Damu Entrepreneurship Development Fund JSC

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

31 December 2016

Contents

Independent auditor's report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Damu Entrepreneurship Development Fund JSC (the "Fund") as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Independent auditor's report (Continued)

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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Independent auditor's report (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Approved by:

Dana Inkarbekova

Managing Director of
PricewaterhouseCoopers LLP

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

Signed by:

Adam Celinski

Audit Partner

Assurance Partner

(Certificate of the Institute of Chartered Accountants in №2647000; Special Power of Attorney №30-16 dated 1 July 2016)

Signed by:

Aigule Akhmetova

Auditor in charge

(Qualified Auditor's Certificate №00000083 dated 27 August 2012)

18 March 2017
Almaty, Kazakhstan

In thousands of Kazakhstani Tenge	Note	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	7	44,027,014	33,252,986
Securities at fair value through profit or loss	8	6,069,581	6,322,142
Due from financial institutions	9	242,464,446	254,953,501
Due from subsidy programs		43,508	42,508
Loans and advances to customers	10	76,141	101,602
Investment securities available for sale	11	556,791	2,661,023
Premises and equipment	12	2,739,107	3,206,146
Intangible assets		308,797	276,324
Current income tax prepayment		11,054,657	7,402,353
Other assets	13	42,094,226	47,087,170
TOTAL ASSETS		**349,434,268**	**355,305,755**
LIABILITIES			
Borrowed funds	14	223,869,751	235,268,857
Liabilities on subsidy programs	15	14,341,822	15,675,071
Deferred income tax liability	26	5,412,132	3,561,258
Deferred income and provision for credit related commitments	16	5,263,218	4,515,041
Other liabilities	17	1,842,566	1,112,339
TOTAL LIABILITIES		**250,729,489**	**260,132,566**
EQUITY			
Share capital	18	72,920,273	72,920,273
Additional paid-in-capital		834,527	834,527
Revaluation reserve for investment securities available for sale		61,588	123,219
Other reserves		316,430	316,430
Retained earnings		24,571,961	20,978,740
TOTAL EQUITY		**98,704,779**	**95,173,189**
TOTAL LIABILITIES AND EQUITY		**349,434,268**	**355,305,755**

Approved for issue and signed on 18 March 2017.

Mr. Abay Sarkulov
Chairman of the Managing Board

Ms. Aigul Kusaiynova
Chief Accountant

In thousands of Kazakhstani Tenge	Note	2016	2015
Interest income	19	35,545,591	19,430,982
Interest expense	19	(8,772,625)	(7,102,103)
Interest income, net		**26,772,966**	**12,328,879**
(Provision for)/recovery of impairment of loans and advances to customers and amounts due from financial institutions	9,10	(11,991,580)	833,934
Net interest income after provision for loan portfolio impairment		**14,781,386**	**13,162,813**
Fee and commission income	20	2,784,928	2,153,545
Losses less gains from financial derivatives	21	(7,776,854)	44,055,883
Gains less losses from securities at fair value through profit or loss		343,775	(1,012,726)
Losses less gains from trading in foreign currencies		(57,851)	(211,921)
Foreign exchange translation gains less losses	22	2,092,262	(32,119,787)
Net loss on initial recognition of financial instruments at rates below market	23	-	(404,812)
Provision for impairment of other assets	13	(5,103)	(114,428)
Provision for credit related commitments	28	283,234	(1,056,091)
Recovery of impairment of investment securities available for sale		103,797	39,005
Other operating income	24	51,657	106,686
General and administrative expenses	25	(5,157,061)	(4,940,830)
Profit before tax		**7,444,170**	**19,657,337**
Income tax expense	26	(1,850,874)	(4,001,832)
PROFIT FOR THE YEAR		**5,593,296**	**15,655,505**
Other comprehensive (loss) / income:			
Items that may be reclassified subsequently to profit or loss:			
Available for sale investments:			
- Gains less losses arising during the year		42,166	156,777
- Gains less losses reclassified to profit or loss upon disposal or impairment		(103,797)	(39,005)
Other comprehensive (loss) / income for the year		**(61,631)**	**117,772**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,531,665**	**15,773,277**

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

In thousands of Kazakhstani Tenge	Share capital	Additional paid-in-capital	Revaluation reserve for investment securities available for sale	Other reserves	Retained earnings	Total
Balance at 1 January 2015	**72,920,273**	**834,527**	**5,447**	**316,430**	**9,066,064**	**83,142,741**
Profit for the year	-	-	-	-	15,655,505	15,655,505
Other comprehensive income	-	-	117,772	-	-	117,772
Total comprehensive income for the year	-	-	117,772	-	15,655,505	15,773,277
Dividends paid	-	-	-	-	(3,742,829)	(3,742,829)
Balance at 31 December 2015	**72,920,273**	**834,527**	**123,219**	**316,430**	**20,978,740**	**95,173,189**
Profit for the year	-	-	-	-	5,593,296	5,593,296
Other comprehensive income	-	-	(61,631)	-	-	(61,631)
Total comprehensive income for the year	-	-	(61,631)	-	5,593,296	5,531,665
Dividends paid	-	-	-	-	(2,000,075)	(2,000,075)
Balance at 31 December 2016	**72,920,273**	**834,527**	**61,588**	**316,430**	**24,571,961**	**98,704,779**

In thousands of Kazakhstani Tenge	2016	2015
Cash flows from operating activities		
Interest received	21,318,878	12,393,691
Interest paid	(4,268,908)	(2,906,961)
Fees and commissions received	4,199,835	3,873,034
Income received from financial derivatives	-	727,266
Other operating income received	91,867	105,713
Staff costs paid	(1,774,666)	(2,206,191)
Administrative and other operating expenses paid	(4,865,365)	(1,460,109)
Income tax paid	-	-
Cash flows from operating activities before changes in operating assets and liabilities	**14,701,641**	**10,526,443**
Net (increase)/decrease in:		
- securities at fair value through profit or loss	779,741	2,346,043
- due from financial institutions	10,405,411	(114,045,580)
- loans and advances to customers	493,822	520,408
- other assets	(1,464,409)	(1,094,703)
Net increase/(decrease) in:		
- other financial liabilities	(918,826)	9,922,216
- other liabilities	138,404	262,448
Net cash used in operating activities	**24,135,784**	**(91,562,725)**
Cash flows from investing activities		
Proceeds from disposal and redemption of investment securities available for sale	2,000,000	-
Proceeds from disposal of associates	-	300
Acquisition premises and equipment	(156,102)	(852,302)
Proceeds from disposal of premises and equipment	425,233	-
Acquisition of intangible assets	(130,432)	(146,372)
Net cash used in investing activities	**2,138,699**	**(998,374)**
Cash flows from financing activities		
Proceeds from borrowed funds	9,300,000	115,365,480
Repayment of borrowed funds	(22,777,233)	(7,113,597)
Dividends paid	(2,000,075)	(3,742,829)
Net cash from financing activities	**(15,477,308)**	**104,509,054**
Effect of exchange rate changes on cash and cash equivalents	**(23,147)**	**473,660**
Net increase in cash and cash equivalents	**10,774,028**	**12,421,615**
Cash and cash equivalents at the beginning of the year	33,252,986	20,831,371
Cash and cash equivalents at the end of the year	**44,027,014**	**33,252,986**

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 a development institution to support development of small and medium size enterprises.

