Damu Entrepreneurship Development Fund JSC

International Financial Reporting Standards Financial Statements and Independent Auditor's Report

31 December 2011

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Damu Entrepreneurship Development Fund JSC:

We have audited the accompanying financial statements of Damu Entrepreneurship Development Fund JSC (the Fund), 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 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.

Auditor's 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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund 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.

PricewaterhouseCoopers LLP

Almaty, Kazakhstan

27 March 2012

Approved by:

Zhanbota T. Bekenov

General Director of PricewaterhouseCoopers LLP (General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)

Signed by:

Belokurova Svetlana

Auditor in Charge (Qualified Auditor's Certificate №00000357 dated 21 February 1998)

Signed by:

Derek Clark

Audit Partner
(Certificate of the Institute of Chartered Accountants in Australia №26312) Special Power of Attorney #38-11 dated 6 October 2011.

Note:
Our report has been prepared in English and in Russian. In all matters of interpretation of information, views or opinions, the English version of our report takes precedence over the Russian version.

(in thousands of Kazakhstani Tenge)	Note	31 December 2011	31 December 2010
ASSETS			
Cash and cash equivalents	7	9,758,144	23,649,327
Securities at fair value through profit or loss	8	9,328,978	14,319,128
Due from financial institutions	9	161,555,259	167,357,229
Loans and advances to customers	10	1,297,451	3,386,969
Investment securities available for sale	11	5,188,075	5,181,261
Premises and equipment	12	566,472	579,117
Intangible assets		80,437	76,051
Current income tax asset		3,754,751	2,828,758
Deferred income tax asset	24	878,112	967,373
Other assets	13	588,995	154,410
TOTAL ASSETS		**192,996,674**	**218,499,623**
LIABILITIES			
Borrowed funds	14	128,675,362	156,583,899
Subordinated debt	15	13,227,500	13,227,500
Liabilities on subsidy programmes	16	4,208,443	3,673,554
Deferred income and liabilities on financial guarantees	17	631,223	84,940
Other liabilities	18	310,207	451,603
TOTAL LIABILITIES		**147,052,735**	**174,021,496**
EQUITY			
Share capital	19	44,920,273	44,920,273
Revaluation reserve for investment securities available for sale		(466,652)	(578,084)
Other reserves		316,430	316,430
Retained earnings / (Accumulated deficit)		1,173,888	(180,492)
TOTAL EQUITY		**45,943,939**	**44,478,127**
TOTAL LIABILITIES AND EQUITY		**192,996,674**	**218,499,623**

Approved for issue and signed on behalf of Management Board on 27 March, 2012.

Ms. Lyazzat Ibragimova
Chairman of the Board

Ms. Bakyt Rakhmatullina
Chief Accountant

(in thousands of Kazakhstani Tenge)	Note	2011	2010
Interest income	20	14,382,157	19,712,391
Interest expense	20	(8,750,132)	(12,379,350)
Interest income, net		**5,632,025**	**7,333,041**
Recovery of provision for impairment of loans and advances to customers and amounts due from financial institution	9,10	1,235,609	11,643,378
Net interest income after provision for loan portfolio impairment		**6,867,634**	**18,976,419**
Fee and commission income	21	652,826	324,354
Gains less losses from securities at fair value through profit or loss		(79,506)	388,302
Foreign exchange gains less losses		(989)	260
Provision for credit related commitments		(154,316)	-
Impairment of investment securities available for sale		(108,829)	66,745
Other operating income and expenses	22	18,049	(22,861)
General and administrative expenses	23	(2,684,982)	(2,290,038)
Profit before tax		**4,509,887**	**17,443,181**
Income tax expense	24	(1,048,067)	(3,394,451)
PROFIT FOR THE YEAR		**3,461,820**	**14,048,730**
Other comprehensive income			
Available-for-sale investments:			
- Gains less losses arising during the year		2,603	598,630
- Gains less losses recycled to profit or loss upon disposal or impairment		108,829	(66,745)
Other comprehensive income for the year		**111,432**	**531,885**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,573,252**	**14,580,615**

Profit and total comprehensive income for both periods are fully attributable to the Fund's owners.

(in thousands of Kazakhstani Tenge)	Share capital	Revaluation reserve for investment securities available for sale	Other reserve	Retained earnings	Total
Balance at 1 January 2010	**44,920,273**	**(1,109,969)**	**316,430**	**(14,229,222)**	**29,897,512**
Profit for the year	-	-	-	14,048,730	**14,048,730**
Other comprehensive income	-	531,885	-	-	**531,885**
Total comprehensive income for the year	-	531,885	-	14,048,730	**14,580,615**
Balance at 31 December 2010	**44,920,273**	**(578,084)**	**316,430**	**(180,492)**	**44,478,127**
Profit for the year	-	-	-	3,461,820	**3,461,820**
Other comprehensive income	-	111,432	-	-	**111,432**
Total comprehensive income for the year	-	111,432	-	3,461,820	**3,573,252**
Dividends paid	-	-	-	(2,107,440)	**(2,107,440)**
Balance at 31 December 2011	**44,920,273**	**(466,652)**	**316,430**	**1,173,888**	**45,943,939**

(in thousands of Kazakhstani Tenge)	2011	2010
Cash flows from operating activities:		
Interest received	11,747,829	18,246,436
Interest paid	(8,399,176)	(13,301,239)
Commissions received	709,999	-
Cash flows from other operating activities	14,484	-
Recovery of loans to customers previously written-off	301,692	289,971
Payroll costs paid	(1,591,875)	(1,211,089)
General and Administrative expenses paid	(1,072,326)	(456,936)
Cash flows from operating activities before changes in operating assets and liabilities	**1,710,627**	**3,567,143**
Net decrease in securities at fair value through profit or loss	5,335,649	(13,806,572)
Net decrease in due from other financial institutions	6,905,028	71,068,308
Net decrease in loans and advances to customers	1,906,667	3,340,130
Net increase in other assets	58,208	103,872
Net increase in other liabilities	(23,774)	(39,894)
Net increase in deferred income and liabilities on financial guarantees	393,729	-
Net cash from operating activities	**16,286,134**	**64,232,987**
Cash flows from investing activities		
Acquisition premises and equipment	(103,058)	(187,302)
Acquisition of intangible assets	(26,139)	(19,102)
Net cash used in investing activities	**(129,197)**	**(206,404)**
Cash flows from financing activities		
Proceeds from borrowed funds	22,300,000	2,550,000
Repayment of borrowed funds	(49,575,038)	(61,597,562)
Repayment of subordinated debt	(910,000)	(910,000)
Proceeds from subsidy programmes	10,107,296	9,535,496
Repayments on subsidy programmes	(9,862,938)	(5,798,261)
Dividends paid	(2,107,440)	-
Net cash used in financing activities	**(30,048,120)**	**(56,220,327)**
Net (decrease)/increase in cash and cash equivalents	**(13,891,183)**	**7,806,256**
Cash and cash equivalents at the beginning of the year	23,649,327	15,843,071
Cash and cash equivalents at the end of the year	**9,758,144**	**23,649,327**

1 Introduction

Damu Entrepreneurship Development Fund JSC (the "Fund") was established in pursuance of Decree of the Government of the Republic of Kazakhstan No. 665 dated 26 April 1997. The Fund is incorporated and domiciled in the Republic of Kazakhstan as a joint stock company and provides financial services.

As at 31 December 2011 the sole shareholder of the Fund is National Welfare Fund Samruk-Kazyna JSC (the "Parent" or "Shareholder"). The Parent and its subsidiaries are jointly called as the "Shareholder's Group". In accordance with decree #136 of the President of the Republic of Kazakhstan issued on 10 August, 2011, the Fund was passed under fiduciary management of the Ministry of Economic Development and Trade of the Republic of Kazakhstan. The Fund is ultimately controlled by the Government of the Republic of Kazakhstan. Information on transactions with related parties is disclosed in Note 28.

Principal activity. The main activity of the Fund is lending to small and medium size enterprises and microfinance organisations through funding of commercial banks. Credit risk on loans to end-borrowers is transferred to commercial banks. The Fund uses its own and borrowed funds to finance small and medium sized entities throughout Kazakhstan.

The Fund has 16 regional branches. The Head office is located in Almaty, Kazakhstan.

Registered address and place of business. The Fund's registered address is: 111 Gogol Street, Almaty, Kazakhstan.

Presentation currency. These financial statements are presented in Kazakhstani Tenge, unless otherwise stated.

2 Operating Environment of the Fund

Republic of Kazakhstan. The economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country, a low level of liquidity in the public and private debt and equity markets and lack of market conformity and transparency.

The recent global financial crisis has had a severe effect on the economy of the Republic of Kazakhstan and the financial situation in the Kazakhstan financial and corporate sectors significantly deteriorated since the middle of 2008. During 2010 and 2011, the economy of Republic of Kazakhstan experienced moderate economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Kazakhstani Tenge against major foreign currencies, and increased money market liquidity levels.

Additionally, the financial sector in Kazakhstan is particularly impacted by political, legislative, fiscal and regulatory developments in the Republic. These prospects for future economic stability in Kazakhstan in 2011-2012 are largely dependent upon the effectiveness of a range of measures undertaken by the Government. There remains the possibility of unpredictable changes in the financial and economic environment that may have an adverse effect on the Fund's operations.

Management determined loan impairment provisions by considering the economic situation and outlook at the end of the reporting period and applied the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

Management is unable to predict all developments which could have an impact on the financial sector and wider economy and consequently what effect, if any, they could have on the future financial position of the Fund. Management believes it is taking all the necessary measures to support the sustainability and development of the Fund's operations.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5).

