразийский Банк Развития

I.V. Finogenov
Chairman of the Executive Board

3 August 2012
Almaty, Kazakhstan

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

3 August 2012
Almaty, Kazakhstan

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(in thousands of US dollars)

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

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

3 August 2012
Almaty, Kazakhstan

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

3 August 2012
Almaty, Kazakhstan

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

EURASIAN DEVELOPMENT BANK

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

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

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

EURASIAN DEVELOPMENT BANK

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012 (CONTINUED)

(in thousands of US dollars)

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

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

3 August 2012
Almaty, Kazakhstan

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

3 August 2012
Almaty, Kazakhstan

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

1 BACKGROUND

(a) Principal activities

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

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

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

On 28 June 2011 the Council of the Bank approved the accession of the Kyrgyz Republic to the Agreement on Incorporation of the Bank. The Kyrgyz Republic has fulfilled its respective appropriate domestic procedures related to the ratification of the Agreement on Incorporation of the Bank, made its contribution to the share capital and became Member state of the Bank on 26 August 2011.

As at 30 June 2012, the following states were members of the Bank: the Russian Federation, the Republic of Kazakhstan, the Republic of Armenia, the Republic of Tajikistan, the Republic of Belarus and the Kyrgyz Republic.

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

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

The total number of employees of the Bank as at 30 June 2012 was 284 (31 December 2011: 274; 31 December 2010: 238).

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

(in thousands of US dollars)

1 BACKGROUND, CONTINUED

(a) Principal activities, continued

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

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

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

(b) Business environment

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

2 BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed financial statements of the Bank are prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*. Accordingly, certain information and disclosures normally required to be included in the notes to the annual financial statements have been omitted or condensed. These interim condensed financial statements should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2011, as these interim condensed financial statements provide an update of previously reported financial information.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

Financial information presented in US dollars is rounded to the nearest thousand.

(in thousands of US dollars)

2 BASIS OF PREPARATION, CONTINUED

(d) Use of estimates and judgments

The preparation of the interim condensed financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the interim condensed financial statements is described in the Note 13 “Loans to customers” and in Note 11 “Hedging derivative financial instrument”.

3 SIGNIFICANT ACCOUNTING POLICIES

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

4 NET INTEREST INCOME

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

(in thousands of US dollars)

5 PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS

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

	Unaudited Six-month period ended 30 June 2012	Six-month period ended 30 June 2011	Unaudited Six-month period ended 30 June 2010
Beginning of the period	-	(19,214)	(6,562)
Provision for impairment losses	(12,301)	(1,402)	(7,614)
Reversal of provision for impairment losses	3,036	7	687
Effect of foreign currency movements	29	(200)	500
End of the period	**(9,236)**	**(20,809)**	**(12,989)**

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

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

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

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

(in thousands of US dollars)

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

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

8 OPERATING EXPENSES

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

9 CASH AND CASH EQUIVALENTS

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

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

(in thousands of US dollars)

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

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

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

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

11 HEDGING DERIVATIVE FINANCIAL INSTRUMENT

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

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

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

(in thousands of US dollars)

12 LOANS AND ADVANCES TO BANKS

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

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

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

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

	Unaudited 30 June 2012		31 December 2011		31 December 2010	
	Carrying 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	41,449	47,747	79,893	92,112	84,067	89,273
Bonds issued by non-financial organisations	-	-	43,966	51,710	48,800	54,711
	41,449	**47,747**	**123,859**	**143,822**	**132,867**	**143,984**

(in thousands of US dollars)

13 LOANS TO CUSTOMERS

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

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

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

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

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

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

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

(in thousands of US dollars)

13 LOANS TO CUSTOMERS, CONTINUED

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

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

Concentration of loans to customers

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

14 FINANCIAL ASSETS AVAILABLE-FOR-SALE

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

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

(in thousands of US dollars)

14 FINANCIAL ASSETS AVAILABLE-FOR-SALE, CONTINUED

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

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

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

15 INVESTMENTS HELD-TO-MATURITY

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

16 LOANS AND DEPOSITS FROM BANKS

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

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

(in thousands of US dollars)

17 DEBT SECURITIES ISSUED

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

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

On 15 February 2011, the Bank issued Rouble Bonds listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 6 February 2018. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 7.7% per annum until 11 February 2014 and after 11 February 2014 will be determined by the Bank unilaterally. The bondholders are entitled to demand the redemption of the Rouble Bonds in three years after their issuance.

On 6 February 2012, the Bank issued Rouble Bonds listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 28 January 2019. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 8.5% per annum until 5 February 2014 and after 5 February 2014 will be determined by the Bank unilaterally. The bondholders are entitled to demand the redemption of the Rouble bonds in two years after their issuance.

On 1 March 2012, the Bank issued Rouble Bonds listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 21 February 2019. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 8.5% per annum until 2 March 2015 and after 2 March 2015 will be determined by the Bank unilaterally. The bondholders are entitled to demand the redemption of the Rouble bonds in three years after their issuance.

(in thousands of US dollars)

17 DEBT SECURITIES ISSUED, CONTINUED

On 3 November 2009, the Bank issued Rouble Bonds listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 25 October 2016. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 10.5% per annum until 1 November 2011 and after 1 November 2011 and consequently unilaterally determined by the Bank at 7.5% per annum till 31 October 2013.

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

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

18 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the condensed statement of financial position.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments. The Bank plans to fund these commitments primarily with debt securities issued.

The Bank's uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 30 June 2012 and 31 December 2011 and 2010, the nominal or contractual amounts were:

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

Fiduciary activities

The Bank provides trust services to the Anti-crisis Fund (the "Fund"), whereby it holds and manages assets or invests funds received in various financial instruments as a Manager of Fund. In the judgment of management, as at 30 June 2012 the maximum potential financial risk on securities and due from banks accepted by the Bank on behalf of the Fund does not exceed 58,152 thousand US dollars (31 December 2011: 249,793 thousand US dollars; 31 December 2010: 281,637 thousand US dollars). These amounts represent clients' funds under the management of the Bank as at respective dates.

(in thousands of US dollars)

19 TRANSACTIONS WITH RELATED PARTIES

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

(a) Transactions with key management

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

	Unaudited Six-month period ended 30 June 2012		Six-month period ended 30 June 2011		Unaudited Six-month period ended 30 June 2010	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Staff costs and other payments to employees	2,811	14,458	1,710	12,198	2,030	7,875

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

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

(b) Transactions with other related parties

According to IAS 24 *Related Party Disclosures* other related parties of the Bank comprise the Russian Federation and the Republic of Kazakhstan, national companies and other organisations controlled by these Member states and the Anti-crisis Fund.

(in thousands of US dollars)

19 TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(b) Transactions with other related parties, continued

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

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

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

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

(in thousands of US dollars)

20 SEGMENT REPORTING

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

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

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

(in thousands of US dollars)

20 SEGMENT REPORTING, CONTINUED

	Russia	Kazakhstan	Other countries	Total for the six-month period ended 30 June 2011
Interest income	38,861	16,252	9,706	64,819
Interest expense	(11,438)	(5,990)	(19,894)	(37,322)
Provisions for impairment losses on loans to customers	-	(1,401)	(1)	(1,402)
Reversal of provisions for impairment losses on loans to customers	-	6	-	6
Net gain/(loss) on financial assets at fair value through profit or loss	(16,618)	(208)	4,254	(12,572)
Realised gain on financial assets available-for-sale	36	29	78	143
Net gain/(loss) on transactions in foreign currencies	(5,656)	2,240	18,919	15,503
Fee and commission income	1,506	666	390	2,562
Fee and commission expense	(16)	-	(59)	(75)
Other income	1,457	10	1	1,468
External operating income	**8,132**	**11,604**	**13,394**	**33,130**
Capital expenditure	151	345	26	522
Depreciation and amortisation	203	829	36	1,068

				Total as at 31 December 2011
Cash and balances with national (central) banks of Member states of the Bank	31	71	-	102
Financial assets at fair value through profit or loss	1,904	-	4,014	5,918
Loans and advances to banks	406,937	70,030	254,248	731,215
Loans to customers	700,046	425,680	218,270	1,343,996
Financial assets available-for-sale	177,839	-	199,998	377,837
Investments held-to-maturity	302,980	-	-	302,980
Non-current assets held-for-sale	-	48,311	-	48,311
Property, equipment and intangible assets	734	18,252	151	19,137
Other assets	5,304	2,833	50	8,187
Total assets	**1,595,775**	**565,177**	**676,731**	**2,837,683**
Total liabilities	**316,731**	**154,700**	**686,252**	**1,157,683**

(in thousands of US dollars)

20 SEGMENT REPORTING, CONTINUED

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

External operating income, assets, liabilities and capital expenditure have generally been allocated based on the domicile of the counterparty. Tangible assets (cash on hand, premises and equipment) have been allocated based on the country in which they are physically held.

20 SEGMENT REPORTING, CONTINUED

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

21 RISK MANAGEMENT

(a) Credit risk

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

(b) Liquidity risk

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

(in thousands of US dollars)

21 RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

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

(in thousands of US dollars)

21 RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

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

(in thousands of US dollars)

21 RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

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

(in thousands of US dollars)

21 RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

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

(in thousands of US dollars)

21 RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

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

(in thousands of US dollars)

21 RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

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

(in thousands of US dollars)

21 RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

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

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

(in thousands of US dollars)

21 RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

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

(in thousands of US dollars)

21 RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

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

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

(in thousands of US dollars)

21 RISK MANAGEMENT, CONTINUED

(c) Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Bank is exposed. In order to measure its risks the Bank uses the following financial modelling techniques: VaR, duration, modified duration and dollar value of 1 basis point. During six-month period ended 30 June 2012 there were no significant changes in market risk comparing to 31 December 2011.

(d) Currency risk

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

	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	Unaudited 30 June 2012 Total
Open balance sheet position	1,512,531	(26,106)	(128,539)	337,696	173	1,695,755
Net spot and derivative financial instruments position	159,697	25,487	128,364	(337,905)	-	(24,357)
TOTAL OPEN POSITION	**1,672,228**	**(619)**	**(175)**	**(209)**	**173**	

	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2011 Total
Open balance sheet position	1,304,295	(57,430)	139,252	222,064	88	1,608,269
Net spot and derivative financial instruments position	296,054	54,367	(142,901)	(222,479)	-	(14,959)
TOTAL OPEN POSITION	**1,600,349**	**(3,063)**	**(3,649)**	**(415)**	**88**	

	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2010 Total
Open balance sheet position	1,299,941	104,546	(62,560)	248,753	5	1,590,685
Net spot and derivative financial instruments position	300,251	(113,034)	60,617	(249,261)	-	(1,427)
TOTAL OPEN POSITION	**1,600,192**	**(8,488)**	**(1,943)**	**(508)**	**5**	

EURASIAN DEVELOPMENT BANK

Financial Statements

For the Year ended 31 December 2011

KPMG Audit LLC
Koktem Business Centre
180 Dostyk Avenue
050051 Almaty, Kazakhstan

Telephone +7 (727) 298 08 98
Fax +7 (727) 298 07 08
E-mail company@kpmg.kz

Independent Auditors' Report

To the Members of the Council of Eurasian Development Bank

We have audited the accompanying financial statements of Eurasian Development Bank (the "Bank"), which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2010 were audited by other auditors whose report dated 11 February 2011 expressed an unmodified opinion on those statements.