As at 31 December 2016 and 2015, the Fund is under 100% ownership of the "Baiterek" National Managing Holding JSC (the "Parent" or "Sole Shareholder"). The Fund is ultimately controlled by the Government of the Republic of Kazakhstan. Information on transactions with related parties is disclosed in Note 32.

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. In general, the economy of the Republic of Kazakhstan continues to displays characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Low prices on oil and other commodities, volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

On 20 August 2015, the National Bank (the 'NBRK') and the Government of the Republic of Kazakhstan made a resolution on discontinuation of supporting the exchange rate of Tenge and implement of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and start a free floating exchange rate. As the result, during the period of August 2015 - December 2016 the exchange rate of Tenge has varied from 187 to 350 Tenge per 1 US Dollar. As at the date of this report the official exchange rate of the NBRK was Tenge 315.05 per USD 1, compared to Tenge 333.29 per USD 1 as at 31 December 2016 (31 December 2015: Tenge 339.47 per USD 1). Therefore, uncertainty exists in relation to exchange rate of Tenge and future action of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

In February 2016, international rating agency, Standard and Poor's, lowered its long-term foreign and local currency sovereign credit ratings on the Republic of Kazakhstan from BBB to BBB-. At the same time, the agency lowered the short-term foreign and local currency ratings to 'A-3' from 'A-2' and the Kazakhstan national scale rating to 'kzAA' from 'kzAA+'. The outlook on the long-term ratings is negative.

The negative outlook reflects agency's view of risks to Kazakhstan's external and monetary profiles under the current weak and volatile global commodity environment.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. This operating environment has a significant impact on the Fund's operations and financial position. Management is taking necessary measures to ensure sustainability of the Fund's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Additionally, the financial sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Fund's control.

2 Operating Environment of the Fund (Continued)

Management determined loan impairment provisions using 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, including future changes in the economic environment, no matter how likely those future events are. Thus, final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

The management performs the analysis of trends that may cause impact on the development of financial sector and economy in general, but is unable to predict their possible influence on the financial position of the Fund in the future. The management believes it is taking all necessary measures to support the sustainability and growth of the activity of the Fund.

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).

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last trading price on the reporting date. The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Fund: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

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 fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 30.

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.

3 Summary of Significant Accounting Policies (Continued)

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.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique, whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Fund commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Fund derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Fund has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Securities at fair value through profit or loss. Securities at fair value through profit or loss are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Fund classifies securities into trading securities if it has an intention to sell them within a short period after purchase.

The Fund may choose to reclassify a non-derivative trading financial asset out of the fair value through the profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through the profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Fund has the intention and ability to hold these financial assets for the foreseeable future, or until maturity.

Securities at fair value through profit or loss are carried at fair value. Interest earned on securities at fair value through profit or loss calculated using the effective interest method is presented in profit or loss for the year as interest income. Dividends are included in dividend income within other operating income when the Fund's right to receive the dividend payment is established, and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

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 (e.g. downgrading of credit rating by international rating agencies as a result of default on other financial obligations: bonds, deposits, etc.);
- 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. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

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 acquisition 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.

In cases where the fees are charged periodically in respect of an outstanding commitment, they are recognised as revenue on a time proportion basis over the respective commitment 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.

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).

3 Summary of Significant Accounting Policies (Continued)

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 have definite useful life and primarily comprise 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 up to 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.

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset.

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.

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.

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.

Subsidy programs. Subsidies represent the financing by Government of Kazakhstan or representative body for the purposes of various government programs. Fund acts as an agent in connection with subsidy programs. Financing received from the Government are recognized as liabilities on subsidy programs upon receiving of funding. These funds are lent or placed with local commercial banks as a payment for governmentally subsidized projects. When Fund transfers its own financing to with local commercial banks before receiving of government financing, the payment is recorded as due from subsidy programs.

3 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Fund does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Income taxes. Income taxes have been provided for in the 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. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. 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.

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.

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.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

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

Share capital. Ordinary shares with discretionary dividends are 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.

3 Summary of Significant Accounting Policies (Continued)

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 Fund are the basis for profit distribution and other appropriations. Legislation of the Republic of Kazakhstan identifies the basis of distribution as the current year net profit.

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.

Foreign currency translation. The functional currency of the Fund is the currency of the primary economic environment in which the entity operates. The Fund'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 profit and loss and other 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 the NBRK at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are recorded at the official exchange rate of the NBRK 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 profit and loss and other comprehensive income.

At 31 December 2016, the official rate of exchange used for translating foreign currency balances was the US dollar (USD) 1= Tenge 333.29 (31 December 2015: USD 1 = Tenge 339.47). On 20 August 2015, the Government of the Kazakhstan jointly with the National Bank of Republic of Kazakhstan cancelled the currency corridor and switched to a free-floating exchange rate of Tenge.

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:

Going concern. Management prepared these financial statements on a going concern basis. In making this judgement management considered the Fund's financial position, current intentions, profitability of operations and access to financial resources.

Impairment losses and reversals on loans and advances to customers and amounts due from financial institutions. The Fund regularly reviews its due from financial institutions and loans and advances to customers 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 loans in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment. 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.

The Fund recognised loan impairment provisions of Tenge 12,918,566 thousand (2015: reversal of impairment for Tenge 230,110 thousand) on due from financial institutions. Refer to Notes 9 and 10.

Impairment losses on due from financial institutions are analysed by the Fund on individual basis. The major indicator for impairment are defaults of the banks or downgrading of credit rating of banks by international credit agencies.

In accordance with Decree of Management Board of the NBRK No. 291 dated 26 December 2016, a license of Kazinvestbank JSC for carrying out banking and other transactions and activities on the security market was revoked. Based on management assessment the Fund created 100% provision for impairment of outstanding balances of loans given to Kazinvestbank for Tenge 9,941,389 thousand as of 31 December 2016. Unamortised amount of discount on loans given at rates below the market for Tenge 7,306,913 thousand was recycled to profit or loss. Refer to Notes 9 and 19.

In accordance with Decree of Management Board of the NBRK No. 245 dated 28 October 2016, a license of Delta Bank JSC for carrying out banking and other transactions and activities in the security market with regard to deposits and individual accounts was temporary suspended for 3 months. On 29 December 2016, the NBRK has resumed license of Delta Bank in regard to deposits and individual accounts.

On 30 December 2016, Standard and Poor's downgraded credit rating of Delta Bank to from B to CCC+. Loans given to Delta Bank included Tenge 14,762,131 thousand of loans distributed from funds received from Asian Development Bank (the "ADB") as of 31 December 2016 (2015: 14,027,162 thousand). In consequence of downgrade of credit rating below B-, the ADB gains the right for early recall of those funds. As at the date of this report, no decision on further actions regarding these loans was made.