Foreign currency translation. Functional currency of the Company is the currency of the primary economic environment in which the entity operates. The Company's functional and presentation currency is the national currency of the Republic of Kazakhstan, Tenge.

Transactions denominated in foreign currency are recorded at the exchange rate prevailing at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of comprehensive income using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currencies are translated into Tenge using official exchange rate of Kazakhstani Stock Exchange ("KASE") at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are recorded at the official exchange rate of KASE at the transaction date. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Resulting foreign exchange gains and losses are reported on a net basis in the statement of comprehensive income.

At 31 December 2011, the official rate of exchange used for translating foreign currency balances was the US dollar (USD) 1= Tenge 148.4 (31 December 2010: USD 1= Tenge 147.5). Exchange restrictions and currency controls exist relating to converting Tenge into other currencies. The Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

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. Fair value is the current bid price for financial assets and the current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Fund may use mid-market prices as a basis for establishing fair values for the offsetting risk positions, and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

3 Summary of Significant Accounting Policies (Continued)

Due from financial institutions. Amounts due from financial institutions are recorded when the Fund advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Fund advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Fund determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Fund considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Fund obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

3 Summary of Significant Accounting Policies (Continued)

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Fund in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Fund's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the purchase method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation). Accounting policy for associates is applied to repossessed shares where the Fund obtains significant influence, but not control. The cost of the associate is the fair value of the loan settled by repossessing the pledged shares.

Credit related commitments. The Fund issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value. which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Fund will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Investment securities available for sale. This classification includes investment securities which the Fund intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method, and recognised in profit or loss for the year. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Fund's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale 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 through profit or loss for the year.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Fund, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

3 Summary of Significant Accounting Policies (Continued)

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	up to 100 years
Computers, equipment and fixtures and fittings	up to 8 years
Vehicles	up to 7 years
Other	up to 10 years

The residual value of an asset is the estimated amount that the Fund would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. The Fund's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software or off-the-shelf-software.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Fund are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 7 years.

Operating leases. Where the Fund is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Fund, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

Finance lease receivables. Where the Fund is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within in profit or loss for the year.

3 Summary of Significant Accounting Policies (Continued)

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. The Fund uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred, as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred), discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Fund 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 amount of the obligation can be made.

Uncertain tax positions. The Fund's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Kazakhstani legislation identifies the basis of distribution as the current year net profit.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Borrowed funds. Borrowings are recorded when money or other assets are advanced to the Fund by counterparties. The non-derivative liability is carried at amortised cost. If the Fund purchases its own debt, the liability 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 retirement of debt.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

3 Summary of Significant Accounting Policies (Continued)

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Fund to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Fund will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Fund does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees relating to investment funds are recorded rateably over the period that the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

Staff costs and related contributions. Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Fund. The Fund has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Fund makes estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans due from financial institutions. The Fund regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Fund makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As at year end, Fund had an outstanding receivable from JSC BTA in the amount of Tenge 28,282,522 thousand (31 December 2010: Tenge 35,464,512 thousand) reflected in due from financial institutions line of the statement of financial position. Subsequent to the reporting date, on 1 January 2012, JSC BTA defaulted on its coupon payments on its bonds issued. No provisions for loss has been created against this receivable as all amounts due to the Fund have been paid fully and on time both before and after the reporting date and management considers amount outstanding will be received in full.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. Key assumptions in the business plan are:

- Recoveries expected by Management (excluding performing loans and written-off loans) in 2012, 2013 and 2014 will be Tenge 1.9 billion Tenge, Tenge 1.9 billion and Tenge 1.8 billion respectively.. Considering the current financial position of borrowers, management expects to recover the amounts through judicial and extra-judicial realization of the collateral and seizure of the pledged assets.

- The board decided to outsource the collection of bad debt to a third party organization. Board believes that outsourcing will improve and accelerate recoverability of bad debts

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Fund from 1 January 2011:

***Amendment to IAS 24, Related Party Disclosures* (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011).** IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. As a result of the revised standard, the Fund now also discloses contractual commitments to purchase and sell goods or services to its related parties.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced, or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The above amendments resulted in additional or revised disclosures, but had no material impact on measurement or recognition of transactions and balances reported in these financial statements. The financial effect of collateral required to be disclosed by the amendments to IFRS 7 is presented in these financial statements by disclosing collateral values separately for (i) those financial assets where collateral and other credit enhancements are equal to, or exceed, carrying value of the asset ("over-collateralised assets") and (ii) those financial assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

5 Adoption of New or Revised Standards and Interpretations (Continued)

Other revised standards and interpretations effective for the current period. IFRIC 19 "Extinguishing financial liabilities with equity instruments", amendments to IAS 32 on classification of rights issues, clarifications in IFRIC 14 "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction" relating to prepayments of minimum funding requirements and amendments to IFRS 1 "First-time adoption of IFRS", did not have any impact on these financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2012, and which the Fund has not early adopted.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Fund is considering the implications of the standard, the impact on the Fund and the timing of its adoption.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation – special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Fund is currently assessing the impact of the amended standard on its financial statements.

6 New Accounting Pronouncements (Continued)

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Venturers". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Fund is currently assessing the impact of the new standard on its financial statements.

IFRS 12, Disclosure of Interests in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Fund is currently assessing the impact of the new standard on its financial statements.

IFRS 13, Fair Value Measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Fund is currently assessing the impact of the standard on its financial statements.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Fund is currently assessing the impact of the amended standard on its financial statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Fund is currently assessing the impact of the amended standard on its financial statements.

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011.). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Fund is currently assessing the impact of the amended standard on disclosures in its financial statements.

Amendments to IAS 1, Presentation of Financial Statements (issued in June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Fund expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Fund is currently assessing the impact of the amended standard on its financial statements.

6 New Accounting Pronouncements (Continued)

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Fund is considering the implications of the amendment, the impact on the Fund and the timing of its adoption by the Fund.

Other revised standards and interpretations: The amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, will not have any impact on these financial statements. The amendment to IAS 12 "Income taxes", which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, will not have any impact on these financial statements. IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, considers when and how to account for the benefits arising from the stripping activity in mining industry.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Fund's financial statements.

7 Cash and Cash Equivalents

(in thousands of Kazakhstani Tenge)	**31 December 2011**	**31 December 2010**
Current accounts with banks	9,757,257	23,648,532
Cash on hand	887	795
Total cash and cash equivalents	**9,758,144**	**23,649,327**

The credit quality of cash and cash equivalents balances is summarised based on Standard and Poor's ratings as follows at 31 December 2011 and 2010:

(in thousands of Kazakhstani Tenge)	**31 December 2011 Balances in bank accounts on-demand**	**31 December 2010 Balances in bank accounts on-demand**
Neither past due nor impaired		
- BBB- to BBB+	429,050	3,017
- BB- to BB+	275,962	-
- B- to B+	9,030,510	22,489,983
- Unrated	21,735	1,155,532
Total	**9,757,257**	**23,648,532**

As at 31 December 2011 the Fund had three counterparty banks (31 December 2010: three banks) whose balances in aggregate exceeded 10% of the equity. The gross value of these balances as at 31 December 2011 is Tenge 8,189,385 thousand (31 December 2010: Tenge 19,702,847 thousand).

Refer to Note 27 for disclosure of the fair value of cash and cash equivalents. Interest rate analysis of cash and cash equivalents is disclosed in Note 25. Information on related party balances is disclosed in Note 28.Cash and cash equivalent balances as at year end are neither past due nor impaired.

8 Securities at Fair Value Through Profit or Loss

(in thousands of Kazakhstani Tenge)	31 December 2011	31 December 2010
Kazakhstan government bonds	3,756,908	1,986,657
Corporate bonds	5,572,070	12,332,471
Total securities at fair value through profit or loss	**9,328,978**	**14,319,128**

The Fund irrevocably designated the above securities, which are not a part of the Fund's trading book, at the initial recognition as at fair value through profit or loss. These securities are managed and evaluated on their fair values basis in accordance with a strategy documented in the Investment policy.

Securities designated at fair value through profit or loss are carried at fair value which also reflects any credit risk related write-downs. Analysis by credit quality of debt securities designated at fair value through profit or loss outstanding at 31 December 2011 is as follows:

(in thousands of Kazakhstani Tenge)	Kazakhstan government bonds	Corporate bonds	Total
Neither past due nor impaired			
- BBB+	3,756,908	-	3,756,908
- BBB	-	1,905,789	1,905,789
- BBB-	-	205,981	205,981
- B+	-	1,764,651	1,764,651
- B	-	1,695,649	1,695,649
Total securities at fair value through profit or loss	**3,756,908**	**5,572,070**	**9,328,978**

Analysis by credit quality of debt securities at fair value through profit or loss outstanding at 31 December 2010 was as follows:

(in thousands of Kazakhstani Tenge)	Kazakhstan government bonds	Corporate bonds	Total
Neither past due nor impaired			
- BBB+	1,986,656	-	1,986,656
- BBB-	-	11,152,190	11,152,190
- B	-	1,180,282	1,180,282
Total securities at fair value through profit or loss	**1,986,656**	**12,332,472**	**14,319,128**

The credit ratings are based on Standard & Poor's ratings where available or Moody's rating converted to the nearest equivalent on the Standard & Poor's rating scale. None of the securities at fair value through profit or loss is past due.