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

KPMG Audit LLC

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

Nigay A. N.
General Director of KPMG Audit LLC
acting on the basis of the Charter

10 February 2012

EURASIAN DEVELOPMENT BANK

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of US dollars)

	Note	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Interest income	4	143,047	116,845	108,365
Interest expense	4	(74,994)	(70,941)	(44,432)
Net interest income before provision for impairment losses on interest bearing assets		**68,053**	**45,904**	**63,933**
Provision for impairment losses on interest bearing assets	5	848	(12,980)	(5,064)
NET INTEREST INCOME		**68,901**	**32,924**	**58,869**
Net gain on financial assets and liabilities at fair value through profit or loss	6	36,537	16,985	4,444
Net realised gain on financial assets available-for-sale		44	7,174	2,348
Net loss on transactions in foreign currencies	7	(40,034)	(12,728)	(124)
Fee and commission income		6,718	6,215	3,092
Fee and commission expense		(206)	(221)	(447)
Net loss on trading with debt securities issued		(565)	-	-
Other income		1,507	82	1,203
Other expenses		(324)	-	-
Net non-interest income		**3,677**	**17,507**	**10,516**
Operating income		**72,578**	**50,431**	**69,385**
Operating expenses	8	(48,103)	(34,618)	(29,596)
NET PROFIT		**24,475**	**15,813**	**39,789**
OTHER COMPREHENSIVE INCOME:				
Net unrealised (loss)/gain on revaluation of financial assets available-for-sale		(2,284)	5,962	64,372
Net realised gain on financial assets available-for-sale transferred to the profit and loss during the year		(44)	(7,174)	(2,348)
Net unrealised loss on hedging instruments		(5,744)	-	-
OTHER COMPREHENSIVE (LOSS)/INCOME		**(8,072)**	**(1,212)**	**62,024**
TOTAL COMPREHENSIVE INCOME		**16,403**	**14,601**	**101,813**

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

10 February 2012
Almaty, Kazakhstan

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

10 February 2012
Almaty, Kazakhstan

The notes on pages 10-62 form an integral part of these financial statements.

EURASIAN DEVELOPMENT BANK

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
(in thousands of US dollars)

	Note	31 December 2011	31 December 2010	31 December 2009
ASSETS				
Cash and balances with national (central) banks of Member states of the Bank	9	102	222,389	94,872
Financial assets at fair value through profit or loss	10	5,918	910	40,933
Loans and advances to banks	12	731,215	521,894	590,321
Loans to customers	13	1,343,996	820,953	608,984
Financial assets available-for-sale	14	377,837	215,147	287,866
Investments held-to-maturity	15	302,980	697,088	843,753
Non-current assets held for sale	16	48,311	45,613	-
Property and equipment	17	17,841	22,112	21,146
Intangible assets		1,296	1,188	1,059
Other assets	18	8,187	5,299	6,524
TOTAL ASSETS		**2,837,683**	**2,552,593**	**2,495,458**
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and deposits from banks	19	73,057	56,541	36,840
Financial liabilities at fair value through profit or loss	10	5,755	2,337	117
Hedging derivative financial instrument	11	18,614	-	-
Amounts due to Anti-crisis Fund		412	499	-
Debt securities issued	20	1,037,817	810,687	812,769
Other liabilities	21	22,028	19,032	11,836
Total liabilities		**1,157,683**	**889,096**	**861,562**
EQUITY:				
Share capital	22	1,515,700	1,515,600	1,500,600
Reserve fund	22	72,640	64,733	44,839
Hedging reserve		(5,744)	-	-
Revaluation reserve for financial assets available-for-sale		289	2,617	3,829
Retained earnings		97,115	80,547	84,628
Total equity		**1,680,000**	**1,663,497**	**1,633,896**
TOTAL LIABILITIES AND EQUITY		**2,837,683**	**2,552,593**	**2,495,458**

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

10 February 2012
Almaty, Kazakhstan

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

10 February 2012
Almaty, Kazakhstan

The notes on pages 10-62 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of US dollars)

	Share capital	Reserve fund	Hedging reserve	Revaluation reserve/(deficit) for financial assets available-for-sale	Retained earnings	Total
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 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	**1,515,600**	**64,733**	-	**2,617**	**80,547**	**1,663,497**
Other comprehensive loss	-	-	(5,744)	(2,328)	-	(8,072)
Net profit	-	-	-	-	24,475	24,475
Total comprehensive income	-	-	**(5,744)**	**(2,328)**	**24,475**	**16,403**
Issue of ordinary share capital	100	-	-	-	-	100
Transfer to reserve fund	-	7,907	-	-	(7,907)	-
31 December 2011	**1,515,700**	**72,640**	**(5,744)**	**289**	**97,115**	**1,680,000**

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

10 February 2012
Almaty, Kazakhstan

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

10 February 2012
Almaty, Kazakhstan

The notes on pages 10-62 form an integral part of these financial statements.

EURASIAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of US dollars)

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans to customers	71,423	60,558	38,892
Interest received on loans and advances to banks	16,280	17,192	19,669
Interest and income received from financial assets and liabilities at fair value through profit or loss	36,560	17,076	6,820
Interest and income received on financial assets available-for-sale	12,935	22,498	22,719
Interest received on investments held-to-maturity	21,777	23,421	23,302
Interest paid on loans and deposits from banks	(1,554)	(1,066)	(25,412)
Interest paid on debt securities issued	(67,407)	(70,434)	(7,819)
Fees and commissions received	6,641	5,852	3,137
Fees and commissions paid	(207)	(273)	(483)
Other income received	3,120	39	1,203
Operating expenses paid	(39,877)	(30,262)	(28,572)
Cash inflow from operating activities before changes in operating assets and liabilities	**59,691**	**44,601**	**53,456**
Changes in operating assets			
Increase in loans to customers	(523,158)	(258,821)	(170,324)
(Increase)/decrease in loans and advances to banks	(119,097)	(2,517)	46,252
(Increase)/decrease in financial assets at fair value through profit or loss	(5,005)	43,571	(34,057)
(Increase)/decrease in other assets	(3,131)	451	(5,807)
Changes in operating liabilities			
Increase/(decrease) in deposits from banks	23,330	-	(114,729)
Increase in financial liabilities at fair value through profit or loss	3,418	(1,349)	(2,784)
Increase/(decrease) in amounts due to Anti-crisis Fund	(87)	499	-
Increase in other liabilities	2	-	248
Cash flows used in operating activities	**(564,037)**	**(173,565)**	**(227,745)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets available-for-sale	(441,556)	(136,769)	(71,367)
Proceeds from sale and redemption of financial assets available-for-sale	266,791	205,857	107,996
Purchase of investments held-to-maturity	(1,284,340)	(3,643,920)	(1,432,845)
Proceeds from redemption of investments held-to-maturity	1,675,600	3,787,955	1,165,400
Purchase of property, equipment and intangible assets	(1,676)	(2,016)	(2,911)
Cash flows from/(used in) investing activities	**214,819**	**211,107**	**(233,727)**

The notes on pages 10-62 form an integral part of these financial statements.

EURASIAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(CONTINUED)
(in thousands of US dollars)

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital	100	15,000	600
Proceeds from issuance of debt securities	236,765	-	800,994
Proceeds from loans from banks	53,148	16,954	43,059
Repayments of loans from banks	(66,649)	-	(344,995)
Cash flows from financing activities	**223,364**	**31,954**	**499,658**
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	**(125,854)**	**69,496**	**38,186**
CASH AND CASH EQUIVALENTS, at beginning of the year	495,341	438,948	400,110
Effect of changes in foreign exchange rate on cash and cash equivalents	(7,804)	(13,103)	652
CASH AND CASH EQUIVALENTS, at end of the year (Note 9)	**361,683**	**495,341**	**438,948**

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

10 February 2012
Almaty, Kazakhstan

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

10 February 2012
Almaty, Kazakhstan

The notes on pages 10-62 form an integral part of these financial statements.

1 BACKGROUND

(a) Principal activities

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

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

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

On 28 June 2011 the Council of the Bank approved the accession of the Kyrgyz Republic to the Agreement on Incorporation of the Bank. The Kyrgyz Republic has fulfilled its respective appropriate domestic procedures related to the ratification of the Agreement on Incorporation of the Bank, made its contribution to the share capital and became Member state of the Bank on 26 August 2011.

As at 31 December 2011, the following states were members of the Bank: the Russian Federation, the Republic of Kazakhstan, the Republic of Armenia, the Republic of Tajikistan, the Republic of Belarus and the Kyrgyz Republic.

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

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

The total number of employees of the Bank as at 31 December 2011 was 274 (31 December 2010: 238; 31 December 2009: 195).

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

(in thousands of US dollars)

1 BACKGROUND, CONTINUED

(a) Principal activities, continued

As at 31 December 2011, 2010 and 2009, shares of the Bank were owned as follows:

	31 December 2011, %	31 December 2010, %	31 December 2009, %
The Russian Federation	65.97	65.98	66.64
The Republic of Kazakhstan	32.99	32.99	33.32
The Republic of Belarus	0.99	0.99	-
The Republic of Tajikistan	0.03	0.03	0.03
The Republic of Armenia	0.01	0.01	0.01
The Kyrgyz Republic	0.01	-	-
Total	**100.00**	**100.00**	**100.00**

These financial statements were authorised for issue on 10 February 2012 by the management of the Bank.

(b) Business environment

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

2 BASIS OF PREPARATION

(a) Statement of compliance

These 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").

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

The Bank considered the following factors in determining its functional currency: the Bank is an international organisation, share capital is formed in US dollars, funds from financing activities are generated mainly in US dollars, and the majority of the Bank's principal activities are conducted in US dollars.

Financial information presented in US dollars is rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the Note 13 "Loans to customers" and in Note 11 "Hedging derivative financial instrument".

(e) Adoption of revised standards

From 1 January 2011 the Bank has applied Revised IAS 24 *Related Party Disclosures* (2009) in disclosing transactions with related parties of the Bank. The new accounting policy has been applied prospectively. Related party transactions are disclosed in Note 25. Application of this standard did not have a significant impact on these financial statements.

From 1 January 2011, the Bank has prospectively applied limited amendments to IFRS 7 *Financial Instruments: Disclosures* issued as part of *Improvements to IFRSs 2010.* These amendments mainly relate to disclosures on collateral.

(in thousands of US dollars)

3 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are consistently applied in the preparation of the financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Rates of exchange

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

	31 December 2011	31 December 2010	31 December 2009
US dollar/1 Kazakhstan tenge (“KZT”)	0.0067499	0.0067856	0.0067404
US dollar/1 Russian rouble (“RUB”)	0.0311305	0.0327472	0.0330642
US dollar/1 British pound sterling (“GBP”)	1.5399500	1.5611500	1.5884996
US dollar/1 Euro (“EUR”)	1.2941000	1.3383500	1.4345990

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with original maturities of less than 90 days, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of short-term commitments.