As of 31 December 2016, total gross amount of loans given to Delta Bank was Tenge 25,121,870 thousand (2015: Tenge 26,123,991 thousand) and discount on loans given at rates below the market was Tenge 4,151,448 thousand (2015: Tenge 4,226,052 thousand). Based on management assessment the Fund created provision for impairment of outstanding balances of loans given to Delta Bank for Tenge 2,092,468 thousand as of 31 December 2016. Refer to Note 9.

During the assessment the management of the Fund taken into account impact of events after the reporting date. On 16 February 2017, Standard and Poor's downgraded credit rating of Delta Bank JSC to 'D'. From 1 January 2017 to the date of this report, Delta Bank repaid Tenge 3,926,604 thousand of principal and Tenge 698,184 thousand of accrued interest on loans received from the Fund. These amounts included Tenge 3,688,205 thousand of partial early repayment of principal on loans distributed from the Baiterek funds. These loans are repayable at maturity in 2034 - 2035.

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

Reversals of impairment provisions. The Fund reversed loan impairment provisions of Tenge 926,986 thousand (2015: Tenge 603,824 thousand) on loans and advances to customers primarily as a result of collection of cash and collateral property. Refer to Note 10.

Fair value of derivatives and certain other instruments. Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in Note 30.

In December 2014 and October 2015, the Fund entered into five-year fixed rate swap agreements with certain commercial banks with a purpose to minimise currency risk related to US dollar borrowings from the ADB. Refer to Note 14. The Fund calculated the fair value of the swap at reporting date, resulting in fair value of derivatives of Tenge 40,893,758 as of 31 December 2016 (2015: 45,796,039 thousand) and a loss in the amount of Tenge 7,781,996 thousand (2015: a gain in the amount of Tenge 43,179,702 thousand). The Fund incurred foreign exchange gains of Tenge 2,196,948 thousand (2015: foreign exchange losses of Tenge 33,770,274 thousand) on the ADB loans during the year ended 31 December 2016. Refer to Note 14 and 22.

When calculating fair value, the Fund utilised discounted cash flow model with risk-free rates for US dollars and Kazakhstani Tenge adjusted to Kazakhstan country risk premium. Refer to Notes 13, 21 and 29.

Initial recognition of related party transactions. In the normal course of business, the Fund enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 32.

Initial recognition of financial instruments issued at rates below market. In the normal course of business from time to time the Fund enters into transactions with third parties, mainly related parties, at rates below market. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates.

In January 2015, the Fund distributed borrowed funds received in December 2014 from Parent, Baiterek, within a governmental program to support development of Small and Medium Entrepreneurship in Manufacturing Industry. The funds for Tenge 10 billion were distributed to a certain Kazakh commercial banks carrying a 2% interest rate and a maturity of twenty years. In assessing the fair value of the loans granted to commercial banks, the Management used specific credit risk for each bank based on their credit ratings applying released Credit Default Spread. Credit Default Spreads adjusted by basic rate of 6.06%, determined through yield for 10-year government bonds extrapolated for 20 years. This lead to a loss during 2015 at initial recognition of Tenge 7,142,557 thousand. Refer to Notes 9 and 23. In addition, deferred income on loan received from the Parent was recognised during 2015 as a gain at initial recognition of Tenge 7,032,896 thousand. Refer to Note 23.

In March 2015, the Fund received borrowed funds from Baiterek for Tenge 50 billion at a rate below market, 0.15%, for a twenty year term. Management applied its judgment in determining market rate, using yield to maturity of government bonds further extrapolated for twenty years using linear regression. The rate of 6.71% was applied to determine the fair value of borrowings received. This lead to a gain during 2015 at initial recognition of Tenge 35,504,775 thousand. Refer to Notes 14 and 23.

Those funds received were distributed to a certain Kazakh commercial banks carrying a 2% interest rate and a maturity of twenty years. In assessing the fair value of the loans granted to commercial banks, the Management used specific credit risk for each bank based on their credit ratings applying released Credit Default Spread. Credit Default Spreads adjusted by basic rate of 6.27%, determined through yield for 10 year government bonds extrapolated for 20 years. This lead to a loss during 2015 at initial recognition of Tenge 35,799,926 thousand. Refer to Notes 17 and 23.

In October 2015, the Fund received a loan from the ADB for the amount of USD 228 million with an interest rate of 0.9207% and maturity in September 2020. As of 31 December 2015 and 31 December 2014, the borrowed funds have been fully distributed to approved Kazakh commercial banks. Management of the Fund used judgement when assessing fair value of these loans. They concluded that both loans received and advanced above are sufficiently unique as both the Fund and the ADB are development institutions and there are no similar transactions in the market. Following from this, they also concluded that these transactions in themselves constitute a principal or most advantageous market and, hence, transaction price is fair value and no adjustments are required for the borrowed funds and loans advanced at their initial recognition. Refer to Note 14.

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

Fair value of guarantees issued. During 2015, the Fund issued guarantees to Bank CenterCredit JSC in respect of credit lines opened by Bank CenterCredit in European Bank for Reconstruction and Development (the "EBRD") for the total amount of Tenge 27,220 million. As of 31 December 2016, Bank CenterCredit had drown down the EBRD loans for the amount of Tenge 27,220 million (2015: Tenge 18,610 million). The management of the Fund assessed fair value of these guarantees based on commission fees received and estimated the fair value to be equal to Tenge 318,957 thousand (2015: Tenge 229,222 thousand). Refer to Notes 16 and 28.

During 2016, the Fund issued guarantees to ForteBank JSC and Microfinance Organisation KMF LLP ("MFO KMF") in respect of credit lines opened by ForteBank and MFO KMF in the EBRD for Tenge 9,907 million and Tenge 3,776 million, respectively. As of 31 December 2016, ForteBank and MFO KMF have drown down the EBRD loans for the amount of Tenge 9,907 million and Tenge 3,776 million, respectively. The management of the Fund assessed fair value of these guarantees based on commission fees received and estimated the fair value to be equal to Tenge 35,383 thousand and Tenge 32,303 thousand, respectively. Refer to Notes 16 and 28.

The management of the Fund did not create additional provision on guarantees issued to financial institutions as assesses Bank CenterCredit, ForteBank and MFO KMF being able to fully repay the loans received in accordance with terms of the loans agreements.

5 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Fund from 1 January 2016, but did not have any material impact on the Fund:

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

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 2017 or later, and which the Fund has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

6 New Accounting Pronouncements (Continued)

- 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.
- IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The standard is expected to have a significant impact on the Fund's loan impairment provisions. The Fund is currently assessing the impact of the new standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Fund is currently assessing the impact of the new standard on its financial statements.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Fund is currently assessing the impact of the new standard on its financial statements.

Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Fund will present this disclosure in its 2017 financial statements.

The following other new pronouncements are not expected to have any material impact on the Fund when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4, Insurance Contracts (issued on 12 September 2016 and effective for annual periods beginning on or after 1 January 2018).

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 2016	31 December 2015
Current accounts with banks	40,790,450	33,250,959
Cash balances with the NBRK (other than mandatory reserve deposits)	3,235,283	14
Cash on hand	1,281	2,013
Total cash and cash equivalents	**44,027,014**	**33,252,986**

The Fund holds funds received to support development of Small and Medium Entrepreneurship through subsidization on current accounts with banks. Refer to Note 15.

Cash balances with the NBRK at 31 December 2016 mainly represented amounts received from Kazinvestbank for partial repayment of its loans in December 2016. Refer to Note 9.

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings as follows at 31 December 2016 and 2015:

	31 December 2016			31 December 2015		
In thousands of Kazakhstani Tenge	**Cash balances with the NBRK, including mandatory reserves**	**Current accounts with banks**	**Total**	**Cash balances with the NBRK, including mandatory reserves**	**Current accounts with banks**	**Total**
Neither past due nor impaired						
- National Bank of Kazakhstan	3,235,283	-	3,235,283	14	-	14
- BBB- to BBB+ rated	-	3,089	3,089	-	151,070	151,070
- BB- to BB+ rated	-	11,166,130	11,166,130	-	9,140,683	9,140,683
- B- to B+ rated	-	29,612,683	29,612,683	-	23,676,759	23,676,759
- CCC- to CCC+ rated	-	67	67	-	281,666	281,666
- Unrated	-	8,481	8,481	-	781	781
Total cash and cash equivalents, excluding cash on hand	**3,235,283**	**40,790,450**	**44,025,733**	**14**	**33,250,959**	**33,250,973**

At 31 December 2016, CCC ratings represent current accounts with Delta Bank (2015: Tenge 155,475 thousand and Tenge 126,191 thousand with ForteBank and ATF Bank JSC, respectively). The Fund does not allocate any impairment as assesses them to be fully recovered.

Refer to Note 30 for disclosure of the fair value of cash and cash equivalents. Interest rate analysis of cash and cash equivalents is disclosed in Note 27. Information on related party balances is disclosed in Note 32.

8 Securities at Fair Value through Profit or Loss

In thousands of Kazakhstani Tenge	31 December 2016	31 December 2015
Corporate bonds	3,717,475	3,167,823
Kazakhstan government bonds	2,352,106	3,154,319
Total securities at fair value through profit or loss	**6,069,581**	**6,322,142**

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 securities designated at fair value through profit or loss outstanding at 31 December 2016 is as follows:

In thousands of Kazakhstani Tenge	Kazakhstan government bonds	Corporate bonds	Total
Neither past due nor impaired			
- BBB- to BBB+ rated	2,352,106	-	2,352,106
- BB- to BB+ rated	-	2,468,232	2,468,232
- B- to B+ rated	-	1,249,243	1,249,243
Total debt securities at fair value through profit or loss, neither past due nor impaired	**2,352,106**	**3,717,475**	**6,069,581**

Analysis by credit quality of debt securities at fair value through profit or loss outstanding at 31 December 2015 was as follows:

In thousands of Kazakhstani Tenge	Kazakhstan government bonds	Corporate bonds	Total
Neither past due nor impaired			
- BBB- to BBB+ rated	3,154,319	-	3,154,319
- BB- to B+ rated	-	2,049,840	2,049,840
- B- to B+ rated	-	1,117,983	1,117,983
Total debt securities at fair value through profit or loss, neither past due nor impaired	**3,154,319**	**3,167,823**	**6,322,142**

The credit ratings are based on Standard and Poor's ratings where available or Moody's rating converted to the nearest equivalent on the Standard and Poor's rating scale. None of the securities at fair value through profit or loss is past due. The debt securities are not collateralised.

Refer to Note 30 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 27. Information on securities at fair value through profit or loss issued by related parties is disclosed in Note 32.

9 Due from Financial Institutions

In thousands of Kazakhstani Tenge	31 December 2016	31 December 2015
Loans given to financial institutions	219,521,432	248,202,475
Placements with other banks with original maturities of more than three months	37,154,593	8,044,039
Less: Provision for loan portfolio impairment	(14,211,579)	(1,293,013)
Total due from financial institutions	**242,464,446**	**254,953,501**

In August 2016, loans given to three commercial banks within the ADB's Small and Medium Enterprise Investment Program – Tranche I have matured. Total principal amount repaid by the banks of Tenge 22,200 million was forwarded to the ADB for full repayment of the loan received. Refer to Note 14.

During 2016, Kazkommertsbank JSC made an early repayment of loans received within the ADB's Small and Medium Enterprise Investment Program – Tranche III for Tenge 16,333,800 thousand.

In December 2016, Kazinvestbank made an early repayment of its loans for Tenge 3,235,270 thousand. On 26 December 2016, the NBRK revoked a license of Kazinvestbank for carrying out banking activities and activities in the security market. Based on management assessment, the Fund created 100% provision for impairment of outstanding balances of loans given to Kazinvestbank for Tenge 9,941,389 thousand as of 31 December 2016. Unamortised amount of discount on loans given at rates below market for Tenge 7,306,913 thousand was recycled to profit or loss. Refer to Notes 4 and 19.

On 30 December 2016, Standard and Poor's downgraded credit rating of Delta Bank to from B to CCC+. Loans given to Delta Bank included Tenge 14,762,131 thousand of loans distributed from funds received from the ADB as of 31 December 2016 (2015: 14,027,162 thousand). In consequence of downgrade of credit rating below B-, the ADB gains the right for early recall of those funds. As at the date of this report, no decision on further actions regarding these loans was made.

As of 31 December 2016, total gross amount of loans given to Delta Bank was Tenge 25,121,870 thousand (2015: Tenge 26,123,991 thousand) and discount on loans given at rates below the market was Tenge 4,151,448 thousand (2015: Tenge 4,226,052 thousand). There are no any Based on management assessment the Fund created provision for impairment of outstanding balances of loans given to Delta Bank for Tenge 2,092,468 thousand as of 31 December 2016. Refer to Note 4.