Refer to Note 27 for disclosure of the fair value of securities at fair value through profit or loss. Interest rate analyses of securities at fair value through profit or loss are disclosed in Note 25. Information on securities at fair value through profit or loss issued by related parties is disclosed in Note 28.

9 Due from Financial Institutions

(in thousands of Kazakhstani Tenge)	31 December 2011	31 December 2010
Loans given to banks	161,491,072	169,098,374
Placements with other banks with original maturities of more than three months	1,726,371	-
Less: Provision for loan portfolio impairment	(1,662,184)	(1,741,145)
Total due from financial institutions	**161,555,259**	**167,357,229**

Within balance of loans given to banks Tenge 28,282,522 thousand is balance receivable from BTA bank as at 31 December 2011 (2010: Tenge 35,464,512 thousand). Management of the Fund considers these amounts to be received in full and on time, and no impairment has been charged against those balances as at 31 December 2011 (2010: nil).

Amounts due from financial institutions are not collateralised. Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2011 is as follows:

(in thousands of Kazakhstani Tenge)	Placements with other banks	Loans to banks	Total
Neither past due nor impaired			
- BBB- to BBB+	-	21,929,720	21,929,720
- B- to B+	1,726,371	133,628,981	135,355,352
- Unrated	-	4,270,187	4,270,187
Total neither past due nor impaired	**1,726,371**	**159,828,888**	**161,555,259**
Balances individually determined to be impaired			
- over 360 days overdue	-	1,662,184	1,662,184
Total individually impaired	**-**	**1,662,184**	**1,662,184**
Less provision for impairment	**-**	**(1,662,184)**	**(1,662,184)**
Total due from financial institutions	**1,726,371**	**159,828,888**	**161,555,259**

The credit ratings are based on Standard & Poor's ratings where available or Moody's rating converted to the nearest equivalent on the Standard & Poor's rating scale.

9 Due from Financial Institutions (Continued)

Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2010 is as follows:

(in thousands of Kazakhstani Tenge)	Loans to banks	Total
Neither past due nor impaired		
- BBB- to BBB+	29,374,567	29,374,567
- B- to B+	134,318,888	134,318,888
- Unrated	3,663,774	3,663,774
Total neither past due nor impaired	**167,357,229**	**167,357,229**
Balances individually determined to be impaired		
- 181 to 360 days overdue	1,430,229	1,430,229
- over 360 days overdue	310,916	310,916
Total individually impaired	**1,741,145**	**1,741,145**
Less provision for impairment	**(1,741,145)**	**(1,741,145)**
Total due from financial Institutions	**167,357,229**	**167,357,229**

The primary factor that the Fund considers in determining whether a deposit is impaired is its overdue status. As a result, the Fund presents above an ageing analysis of deposits that are individually determined to be impaired.

Movements in the provision for impairment of due from financial institutions are as follows:

(in thousands of Kazakhstani Tenge)	2011 Loans to banks	2010 Loans to banks
Provision for impairment at 1 January	**1,741,145**	**14,229,061**
Recovery of provision for impairment during the year	(78,961)	(12,233,592)
Amounts written off during the year as uncollectible	-	(254,324)
Provision for impairment at 31 December	**1,662,184**	**1,741,145**

In 2010, the Funds reversed provision for impairments for the amount of Tenge 9,459,242 thousand on loans to JSC BTA Bank, JSC Alliance Bank, JSC Astana-Finance bank and JSC TemirBank upon completion of their restructuring. The restructuring process of JSC Astana-Finance has not been completed. No additional provisions were created in 2011.

Refer to Note 27 for the estimated fair value of each class of amounts due from financial institutions. Interest rate analysis of due from financial institutions is disclosed in Note 25. Information on related party balances is disclosed in Note 28.

10 Loans and Advances to Customers

(in thousands of Kazakhstani Tenge)	31 December 2011	31 December 2010
Loans to small and medium size entities	2,985,706	4,754,719
Loans to microfinance organisations	1,962,688	2,924,807
Net investments in finance lease	418,153	635,228
Loans to others	26,649	54,219
Less: Provision for loan impairment	(4,095,745)	(4,982,004)
Total loans and advances to customers	**1,297,451**	**3,386,969**

Movements in the provision for loan impairment during 2011 are as follows:

(in thousands of Kazakhstani Tenge)	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Loans to others	Total
Provision for loan impairment at 1 January 2011	**2,417,816**	**2,107,019**	**419,124**	**38,045**	**4,982,004**
Recovery of impairment during the period	(365,117)	(410,180)	(85,875)	(25,087)	(886,259)
Provision for loan impairment at 31 December 2011	**2,052,699**	**1,696,839**	**333,249**	**12,958**	**4,095,745**

The recovery of provision for impairment during the year differs from the amount presented in the statement of comprehensive income for the year due to Tenge 270,389 (2010: nil) thousand, recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the year.

Movements in the provision for loan impairment during 2010 are as follows:

(in thousands of Kazakhstani Tenge)	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Loans to others	Total
Provision for loan impairment at 1 January 2010	**2,282,875**	**1,474,485**	**430,097**	**19,742**	**4,207,199**
Provision for/(recovery of) impairment during the period	(155,030)	632,534	(10,973)	18,303	484,834
Recovery of loans previously written off	289,971	-	-	-	289,971
Provision for loan impairment at 31 December 2010	**2,417,816**	**2,107,019**	**419,124**	**38,045**	**4,982,004**

10 Loans and Advances to Customers (Continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

(in thousands of Kazakhstani Tenge)	31 December 2011 Amount	%	31 December 2010 Amount	%
Services	762,377	59%	1,425,376	42%
Financial services	234,225	12%	800,443	24%
Production industry	150,476	18%	754,068	22%
Transport and communications	48,672	4%	150,985	4%
Agriculture	45,478	3%	95,062	3%
Individuals	28,098	2%	39,847	1%
Trade	15,810	1%	53,419	2%
Construction	12,315	1%	67,769	2%
Total loans and advances to customers	**1,297,451**	**100%**	**3,386,969**	**100%**

Information about collateral at 31 December 2011 is as follows:

(in thousands of Kazakhstani Tenge)	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Total
Unsecured loans	24,514	305	1,037	25,856
Loans guaranteed by other banks	579,358	83	-	579,441
Residential real estate	342,845	233,264	22,373	598,482
Movable property	32,745	376	54,395	87,516
Other assets	-	6,156	-	6,156
Total loans and advances to customers	**979,462**	**240,184**	**77,805**	**1,297,451**

Information about collateral at 31 December 2010 is as follows:

(in thousands of Kazakhstani Tenge)	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Total
Unsecured loans	32,189	276,032	2,909	311,130
Loans guaranteed by other banks	1,353,447	26,185	-	1,379,632
Real estate, other than residential	747,065	358,292	16,544	1,121,901
Residential real estate	124,182	140,607	17,112	281,901
Movable property	80,684	9,099	179,539	269,322
Loans guaranteed by other parties, including credit insurance	1,121	16,909	-	18,030
Other assets	-	5,053	-	5,053
Total loans and advances to customers	**2,338,688**	**832,177**	**216,104**	**3,386,969**

In the disclosure above the carrying value of loans was allocated based on weight of the assets taken as collateral. Loans to others are not secured by collateral.

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2011 is as follows:

(in thousands of Kazakhstani Tenge)	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Loans to others	Total
Past due but not individually impaired					
- less than 30 days overdue	251,860	174,370	76,621	-	502,851
- 30 to 90 days overdue	10,453	137	-	-	10,590
Total past due but not individually impaired	**262,313**	**174,507**	**76,621**	**-**	**513,441**
Loans individually determined to be impaired (gross)					
- less than 30 days overdue	9,916	10,364	3,913	-	24,193
- 30 to 90 days overdue	669,990	5,769	6,138	-	681,897
- 91 to 180 days overdue	17,937	54,717	-	1,991	74,645
- 181 to 360 days overdue	48,024	132,615	2,956	-	183,595
- over 360 days overdue	1,977,526	1,584,716	328,525	24,658	3,915,425
Total individually impaired loans	**2,723,393**	**1,788,181**	**341,532**	**26,649**	**4,879,755**
Less impairment provisions	**(2,052,699)**	**(1,696,839)**	**(333,249)**	**(12,958)**	**(4,095,745)**
Total loans and advances to customers	**933,007**	**265,849**	**84,904**	**13,691**	**1,297,451**

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2010 is as follows:

(in thousands of Kazakhstani Tenge)	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Loans to others	Total
Neither past due nor impaired					
- Standard loans	2,001,090	629,359	160,725	2,320	2,793,494
- Loans renegotiated	32,042	-	3,576	-	35,618
Total neither past due nor impaired	**2,033,132**	**629,359**	**164,301**	**2,320**	**2,829,112**
Past due but not individually impaired					
- less than 30 days overdue	166,558	18,995	35,352	1,866	222,771
- 30 to 90 days overdue	28,175	48,536	-	-	76,711
Total past due but not individually impaired	**194,733**	**67,531**	**35,352**	**1,866**	**299,482**
Loans individually determined to be impaired (gross)					
- less than 30 days overdue	60,744	71,419	18,196	-	150,359
- 30 to 90 days overdue	177,386	132,835	7,212	-	317,433
- 91 to 180 days overdue	78,354	291,107	14,197	-	383,658
- 181 to 360 days overdue	200,380	329,871	6,514	24,455	561,220
- over 360 days overdue	2,009,990	1,402,685	389,456	25,578	3,827,709
Total individually impaired loans	**2,526,854**	**2,227,917**	**435,575**	**50,033**	**5,240,379**
Less impairment provisions	**(2,417,816)**	**(2,107,019)**	**(419,124)**	**(38,045)**	**(4,982,004)**
Total loans and advances to customers	**2,336,903**	**817,788**	**216,104**	**16,174**	**3,386,969**

The Fund applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the end of the reporting period. The Fund's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

The primary factors that the Fund considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any. As a result, the Fund presents above an ageing analysis of loans that are individually determined to be impaired.