(c) Loans and advances to banks

In the normal course of business, the Bank maintains advances, deposits for various periods of time with other banks and repo transactions. Due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at amortised cost based on expected maturities. Amounts due from credit institutions are carried net of any allowance for impairment losses, if any.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,
- upon initial recognition, designated by the Bank as at fair value through profit or loss.

The Bank may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial instruments, continued

(i) Classification, continued

*Held-to-maturity investment*s are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

- the Bank upon initial recognition designates as at fair value through profit or loss
- the Bank designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method
- held-to-maturity investments which are measured at amortised cost using the effective interest method and,
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial instruments, continued

(iv) Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

(v) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised as earned in profit or loss calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial instruments, continued

(vi) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Bank writes off assets deemed to be uncollectible.

(vii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (“repo”) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (“reverse repo”) are recorded as amounts receivable under reverse repo transactions within loans and advances to banks or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial instruments, continued

(viii) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures and spot transactions.

According to the existing policy of the Bank, some derivative instruments qualify for hedge accounting.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The method of recognising the gain or loss on changes in the fair value of derivatives depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or firm commitment (fair value hedge). A fair value hedge is a hedge of changes in the fair value of a recognised asset or liability, an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. The hedge instrument is measured at fair value with changes in fair value recognised in profit or loss
- A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction, that could affect profit or loss. The hedging instrument is measured at fair value with the effective portion of changes in its fair value recognised as other comprehensive income in equity and the ineffective portion recognised in profit or loss.

Derivatives may be embedded in another contractual arrangement (a “host contract”). An embedded derivative is separated from the host contract and it is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial instruments, continued

(ix) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(e) 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 recognised 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 recognised to the extent of the cumulative impairment loss that was previously recognised in relation to that specific asset.

(f) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated annual depreciation rates are as follows:

Furniture and equipment	14.30%-50.00%
Vehicles	25.00%-50.00%
Office buildings	3.33%

(g) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated annual amortisation rates are 15.00%-50.00%.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(h) Impairment

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables ("loans and receivables"). The Bank reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Bank first assesses whether objective evidence of impairment exists individually for all loans and receivables. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Loans and receivables 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 impairment losses on loans to customers in the statement of comprehensive income in the period of recovery.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(h) Impairment, continued

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and cannot be reversed.

(iii) Available-for-sale assets

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(iv) Non financial assets

Other non financial assets are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.
All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(i) Provisions and contingencies

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past event, and 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 recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is probable.

(j) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments and letters of credit.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitments are included in other liabilities.

(k) Taxation

The Bank, its income, property and other assets, and also its operations and transactions carried out in accordance with Agreement on Incorporation 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.

(l) Share capital

Share capital is recognised at cost.

(m) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in interest income and expense.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised when the corresponding services provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(n) Fiduciary assets

The Bank provides custody and asset management services that result in the holding of assets on behalf of third parties. These assets and the income arising from them are not included in the Bank's financial statements as they are not assets of the Bank. Commissions received from such business are shown within operational income in the profit or loss.

(o) Employee benefits

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 plans are similar to a defined contribution plan and are recorded as operating expenses in the statement of comprehensive income and as other liabilities in the statement of financial position of the Bank.

(p) 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.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2011, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Bank plans to adopt these pronouncements when they become effective. The Bank has not yet analysed the likely impact of these new standards on its financial position and performance.

- IFRS 9 Financial Instruments will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in several phases and is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2012.

  The Bank recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Bank's financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Bank does not intend to adopt this standard earlier.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(q) New standards and interpretations not yet adopted, continued

- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income.* The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

- Amendment to IFRS 7 *Disclosures – Transfers of Financial Assets* introduces additional disclosure requirements for transfers of financial assets in situations where assets are not derecognised in their entirety or where the assets are derecognised in their entirety but a continuing involvement in the transferred assets is retained. The new disclosure requirements are designed to enable the users of financial statements to better understand the nature of the risks and rewards associated with these assets. The amendment is effective for annual periods beginning on or after 1 July 2011.

- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2012. The Bank has not yet analysed the likely impact of the improvements on its financial position or performance.

(in thousands of US dollars)

4 NET INTEREST INCOME

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Interest income comprises:			
Interest income on financial assets measured at amortised cost	133,587	103,647	86,670
Interest income on financial assets at fair value through profit or loss	26	63	93
Interest income on financial assets available-for-sale	9,434	13,135	21,602
Total interest income	**143,047**	**116,845**	**108,365**
Interest income on financial assets measured at amortised cost comprises:			
Interest on loans to customers	96,884	65,566	45,684
Interest on investments classified as held to maturity	18,480	20,791	22,409
Interest on loans and advances to banks	18,223	17,290	18,577
Total interest income on financial assets measured at amortised cost	133,587	103,647	86,670
Interest expense comprises:			
Interest expense on financial liabilities measured at amortised cost			
Interest on debt securities issued	(73,402)	(69,086)	(23,491)
Interest on loans and deposits from banks	(1,592)	(1,855)	(20,941)
Total interest expense on financial liabilities measured at amortised cost	**(74,994)**	**(70,941)**	**(44,432)**
Net interest income before provision for losses on interest bearing financial assets	**68,053**	**45,904**	**63,933**

5 PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS

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

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Beginning of the year	(19,214)	(6,562)	(1,377)
Provision for impairment losses	(3,187)	(27,013)	(14,159)
Reversal of provision for impairment losses	4,272	14,093	9,095
Writing-off of provision for impairment losses	18,147	-	-
Effect of foreign currency movements	(18)	268	(121)
End of the year	**-**	**(19,214)**	**(6,562)**

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

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Beginning of the year	(60)	-	-
Provision for impairment losses	(384)	(60)	-
Reversal of provision for impairment losses	147	-	-
End of the year	**(297)**	**(60)**	**-**

(in thousands of US dollars)

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

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Net gain on financial assets held for trading	36,537	16,985	4,444
Total net gain on financial assets and liabilities at fair value through profit or loss	**36,537**	**16,985**	**4,444**
Net gain on financial assets held-for-trading comprises:			
Net gain on derivative financial instruments in foreign currency	36,366	16,587	4,498
Unrealised (loss)/gain on debt securities	(2)	219	49
Realised gain/(loss) on trading operations	173	179	(103)
Total net gain on financial assets and liabilities at fair value through profit or loss	**36,537**	**16,985**	**4,444**

7 NET LOSS ON TRANSACTIONS IN FOREIGN CURRENCIES

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Translation differences, net	(53,059)	(12,166)	156
Dealing, net	13,025	(562)	(280)
Total net loss on transactions in foreign currencies	**(40,034)**	**(12,728)**	**(124)**

8 OPERATING EXPENSES

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Staff costs and other payments to employees	27,668	19,017	17,021
Impairment of construction-in-progress and land	3,372	-	-
Premises expenses	2,849	2,458	2,682
Depreciation and amortisation	2,452	2,087	1,784
Business trip expenses	2,221	1,982	1,075
Professional services	1,898	1,531	1,326
Business development expenses	1,575	851	610
Maintenance of acquired systems and programs	988	835	793
Security	986	830	597
Communication expenses	952	866	674
Research and regional development expenses	755	2,287	1,754
Training	414	423	344
Transportation expenses	369	349	288
Office, postal and printing expenses	205	244	321
Provision for losses	269	-	-
Other expenses	1,130	858	327
Total operating expenses	**48,103**	**34,618**	**29,596**

(in thousands of US dollars)

9 CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS OF MEMBER STATES OF THE BANK

	31 December 2011	31 December 2010	31 December 2009
Cash on hand	95	38	36
Balances with the National Bank of the Republic of Kazakhstan	7	222,351	94,836
Total cash and balances with national (central) banks of Member states of the Bank	**102**	**222,389**	**94,872**

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

	31 December 2011	31 December 2010	31 December 2009
Loans and advances to banks	361,581	272,952	344,076
Cash and balances with national (central) banks of Member states of the Bank	102	222,389	94,872
Total cash and cash equivalents	**361,683**	**495,341**	**438,948**

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

	31 December 2011	31 December 2010	31 December 2009
Financial assets held-for-trading:			
Derivative financial instruments	5,918	910	896
Debt securities	-	-	40,037
Total financial assets held-for-trading	**5,918**	**910**	**40,933**
Total financial assets at fair value through profit or loss	**5,918**	**910**	**40,933**

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 2011 and 2010.

	31 December 2011		31 December 2010		31 December 2009	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
Debt securities:						
US Treasury notes	-	-	-	-	1.0%	40,037
Total debt securities		**-**	-	**-**		**40,037**

	31 December 2011			31 December 2010			31 December 2009		
	Notional amount	Net fair value Asset	Net fair value Liability	Notional amount	Net fair value Asset	Net fair value Liability	Notional amount	Net fair value Asset	Net fair value Liability
Derivative financial instruments:									
Foreign currency contracts									
Swaps	527,041	5,909	(5,656)	231,461	-	(2,307)	252,571	896	(117)
Forwards	54,644	9	(99)	151,891	910	(30)	-	-	-
		5,918	**(5,755)**		**910**	**(2,337)**		**896**	**(117)**

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 (as a US dollar equivalent) of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

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

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.

11 HEDGING DERIVATIVE FINANCIAL INSTRUMENT

(a) Bank's approach to derivative transactions

The Bank may enter into swap agreements for hedging purposes.

Swap agreements and similar transactions can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structures, swap agreements may increase or decrease the Bank's exposure to long- or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors such as security prices or inflation rates. The value of the Bank's swap positions would increase or decrease depending on the changes in value of the underlying rates or currency values. Depending on how they are used, swap agreements may increase or decrease the overall volatility of Bank's investments.

The Bank's ability to realise profit from such transactions will depend on the ability of the financial institution with which it enters into the transaction to meet their obligations to the Bank. If a counterparty's creditworthiness declines, the value of the agreement would be likely to decline, potentially resulting in losses. If a default occurs by the other party to such transaction, the Bank will have contractual remedies pursuant to the agreements related to the transaction, which may be limited by applicable law in the case of a counterparty's insolvency.

(b) Significant foreign currency transactions

The entire amount of hedging derivative financial instrument as at 31 December 2011 comprises the fair value of a cross-currency interest rate swap agreement that the Bank entered into on 14 February 2011 to exchange RUB 5,000,000 thousand for USD 170,707 thousand and exchange back on 14 February 2014, the transaction closure date. The Bank pays an interest of 3.55% p.a. and the counterparty pays an interest of 7.70% p.a. semi-annually.

This swap agreement was designed as cash flow hedge principally to minimise the exchange rate risk associated with the future cash outflows from RUB 5,000,000 thousand 7-year bonds (the "Rouble Bonds") due in February 2018, interest rate 7.7% p.a., net of discount (Note 20), used to finance loans to customers in US dollars.

(in thousands of US dollars)

11 HEDGING DERIVATIVE FINANCIAL INSTRUMENT, CONTINUED

(b) Significant foreign currency transactions, continued

Interest rate on these bonds for the period from February 2014 to February 2018 is to be set at the discretion of the Bank at the end of the preceding interest period and holders of these bonds have a put option exercisable on 14 February 2014 at par. This combination provides the Bank with an option to extend the remaining term to maturity of these bonds from February 2014 to February 2018 by adjusting interest rate to approximate current market rate at the time of extension. The length of the swap agreement was chosen as three years to match the date of the expected buy-back of the bonds.