9 Due from Financial Institutions (Continued)

Amounts due from financial institutions are not collateralised. Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2016 is as follows:

In thousands of Kazakhstani Tenge	Loans given to financial institutions	Placements with other banks with original maturities of more than three months	Total
Neither past due nor impaired			
- BBB- to BBB+ rated	-	10,178,889	10,178,889
- BB- to BB+ rated	39,537,719	-	39,537,719
- B- to B+ rated	141,864,890	26,975,704	168,840,594
- Unrated	4,708,120		4,708,120
Total neither past due nor impaired	**186,110,729**	**37,154,593**	**223,265,322**
Balances individually determined to be impaired			
- not past due	32,104,178	-	32,104,178
- 181 to 360 days overdue	557,775	-	557,775
- over 360 days overdue	748,750	-	748,750
Total individually impaired (gross)	**33,410,703**	**-**	**33,410,703**
Less provision for impairment	**(14,211,579)**	**-**	**(14,211,579)**
Total due from financial institutions	**205,309,853**	**37,154,593**	**242,464,446**

Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2015 is as follows:

In thousands of Kazakhstani Tenge	Loans given to financial institutions	Placements with other banks with original maturities of more than three months	Total
Neither past due nor impaired			
- BB- to BB+ rated	36,638,366	1,757,163	38,395,529
- B- to B+ rated	182,679,960	6,286,876	188,966,836
- CCC- to CCC+ rated	21,918,306	-	21,918,306
- Unrated	5,329,104	-	5,329,104
Total neither past due nor impaired	**246,565,736**	**8,044,039**	**254,609,775**
Balances individually determined to be impaired			
- not past due	1,463,837	-	1,463,837
- over 360 days overdue	172,902	-	172,902
Total individually impaired (gross)	**1,636,739**	**-**	**1,636,739**
Less provision for impairment	**(1,293,013)**	**-**	**(1,293,013)**
Total due from financial institutions	**246,909,462**	**8,044,039**	**254,953,501**

At 31 December 2015, neither past due nor impaired amounts with CCC ratings represent balances of loans given to ForteBank for Tenge 15,201,669 thousand and ATF Bank JSC for Tenge 6,716,637 thousand. The Fund does not allocate any impairment against balances of loans given to these banks as assesses them to be fully recovered.

9 Due from Financial Institutions (Continued)

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

The primary factor that the Fund considers in determining whether a placement or loan is impaired is its overdue status. As a result, the Fund presents above an ageing analysis of placements and loans 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	2016 Loans given to financial institutions	2015 Loans given to financial institutions
Provision for loan impairment at 1 January	**1,293,013**	**1,523,123**
Provision for/(recovery of) impairment during the year	12,918,566	(230,110)
Provision for loan impairment at 31 December	**14,211,579**	**1,293,013**

Refer to Note 30 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 27. Information on related party balances is disclosed in Note 32.

10 Loans and Advances to Customers

In thousands of Kazakhstani Tenge	31 December 2016	31 December 2015
Loans to small and medium size entities	1,480,271	1,530,859
Loans to microfinance organisations	947,083	1,139,219
Net investments in finance lease	124,913	128,010
Loans to others	17,039	18,819
Less: Provision for loan impairment	(2,493,165)	(2,715,305)
Total loans and advances to customers	**76,141**	**101,602**

Movements in the provision for loan impairment during 2016 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 2016	**1,466,763**	**1,120,532**	**128,010**	**-**	**2,715,305**
(Recovery of) impairment during the year	(15,660)	(156,592)	(3,097)	-	(175,349)
Amounts written off during the year as uncollectible	(11,351)	(35,440)	-	-	(46,791)
Provision for loan impairment at 31 December 2016	**1,439,752**	**928,500**	**124,913**	**-**	**2,493,165**

10 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during 2015 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 2015	**1,493,530**	**1,335,404**	**205,381**	**-**	**3,034,315**
Recovery of impairment during the year	(26,767)	(214,872)	(77,371)	-	(319,010)
Amounts written off during the year as uncollectible	-	-	-	-	-
Provision for loan impairment at 31 December 2015	**1,466,763**	**1,120,532**	**128,010**	**-**	**2,715,305**

Reconciliation of provision for impairment of loans and advances to customers and due from financial institutions:

In thousands of Kazakhstani Tenge	**Note**	**2016**	**2015**
(Provision for)/recovery of impairment for due from financial institutions during the year	9	(12,918,566)	230,110
Recovery of impairment for loans and advances to customers during the year		175,349	319,010
Recovery of impairment for loans and advances to customers written off balance in prior periods		751,637	284,814
(Provision for)/recovery of impairment for due from financial institutions and loans to customers		**(11,991,580)**	**833,934**

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.

Refer to Note 30 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 27. Information on related party balances is disclosed in Note 32.

11 Investment Securities Available for Sale

In thousands of Kazakhstani Tenge	31 December 2016	31 December 2015
Corporate bonds	3,505,686	5,713,715
Less: Provision for impairment	(2,948,895)	(3,052,692)
Total investment securities available for sale	**556,791**	**2,661,023**

Portfolio of investment securities available for sale has decreased since the end of the previous accounting year in connection with settlement of corporate securities in the amount of Tenge 2,000 million.

Analysis by credit quality of debt securities outstanding at 31 December 2016 is as follows:

In thousands of Kazakhstani Tenge	31 December 2016 Corporate bonds	31 December 2015 Corporate bonds
Neither past due nor impaired		
- BB- to BB+ rated	-	2,051,140
- B- to B+ rated	556,791	-
- CCC- to CCC+ rated	-	609,883
Total neither past due nor impaired	**556,791**	**2,661,023**
Debt securities individually determined to be impaired (gross)		
- over 360 days overdue	2,948,895	3,052,692
Total individually impaired debt securities (gross)	**2,948,895**	**3,052,692**
Less impairment provision	**(2,948,895)**	**(3,052,692)**
Total debt securities available for sale	**556,791**	**2,661,023**

The credit ratings are based on Standard and Poor's ratings where available or Moody's rating converted to the nearest equivalent on the Standard and 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, reversal of impairment of Tenge 103,797 thousand (2015: Tenge 39,005 thousand) was recognized in statement of profit and loss and other comprehensive income.

Refer to Note 30 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 27. Information on related party balances is disclosed in Note 32.

12 Premises and Equipment

In thousands of Kazakhstani Tenge	Note	Land and buildings	Office and computer equipment	Vehicles	Total
Cost at 1 January 2015		1,859,582	1,410,364	200,673	3,470,619
Accumulated depreciation		(236,979)	(504,381)	(71,951)	(813,311)
Carrying amount at 1 January 2015		**1,622,603**	**905,983**	**128,722**	**2,657,308**
Additions		559,585	181,358	111,359	852,302
Disposals		-	(70,969)	(8,399)	(79,368)
Depreciation charge	25	(21,383)	(237,407)	(37,032)	(295,822)
Accumulated depreciation disposal		-	66,199	5,527	71,726
Carrying amount at 31 December 2015		**2,160,805**	**845,164**	**200,177**	**3,206,146**
Cost at 31 December 2015		2,419,167	1,520,753	303,633	4,243,553
Accumulated depreciation		(258,362)	(675,589)	(103,456)	(1,037,407)
Carrying amount at 31 December 2015		**2,160,805**	**845,164**	**200,177**	**3,206,146**
Additions		-	156,102	-	156,102
Disposals		(257,261)	(106,138)	-	(363,399)
Depreciation charge	25	(23,210)	(260,138)	(42,179)	(325,527)
Accumulated depreciation disposal		8,361	55,723	-	64,084
Other		-	-	1,701	1,701
Carrying amount at 31 December 2016		**1,888,695**	**690,713**	**159,699**	**2,739,107**
Cost at 31 December 2016		2,161,906	1,570,717	305,334	4,037,957
Accumulated depreciation		(273,211)	(880,004)	(145,635)	(1,298,850)
Carrying amount at 31 December 2016		**1,888,695**	**690,713**	**159,699**	**2,739,107**