10 Loans and Advances to Customers (Continued)

The fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired at 31 December 2011 was as follows:

(in thousands of Kazakhstani Tenge)	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Total
Fair value of collateral - loans past due but not impaired				
- real estate	1,605,807	856,873	98,750	2,561,430
- movable property	160,389	3,962	190,346	354,697
- bank guarantees	16,598	-	-	16,598
Fair value of collateral – individually impaired loans				
- real estate	2,246,158	1,602,548	75,157	3,923,863
- bank guarantees	625,000	5,000	-	630,000
- movable property	201,191	56,019	276,331	533,541
- other guarantees, including credit insurance	4,250	28,699	-	32,949
Total	**4,859,393**	**2,553,101**	**640,584**	**8,053,078**

The fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired at 31 December 2010 was as follows:

(in thousands of Kazakhstani Tenge)	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Total
Fair value of collateral - loans past due but not impaired				
- real estate	3,209,892	1,710,199	78,719	4,998,810
- bank guarantees	1,478,944	184,500	-	1,663,444
- movable property	207,639	25,701	363,885	597,225
- other assets	85	26,297	-	26,382
Fair value of collateral – individually impaired loans				
- real estate	612,489	512,455	13,657	1,138,601
- movable property	49,204	-	59,436	108,640
Total	**5,558,253**	**2,459,152**	**515,697**	**8,533,102**

Neither past due nor impaired, but renegotiated loans represent the carrying amount of loans that would otherwise be past due or impaired whose terms have been renegotiated. Past due but not impaired loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual installments that are past due.

Refer to Note 27 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 25. Information on related party balances is disclosed in Note 28.

11 Investment Securities Available for Sale

(in thousands of Kazakhstani Tenge)	31 December 2011	31 December 2010
Corporate bonds	8,554,530	8,547,716
Less: Provision for loan impairment	(3,366,455)	(3,366,455)
Total investment securities available for sale	**5,188,075**	**5,181,261**

The content of the available for sale portfolio has not changed since the latest year end. Analysis by credit quality of debt securities outstanding at 31 December 2010 and 2011 is as follows:

(in thousands of Kazakhstani Tenge)	31 December 2011 Corporate bonds	31 December 2010 Corporate bonds
Neither past due nor impaired		
- BBB- to BBB+	407,277	410,097
- B- to B+	4,780,798	4,771,164
Total neither past due nor impaired	**5,188,075**	**5,181,261**
Debt securities individually determined to be impaired (gross)		
- over 360 days overdue	3,366,455	3,366,455
Total individually impaired debt securities	**3,366,455**	**3,366,455**
Less impairment provisions	**(3,366,455)**	**(3,366,455)**
Total debt securities available for sale	**5,188,075**	**5,181,261**

The credit ratings are based on Standard & Poor's ratings where available or Moody's rating converted to the nearest equivalent on the Standard & Poor's rating scale.

The primary factor that the Fund considers in determining whether a debt security is impaired is its overdue status. As a result, the Fund presents above an ageing analysis of debt securities that are individually determined to be impaired. During the year, impairment of Tenge 108,829 thousand (2010: reversal of impairment in the amount of Tenge 66,745 thousand) was recognized in statement of comprehensive income on securities of the following issuers: JSC BTA Ipoteka and JSC Temirbank.

Refer to Note 27 for disclosure of the fair value of investment securities available for sale. Interest rate analysis of investment securities available for sale is disclosed in Note 25. Information on related party balances is disclosed in Note 28.

12 Premises and Equipment

(in thousands of Kazakhstani Tenge)	Note	Land and buildings	Equipment	Fixtures and fittings	Vehicles	Total
Cost at 1 January 2010		307,271	297,855	99,173	29,270	733,569
Accumulated depreciation		(91,126)	(112,254)	(30,588)	(14,805)	(248,773)
Carrying amount at 1 January 2010		**216,145**	**185,601**	**68,585**	**14,465**	**484,796**
Additions		-	90,239	7,235	89,828	187,302
Disposals		-	(7,913)	(215)	(7,548)	(15,676)
Depreciation charge	23	(40,399)	(33,555)	(9,064)	(5,919)	(88,937)
Accumulated depreciation disposal		-	7,074	151	4,407	11,632
Carrying amount at 31 December 2010		**175,746**	**241,446**	**66,692**	**95,233**	**579,117**
Cost at 31 December 2010		307,271	380,181	106,193	111,550	905,195
Accumulated depreciation		(131,525)	(138,735)	(39,501)	(16,317)	(326,078)
Carrying amount at 31 December 2010		**175,746**	**241,446**	**66,692**	**95,233**	**579,117**
Additions		-	61,790	41,750	-	103,540
Disposals		-	(7,471)	(3,165)	(5,615)	(16,251)
Depreciation charge	23	(40,399)	(40,158)	(15,804)	(15,204)	(111,565)
Accumulated depreciation disposal			5,241	2,026	4,364	11,631
Carrying amount at 31 December 2011		**135,347**	**260,848**	**91,499**	**78,778**	**566,472**
Cost at 31 December 2011		307,271	434,500	144,778	105,935	992,484
Accumulated depreciation		(171,924)	(173,652)	(53,279)	(27,157)	(426,012)
Carrying amount at 31 December 2011		**135,347**	**260,848**	**91,499**	**78,778**	**566,472**

15 Subordinated Debt

(in thousands of Kazakhstani Tenge)	31 December 2011	31 December 2010
Shareholder	13,227,500	13,227,500
Total subordinated debt	**13,227,500**	**13,227,500**

As at 31 December 2011 and 2010, subordinated loans include loans from the parent company which mature in 2014 and carry an interest rate of 7 percent per annum. In case of bankruptcy, the subordinated loans will be repaid after a full settlement of all other liabilities of the Fund. The loans from the Shareholder's Group were intended for local banks to support financing of small and medium-sized enterprises.

Refer to Note 27 for disclosure of the fair value of subordinated debt. Interest rate analysis of subordinated debt is disclosed in Note 25. Information on related party balances is disclosed in Note 28.

16 Liabilities on Subsidy Programmes

(in thousands of Kazakhstani Tenge)	31 December 2011	31 December 2010
Municipal authorities	3,557,293	2,575,136
Ministry of Economic Development and Trade of the Republic of Kazakhstan	651,150	1,098,418
Total liabilities on subsidy programmes	**4,208,443**	**3,673,554**

Liabilities on subsidy programmes are placed by the Ministry of Economic Development and Trade of the Republic of Kazakhstan and municipal authorities. These funds are further transferred to local banks as payment for governmentally subsidised projects under the "Business Road Map 2020" programme.

Refer to Note 27 for disclosure of the fair value of liabilities on subsidy programmes. Information on related party balances is disclosed in Note 28.

17 Deferred Income and Liabilities on Financial Guarantees

(in thousands of Kazakhstani Tenge)	Note	31 December 2011	31 December 2010
Deferred income		351,013	-
Financial guarantees	26	280,210	84,940
Total deferred income and liabilities on financial guarantees		**631,223**	**84,940**

Fund issues financial guarantees under "Business Road Map 2020" programme, initiated by the Government, to the small and medium sized entities. This program is subsidized by the government (hereinafter - Principal), in accordance with government regulation #301 issued as at 13 April, 2010, wherein Fund acts as an agent between the Principal and the final recipient and receives 20 percent commission of the insured amount. The consideration received is deferred and amortized on a straight line basis over the life of the guarantee issued.

Refer to Note 27 for disclosure of the fair value of liabilities on subsidy programmes.

18 Other Liabilities

(in thousands of Kazakhstani Tenge)	31 December 2011	31 December 2010
Accounts payable	49,939	179,037
Accrued liabilities and other creditors	30,308	12,289
Total financial liabilities within other liabilities	**80,247**	**191,326**
Taxes payable other than on income	116,104	123,402
Accrued employee benefit costs	66,148	57,568
Unused vacation reserve	45,440	38,691
Advances received	1,840	24,507
Other	428	16,109
Total other liabilities	**310,207**	**451,603**

All of the above liabilities are expected to be settled within twelve months after the end of the period. Refer to Note 27 for disclosure of the fair value of other financial liabilities.

19 Share Capital

In thousands of Kazakhstani Tenge except for number of shares	Number of outstanding shares (in thousands)	Ordinary shares	Total
At 31 December 2011 and 2010	**27,182**	**44,920,273**	**44,920,273**

At the Shareholders' meeting on 25 May 2011, the Fund declared dividends in respect of the year ended 31 December 2010, totalling to Tenge 2,107,440 thousand (Tenge 77.53 per share). The amount was paid to the shareholder on 15 June 2011.

20 Interest Income and Expense

(In thousands of Kazakhstani Tenge)	2011	2010
Interest income		
Due from financial institutions	11,534,030	16,389,650
Cash and cash equivalents	978,272	1,799,738
Securities at fair value through profit or loss	735,929	136,453
Investment securities available for sale	472,675	588,853
Loans and advances to customers	453,892	576,362
Fines and fees on funds due from financial institutions	129,333	74,526
Fines and fees on loans and advances to customers	78,026	170,856
Amounts receivable under reverse repurchase agreements	-	163
Total interest income	**14,382,157**	**19,736,601**
Interest expense		
Borrowed funds	7,755,657	11,469,349
Subordinated debt	910,000	910,000
Securities at fair value through profit or loss	75,009	12,198
Investment securities available for sale	9,466	12,013
Total interest expense	**8,750,132**	**12,403,560**
Net interest income	**5,632,025**	**7,333,041**

Included within various line items under interest income for the year ended 31 December 2011 is a total of Tenge 461,428 thousand (2010: Tenge 447,540 thousand) accrued on impaired financial assets.