The designated hedged risk is the forward exchange rate risk and, therefore, the changes in fair value of the swap are recorded initially in the hedging reserve to the extent the hedge is effective. During the year ended 31 December 2011 a spot element of the foreign currency swaps has been recognised in profit or loss in the amount of 15,123 thousand US dollars. For cash flow hedging relationship, the initial and ongoing prospective effectiveness is assessed by comparing movements in the fair value of a hypothetical derivative with movements in the fair value of the hedging cross-currency interest rate swap (the "hypothetical derivative method"). Prospective effectiveness is measured on a cumulative basis i.e. over the entire life of the hedge relationship. The hypothetical derivative method assumes there will be one forecasted cash outflow based on the date of expected buy-back offering of the RUB denominated bonds to be paid on the date of maturity of the hedging instruments. Retrospective effectiveness is assessed by comparing the movements in the fair value of the cash flows of hypothetical derivative and actual movements in the fair value of the cross-currency interest rate swap over the life to date of the hedging relationship.

During the year ended 31 December 2011 management revised the assumptions used to value the foreign currency swap following the changes in underlying market conditions. In determining the fair value of the swaps management assumed the following rates appropriate for the Bank: 6.35% in RUB and 0.72% in USD.

12 LOANS AND ADVANCES TO BANKS

	31 December 2011	31 December 2010	31 December 2009
Loans to banks	238,515	116,112	69,830
Correspondent accounts with other banks	210,605	212,932	210,723
Term deposits in other banks	157,597	58,455	132,488
Loans under reverse repurchase agreements	123,859	132,867	175,989
Correspondent accounts with other banks on broker operations	936	1,588	1,291
	731,512	521,954	590,321
Less country risk provisions	(297)	(60)	-
Total loans and advances to banks	**731,215**	**521,894**	**590,321**

As at 31 December 2011, the Bank had receivables amounting to 238,471 thousand US dollars from one bank of a Member state (31 December 2010: 211,805 thousand US dollars from one bank; 31 December 2009: 205,038 thousand US dollars from one bank). All these amounts individually exceeded 10% of the Bank's equity as at 31 December 2011, 2010 and 2009, respectively.

As at 31 December 2011, loans and advances to banks included five loans in the amount of 50,907 thousand US dollars (31 December 2010: one loan in the amount of 3,000 thousand US dollars; 31 December 2009: nil), against which the Bank recorded a country risk provisions in the amount of 297 thousand US dollars (31 December 2010: 60 thousand US dollars; 31 December 2009: nil).
As at 31 December 2011, loans and advances to banks included accrued interest income amounting to 2,274 thousand US dollars (31 December 2010: 899 thousand US dollars; 31 December 2009: 840 thousand US dollars).

(in thousands of US dollars)

12 LOANS AND ADVANCES TO BANKS, CONTINUED

As at 31 December 2011, 31 December 2010 and 31 December 2009 none of loans and advances to banks were past due.

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 December 2011, 31 December 2010 and 31 December 2009 are presented as follows:

	31 December 2011		31 December 2010		31 December 2009	
	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	79,893	92,112	84,067	89,273	75,990	90,428
Bonds issued by non-financial organisations	43,966	51,710	48,800	54,711	54,212	66,314
Eurobonds of the Russian Federation	-	-	-	-	45,787	53,047
	123,859	**143,822**	**132,867**	**143,984**	**175,989**	**209,789**

13 LOANS TO CUSTOMERS

	31 December 2011	31 December 2010	31 December 2009
Loans to customers	1,343,996	840,167	615,546
Less allowance for impairment losses	-	(19,214)	(6,562)
Total loans to customers	**1,343,996**	**820,953**	**608,984**

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

	31 December 2011	31 December 2010	31 December 2009
Loans collateralised by guarantees	661,869	322,798	370,209
Loans collateralised by real estate, equipment and inventories	657,179	491,950	203,863
Loans collateralised by future cash inflows	24,948	25,419	41,474
	1,343,996	840,167	615,546
Less allowance for impairment losses	-	(19,214)	(6,562)
Total loans to customers	**1,343,996**	**820,953**	**608,984**

Loans to customers with a net carrying amount of 661,869 thousand US dollars (31 December 2010: 322,798 thousand US dollars; 31 December 2009: 370,209 thousand US dollars), which are neither past due nor impaired, are collateralised by guarantees issued by governments of the Member-state of the Bank, state entities, financial and commercial organisations and individuals.

For loans to customers with a net carrying amount of 657,179 thousand US dollars (31 December 2010: 491,950 thousand US dollars; 31 December 2009: 203,863 thousand US dollars), which are neither past due nor impaired, the fair value of collateral was estimated either at the inception of the collateral or at a subsequent date.

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

(in thousands of US dollars)

13 LOANS TO CUSTOMERS, CONTINUED

	31 December 2011	31 December 2010	31 December 2009
Analysis by sector:			
Transport and communication	564,205	306,386	210,646
Agriculture	232,171	160,160	134,641
Chemical industry	231,280	81,290	21,087
Energy	81,682	67,647	71,955
Mining and metallurgy	81,401	77,254	41,641
Infrastructure	2,219	-	-
Other processing	151,038	147,430	135,576
	1,343,996	840,167	615,546
Less allowance for losses	-	(19,214)	(6,562)
Total loans to customers	**1,343,996**	**820,953**	**608,984**

Certain balances in the analysis by sector in the above table have been reclassified between categories as at 31 December 2009, 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 strategy of the Bank. The Bank has reclassified amounts previously included as "Machinery construction" as at 31 December 2009 and included them as at 31 December 2011 and 2010 as "Transport and communication".

As at 31 December 2011, the maximum credit risk exposure on loans to customers amounts to 1,343,996 thousand US dollars (31 December 2010: 820,953 thousand US dollars; 31 December 2009: 608,984 thousand US dollars). As at 31 December 2011, the maximum credit risk exposure on loan commitments extended by the Bank to its borrowers amounts to 1,059,241 thousand US dollars (31 December 2010: 1,044,878 thousand US dollars; 31 December 2009: 569,725 thousand US dollars) (Note 24).

As at 31 December 2011, the Bank had no impaired or past due loans. No collective provision was recognised in respect of other loans to customers as all possible risks have been considered in individual impairment test. Change in estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by minus three percent, the impairment allowance on loans to customers as at 31 December 2011 would be 40,320 thousand US dollars lower (31 December 2010: 24,629 thousand US dollars; 31 December 2009:18,270 thousand US dollars).

As at 31 December 2010, the Bank had a single impaired and past due loan outstanding for which the borrower was unable to repay the debt due to the deterioration of market conditions. The Bank has taken possession of collateral, which has been recorded as assets held for sale (see Note 16), and during 2011 has written off this loan in the amount of 18,147 thousand US dollars (outstanding amount as at 31 December 2010: 22,789 thousand US dollars). As at 31 December 2010, the entire amount of allowance for impairment loss of 19,214 thousand US dollars was recorded against this debt and the Bank was in the process of taking possession of additional collateral. As at 31 December 2010 this loan was past due by more than 90 days and less than 360 days.

As at 31 December 2009, loans to customers included loans in the amount of 211,342 thousand US dollars against which the Bank recorded an allowance for impairment losses of 6,562 thousand US dollars 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. During 2010, these loans were fully performing and the Bank reversed the entire amount of allowance previously recognised in respect of these loans. As at 31 December 2009 no loans to customers were past due.

As at 31 December 2011, loans to customers included accrued interest income amounting to 25,572 thousand US dollars (31 December 2010: 1,939 thousand US dollars; 31 December 2009: 13,155 thousand US dollars).

Concentration of loans to customers

As at 31 December 2011 the Bank has one customer (31 December 2010: one customer; 31 December 2009: nil), whose balances exceeded 10% of total equity. The gross value of these balances as at 31 December 2011 and 31 December 2010 are 291,446 thousand US dollars and 175,668 thousand US dollars, respectively.

(in thousands of US dollars)

14 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	31 December 2011	31 December 2010	31 December 2009
Debt securities	317,611	180,427	253,146
Equity securities	60,226	34,720	34,720
Total financial assets available-for-sale	**377,837**	**215,147**	**287,866**

	31 December 2011		31 December 2010		31 December 2009	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Debt securities						
Bonds issued by Governments of foreign countries	-	199,998	-	-	-	-
Bonds issued by banks and financial institutions of the Russian Federation	6.47-11.00%	99,676	5.93-11.00%	118,889	5.93-11.00%	72,647
Bonds issued by non-financial organisations	6.10-6.13%	17,937	6.10-8.13%	56,235	6.66-9.25%	88,941
Bonds issued by banks and financial institutions of the Republic of Kazakhstan	-	-	9.25%	5,303	8.00-10.00%	10,665
Eurobonds of the Russian Federation	-	-	-	-	7.50%	80,893
		317,611		**180,427**		**253,146**

	31 December 2011		31 December 2010		31 December 2009	
	Ownership interest	Fair value	Ownership interest	Fair value	Ownership interest	Fair value
Equity securities						
Shares of OJSC “Bank of Khanty-Mansiysk”	3%	34,720	3%	34,720	3%	34,720
Investments into private equity fund “Macquarie Renaissance Infrastructure Fund”	-	25,506	-	-	-	-
		60,226		**34,720**		**34,720**

As at 31 December 2011, financial assets available-for-sale include accrued interest income amounting to 1,173 thousand US dollars (31 December 2010: 2,323 thousand US dollars; 31 December 2009: 4,170 thousand US dollars).

As at 31 December 2011, 2010 and 2009 none of financial assets available-for-sale were past due or impaired.

Shares of OJSC “Bank of Khanty-Mansiysk” are carried at cost of 34,720 thousand US dollars which approximates fair value as at 31 December 2011. The methodology used to value these shares is a comparable approach using EV/Book Value of Equity multiple.

In 2010 the Bank committed to invest 100,000 thousand US dollars into private equity fund “Macquarie Renaissance Infrastructure Fund” which focused on infrastructure investment in Russia and other CIS countries to support the economic development in the region. The Bank’s committed investment represents 15.87% of total capital committed to the fund by its participants. As at 31 December 2011 the fair value of the Bank’s investments in the fund approximates their cost as the underlying projects of the fund are at a very early stage of development.

(in thousands of US dollars)

15 INVESTMENTS HELD-TO-MATURITY

	31 December 2011		31 December 2010		31 December 2009	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
Eurobonds of the Russian Federation	7.50%	245,628	7.50%	264,016	7.50%	278,019
Bonds issued by non-financial organisations	9.63%	36,328	9.63%	37,330	9.63%	31,076
Bonds issued by banks and financial institutions of the Russian Federation	6.61%	21,024	6.61%	20,800	6.61-6.88%	34,732
Bonds issued by Governments of foreign countries	-	-	-	374,942	-	499,926
Total investments held-to-maturity		**302,980**		**697,088**		**843,753**

As at 31 December 2011, investments held to maturity included accrued interest income amounting to 5,384 thousand US dollars (31 December 2010: 5,633 thousand US dollars; 31 December 2009: 5,784 thousand US dollars).