13 Other Assets

In thousands of Kazakhstani Tenge	Note	31 December 2016	31 December 2015
Financial derivatives	29	40,893,758	45,974,952
Accounts receivable		603,436	703,235
Less: Provision for impairment		(296,846)	(213,002)
Total other financial assets within other assets		**41,200,348**	**46,465,185**
Repossessed collateral		521,954	343,437
Services prepaid		384,509	419,431
Taxes other than on income		107,439	58,660
Raw materials and supplies		47,025	50,171
Other		20,169	41,263
Less: Provision for impairment		(187,218)	(290,977)
Total other assets		**42,094,226**	**47,087,170**

Financial derivatives represent net balance on currency swap transactions with other financial institutions. Refer to Notes 21 and 29.

13 Other Assets (Continued)

Movements in the provision for impairment during 2016 and 2015 are as follows:

	2016			2015		
In thousands of Kazakhstani Tenge	Other financial assets	Other assets	Total	Other financial assets	Other assets	Total
Provision balance at 1 January	**213,002**	**290,977**	**503,979**	**180,348**	**209,368**	**389,716**
Provision for/(recovery of) impairment during the year	8,862	(3,759)	5,103	32,819	81,609	114,248
Amounts written off during the year as uncollectible	(25,018)	-	(25,018)	(165)	-	(165)
Transfer of provision due to reclassification of fully provisioned receivables	100,000	(100,000)	-	-	-	-
Provision balance at 31 December	**296,846**	**187,218**	**484,064**	**213,002**	**290,977**	**503,979**

As of 31 December 2016, included in other assets receivables of Tenge 484,064 thousand (31 December 2015: Tenge 503,979 thousand), all of which are overdue for more than one year. Refer to Note 30 for disclosure of the fair value of other financial assets. Information on related party balances is disclosed in Note 32.

14 Borrowed Funds

In thousands of Kazakhstani Tenge	31 December 2016	31 December 2015
Asian Development Bank (2.08% - 2.28%)	117,172,162	141,371,397
Baiterek NMH JSC (6.57% - 6.71%)	67,780,290	63,859,047
Samruk-Kazyna NWF JSC (2% - 6.5%)	25,279,304	25,116,588
Municipal authorities (0.01% - 1%)	13,077,165	3,989,431
Ministry of Finance of Republic of Kazakhstan (0%)	378,557	385,576
Baiterek Development JSC (1%)	182,273	546,818
Total borrowed funds	**223,869,751**	**235,268,857**

In August 2016, the ADB's Small and Medium Enterprise Investment Program – Tranche I was completed. Participants of the program, three commercial banks, repaid total principal amount of Tenge 22,200 million. Those funds were forwarded to the ADB for full repayment of loan received. Refer to Note 9.

The Fund incurred foreign exchange gains of Tenge 2,196,948 thousand (2015: foreign exchange losses of Tenge 33,770,274 thousand) on the ADB loans during the year. Refer to Note 22.

All other borrowed funds have been received for the purpose of providing funds to local banks in order to support financing of development of small and medium sized entities in accordance with approved governmental programs.

Refer to Note 30 for disclosure of the fair value of each class of borrowed funds. Interest rate analysis of borrowed funds is disclosed in Note 27. Information on related party balances is disclosed in Note 32.

15 Liabilities on Subsidy Programs

In thousands of Kazakhstani Tenge	31 December 2016	31 December 2015
Municipal authorities	11,218,234	12,415,699
Banks	3,123,588	3,259,372
Total liabilities on subsidy programs	**14,341,822**	**15,675,071**

Liabilities on subsidy programs 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" program.

Refer to Note 30 for disclosure of the fair value of liabilities on subsidy programs. Information on related party balances is disclosed in Note 32.

16 Deferred Income and Provision for Credit Related Commitments

In thousands of Kazakhstani Tenge	Note	31 December 2016	31 December 2015
Deferred income		3,755,848	2,706,253
Financial guarantees (provision for credit related commitments)	28	1,507,370	1,808,788
Total deferred income and provision for credit related commitments		**5,263,218**	**4,515,041**

During 2015, the Fund issued guarantees to Bank CenterCredit in respect of credit lines opened by Bank CenterCredit in the EBRD for the total amount of Tenge 27,220 million. As of 31 December 2016, Bank CenterCredit had drown down the EBRD loan for the amount of Tenge 27,220 million (2015: Tenge 18,610 million). The management of the Fund assessed fair value of these guarantees based on commission fees received and estimated the fair value to be equal to Tenge 318,957 thousand (2015: Tenge 229,222 thousand). Refer to Notes 4 and 28.

During 2016, the Fund issued guarantees to ForteBank JSC and MFO KMF in respect of credit lines opened by ForteBank and MFO KMF in the EBRD for Tenge 9,907 million and Tenge 3,776 million, respectively. As of 31 December 2016, ForteBank and MFO KMF have drown down the EBRD loans for the amount of Tenge 9,907 million and Tenge 3,776 million, respectively. The management of the Fund assessed fair value of these guarantees based on commission fees received and estimated the fair value to be equal to Tenge 35,383 thousand and Tenge 32,303 thousand, respectively. Refer to Notes 4 and 28.

The Fund issues financial guarantees under "Business Road Map – 2020" program, initiated by the Government, to the small and medium sized entities. This program is subsidised by the Government (the "Principal"), in accordance with government regulation No.301 issued as at 13 April 2010, wherein the Fund acts as an agent between the Principal and the final recipient and receives 20% 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 30 for disclosure of the fair value of liabilities on deferred income and provision for credit related commitments. Information on related party balances is disclosed in Note 32.

17 Other Liabilities

In thousands of Kazakhstani Tenge	31 December 2016	31 December 2015
Accrued liabilities and other creditors	1,136,035	715,256
Accounts payable	98,917	117,936
Total financial liabilities within other liabilities	**1,234,952**	**833,192**
Taxes payable other than on income	258,074	68,670
Unused vacation reserve	220,137	98,567
Accrued employee benefit costs	56,105	92,899
Advances received	35,761	18,440
Other	37,537	571
Total other liabilities	**1,842,566**	**1,112,339**

All of the above liabilities are expected to be settled within twelve months after the end of the period. Refer to Note 30 for disclosure of the fair value of other financial liabilities.

18 Share Capital

In thousands of Kazakhstani Tenge except for number of shares	Number of outstanding shares (in thousands)	Ordinary shares	Total
At 31 December 2015	**27,462**	**72,920,273**	**72,920,273**
New share issue	-	-	-
At 31 December 2016	**27,462**	**72,920,273**	**72,920,273**

At the Sole Shareholder's meeting on 25 May 2016, the Fund declared dividends in respect of the year ended 31 December 2015, totalling Tenge 2,000,075 thousand. The amount was paid to the Shareholder on 13 July 2016.