21 Fee and Commission Income

(In thousands of Kazakhstani Tenge)	2011	2010
Fee and commission income		
- Financial agent services	448,213	324,354
- Support services to first-time entrepreneurs	185,714	-
- Guarantees issued	18,899	-
Total fee and commission income	**652,826**	**324,354**

Fee and commission income is comprised of commission income received from issued guarantees (see Note 17), agency fees received in connection with subsidy programme (see Note 16), initiated by the government of the Republic of Kazakhstan, and support services rendered to start-up entrepreneurs within the 4th line (Improvement of Entrepreneurship Potential) of the "Business Road Map 2020" programme.

22 Other Operating Income and Expense

(in thousands of Kazakhstani Tenge)	2011	2010
Income on operating lease	11,923	12,438
Recovery/(Write-off) of other payables	4,260	(5,491)
Fines and penalties	3,243	-
Dividends	-	309
Previous period costs	-	(29,677)
Loss on equipment disposals	(3,497)	(872)
Other	2,120	432
Total other operating income/(expense)	**18,049**	**(22,861)**

23 General and Administrative Expenses

(in thousands of Kazakhstani Tenge)	2011	2010
Staff costs	1,631,120	1,347,854
Legal and consulting services	206,290	119,777
Depreciation of premises and equipment	111,565	88,937
Rent expense	95,376	116,857
Advertising and marketing services	92,714	190,527
Business trip and representative expenses	79,189	70,036
Training	71,784	54,738
Repair and technical maintenance	54,934	106,064
Communication services	54,319	34,976
Amortisation of intangible assets	24,622	22,157
Materials	21,886	6,044
Stationery	20,404	9,563
Broker fees	18,091	2,663
Insurance expenses	16,994	21,850
Transportation expense	14,770	2,613
Security services	12,262	12,720
Bank charges	12,253	8,686
Utilities	11,906	9,441
Taxes other than on income	10,453	5,369
Other	124,050	59,166
Total	**2,684,982**	**2,290,038**

Staff costs include social tax of Tenge 146,780 thousand (2010: Tenge 121,252 thousand).

24 Income Tax

The income tax expense recognized in profit and loss for the year comprises the following:

(in thousands of Kazakhstani Tenge)	2011	2010
Current tax expense	958,806	2,501,639
Deferred income tax expense	89,261	892,812
Income tax expense for the year	**1,048,067**	**3,394,451**

The income tax rate applied to most of the Fund's income is 20% (2010: 20%).

24 Income Tax (Continued)

Reconciliation between the expected and the actual taxation charge is provided below:

(in thousands of Kazakhstani Tenge)	2011	2010
Profit before tax	**4,509,887**	**17,443,181**
Theoretical tax charge at statutory rate (2011: 20%; 2010: 20%)	901,977	3,488,636
Tax effects of items which are not deductable or assessable for taxation purposes:		
- Income from Government securities, exempt from tax	(186,110)	(222,978)
- Non-taxable income on finance leasing	(61,518)	(16,255)
- Other non-taxable income	(27,518)	-
- Non-taxable provision expense on issued guarantee	35,875	-
- Other non-taxable expenses	52,391	145,048
- Adjustment of prior year tax expense estimate	332,970	-
Income tax expense for the year	**1,048,067**	**3,394,451**

On 10 December 2008, the President of the Republic of Kazakhstan signed the new Tax Code effective from 1 January 2009. The key changes included: reduction of the corporate income tax rate from 30 percent to 20 percent in the financial year 2009, to 17.5 percent in 2010, and to 15 percent in 2011.

Further, on 17 November 2009, the President of the Republic of Kazakhstan approved new changes and amendments to the Tax Code. The key amendment was to keep corporate income tax rate at 20 percent until 1 January 2013, and to apply the rate of 17.5 percent in 2013 and 15 percent onwards.

Further, on 26 November 2010, the President of the Republic of Kazakhstan signed the *Law on Amendments to Certain Legislative Acts of the Republic of Kazakhstan Concerning Taxation*, according to which the corporate income tax rate was fixed at 20 percent without changes in rates in subsequent years. The mentioned reconsideration of tax rates led to an increase in deferred tax liabilities arising from long term temporary differences.

Temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes give rise to net deferred tax liabilities as at 31 December 2001 and 2010. The specified deferred tax assets were recorded in these financial statements.

Any future tax benefits could be realized only when the Fund receives profits against which the unrealized tax loss could be offset, given that there are no changes in the legislation which could have a negative impact on the Fund's ability to claim deductions in future periods.

Movements in temporary differences during the period ended 31 December 2011 are detailed below:

(in thousands of Kazakhstani Tenge)	1 January 2011	(Charged)/ credited to profit or loss	31 December 2011
Tax effect of deductible/(taxable) temporary differences			
Loans to customers	980,138	(153,882)	826,256
Premises and equipment and intangible assets	(21,903)	(5,532)	(27,435)
Deferred Income	-	70,203	70,203
Other liabilities	9,138	(50)	9,088
Deferred tax asset, net	**967,373**	**(89,261)**	**878,112**
Recognized deferred tax asset	989,276	70,203	905,547
Recognized deferred tax liability	(21,903)	(159,464)	(27,435)
Net deferred tax asset	**967,373**	**(89,261)**	**878,112**

24 Income Tax (Continued)

Movements in temporary differences during the period ended 31 December 2010 are detailed below:

(in thousands of Kazakhstani Tenge)	1 January 2010	(Charged)/ credited to profit or loss	31 December 2010
Tax effect of deductible/(taxable) temporary differences			
Provisions for losses on loans to financial institutions	(2,358,495)	2,358,495	-
Loans to customers	1,003,131	(22,993)	980,138
Premises and equipment and intangible assets	(17,957)	(3,946)	(21,903)
Other liabilities	9,541	(403)	9,138
Tax loss carry forwards	3,223,965	(3,223,965)	-
Deferred tax asset, net	**1,860,185**	**(892,812)**	**967,373**
Recognized deferred tax asset	4,236,637	2,358,495	989,276
Recognized deferred tax liability	(2,376,452)	(3,251,307)	(21,903)
Net deferred tax asset	**1,860,185**	**(892,812)**	**967,373**

25 Financial Risk Management

Management of risk is fundamental to the Fund's business and is an essential element of its operations. The Fund manages risks in the course of the ongoing process of risk identification, monitoring, assessment and control as well as by establishment of the risk limits and other internal control arrangements. The risk management process is critical to support the Fund's stable profitability and each employee of the Fund is responsible for the risks associated with his/her duties. Market risk (including price risk, interest rate risk and currency risk), as well as credit risk and liquidity risk are the major risks which the Fund has to manage in the course of its normal business.

Risk management policies and procedures. The risk management policies aim to identify, analyse and manage the risks faced by the Fund, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered, and emerging best practice.

The risk management strategy is set forth in the Fund's risk management policy, which has been worked out in accordance with the risk management strategy of the Fund's sole shareholder – National Welfare Fund Samruk-Kazyna JSC.

The aims of the risk management policy are as follows:

- To build up an effective integrated system and create an integrated process of risk management as an element of the Fund management and continuously improve the Fund's operations on the basis of the unified standardized approach to the risk management methods and procedures;
- To ensure that the Fund takes the acceptable risks adequate to the scale of its operations;
- To determine the retention ability and ensure the effective management of the risk accepted;
- To identity risk in good time; and
- To minimize losses and reduce current expenses on potential losses.

25 Financial Risk Management (Continued)

Risk management structure:

The Fund's risk management structure is represented by risk management at a few levels with involvement of the following bodies and business units of the Fund: Board of Directors, Management Board, Risk Committee, Risk Management Function, Internal Audit Service, collegial bodies and other business units.

Board of Directors. The first level of risk management is represented by the Fund's Board of Directors. The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and system of the corporate risk management.

The Board of Directors sets the aims of the Fund operations and approves the documents related to risk management, retention ability and risk appetite.

Management Board. The second level of risk management is represented by the Fund's Management Board. The Management Board is responsible for establishment of the effective risk management system and structure for risk control to ensure compliance with the corporate policy requirements. The Management Board is responsible for creation of the "risk awareness" culture, which reflects the Fund's risk management and philosophy. The Management Board is also responsible for implementation of the effective risk management system in which all employees have well-defined responsibilities for risk management and are held liable for proper fulfilment of their duties. The Management Board is authorized to carry out a part of its functions in the area of risk management through the establishment of appropriate committees.

Risk Committee. The Committee is a permanent collegial advisory body of the Fund, which coordinates the process of the risk management system functioning. The key aims of the Committee are as follows: to build up an effective integrated system and create an integrated risk management process within the Fund and continuously improve operations of the Fund on the basis of a unified standardized approach to the risk management methods and procedures.

Credit Committee. The Credit Committee is the Fund's permanent body responsible for implementation of the internal credit policy. The Credit Committee competence is limited within the framework of the thresholds set by the Fund's Management Board. The key objective of the Credit Committee is to form a high-quality loan portfolio.