As at 31 December 2011, 2010 and 2009 none of investments held-to-maturity were past due or impaired.

16 NON-CURRENT ASSETS HELD FOR SALE

	31 December 2011	31 December 2010	31 December 2009
Non-current assets held for sale	48,311	45,613	-
Total non-current assets held for sale	**48,311**	**45,613**	**-**

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 (Note 13). It consists of property and equipment that the Bank intends to sell in the near future. Management has determined that there was no significant change in the fair value less costs to sell of the assets held for sale from 31 December 2010 to 31 December 2011.

(in thousands of US dollars)

17 PROPERTY AND EQUIPMENT

	Land	Office buildings	Vehicles	Furniture and equipment	Construction-in-progress	Total
At historical cost						
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
Additions	-	4	175	758	-	937
Disposals	-	-	-	(424)	-	(424)
31 December 2011	**1,231**	**13,743**	**1,611**	**5,047**	**3,993**	**25,625**
Accumulated depreciation and impairment losses						
31 December 2008	-	-	404	561	-	965
Charge for the year	-	-	335	511	-	846
Disposals	-	-	-	(4)	-	(4)
31 December 2009	-	-	739	1,068	-	1,807
Charge for the year	-	349	339	980	-	1,668
Disposals	-	-	-	(475)	-	(475)
31 December 2010	-	349	1,078	1,573	-	3,000
Charge for the year	-	458	211	1,167	-	1,836
Impairment losses	147	-	-	-	3,225	3,372
Disposals	-	-	-	(424)	-	(424)
31 December 2011	**147**	**807**	**1,289**	**2,316**	**3,225**	**7,784**
Net book value						
As at 31 December 2011	**1,084**	**12,936**	**322**	**2,731**	**768**	**17,841**
As at 31 December 2010	1,231	13,390	358	3,140	3,993	22,112
As at 31 December 2009	1,231	-	574	1,820	17,521	21,146

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.

(in thousands of US dollars)

18 OTHER ASSETS

	31 December 2011	31 December 2010	31 December 2009
Other financial assets recorded as loans and receivables:			
Prepayments to private equity fund “Macquarie Renaissance Infrastructure Fund”	2,334	-	-
Accrued commission income and other receivables	1,285	1,354	1,900
	3,619	1,354	1,900
Other non-financial assets:			
Prepaid expenses	3,871	3,058	1,613
Prepaid amounts on construction works	314	366	1,547
Value added tax reimbursable	240	190	301
Other debtors	143	331	1,163
Total other assets	**8,187**	**5,299**	**6,524**

19 LOANS AND DEPOSITS FROM BANKS

	31 December 2011	31 December 2010	31 December 2009
Loans from banks	49,681	56,541	36,840
Short-term deposit from bank	23,376	-	-
Total loans and deposits from banks	**73,057**	**56,541**	**36,840**

Loans from banks are subject to certain financial covenants under the terms of the loan agreements. During the years ended 31 December 2011, 2010 and 2009 the Bank was in compliance with all such covenants.

As at 31 December 2011, loans and deposits from banks included accrued interest expense amounting to 251 thousand US dollars (31 December 2010: 412 thousand US dollars; 31 December 2009: 162 thousand US dollars).

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

(in thousands of US dollars)

20 DEBT SECURITIES ISSUED

	31 December 2011	31 December 2010	31 December 2009
USD denominated 5-year Eurobonds due in September 2014, interest rate 7.375%, net of discount	508,244	507,853	507,921
RUB denominated 7-year bonds ("the Rouble Bonds") due in February 2018, interest rate 7.7%, net of discount	159,398	-	-
RUB denominated 7-year bonds ("the Rouble Bonds") due in October 2016, interest rate 7.5%, net of discount	153,927	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 9.7% from 29 October 2011 until 28 April 2012, net of discount	136,579	137,020	137,598
EUR denominated 1-year euro-commercial papers due in May 2012, interest rate 0%, net of discount	41,003	-	-
USD denominated 1-year euro-commercial papers due in November 2012, interest rate 0%, net of discount	38,666	-	-
Total debt securities issued	**1,037,817**	**810,687**	**812,769**

On 28 April 2009, the Bank issued its debut Eurobonds denominated in Tenge on the special trading platform of the Regional Financial Centre of Almaty city as part of its Euro Medium Term Note Programme ("EMTN Programme") for a total of 20.0 billion Tenge with maturity date on 28 April 2014. The Eurobonds bear an interest rate which is indexed to the consumer price index of Kazakhstan, with the rate fixed at 9.7% per annum from 29 October 2011 until 28 April 2012.

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

On 3 November 2009, the Bank issued Rouble Bonds listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 25 October 2016. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 10.50% per annum until 1 November 2011 and after 1 November 2011 the Bank unilaterally determined the new interest rate at 7.5% per annum.

On 15 February 2011, the Bank issued Rouble Bonds listed on the Moscow Interbank Currency Exchange for a total amount of 5.0 billion Russian roubles with maturity date on 6 February 2018. In accordance with the terms of the issuance, the Rouble Bonds bear an interest rate fixed at 7.7% per annum until 11 February 2014 and after 11 February 2014 will be determined by the Bank unilaterally. The bondholders are entitled to demand the redemption of the Rouble Bonds in three years after their issuance.

On 20 May 2011 the Bank placed its euro-commercial papers for 32,000 thousand Euros due on 18 May 2012. On 18 November 2011 the Bank placed its euro-commercial papers for 40,000 thousand US dollars due on 16 November 2012. These euro-commercial papers are part of the Bank's Euro-Commercial Paper Programme ("ECP Programme") for the total amount of 3.5 billion US dollars registered on 16 July 2010.

As at 31 December 2011, debt securities issued included accrued interest expense amounting to 18,057 thousand US dollars (31 December 2010: 14,029 thousand US dollars; 31 December 2009: 15,672 thousand US dollars).

(in thousands of US dollars)

21 OTHER LIABILITIES

	31 December 2011	31 December 2010	31 December 2009
Other financial liabilities:			
Deferred income	8,657	8,037	3,002
Retirement savings plan	6,633	4,747	3,134
Short-term payments to employees	5,721	4,293	4,690
Accrued expenses	732	1,909	257
	21,743	18,986	11,083
Other non-financial liabilities:			
Accrued administrative expenses	285	-	183
Other	-	46	570
Total other liabilities	**22,028**	**19,032**	**11,836**

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 2011, the authorised share capital consists of 1,515,700 common shares (31 December 2010 and 31 December 2009: 1,515,600 common shares) with a nominal value of 1,000 US dollars each. One paid-in share represents one voting right.

As at 31 December 2011, shares issued and outstanding consisted of 1,515,700 shares (31 December 2010: 1,515,600 shares; 31 December 2009: 1,500,600 shares).

At 31 December 2011 the Bank's share capital comprised the following:

	Share capital issued	Share capital authorised and not issued	Share capital authorised
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
The Kyrgyz Republic	100	-	100
Total share capital	**1,515,700**	**-**	**1,515,700**

(in thousands of US dollars)

22 SHARE CAPITAL, CONTINUED

At 31 December 2010 the Bank's share capital comprised the following:

	Share capital issued	Share capital authorised and not issued	Share capital authorised
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	**1,515,600**	**-**	**1,515,600**

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

	Share capital issued	Share capital authorised and not issued	Share capital authorised
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	**1,500,600**	**15,000**	**1,515,600**

The below table provides a reconciliation of the number of shares outstanding as at 31 December 2011, 2010 and 2009:

	Number of shares issued, quantity	Issued share capital, thousands US dollars
31 December 2009	**1,500,600**	**1,500,600**
Issue of ordinary share capital	15,000	15,000
31 December 2010	**1,515,600**	**1,515,600**
Issue of ordinary share capital	100	100
31 December 2011	**1,515,700**	**1,515,700**

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 the reserve reaches 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 2011, 2010 and 31 December 2009:

	31 December 2011	31 December 2010	31 December 2009
Beginning of the year	64,733	44,839	24,569
Transfer from retained earnings	7,907	19,894	20,270
End of the year	**72,640**	**64,733**	**44,839**

(in thousands of US dollars)

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 optimisation of debt and equity.

The objective of the Bank's share capital is to cover potential losses from its operations. In accordance with the Bank's internal policies and contractual covenants, the equity should exceed 16% of the sum of credit, market and operational risks, estimated as per the Basle II Standardised approach. As at 31 December 2011, 2010 and 2009, the Bank was in compliance with its internal policy requirements.

The capital structure of the Bank consists of equity attributable to equity holders, comprising share capital, reserves and retained earnings as disclosed in the 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 plans to fund these commitments primarily with debt securities issued.

The Bank's uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 31 December 2011, 2010 and 2009, the nominal or contractual amounts were:

	31 December 2011 Nominal Amount	31 December 2010 Nominal Amount	31 December 2009 Nominal amount
Commitments on loans and unused credit lines	1,059,241	1,044,878	569,725
Commitments to join private equity funds	68,870	100,000	-
Letters of credit issued	-	194	-
Total contingent liabilities and credit commitments	**1,128,111**	**1,145,072**	**569,725**

On 21 December 2010, the Bank agreed to invest 100,000 thousand US dollars in the Macquarie Renaissance Infrastructure Fund which is included in commitments to join private equity funds in the table above. This commitment was partially disbursed during the year ended 31 December 2011 (Note 14).

24 COMMITMENTS AND CONTINGENCIES, CONTINUED

Capital commitments

As at 31 December 2011 and 2010, the Bank had no capital commitments (31 December 2009: 484 thousand US dollars). All capital commitments of the Bank were short-term in nature.

Fiduciary activities

The Bank provides trust services to the Anti-crisis Fund (the "Fund"), whereby it holds and manages assets or invests funds received in various financial instruments as a Manager of Fund. The Bank may be liable for losses or actions aimed at appropriation of the Fund's assets until such funds or securities are not returned to the Fund due to gross negligence or wilful misconduct by the Bank only. Trust assets are not assets of the Bank and are not recognised in the statement of financial position. The Bank is not exposed to any credit risk relating to such placements. In the judgment of management, as at 31 December 2011 the maximum potential financial risk on securities and due from banks accepted by the Bank on behalf of the Fund does not exceed 249,793 thousand US dollars (31 December 2010: 281,637 thousand US dollars; 31 December 2009: nil). These amounts represent clients' funds under the management of the Bank as at respective dates.

Insurance

The insurance industry in Member states is in a developing state and many forms of insurance protection are not yet generally available. The Bank does not have full insurance coverage of the risks that may arise for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Bank property or relating to the Bank's operations. The Bank bears a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints, however in accordance with the Agreement on Incorporation the Bank possesses immunity against any legal proceedings in the territories of the Member states, except in cases which do not result from its execution of its powers. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Bank.

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 governmental entities. Accordingly, the Bank enters into numerous transactions with related parties as a result of its ownership by the Member states.