19 Interest Income and Expense

In thousands of Kazakhstani Tenge	2016	2015
Interest income		
Due from financial institutions	29,621,669	16,971,756
Cash and cash equivalents	5,202,453	1,581,383
Securities at fair value through profit or loss	412,515	443,291
Loans and advances to customers	160,068	139,737
Investment securities available for sale	114,387	229,396
Fines and fees on loans and advances to customers	34,499	65,419
Total interest income	**35,545,591**	**19,430,982**
Interest expense		
Borrowed funds	(8,772,625)	(7,102,103)
Total interest expense	**(8,772,625)**	**(7,102,103)**
Net interest income	**26,772,966**	**12,328,879**

Interest income on due from financial institutions includes Tenge 2,546,156 thousand (2015: Tenge 2,179,531 thousand) interest income from unwinding of discount on loans given at rates below the market. Unamortised amount of discount on loans given to Kazinvestbank at rates below the market for Tenge 7,306,913 thousand was recycled to profit or loss. Refer to Note 4.

Interest expense on borrowed funds includes Tenge 3,921,243 thousand (2015: Tenge 3,661,256 thousand) interest expense from unwinding of discount on borrowed funds received at rates below the market.

20 Fee and Commission Income

In thousands of Kazakhstani Tenge	2016	2015
Guarantees issued	1,916,198	1,231,411
Financial agent services	847,514	892,879
Other	21,216	29,255
Total fee and commission income	**2,784,928**	**2,153,545**

Fee and commission income is comprised of commission income received from issued guarantees (see Note 16), agency fees received in connection with subsidy program (see Note 15), initiated by the Government of the Republic of Kazakhstan, and support services rendered to start-up entrepreneurs within the "Business Road Map 2020" program.

21 Losses less Gains from Financial Derivatives

In thousands of Kazakhstani Tenge	2016	2015
Unrealised (loss)/gain from swap transactions	(4,891,821)	44,364,697
Interest expense on swap agreements	(2,890,175)	(1,184,995)
Realised gain from swap transactions	-	697,268
Other	5,142	178,913
Losses less gains from financial derivatives	**(7,776,854)**	**44,055,883**

Detailed description of the transactions and the assessment of the financial results are given in Critical Accounting Estimates, and Judgements in Applying Accounting Policies – Fair value of derivatives and certain other instruments. Refer to Notes 4 and 13.

22 Foreign Exchange Translation Gains less Losses

In thousands of Kazakhstani Tenge	Note	2016	2015
Loans from Asian Development Bank	14	2,196,948	(33,770,274)
Placements with other banks with original maturities of more than three months		(149,265)	1,575,563
Other		44,579	74,924
Total foreign exchange translation gains less losses		**2,092,262**	**(32,119,787)**

23 Net Loss on Initial Recognition of Financial Instruments at Rates below Market

In thousands of Kazakhstani Tenge	2016	2015
Loss on initial recognition of due from financial institutions at rate below market	-	(42,942,483)
Gain on initial recognition of borrowed funds at rate below market	-	42,537,671
Net loss on initial recognition of financial instruments at rates below market	**-**	**(404,812)**

Detailed description of the transactions and the assessment of the financial results is given in Critical Accounting Estimates, and Judgements in Applying Accounting Policies – Initial recognition of financial instruments issued at rates below market (Note 4).

24 Net Other Operating Income

In thousands of Kazakhstani Tenge	2016	2015
Income on operating lease	87,910	99,436
Net (loss)/ gain of fixed assets disposals	(44,966)	1,037
Fines and penalties	410	279
Other	8,303	5,934
Net other operating income	**51,657**	**106,686**

25 General and Administrative Expenses

In thousands of Kazakhstani Tenge	**2016**	**2015**
Staff costs	2,600,576	2,476,726
Realisation of Fund's programs*	862,263	865,244
Depreciation of premises and equipment	325,527	295,822
Repair and technical maintenance	191,493	235,481
Bank charges	127,632	86,555
Business trip and representative expenses	123,108	113,797
Rent expense	110,453	148,850
Amortisation of intangible assets	97,960	73,771
Taxes other than on income	92,245	47,076
Communication services	66,843	77,195
Insurance expenses	64,972	58,697
Materials	63,517	52,576
Training	61,941	41,568
Security services	55,354	46,460
Legal and consulting services	54,101	81,505
Transportation expense	50,504	33,605
Utilities	45,678	41,719
Stationery	16,875	19,215
Advertising and marketing services	6,956	28,624
Broker fees	6,247	8,029
Other	132,816	108,315
Total	**5,157,061**	**4,940,830**

*The Fund executes a range of programs on support and training for individuals engaged in small and medium entrepreneurships.

26 Income Taxes

(a) Components of income tax expense / (benefit)

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

In thousands of Kazakhstani Tenge	**2016**	**2015**
Current tax expense	-	-
Deferred tax expense	1,850,874	4,001,832
Income tax expense for the year	**1,850,874**	**4,001,832**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applied to most of the Fund's 2015 income is 20% (2015: 20%). A reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Kazakhstani Tenge	**2016**	**2015**
Profit before tax	**7,444,170**	**19,657,337**
Theoretical tax charge at statutory rate (2016: 20%; 2015: 20%)	1,488,834	3,931,467
Tax effects of items which are not deductible or assessable for taxation purposes:		
- Income from securities, exempt from tax	(105,381)	(134,538)
- Other non-taxable income	(86,453)	(21,117)
- Other non-deductible expenses	415,553	359,183
- Adjustment of prior year tax expense estimate	138,321	(133,163)
Income tax expense for the year	**1,850,874**	**4,001,832**

26 Income Tax (Continued)

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Republic of Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

Movements in temporary differences during the year ended 31 December 2016 are detailed below:

In thousands of Kazakhstani Tenge	**1 January 2016**	**(Charged)/ credited to profit or loss**	**31 December 2016**
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
Fair valuation of financial instruments	743,864	(1,186,365)	(442,501)
Premises and equipment and intangible assets	(93,778)	(74,672)	(168,450)
Financial derivatives	(8,902,722)	723,970	(8,178,752)
Tax loss carry forwards	4,671,664	(1,338,121)	3,333,543
Other liabilities	19,714	24,314	44,028
Net deferred tax liability	**(3,561,258)**	**(1,850,874)**	**(5,412,132)**
Recognized deferred tax asset	5,435,242	(2,057,671)	3,377,571
Recognized deferred tax liability	(8,996,500)	206,797	(8,789,703)
Net deferred tax liability	**(3,561,258)**	**(1,850,874)**	**(5,412,132)**

Movements in temporary differences during the year ended 31 December 2015 are detailed below:

In thousands of Kazakhstani Tenge	**1 January 2015**	**(Charged)/ credited to profit or loss**	**31 December 2015**
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
Loans to customers	492,442	(492,442)	-
Fair valuation of financial instruments	292,422	451,442	743,864
Premises and equipment and intangible assets	(79,755)	(14,023)	(93,778)
Financial derivatives	(292,268)	(8,610,454)	(8,902,722)
Tax loss carry forwards	-	4,671,664	4,671,664
Other liabilities	27,733	(8,019)	19,714
Net deferred tax (liability)/asset	**440,574**	**(4,001,832)**	**(3,561,258)**
Recognized deferred tax asset	812,597	4,622,645	5,435,242
Recognized deferred tax liability	(372,023)	(8,624,477)	(8,996,500)
Net deferred tax (liability)/asset	**440,574**	**(4,001,832)**	**(3,561,258)**

27 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.