Asset and Liability Management Committee (ALCO). ALCO is a permanent collegial body of the Fund, which is accountable to the Management Board and which carries out its activity within the powers assigned by the Management Board. ALCO key aims are as follows: to ensure making of timely and appropriate decisions in the sphere of the Fund's asset and liability management; attract partners to cooperate with the Fund; maintain the sufficient level of the financial stability; increase the Fund profitability and minimize risks when making the investment decisions.

Risk Management Department. The third level of the risk management process is represented by the Risk Management Department. The objectives of the Risk Management Department include general risk management and exercise of control over compliance with the current legislation, as well as control over implementation of common principles and methods for identifying, assessing, managing and reporting both financial and non-financial risks.

Internal Audit Function. The Fund's Internal Audit Function, in the course of the risk management, conducts audit of the risk management procedures and risk assessment methods and works out proposals aimed at improvement of the efficiency of risk management procedures. It provides reports on the risk management system for the Fund's Board of Directors and performs other functions in accordance with the approved regulatory documents.

Business Units. One of the important elements in the structure of risk management is the Fund's business units each represented by employee. The business units (risk owners) play a key role in the risk management process. The Fund's employees, on a daily basis, deal with risks, manage risks and monitor their potential impact within their sphere of action. The business units are responsible for implementation of the risk management action plan, timely identification and informing about major risks in their sphere of action and development of proposals related to risk management to be included into the action plan.

25 Financial Risk Management (Continued)

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, credit spreads and equity prices will affect the Fund's income or the value of its holdings of financial instruments. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in relation to interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall responsibility for market risk management is vested in the Management Board, which is chaired by the Chairman of the Management Board. Market risk limits are approved by the Management Board based on recommendations of the Risk Management Department.

The Fund manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board.

The Fund also uses different stress tests and back testing to simulate possible financial impact of certain exceptional market scenarios on certain trading portfolios and general position of the Fund. Stress tests make it possible to determine the potential amount of losses that may arise under extreme circumstances. Stress tests used by the Fund include the following: stress tests of the risk factors, as a part of these tests each risk category is subject to stress changes and special stress tests, which include application of possible stress events with regard to certain positions. Back test is the test of accuracy of evaluation of interest rate risk models on the basis of the actual data on the net interest income.

Interest rate risk is the risk that changes in the interest rates will affect the Fund's income or the value of its holdings of financial instruments.

The Fund is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Interest rate risk management is based on the principles of the full coverage of expenses – the interest income earned should cover the expenses related to attraction and placement of funds and ensure generation of the net income and competitiveness.

The interest rate risk report presents the distribution of assets, liabilities, off-balance assets and liabilities sensitive to changes in the interest rates grouped into the economically homogeneous and material items, by time periods depending on their maturity dates (in case of fixed rates), or time remaining until the next regular review (in case of floating rates). Time limits and items of the assets and liabilities, or off-balance assets and liabilities subject to accounting may be changed by the Fund's Management Board.

25 Financial Risk Management (Continued)

Interest rate risk is managed principally through monitoring interest rate gaps. The table below summarises the Fund's exposure to interest rate risks. The table presents the aggregated amounts of the Fund's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates as at 31 December 2011:

(in thousands of Kazakhstani Tenge)	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Carrying amount
31 December 2011						
FINANCIAL ASSETS						
Cash and cash equivalents	9,736,944	-	-	-	-	9,736,944
Securities at fair value through profit or loss	1,779,083	84,392	40,225	1,671,303	5,753,975	9,328,978
Due from financial institutions	15,282,360	2,818,330	17,529,733	123,837,634	2,087,202	161,555,259
Loans and advances to customers	739,834	213,168	255,579	88,870	-	1,297,451
Investment securities available for sale	2,321,544	51,104	-	2,346,852	468,575	5,188,075
Total financial assets	**29,859,765**	**3,166,994**	**17,825,537**	**127,944,659**	**8,309,752**	**187,106,707**
FINANCIAL LIABILITIES						
Borrowed funds	15,303,993	2,971,983	16,861,616	93,270,558	267,212	128,675,362
Subordinated debt	227,500	-	-	13,000,000	-	13,227,500
Total financial liabilities	**15,531,493**	**2,971,983**	**16,861,616**	**106,270,558**	**267,212**	**141,902,862**
Net interest sensitivity gap at 31 December 2011	**14,328,272**	**195,011**	**963,921**	**21,674,101**	**8,042,540**	**45,203,845**

A summary of the interest gap position for major financial instruments as at 31 December 2010 is as follows:

(in thousands of Kazakhstani Tenge)	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Carrying amount
31 December 2010						
FINANCIAL ASSETS						
Cash and cash equivalents	22,474,582	-	-	-	-	22,474,582
Securities at fair value through profit or loss	2,194,996	39,111	22,009	4,310,942	7,752,070	14,319,128
Due from financial institutions	2,838,140	-	30,000	161,092,214	3,396,875	167,357,229
Loans and advances to customers	33,858	75,554	125,156	2,978,021	-	3,212,589
Investment securities available for sale	152,903	2,288,341	-	1,228,591	1,511,426	5,181,261
Total financial assets	**27,694,479**	**2,403,006**	**177,165**	**169,609,768**	**12,660,371**	**212,544,789**
FINANCIAL LIABILITIES						
Borrowed funds	13,294,876	7,459,837	15,400,073	119,171,873	1,257,240	156,583,899
Subordinated debt	227,500	-	-	13,000,000	-	13,227,500
Total financial liabilities	**13,522,376**	**7,459,837**	**15,400,073**	**132,171,873**	**1,257,240**	**169,811,399**
Net interest sensitivity gap at 31 December 2010	**14,172,103**	**(5,056,831)**	**(15,222,908)**	**37,437,895**	**11,403,131**	**42,733,390**

25 Financial Risk Management (Continued)

Average interest rates. The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2011 and 2010. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2011 Average effective interest rate	2010 Average effective interest rate
Interest bearing assets		
Cash and cash equivalents	5.63%	6.50%
Securities at fair value through profit or loss	7.94%	7.70%
Due from financial institutions	7.63%	8.08%
Loans and advances to customers	7.11%	8.51%
Investment securities available for sale	7.95%	8.21%
Other financial assets	-	-
Interest bearing liabilities		
Borrowed funds	5.67%	6.19%
Subordinated debt	7.00%	7.00%
Liabilities under subsidy programmes	-	-
Deferred income and liabilities on financial guarantees	-	-
Other financial liabilities	-	-

Interest rate sensitivity analysis. The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring of the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2011 and 2010 is as follows:

	2011		2010	
(in thousands of Kazakhstani Tenge)	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel increase	82,411	65,929	19,352	19,352
100 bp parallel decrease	(82,411)	(65,929)	(19,352)	(19,352)

25 Financial Risk Management (Continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund has no assets and liabilities denominated in several foreign currencies at the same time. Assets and liabilities denominated in the US Dollars do not exceed the amount equivalent to USD 1.15 million. Currency risk arises when the actual or forecasted assets denominated in foreign currency are either greater or less than the actual or forecasted liabilities denominated in the same currency. The Fund's Management Board, with due consideration of the currency risk assessment, makes decisions concerning the structure of the Fund's assets and liabilities by the financial instruments in foreign currency, and sets a permissible amount of the currency risk and limit on the open currency position.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2011:

(in thousands of Kazakhstani Tenge)	KZT	USD	Total
FINANCIAL ASSETS			
Cash and cash equivalents	9,758,144	-	9,758,144
Securities at fair value through profit or loss	9,328,978	-	9,328,978
Due from financial institutions	161,555,259	-	161,555,259
Loans and advances to customers	1,297,432	19	1,297,451
Investment securities available for sale	5,188,075	-	5,188,075
Other financial assets	333,769	-	333,769
Total financial assets	**187,461,657**	**19**	**187,461,676**
FINANCIAL LIABILITIES			
Borrowed funds	128,506,118	169,244	128,675,362
Subordinated debt	13,227,500	-	13,227,500
Liabilities under subsidy programmes	4,208,443	-	4,208,443
Deferred income and liabilities on financial guarantees	631,223	-	631,223
Other financial liabilities	80,247	-	80,247
Total financial liabilities	**146,653,531**	**169,244**	**146,822,775**
Net position as at 31 December 2011	**40,808,126**	**(169,225)**	**40,638,901**

25 Financial Risk Management (Continued)

The following table shows the currency structure of financial assets and liabilities as at 31 December 2010:

(in thousands of Kazakhstani Tenge)	KZT	USD	Total
FINANCIAL ASSETS			
Cash and cash equivalents	23,521,368	127,959	23,649,327
Securities at fair value through profit or loss	14,319,128	-	14,319,128
Due from financial institutions	167,357,229	-	167,357,229
Loans and advances to customers	3,386,950	19	3,386,969
Investment securities available for sale	5,181,261	-	5,181,261
Other financial assets	60,502	-	60,502
Total financial assets	**213,826,438**	**127,978**	**213,954,416**
FINANCIAL LIABILITIES			
Borrowed funds	156,416,042	167,857	156,583,899
Subordinated debt	13,227,500	-	13,227,500
Liabilities under subsidy programmes	3,673,554	-	3,673,554
Deferred income and liabilities on financial guarantees	84,940	-	84,940
Other financial liabilities	251,934	-	251,934
Total financial liabilities	**173,653,970**	**167,857**	**173,821,827**
Net position as at 31 December 2010	**40,172,468**	**(39,879)**	**40,132,589**

A strengthening of the Tenge, as indicated below, against the following currencies at 31 December 2011 and 2010 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Fund considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2011		2010	
(in thousands of Kazakhstani Tenge)	**Profit**	**Equity**	**Profit**	**Equity**
US Dollar strengthening by 10% (2010: by 10%)	(16,920)	(16,920)	(3,190)	(3,190)
US Dollar weakening by 10% (2010: by 10%)	16,920	13,536	3,190	2,552

25 Financial Risk Management (Continued)

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund has developed policies and procedures for the management of credit exposures (both for balance and off-balance positions) and determined the powers related to the decision making by the Board of Directors and Management Board with regard to large loans and established a Credit Committee, which is responsible for making decisions on loan issues within the set limits, loan restructuring and which actively monitors credit risk. The credit policy is reviewed and approved by the Board of Directors.