(a) Transactions with key management

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

(in thousands of US dollars)

25 TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(a) Transactions with the key management, continued

	Year ended 31 December 2011		Year ended 31 December 2010		Year ended 31 December 2009	
	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	8,262	26,201	5,741	17,723	3,853	15,841
Accommodation costs of employees	382	1,467	295	1,294	303	1,180
Key management personnel compensation	**8,644**	**27,668**	**6,036**	**19,017**	**4,156**	**17,021**

The outstanding balances as at 31 December 201, 2010 and 2009 for transactions with the members of the Executive Board are as follows:

	31 December 2011	31 December 2010	31 December 2009
Statement of financial position			
Other liabilities	4,012	3,068	1,017

(b) Transactions with other related parties

According to IAS 24 "Related Party Disclosures" other related parties of the Bank comprise the Russian Federation and the Republic of Kazakhstan, national companies and other organisations controlled by these Member states and the Anti-crisis Fund.

The outstanding balances and the related average interest rates as at 31 December 2011, 2010 and 2009 and related profit or loss amounts of transactions for the years ended 31 December 2011, 2010 and 2009 with other related parties are as follows.

	31 December 2011		31 December 2010		31 December 2009	
	Other related parties	Average interest rate, %	Other related parties	Average interest rate, %	Other related parties	Average interest rate, %
Statement of financial position						
ASSETS						
Cash and balances with national (central) banks of Member states of the Bank	46	-	222,351	0.98%	94,836	0.83%
Loans and advances to banks	288,516	0.13%	211,844	0.05%	251,735	7,43%
Loans to customers	134,123	5.51%	141,706	5.57%	140,686	5.57%
Financial assets available-for-sale	59,764	6.75%	87,395	6.86%	99,341	7.45%
Investments held-to-maturity	266,652	7.43%	322,145	7.69%	329,694	7.64%
LIABILITIES						
Amounts due to Anti-crisis Fund	412	-	499	-	-	-
Guarantees received	100,987	-	114,973	-	122,476	-
Commitments	489,866	-	475,106	-	201,327	-
Profit /(loss)						
Interest income	26,354		32,077		37,482	
Net loss on transactions in foreign currencies	(7,873)		(14,319)		(7,736)	
Fee and commission income	310		182		170	
Other income	1,446		-		-	

(in thousands of US dollars)

26 SEGMENT REPORTING

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

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

	Russia	Kazakhstan	Other countries	As at and for the year ended 31 December 2011 Total
Interest income	89,825	35,196	18,026	143,047
Interest expense	(28,440)	(12,583)	(33,971)	(74,994)
Provisions for impairment losses on loans to customers	-	(3,187)	(384)	(3,571)
Reversal of provisions for impairment losses on loans to customers	-	4,272	147	4,419
Gain/(loss) on financial assets and liabilities at fair value through profit or loss	8,851	(1,067)	28,753	36,537
Realised gain/(loss) on financial assets available-for-sale	36	(69)	77	44
Gain/(loss) on transactions in foreign currencies	(22,981)	3,627	(20,680)	(40,034)
Fee and commission income	4,346	1,378	994	6,718
Fee and commission expense	(73)	(3)	(130)	(206)
Net loss on trading with issued securities	(565)	-	-	(565)
Other income	1,451	32	24	1,507
Other expenses	-	(324)	-	(324)
External operating income/(loss)	**52,450**	**27,272**	**(7,144)**	**72,578**
Cash and balances with national (central) banks of Member states of the Bank	31	71	-	102
Financial assets at fair value through profit or loss	1,904	-	4,014	5,918
Loans and advances to banks	406,937	70,030	254,248	731,215
Loans to customers	700,046	425,680	218,270	1,343,996
Financial assets available-for-sale	177,839	-	199,998	377,837
Investments held-to-maturity	302,980	-	-	302,980
Non-current assets held for sale	-	48,311	-	48,311
Property, equipment and intangible assets	734	18,252	151	19,137
Other assets	5,304	2,833	50	8,187
Total assets	**1,595,775**	**565,177**	**676,731**	**2,837,683**
Total liabilities	**316,731**	**154,700**	**686,252**	**1,157,683**
Capital expenditure	154	1,476	31	1,661
Depreciation and amortisation	479	1,880	93	2,452

(in thousands of US dollars)

26 SEGMENT REPORTING, CONTINUED

	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/(loss) on financial assets and liabilities at fair value through profit or loss	16,526	(173)	632	16,985
Realised gain on financial assets available-for-sale	6,860	314	-	7,174
Gain/(loss) on transactions in foreign currencies	(1,360)	761	(12,129)	(12,728)
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
Non-current assets held for sale	-	45,613	-	45,613
Property, equipment and intangible assets	1,059	22,028	213	23,300
Other assets	3,635	1,211	453	5,299
Total assets	**1,295,771**	**684,364**	**572,458**	**2,552,593**
Total liabilities	**172,611**	**151,128**	**565,357**	**889,096**
Capital expenditure	154	2,828	200	3,182
Depreciation and amortisation	350	1,705	32	2,087

(in thousands of US dollars)

26 SEGMENT REPORTING, CONTINUED

	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/(loss) on financial assets and liabilities at fair value through profit or loss	412	3,760	272	4,444
Realised gain/(loss) on financial assets available-for-sale	3,466	(1,245)	127	2,348
Gain/(loss) on transactions in foreign currencies	987	(2,589)	1,478	(124)
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 amortisation	243	1,540	1	1,784

External operating income, assets, liabilities and capital expenditure have generally been allocated based on the domicile of the counterparty. Tangible assets (cash on hand, premises and equipment) have been allocated based on the country in which they are physically held.

For the year ended 31 December 2011, interest income on one loan to a customer (2010 and 2009: no loans) individually exceed 10% of total revenue and amount to 24,002 thousand US dollars (2010 and 2009: nil). For the year ended 31 December 2011, interest income on financial assets held-to-maturity and available-for sale of one issuer (2010 and 2009: one issuer) individually exceed 10% of total revenue and amount to 14,372 thousand US dollars (2010: 17,274 thousand US dollars; 2009: 21,777 thousand US dollars).

(in thousands of US dollars)

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determining fair values

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 realise in a market exchange from the sale of its full holdings of a particular instrument.

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(d) (iv). For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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

	31 December 2011		31 December 2010		31 December 2009	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Investments held-to-maturity	302,980	310,386	697,088	710,688	843,753	848,142
Debt securities issued	1,037,817	1,068,593	810,687	885,287	812,769	864,815

(b) Valuation of financial instruments

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

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

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

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

(in thousands of US dollars)

27 FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

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

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

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

	31 December 2011			31 December 2010			31 December 2009		
	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	-	5,918	-	-	910	-	40,037	896	-
Financial assets available-for-sale	317,611	-	60,226	180,427	-	34,720	253,146	-	34,720
Financial liabilities at fair value through profit or loss	-	5,755	-	-	2,337	-	-	117	-
Hedging derivative financial instrument	-	18,614	-	-	-	-	-	-	-

As at 31 December 2011, 2010 and 2009, the Bank does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

The following table shows a reconciliation for the year ended 31 December 2011 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3		
	Year ended 31 December 2011	**Year ended 31 December 2010**	**Year ended 31 December 2009**
Financial assets available for sale			
Equity investments			
Balance at beginning of the year	34,720	34,720	34,720
Purchases	25,506	-	-
Balance at end of the year	**60,226**	**34,720**	**34,720**

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

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 recognises 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, ALMC, and different departments and staff in the Bank's daily operations. Through the risk management framework, the Bank manages the following risks:

(a) 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 credit credentials of the Executive Board of the Bank and delegates accordingly. 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.

28 RISK MANAGEMENT POLICIES, CONTINUED

(a) Credit risk, continued

(i) 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 summarised 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. Based on identified risks the Bank evaluates financial condition of borrowers and their debt servicing abilities.

Risk identification and control is aimed at minimising 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;
- optimisation of financing structure;
- optimisation of collateral structure; and
- monitoring of industry trends and the project realisation to anticipate potential future problems.

(ii) Maximum exposure

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the statement of financial position and unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

(in thousands of US dollars)

28 RISK MANAGEMENT POLICIES, CONTINUED

(a) Credit risk, continued

(ii) Maximum exposure, continued

The maximum exposure to credit risk at the reporting date is as follows.

	31 December 2011	31 December 2010	31 December 2009
Cash and balances with national (central) banks of Member states of the Bank	102	222,389	94,872
Financial assets at fair value through profit or loss	5,918	910	40,933
Loans and advances to banks	731,215	521,894	590,321
Loans to customers	1,343,996	820,953	608,984
Financial assets available-for-sale	317,611	180,427	253,146
Investments held-to-maturity	302,980	697,088	843,753
Other financial assets	3,619	1,354	1,900

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 24.

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 2011 Total
Cash and balances with national (central) banks of Member states of the Bank	-	-	-	102	-	-	102
Financial assets at fair value through profit or loss	-	3,463	550	4	1,901	-	5,918
Loans and advances to banks	-	29,401	97	340,798	295,782	65,137	731,215
Loans to customers	-	-	-	-	87,302	1,256,694	1,343,996
Financial assets available-for-sale	-	199,998	-	67,476	50,137	-	317,611
Investments held-to-maturity	-	-	-	302,980	-	-	302,980
Other financial assets	-	-	-	-	-	3,619	3,619

	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	86,299	-	180,427
Investments held-to-maturity	374,942	-	-	322,146	-	-	697,088
Other financial assets	-	-	-	-	-	1,354	1,354

(in thousands of US dollars)

28 RISK MANAGEMENT POLICIES, CONTINUED

(a) Credit risk, continued

(ii) Maximum exposure, continued

	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	69,402	-	253,146
Investments held-to-maturity	499,926	-	-	343,827	-	-	843,753
Other financial assets	-	-	-	-	-	1,900	1,900

As at 31 December 2011, the Bank had outstanding loans to 22 customers (31 December 2010: 16; 31 December 2009: 13) and 13 banks (31 December 2010: 6; 31 December 2009: 1). The loans are made with intention to develop the economies of the Member states. Most of 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. Interest and principal are repaid in full and in a timely fashion. 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 negative indicators, the Bank has confidence that the borrower will be able to cope with such difficulties. 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.

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 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. There may be evidences of deterioration in the financial condition of the borrower, including considerable decrease in income or a loss of market share. Due to difficulties the borrower may repay the loan and the interest with several delays.

(in thousands of US dollars)

28 RISK MANAGEMENT POLICIES, CONTINUED

(a) Credit risk, continued

(ii) Maximum exposure, continued

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, 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 2011	31 December 2010	31 December 2009
Standard loans	1,092,897	817,378	404,204
Loans classified to 2nd category	145,544	-	211,342
Loans classified to 3rd category	103,869	-	-
Loans classified to 4th category	1,686	-	-
Loans classified to 5th category	-	22,789	-
	1,343,996	840,167	615,546
Less – Allowance for losses	-	(19,214)	(6,562)
Loans to customers	**1,343,996**	**820,953**	**608,984**

As at 31 December 2011, no loans were classified as 5th category loans (31 December 2010: one; 31 December 2009: nil); one loan was classified as 4th category loan (31 December 2010 and 2009: nil); one loan was classified as 3rd category loan (31 December 2010 and 2009: nil) and three loans were classified as 2nd category loans (31 December 2010: nil; 31 December 2009: four).