The Fund's credit policy sets the key parameters of lending in terms of credit risk management and is aimed at identification, analysis and management of the credit risks faced by the Fund.

The rules of credit risk management covers the following areas:

- procedures for review and approval of loan applications;
- methodology for the credit assessment of borrowers (small and medium-sized businesses);
- loan documentation requirements;
- methodology for the credit assessment of counterparty banks, issuers and insurance companies;
- methodology for evaluation of collateral;
- setting of limits on the total credit risks in the amount not exceeding 25% of the Fund's equity; and
- procedures for the ongoing monitoring of loans and other credit exposures.

The Fund continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Fund. The current market value of collateral is regularly assessed by either independent appraisal companies or in-house specialists, and in the event of negative movements in market prices the borrower is usually requested to provide additional security.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure of financial assets carrying amount to credit risk at the reporting date is as follows:

(in thousands of Kazakhstani Tenge)	31 December 2011	31 December 2010
ASSETS		
Cash and cash equivalents	9,758,144	23,649,327
Securities at fair value through profit or loss	9,328,978	14,319,128
Due from financial institutions	161,555,259	167,357,229
Loans and advances to customers	1,297,451	3,386,969
Investment securities available for sale	5,188,075	5,181,261
Other financial assets	333,769	60,502
Total maximum exposure	**187,461,676**	**213,954,416**

25 Financial Risk Management (Continued)

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity risk exists when the maturities of assets and liabilities do not match, which will affect the availability of the sufficient liquid funds in the Fund at the price acceptable for the Fund to settle its balance and off-balance liabilities as they become due. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to management of the financial institutions, including the Fund. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Fund maintains liquidity management with the objective of ensuring that funds will be available at all times to settle all cash flow obligations as they become due. The Fund's policy on managing liquidity risks is approved by the Board of Directors.

The Fund manages liquidity risk as a part of the Fund's Rules for Liquidity Loss Risk Management approved by the Board of Directors. The Rules determine the key processes and procedure of the liquidity loss risk management as well as function and powers of the Fund's business units involved in this process with a view of effective liquidity loss risk management and ensuring that the Fund has sufficient funds to settle all its liabilities. The Rules are mandatory for use by all employees, business units and collegial bodies of the Fund.

As a party of said Rules the liquidity loss risk is measured and monitored by means of the following tools/analytical reports: statutory and contractual liquidity ratios; analysis of the current balances of liquid funds; planned inflows/outflows of liquid funds; internal liquidity ratios; and liquidity gap analysis. For avoidance of liquid funds surplus or shortage, the Asset and Liability Management Committee monitors the activities related to attraction and use of the liquid funds. Current and short-term liquidity of the Fund is managed by the business unit in charge of risk management on the basis of the analysis of the current balances of liquid finds and planned inflows/outflows of liquid funds. Based on the analysis made, said business unit makes the report *Time Structure of Assets and Liabilities* on the consolidated basis and submits it to the Fund's Management Board.

Asset and Liability Management Committee monitors liquidity risk by means of analysis of the liquidity risk levels to take measures for reduction of the liquidity loss risk of the Fund. Current liquidity is managed by the Treasury, which carries out operations in the financial markets in order to maintain current liquidity and optimize the cash flows.

The liquidity management policy of the Fund requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- developing debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans; and
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department monitors liquidity position in the financial market on a daily basis. Under the normal market conditions, liquidity reports covering the liquidity position are regularly presented to senior management. Decisions on liquidity management policy are made by the Management Board and ALCO.

25 Financial Risk Management (Continued)

The following tables show the undiscounted cash flows on the Fund's financial liabilities on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual undiscounted cash flow on the financial liabilities or off-balance liabilities. Future cash flows of the Fund may differ significantly from such analysis.

The maturity analysis for financial liabilities as at 31 December 2011 is as follows:

(in thousands of Kazakhstani Tenge)	Demand and less than 1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
FINANCIAL LIABILITIES						
Borrowed funds	1,838,515	11,900,939	4,023,139	15,902,115	114,040,216	**147,704,924**
Subordinated debt	227,500	-	227,500	455,000	14,989,361	**15,899,361**
Liabilities under subsidy programmes	4,208,443	-	-	-	-	**4,208,443**
Deferred income and liabilities on financial guarantees	351,013	-	-	-	-	**351,013**
Other financial liabilities	80,247	-	-	-	-	**80,247**
Total financial liabilities	**6,705,718**	**11,900,939**	**4,250,639**	**16,357,115**	**129,029,577**	**168,243,988**
Credit related commitments	2,203,650	-	-	-	-	**2,203,650**

The maturity analysis for financial liabilities as at 31 December 2010 is as follows:

(in thousands of Kazakhstani Tenge)	Demand and less than 1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
FINANCIAL LIABILITIES						
Borrowed funds	2,456,080	10,951,914	9,555,359	20,291,377	168,831,701	**212,086,431**
Subordinated debt	227,500	-	227,500	455,000	15,899,361	**16,809,361**
Liabilities under subsidy programmes	3,673,554	-	-	-	-	**3,673,554**
Other financial liabilities	191,326	-	-	-	-	**191,326**
Total financial liabilities	**6,548,460**	**10,951,914**	**9,782,859**	**20,746,377**	**184,731,062**	**232,760,672**
Credit related commitments	711,405	-	-	-	-	**711,405**

25 Financial Risk Management (Continued)

The Fund does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Fund monitors expected maturities and the resulting expected liquidity gap as follows:

(in thousands of Kazakhstani Tenge)	**Demand and less than 1 month**	**1-6 months**	**6-12 months**	**12 months - 5 years**	**Over 5 years**	**Total**
At 31 December 2011						
Financial assets	25,877,520	3,955,798	17,825,537	130,031,544	9,771,277	187,461,676
Financial liabilities	20,451,406	2,971,983	16,861,616	106,270,558	267,212	146,822,775
Net liquidity gap based on expected maturities	**5,426,114**	**983,815**	**963,921**	**23,760,986**	**9,504,065**	**40,638,901**
At 31 December 2010						
Financial assets	38,280,743	2,857,492	289,112	165,705,038	6,822,031	213,954,416
Financial liabilities	6,753,749	10,719,411	22,859,910	132,399,374	1,089,383	173,821,827
Net liquidity gap based on expected maturities	**31,526,994**	**(7,861,919)**	**(22,570,798)**	**33,305,664**	**5,732,648**	**40,132,589**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Fund. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Fund and its exposure to changes in interest and exchange rates.

26 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Fund may be received. On the basis of its own estimates and internal professional advice management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax legislation. Kazakhstan tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Fund may be challenged by the relevant authorities. The Kazakhstani tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in Kazakhstan and the changes in the approach of the Kazakhstan tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Kazakhstan transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

Kazakhstan tax legislation does not provide definitive guidance in certain areas. From time to time, the Fund adopts interpretations of such uncertain areas that reduce the overall tax rate of the Fund. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

Operating lease commitments. The Fund leases a number of premises and vehicles under operating leases. The leases typically run for an initial period of one year, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Fund will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Fund is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Fund monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

(in thousands of Kazakhstani Tenge)	**31 December 2011**	**31 December 2010**
Guarantees issued	2,163,860	476,345
Undrawn credit lines	320,000	320,000
Less: Provision for credit related commitments	(280,210)	(84,940)
Total credit related commitments, net of provision	**2,203,650**	**711,405**

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

27 Fair Value of Financial Instruments

(a) Fair values of financial instruments carried at amortised cost.

Fair values of financial instruments carried at amortised cost are as follows:

(in thousands of Kazakhstani Tenge)	31 December 2011 Carrying Amount	31 December 2011 Fair Value	31 December 2010 Carrying Amount	31 December 2010 Fair Value
FINANCIAL ASSETS				
Cash and cash equivalents				
- Current accounts with banks	9,757,257	9,757,257	23,648,532	23,648,532
- Cash on hand	887	887	795	795
Due from financial institutions				
- Loans given to banks	159,828,888	159,828,888	167,357,229	167,357,229
- Placements with other banks with original maturities of more than three months	1,726,371	1,726,371	-	-
Loans and advances to customers				
- Loans to small and medium size entities	933,818	933,818	2,336,903	2,336,903
- Loans to microfinance organisations	265,849	265,849	817,788	817,788
- Net investments in finance lease	84,904	84,904	216,104	216,104
- Loans to others	12,880	12,880	16,174	16,174
Other financial assets				
- Other	333,769	333,769	60,502	60,502
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	**172,944,623**	**172,944,623**	**194,454,027**	**194,454,027**
FINANCIAL LIABILITIES				
Borrower funds				
- Shareholder	101,211,532	101,211,532	149,650,880	149,650,880
- Asian Development Bank	21,929,809	21,929,809	-	-
- Municipal authorities	3,360,026	3,360,026	4,760,162	4,760,162
- Stressed Assets Fund JSC	2,005,000	2,005,000	2,005,000	2,005,000
- Ministry of Finance of the Republic of Kazakhstan	168,995	168,995	167,857	167,857
Subordinated debt				
- Subordinated debt	13,227,500	13,227,500	13,227,500	13,227,500
Liabilities on subsidy programs				
- Municipal authorities	3,557,293	3,557,293	2,575,136	2,575,136
- Ministry of Economic Development and Trade of the Republic of Kazakhstan	651,150	651,150	3,266,762	3,266,762
Deferred Income and Liabilities on Financial Guarantees				
- Deferred income	351,013	351,013	-	-
- Financial guarantees	280,210	280,210	84,940	84,940
Other financial liabilities				
- Other	80,247	80,247	191,326	191,326
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	**146,822,775**	**146,822,775**	**175,929,563**	**175,929,563**

27 Fair Value of Financial Instruments (Continued)

(b) Analysis by fair value hierarchy of financial instruments carried at fair value.

For financial instruments carried at fair value, the level in the fair value hierarchy into which the fair values are categorised are as follows:

(in thousands of Kazakhstani Tenge)	2011 Quoted price in an active market (Level 1)	2010 Quoted price in an active market (Level 1)
FINANCIAL ASSETS		
Securities at fair value through profit or loss		
- Kazakhstani government bonds	3,756,908	1,986,657
- Corporate bonds	5,572,070	12,332,471
Investment securities available for sale		
- Corporate bonds	5,188,075	5,181,261
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	**14,517,053**	**19,500,389**

As at 31 December 2011 the Fund does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

(d) The methods and assumptions applied in determining fair values.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices were not available, the Fund used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

27 Fair Value of Financial Instruments (Continued)

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

	2011	2010
Cash and cash equivalents		
- Current accounts with banks	0.5 % to 6.5 % p.a.	2.0 % to 8.6 % p.a.
Securities at fair value through profit or loss		
- Kazakhstani government bonds	3.2% to 5.8 % p.a.	4.79 % to 6.3 % p.a.
- Corporate bonds	7.0 % to 13.0 % p.a.	7.0 % to 13.0 % p.a.
Due from financial institutions		
- Placements with other banks with original maturities of more than three months	6.2 % to 9.4 % p.a.	0 % p.a.
- Loans given to banks	0.5 % to 8.0 % p.a.	0.5 % to 8.0 % p.a.
Loans and advances to customers		
- Loans to small and medium size entities	7.0 % to 12.5 % p.a.	7.0 % to 12.5 % p.a.
- Loans to microfinance organisations	6.0 % to 11.0 % p.a.	6.0 % to 11.0 % p.a.
- Net investments in finance lease	7.0 % to 10.0 % p.a.	7.0 % to 10.0 % p.a.
Investment securities available for sale		
- Corporate bonds	6.8 % to 10.6 % p.a.	7.0 % to 10.9 % p.a.
Other financial assets		
- Other	0 % p.a.	0 % p.a.
Borrower funds		
- Shareholder	5.5 % to 7.0 % p.a.	5.5 % to 7.0 % p.a.
- Asian Development Bank	5.24 % p.a.	0 % p.a.
- Municipal authorities	1.0 % to 8.35 % p.a.	1.0 % to 8.35 % p.a.
- Stressed Assets Fund JSC	1.0 % p.a.	1.0 % p.a.
- Ministry of Finance of the Republic of Kazakhstan	0 % to 7.0 % p.a.	0 % to 7.0 % p.a.
Subordinated debt		
- Subordinated debt	7.0 % p.a.	7.0 % p.a.
Liabilities on subsidy programs		
- Municipal authorities	0 % p.a.	0 % p.a.
- Ministry of Economic Development and Trade of the Republic of Kazakhstan	0 % p.a.	0 % p.a.
Deferred Income and Liabilities on Financial Guarantees		
- Deferred income	0 % p.a.	0 % p.a.
- Financial guarantees	0 % p.a.	0 % p.a.
Other financial liabilities		
- Other	0 % p.a.	0 % p.a.

27 Fair Value of Financial Instruments (Continued)

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition and Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2011:

(in thousands of Kazakhstani Tenge)	Loans and receivables	Available-for-sale assets	Assets designated at FVTPL	Total
FINANCIAL ASSETS				
Cash and cash equivalents				
- Current accounts with banks	9,757,257	-	-	**9,757,257**
- Cash on hand	887	-	-	**887**
Securities at fair value through profit or loss				
- Kazakhstani government bonds	-	-	3,756,908	**3,756,908**
- Corporate bonds	-	-	5,572,070	**5,572,070**
Due from financial institutions				
- Loans given to banks	1,726,371	-	-	**1,726,371**
- Placements with other banks with original maturities of more than three months	159,828,888	-	-	**159,828,888**
Loans and advances to customers				
- Loans to small and medium size entities	933,818	-	-	**933,818**
- Loans to microfinance organisations	265,849	-	-	**265,849**
- Net investments in finance lease	84,904	-	-	**84,904**
- Loans to others	12,880	-	-	**12,880**
Investment securities available for sale				
- Corporate bonds	-	5,188,075	-	**5,188,075**
Other financial assets				
- Other	333,769	-	-	**333,769**
TOTAL FINANCIAL ASSETS	**172,944,623**	**5,188,075**	**9,328,978**	**187,461,676**

27 Fair Value of Financial Instruments (Continued)

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2010:

(in thousands of Kazakhstani Tenge)	Loans and receivables	Available-for-sale assets	Assets designated at FVTPL	Total
FINANCIAL ASSETS				
Cash and cash equivalents				
- Current accounts with banks	23,648,532	-	-	**23,648,532**
- Cash on hand	795	-	-	**795**
Securities at fair value through profit or loss				
- Kazakhstani government bonds	-	-	1,986,657	**1,986,657**
- Corporate bonds	-	-	12,332,471	**12,332,471**
Due from financial institutions				
- Loans given to banks	-	-	-	**-**
- Placements with other banks with original maturities of more than three months	167,357,229	-	-	**167,357,229**
Loans and advances to customers				
- Loans to small and medium size entities	2,336,903	-	-	**2,336,903**
- Loans to microfinance organisations	817,788	-	-	**817,788**
- Net investments in finance lease	216,104	-	-	**216,104**
- Loans to others	16,174	-	-	**16,174**
Investment securities available for sale				
- Corporate bonds	-	5,181,261	-	**5,181,261**
Other financial assets				
- Other	60,502	-	-	**60,502**
TOTAL FINANCIAL ASSETS	**194,454,027**	**5,181,261**	**14,319,128**	**213,954,416**

As at 31 December 2011 and 31 December 2010, all liabilities of the fund are measure at amortized cost.

28 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

28 Related Party Transactions (Continued)

At 31 December 2011, the outstanding balances with related parties were as follows:

(in thousands of Kazakhstani Tenge)	Parent company	Entities under common control	Associates	Other related parties
Cash and cash equivalents	-	199,815	-	1,218,819
Securities at fair value through profit or loss	-	1,905,790	-	3,991,655
Due from financial institutions	-	52,159,524	-	22,480,511
Investment securities available for sale	-	574,879	-	2,601,244
Investment in Associates	-	-	10,000	-
Borrowed funds	101,211,532	2,005,000	-	3,529,021
Subordinated debt	-	-	-	3,917,912
Liabilities on subsidy programmes	13,227,500	-	-	-
Other liabilities	-	-	-	-

The income and expense items with related parties for 2011 were as follows:

(in thousands of Kazakhstani Tenge)	Parent company	Entities under common control
Interest income	-	5,792,731
Interest expense	(8,121,608)	(242,036)
Recovery of impairment	-	78,961
General and administrative expenses	-	(70,749)

Aggregate amounts lent to and repaid by related parties during 2011 were:

(in thousands of Kazakhstani Tenge)	Entities under common control
Amounts lent to related parties during the year	16,456,743
Amounts repaid by related parties during the year	20,355,836

At 31 December 2010, the outstanding balances with related parties were as follows:

(in thousands of Kazakhstani Tenge)	Parent company	Entities under common control	Associates	Other related parties
Cash and cash equivalents	-	8,907,708	-	-
Securities at fair value through profit or loss	-	3,388,730	-	1,986,656
Due from financial institutions	-	73,903,894	-	-
Investment securities available for sale	-	3,597,108	-	-
Investment in Associates	-	-	12,000	-
Borrowed funds	149,650,880	2,005,000	-	4,760,162
Subordinated debt	-	-	-	3,673,554
Liabilities on subsidy programmes	13,227,500	-	-	-
Other liabilities	-	36,123	-	-

28 Related Party Transactions (Continued)

The income and expense items with related parties for 2011 were as follows:

(in thousands of Kazakhstani Tenge)	Parent company	Entities under common control
Interest income	-	6,744,813
Interest expense	(11,809,767)	(569,583)
Recovery of impairment	-	12,233,592
General and administrative expenses	-	(55,363)

Aggregate amounts lent to and repaid by related parties during 2010 were:

(in thousands of Kazakhstani Tenge)	Entities under common control
Amounts lent to related parties during the year	1,370,013
Amounts repaid by related parties during the year	33,668,211

Key management compensation is presented below:

(in thousands of Kazakhstani Tenge)	2011	2010
Short-term benefits:		
- Salaries	35,446	37,472
- Short-term bonuses	3,850	-
- Other cash payments	3,173	-
- Benefits in-kind	1,702	-
Total	**44,171**	**37,472**

29 Events After the End of the Reporting Period

There have been no significant events after the end of the reporting period.