The above analysis is based on loan classification principles used for internal risk management purposes. Management also employs some of the criteria used therein to assess whether there is potential evidence of impairment of loans for IFRS reporting purposes. Following identification of such evidence the Bank performs an analysis of estimated future cash flows of the loan concerned. If these estimated cash flows are sufficient to permit repayment of all principal and interest amounts, based on the loan's original contractual interest rate, the loan is not considered to be impaired. Note 13 presents significant estimates and assumptions made by management in the estimation of the impairment allowance for loans to customers.

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.

(b) 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.

(in thousands of US dollars)

28 RISK MANAGEMENT POLICIES, CONTINUED

(b) Liquidity risk, continued

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 optimise 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 Bank.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
FINANCIAL ASSETS:								
Loans and advances to banks	2.50%	490,780	-	82,548	147,646	-	7,130	728,104
Loans to customers	9.02%	-	-	99,658	373,115	871,223	-	1,343,996
Financial assets available-for-sale	3.05%	-	207,710	24,534	37,631	47,736	-	317,611
Investments held-to-maturity	7.70%	-	-	21,024	36,328	245,628	-	302,980
Total interest bearing financial assets		490,780	207,710	227,764	594,720	1,164,587	7,130	2,692,691
Cash and balances with the national (central) banks of the Member states of the Bank	-	102	-	-	-	-	-	102
Financial assets at fair value through profit or loss	-	2,669	545	2,704	-	-	-	5,918
Loans and advances to banks	-	3,111	-	-	-	-	-	3,111
Financial assets available-for-sale	-	-	-	-	-	25,506	34,720	60,226
Other financial assets	-	83	-	3,536	-	-	-	3,619
Total financial assets		496,745	208,255	234,004	594,720	1,190,093	41,850	2,765,667
FINANCIAL LIABILITIES:								
Loans and deposits from banks	1.91%	-	23,276	29,903	-	19,878	-	73,057
Debt securities issued	7.14%	-	-	79,668	798,751	159,398	-	1,037,817
Total interest bearing financial liabilities		-	23,276	109,571	798,751	179,276	-	1,110,874
Financial liabilities at fair value through profit or loss	-	83	23	5,649	-	-	-	5,755
Hedging derivative financial instrument	-	-	-	-	18,614	-	-	18,614
Amounts due to Anti-crisis Fund	-	412	-	-	-	-	-	412
Other financial liabilities	-	558	5,895	8,657	6,633	-	-	21,743
Total financial liabilities		1,053	29,194	123,877	823,998	179,276	-	1,157,398
Liquidity gap		495,692	179,061	110,127	(229,278)	1,010,817	41,850	
Interest sensitivity gap		490,780	184,434	118,193	(204,031)	985,311	7,130	
Cumulative interest sensitivity gap		490,780	675,214	793,407	589,376	1,574,687	1,581,817	
Cumulative interest sensitivity gap as a percentage of total assets		17.75%	24.41%	28.69%	21.31%	56.94%	57.19%	

(in thousands of US dollars)

28 RISK MANAGEMENT POLICIES, CONTINUED

(b) Liquidity risk, continued

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
FINANCIAL ASSETS:								
Cash and balances with the national (central) banks of the Member states of the Bank	1.00%	220,608	-	-	-	-	-	220,608
Loans and advances to banks	3.01%	403,642	-	3,746	112,306			519,694
Loans to customers	9.30%	-	-	1,939	300,338	515,101	-	817,378
Financial assets available-for-sale	8.01%	8,797	5,997	44,537	70,474	50,622	-	180,427
Investments held-to-maturity	3.44%	224,980	149,962	5,677	56,816	259,653	-	697,088
Total interest bearing financial assets		858,027	155,959	55,899	539,934	825,376	-	2,435,195
Cash and balances with the national (central) banks of the Member states of the Bank		1,781	-	-	-	-	-	1,781
Financial assets at fair value through profit or loss		910	-	-	-	-	-	910
Loans and advances to banks		2,200	-	-	-	-	-	2,200
Loans to customers		-	-	3,575	-	-	-	3,575
Financial assets available-for-sale		-	-	-	-	-	34,720	34,720
Other financial assets		79	-	1,275	-	-	-	1,354
Total financial assets		862,997	155,959	60,749	539,934	825,376	34,720	2,479,735
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
Amounts due to Anti-crisis Fund		499	-	-	-	-	-	499
Other financial 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%	

(in thousands of US dollars)

28 RISK MANAGEMENT POLICIES, CONTINUED

(b) Liquidity risk, continued

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 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 financial 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 financial 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%	

(in thousands of US dollars)

28 RISK MANAGEMENT POLICIES, CONTINUED

(b) Liquidity risk, continued

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

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
FINANCIAL ASSETS:							
Cash and balances with national (central) banks of the Member states of the Bank	102	-	-	-	-	-	102
Financial assets at fair value through profit or loss	2,669	545	2,704	-	-	-	5,918
Loans and advances to banks	494,232	1,002	94,413	161,026	-	7,130	757,803
Loans to customers	6,689	16,760	196,572	762,829	997,521	-	1,980,371
Financial assets available-for-sale	726	207,729	31,612	57,249	79,456	34,720	411,492
Investments held-to-maturity	-	9,778	32,165	100,766	436,914	-	579,623
Other financial assets	83	-	3,536	-	-	-	3,619
Total financial assets	504,501	235,814	361,002	1,081,870	1,513,891	41,850	3,738,928
FINANCIAL LIABILITIES:							
Loans and deposits from banks	-	23,615	30,870	1,880	21,677	-	78,042
Financial liabilities at fair value through profit or loss	83	23	5,649	-	-	-	5,755
Hedging derivative financial instrument	-	-	-	18,614	-	-	18,614
Amounts due to Anti-crisis Fund	412	-	-	-	-	-	412
Debt securities issued	-	5,990	149,074	964,441	168,794	-	1,288,299
Other financial liabilities	558	5,895	8,657	6,633	-	-	21,743
Commitments	23,838	-	227,285	876,988	-	-	1,128,111
Total financial liabilities	24,891	35,523	421,535	1,868,556	190,471	-	2,540,976
Net position	479,610	200,291	(60,533)	(786,686)	1,323,420	41,850	1,197,952

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
FINANCIAL ASSETS:							
Cash and balances with national (central) banks of the Member states of the Bank	222,504	-	-	-	-	-	222,504
Financial assets at fair value through profit or loss	910	-	-	-	-	-	910
Loans and advances to banks	406,114	-	25,626	114,950	-	-	546,690
Loans to customers	-	-	98,196	453,153	738,213	-	1,289,562
Financial assets available-for-sale	8,816	6,026	55,076	91,506	61,379	34,720	257,523
Investments held-to-maturity	225,000	150,000	27,789	378,445	481,347	-	1,262,581
Other financial assets	79	-	1,275	-	-	-	1,354
Total financial assets	863,423	156,026	207,962	1,038,054	1,280,939	34,720	3,581,124
FINANCIAL LIABILITIES:							
Loans and deposits from banks	-	-	34,559	2,451	27,747	-	64,757
Financial liabilities at fair value through profit or loss	2,337	-	-	-	-	-	2,337
Amounts due to Anti-crisis Fund	499	-	-	-	-	-	499
Debt securities issued	-	-	64,924	830,979	177,810	-	1,073,713
Other financial liabilities	1,913	3,842	8,484	4,747	-	-	18,986
Commitments	556	36,068	275,532	832,916	-	-	1,145,072
Total financial liabilities	5,305	39,910	383,499	1,671,093	205,557	-	2,305,364
Net position	858,118	116,116	(175,537)	(633,039)	1,075,382	34,720	1,275,760

(in thousands of US dollars)

28 RISK MANAGEMENT POLICIES, CONTINUED

(b) Liquidity risk, continued

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 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 financial 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 financial liabilities	257	4,690	3,002	3,134	-	-	11,083
Commitments	-	-	-	-	569,725	-	569,725
Total financial liabilities	374	4,690	3,002	950,598	858,126	-	1,816,790
Net position	866,048	291,976	15,079	(504,758)	847,997	34,720	1,551,062

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

(c) Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Bank is exposed. In order to measure its risks the Bank uses the following financial modelling techniques: duration, modified duration and dollar value of 1 basis point.

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 2011, 2010 and 2009. 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 with variable interest rates.

(in thousands of US dollars)

28 RISK MANAGEMENT POLICIES, CONTINUED

Interest rate sensitivity, continued

Impact on net profit based on asset values as at 31 December 2011, 2010 and 2009:

	As at 31 December 2011		As at 31 December 2010		As at 31 December 2009	
	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	4,042	(4,028)	2,100	(2,100)	2,100	(2,100)
Loans to customers	12,056	(12,056)	6,637	(6,637)	5,780	(5,780)
Financial liabilities:						
Loans and deposits from banks	(1,492)	991	(1,689)	1,526	(9,708)	9,708
Debt securities issued	(4,041)	4,041	(4,071)	4,071	-	-
Net impact on net profit	**10,565**	**(11,052)**	**2,977**	**(3,140)**	**(3,917)**	**4,101**

Impact on equity based on asset values as at 31 December 2011, 2010 and 2009:

	As at 31 December 2011		As at 31 December 2010		As at 31 December 2009	
	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	4,042	(4,028)	2,100	(2,100)	2,100	(2,100)
Loans to customers	12,056	(12,056)	6,637	(6,637)	5,780	(5,780)
Financial assets available-for-sale	(8,974)	10,370	(11,790)	13,846	(60,343)	97,936
Financial liabilities:						
Loans and deposits from banks	(1,492)	991	(1,689)	1,526	(9,708)	9,708
Debt securities issued	(4,041)	4,041	(4,071)	4,071	-	-
Net impact on equity	**1,591**	**(682)**	**(8,813)**	**10,706**	**(64,260)**	**102,037**

(d) 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.

(in thousands of US dollars)

28 RISK MANAGEMENT POLICIES, CONTINUED

(d) Currency risk, continued

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

	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2011 Total
Financial assets:						
Cash and balances with the national (central) banks of the Member states of the Bank	56	15	31	-	-	102
Financial assets at fair value through profit or loss	5,918	-	-	-	-	5,918
Loans and advances to banks	442,363	36,277	36,142	216,337	96	731,215
Loans to customers	839,391	43,163	391,443	69,999	-	1,343,996
Financial assets available-for-sale	353,255	-	24,582	-	-	377,837
Investments held-to-maturity	302,980	-	-	-	-	302,980
Other financial assets	2,699	65	740	115	-	3,619
Total financial assets	1,946,662	79,520	452,938	286,451	96	2,765,667
Financial liabilities:						
Loans and deposits from banks	49,681	-	-	23,376	-	73,057
Financial liabilities at fair value through profit or loss	5,755	-	-	-	-	5,755
Hedging derivative financial instrument	18,614	-	-	-	-	18,614
Amounts due to Anti-crisis Fund	412	-	-	-	-	412
Debt securities issued	546,910	136,579	313,325	41,003	-	1,037,817
Other financial liabilities	20,995	371	361	8	8	21,743
Total financial liabilities	642,367	136,950	313,686	64,387	8	1,157,398
OPEN BALANCE SHEET POSITION	1,304,295	(57,430)	139,252	222,064	88	

(in thousands of US dollars)

28 RISK MANAGEMENT POLICIES, CONTINUED

(d) Currency risk, continued

	US dollars	Kazakhstan 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 financial 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
Amounts due to Anti-crisis Fund	499	-	-	-	-	499
Debt securities issued	507,853	137,020	165,814	-	-	810,687
Other financial 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	Kazakhstan 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 financial 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 financial 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	

(in thousands of US dollars)

28 RISK MANAGEMENT POLICIES, CONTINUED

(d) Currency risk, continued

(i) 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	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2011 Total
Accounts payable on spot and derivative contracts	(228,176)	(2,996)	(298,485)	(222,479)	-	(752,136)
Accounts receivable on spot and derivative contracts	524,230	57,363	155,584	-	-	737,177
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	296,054	54,367	(142,901)	(222,479)	-	(14,959)
TOTAL OPEN POSITION	1,600,349	(3,063)	(3,649)	(415)	88	

	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2010 Total
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	Kazakhstan 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	

(in thousands of US dollars)

28 RISK MANAGEMENT POLICIES, CONTINUED

(d) Currency risk, continued

(ii) Currency risk sensitivity

The following table details the Bank's sensitivity to a 15%, 15% and 25% increase and decrease in the US Dollar/Russian Rouble and US Dollar/Kazakhstani Tenge exchange rates as at 31 December 2011, 2010 and 2009, 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 2011, 2010 and 2009.

Impact on net profit based on asset values as at 31 December 2011, 2010 and 2009:

	As at 31 December 2011		**As at 31 December 2010**		**As at 31 December 2009**	
	USD/RUB +15%	**USD/RUB -15%**	**USD/RUB +15%**	**USD/RUB -15%**	**USD/RUB +25%**	**USD/RUB -25%**
Impact on net profit	(547)	547	(291)	291	(470)	470

	As at 31 December 2011		**As at 31 December 2010**		**As at 31 December 2009**	
	USD/KZT +15%	**USD/KZT -15%**	**USD/KZT +15%**	**USD/KZT -15%**	**USD/KZT +25%**	**USD/KZT -25%**
Impact on net profit	(459)	459	(1,273)	1,273	(408)	408

	As at 31 December 2011		**As at 31 December 2010**		**As at 31 December 2009**	
	USD/EUR +10%	**USD/EUR -10%**	**USD/EUR +10%**	**USD/EUR -10%**	**USD/EUR +10%**	**USD/EUR -10%**
Impact on net profit	(42)	42	(51)	51	(120)	120

Impact on equity based on asset values as at 31 December 2011, 31 December 2010 and 2009:

	As at 31 December 2011		**As at 31 December 2010**		**As at 31 December 2009**	
	USD/RUB +15%	**USD/RUB -15%**	**USD/RUB +15%**	**USD/RUB -15%**	**USD/RUB +25%**	**USD/RUB -25%**
Impact on equity	(547)	547	(291)	291	(470)	470

	As at 31 December 2011		**As at 31 December 2010**		**As at 31 December 2009**	
	USD/KZT +15%	**USD/KZT -15%**	**USD/KZT +15%**	**USD/KZT -15%**	**USD/KZT +25%**	**USD/KZT -25%**
Impact on equity	(459)	459	(1,273)	1,273	(408)	408

	As at 31 December 2011		**As at 31 December 2010**		**As at 31 December 2009**	
	USD/EUR +10%	**USD/EUR -10%**	**USD/EUR +10%**	**USD/EUR -10%**	**USD/EUR +10%**	**USD/EUR -10%**
Impact on equity	(42)	42	(51)	51	(120)	120

28 RISK MANAGEMENT POLICIES, CONTINUED

(d) Currency risk, continued

(iii) Currency risk sensitivity, continued

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 06 February 2012 the Bank placed Rouble bonds (further referred to as "Bonds") listed on the Moscow Interbank Currency Exchange for the total amount of 5.0 billion RUB. The Bonds mature on 28 January 2019. In accordance with the terms of their placement, the Bonds bear an interest rate fixed at 8.50% per annum until 3 February 2014 during coupon periods from the first to the eighth inclusively. Interest payments are to be effected on the quarterly basis. After 3 February 2014 the interest rate will be unilaterally determined by the Bank. The bondholders are entitled to exercise the put option on the Bonds within 2 years after the date of placement. The put option date is determined as the second business day from the date of the beginning of the ninth coupon period.

EURASIAN DEVELOPMENT BANK

Financial Statements

For the Years Ended 31 December 2010, 2009 and 2008

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:

Евразийский Банк Развития

I.V. Finogenov	**B.K. Mukhambetzhanov**
Chairman of the Executive Board	**Managing Director, Finance**
	Member of the Executive Board
11 February 2011	11 February 2011
Almaty, Kazakhstan	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.

Mark Smith
Engagement partner
Chartered Accountant
Institute of Chartered Accountants of Scotland
License #M21857
Glasgow, Scotland

Nurlan Bekenov
Auditor-performer
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate No. 0082
dated 13 June 1994
The Republic of Kazakhstan
General Director
Deloitte, LLP

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

11 February 2011
Almaty, Kazakhstan

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

11 February 2011
Almaty, Kazakhstan

Евразийский Банк Развития

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:

I.V. Finogenov
Chairman of the Executive Board

11 February 2011
Almaty, Kazakhstan

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

11 February 2011
Almaty, Kazakhstan

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

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	1,515,600	64,733	2,617	80,547	1,663,497

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

11 February 2011
Almaty, Kazakhstan

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

11 February 2011
Almaty, Kazakhstan

Евразийский Банк Развития

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

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	10	495,341	438,948	400,110

On behalf of the management of the Bank:

I.V. Finogenov
Chairman of the Executive Board

11 February 2011
Almaty, Kazakhstan

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

11 February 2011
Almaty, Kazakhstan

Евразийский Банк Развития

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

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	-
Total	100.00	100.00	100.00

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	31 December 2008 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

	As at and for the year ended 31 December 2008					
	Up to the date of the reclassification	After reclassification			Amount that would have been recognized had reclassification not occurred	
	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 On reclassification Carrying value	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	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					
	Up to the date of the reclassification	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	(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	116,845	108,365	108,083
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	103,647	86,670	71,484
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	63	93	23,541
Interest expense comprises:			
Interest expense on financial liabilities recorded at amortized cost	(70,941)	(44,432)	(28,849)
Total interest expense	(70,941)	(44,432)	(28,849)
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	(70,941)	(44,432)	(28,849)
Net interest income before provision for losses on interest bearing financial assets	45,904	63,933	79,234

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	(19,214)	(6,562)	(1,377)

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	(60)	-	-

(*) 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	16,985	4,444	(6,798)
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	16,985	4,444	(6,798)

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	(12,728)	(124)	(9,560)

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	6,215	3,092	5,427
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	(221)	(447)	(1,075)

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	34,618	29,596	25,876

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	222,389	94,872	155

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	495,341	438,948	400,110

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%	40,0	-	-
Total debt securities	-	-		40,0	-	-

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

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
	521,954	590,321	694,597
Less allowance for losses on loans to banks	(60)	-	-
Total loans and advances to banks	521,894	590,321	694,597

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	-	-
	132,867	143,984	175,989	209,789	223,412	260,063

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	(19,214)	(6,562)	(1,377)
Total loans to customers	820,953	608,984	435,699

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	25,419	41,474	45,885
	840,167	615,546	437,076
Less allowance for losses	(19,214)	(6,562)	(1,377)
Total loans to customers	820,953	608,984	435,699

	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	23,529	-	-
	840,167	615,546	437,076
Less allowance for losses	(19,214)	(6,562)	(1,377)
Total loans to customers	820,953	608,984	435,699

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	215,147	287,866	267,062

	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
		180,427		253,146		231,322

	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
		34,720		34,720		35,740

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%	20,800	6.609-6.875%	34,732	6.61-10.89%	55,287
Total investments held to maturity		697,088		843,753		577,201

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 then 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	45,613	-	-
Total non-current assets held for sale	45,613	-	-

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	1,231	13,390	358	3,140	3,993	22,112
As at 31 December 2009	1,231	-	574	1,820	17,521	21,146
As at 31 December 2008	1,231	-	761	1,133	14,720	17,845

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	5,299	6,524	5,429

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	56,541	36,840	464,357

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	-	-	-	-	122,052	114,794

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	810,687	812,769	-

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
	18,986	11,083	9,682
Other non-financial liabilities:			
Accrued administrative expenses	-	183	144
Other	46	570	1,239
Total other liabilities	19,032	11,836	11,065

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	1,515,600	-	1,515,600

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	1,500,600	15,000	1,515,600

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	1,500,000	-	1,500,000

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	695,213	695,213
31 December 2008	1,500,000	1,500,000
Issue of ordinary share capital	600	600
31 December 2009	1,500,600	1,500,600
Issue of ordinary share capital	15,000	15,000
31 December 2010	1,515,600	1,515,600

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	19,894	20,270	19,629
End of the year	64,733	44,839	24,569

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	194	-	-
Total contingent liabilities and credit commitments	1,145,072	569,725	615,994

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	-	590,32	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
	648,527	261,398	367,194

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 then 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	-	-
	840,167	615,546	437,076
Less – Allowance for losses (Note 5)	(19,214)	(6,562)	(1,377)
Loans to customers	820,953	608,984	435,699

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.

ISSUER

Eurasian Development Bank
220 Dostyk Street
Almaty 050051
Republic of Kazakhstan

JOINT ARRANGERS AND PERMANENT DEALERS

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

VTB Capital plc
14 Cornhill
London EC3V 3ND
United Kingdom

LEGAL ADVISERS TO THE ISSUER

as to English and U.S. law

Baker & McKenzie LLP
100 New Bridge Street
London EC4V 6JA
United Kingdom

as to Russian law

Baker & McKenzie - CIS, Limited
Sadovaya Plaza, 12th Floor
7 Dolgorukovskaya Street
Moscow 127006
Russia

as to Kazakh law

Baker & McKenzie - CIS, Limited
Samal Towers
972 Zholdasbekov Street
Almaty 050051
Republic of Kazakhstan

LEGAL ADVISERS TO THE ARRANGERS AND DEALERS

as to English and U.S. law

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS
United Kingdom

as to Kazakh law

GRATA Law Firm
104, M. Ospanov Street
Almaty 050020
Republic of Kazakhstan

AUDITORS TO THE ISSUER

as to the year ended 31 December 2011

KPMG Audit LLC (Kazakhstan)
Koktem Business Center,
180 Dostyk Avenue,
Almaty, 050051
Republic of Kazakhstan

as to the years ended
31 December 2010, 2009 and 2008

Deloitte LLP
36, Al-Farabi Ave.
Almaty Financial District, Building “B”
Almaty 050059
Republic of Kazakhstan

TRUSTEE

Citicorp Trustee Company Limited
Agency & Trust Department
Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR

Citigroup Global Markets Deutschland AG
Reuterweg 16
60323 Frankfurt
Germany

PRINCIPAL PAYING AGENT, CALCULATION AND TRANSFER AGENT

Citibank, N.A., London Branch
Agency & Trust Department
Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB
United Kingdom

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