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 for 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.

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.

27 Financial Risk Management (Continued)

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.

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.

27 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 2016:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2016						
Total financial assets	46,460,126	11,033,367	30,787,261	35,847,750	210,309,325	334,437,829
Total financial liabilities	22,527,792	58,688	75,251	223,154	221,824,858	244,709,743
Net interest sensitivity gap at 31 December 2016	**23,932,334**	**10,974,679**	**30,712,010**	**35,624,596**	**(11,515,533)**	**89,728,086**
31 December 2015						
Total financial assets	34,003,545	13,181,819	4,517,744	30,051,755	211,988,490	293,743,353
Total financial liabilities	1,438,099	34,239	724,236	22,216,416	211,569,087	235,982,077
Net interest sensitivity gap at 31 December 2015	**32,565,446**	**13,147,580**	**3,793,508**	**7,835,339**	**419,403**	**57,761,276**

Average interest rates. The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2016 and 2015. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2016 Average effective interest rate	2015 Average effective interest rate
Interest bearing assets		
Cash and cash equivalents	7.45%	0.78%
Securities at fair value through profit or loss	2.80%	3.03%
Due from financial institutions	4.30%	8.45%
Loans and advances to customers	8.80%	12.91%
Investment securities available for sale	1.30%	8.62%
Other financial assets	0%	0%
Interest bearing liabilities		
Borrowed funds	4.7%	6.55%
Liabilities under subsidy programs	0%	0%
Deferred income and provision for credit related commitments	0%	0%
Other financial liabilities	0%	0%

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 2016 and 2015 is as follows:

	At 31 December 2016		At 31 December 2015	
In thousands of Kazakhstani Tenge	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
100 bp (2015: 100 bp) parallel increase	(347,160)	(347,160)	(146,820)	(41,840)
100 bp (2015: 100 bp) parallel decrease	347,160	347,160	146,820	41,840

27 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.

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 2016:

	KZT	USD	Other	Total
FINANCIAL ASSETS				
Cash and cash equivalents	43,998,185	23,823	5,006	44,027,014
Securities at fair value through profit or loss	6,069,581	-	-	6,069,581
Due from financial institutions	237,789,754	4,674,692	-	242,464,446
Due from subsidy programs	43,508	-	-	43,508
Loans and advances to customers	76,141	-	-	76,141
Investment securities available for sale	556,791	-	-	556,791
Other financial assets	306,590	-	-	306,590
Total financial assets	**288,840,550**	**4,698,515**	**5,006**	**293,544,071**
FINANCIAL LIABILITIES				
Borrowed funds	106,319,032	117,550,719	-	223,869,751
Liabilities under subsidy programs	14,341,822	-	-	14,341,822
Deferred income and provision for credit related commitments	5,263,218	-	-	5,263,218
Other financial liabilities	1,234,952	-	-	1,234,952
Total financial liabilities	**127,159,024**	**117,550,719**	**-**	**244,709,743**
Net position before derivatives as at 31 December 2016	**161,681,526**	**(112,852,204)**	**5,006**	**48,834,328**
CURRENCY DERIVATIVES				
Claims on financial derivatives	-	132,400,007	-	132,400,007
Obligations on financial derivatives	(91,506,249)	-	-	(91,506,249)
Net position as at 31 December 2016	**70,175,277**	**19,547,803**	**5,006**	**89,728,086**

27 Financial Risk Management (Continued)

The following table shows the currency structure of financial assets and liabilities as at 31 December 2015:

	KZT	USD	Other	Total
FINANCIAL ASSETS				
Cash and cash equivalents	32,415,023	837,887	76	33,252,986
Securities at fair value through profit or loss	6,322,142	-	-	6,322,142
Due from financial institutions	250,766,975	4,186,526	-	254,953,501
Due from subsidy programs	42,508	-	-	42,508
Loans and advances to customers	101,602	-	-	101,602
Investment securities available for sale	2,661,023	-	-	2,661,023
Other financial assets	490,233	-	-	490,233
Total financial assets	**292,799,506**	**5,024,413**	**76**	**297,823,995**
FINANCIAL LIABILITIES				
Borrowed funds	115,947,681	119,321,176	-	235,268,857
Liabilities under subsidy programs	15,675,071	-	-	15,675,071
Deferred income and provision for credit related commitments	4,515,041	-	-	4,515,041
Other financial liabilities	833,192	-	-	833,192
Total financial liabilities	**136,970,985**	**119,321,176**	**-**	**256,292,161**
Net position before derivatives as at 31 December 2015	**155,828,521**	**(114,296,763)**	**76**	**41,531,834**
CURRENCY DERIVATIVES				
Claims on financial derivatives	-	143,565,844	-	143,565,844
Obligations on financial derivatives	(97,590,892)	-	-	(97,590,892)
Net position as at 31 December 2015	**58,237,629**	**29,269,081**	**76**	**87,506,786**

Derivatives presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Fund's gross exposure.

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Fund agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 29. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Fund, with all other variables held constant:

	At 31 December 2016		At 31 December 2015	
In thousands of Kazakhstani Tenge	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 20% (2014: strengthening by 50%)	3,909,561	3,909,561	14,634,540	14,634,540
US Dollar weakening by 10% (2014: by weakening by 10%)	(3,909,561)	(3,909,561)	(5,853,816)	(5,853,816)

27 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 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 Fund reviews the ageing analysis of outstanding loans and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk as disclosed in Notes 9, 11, 13 and 14.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Fund uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

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.

27 Financial Risk Management (Continued)

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 Asset and Liability Management Committee.

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.

27 Financial Risk Management (Continued)

The maturity analysis for financial liabilities as at 31 December 2016 is as follows:

In thousands of Kazakhstani Tenge	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
31 December 2016						
FINANCIAL ASSETS						
Cash and cash equivalents	44,027,014	-	-	-	-	44,027,014
Securities at fair value through profit or loss	-	-	-	3,453,111	2,616,470	6,069,581
Due from financial institutions	2,231,318	11,143,907	24,153,854	28,313,490	176,621,877	242,464,446
Due from subsidy programs	43,508	-	-	-	-	43,508
Loans and advances to customers	19,882	3,902	9,331	10,970	32,056	76,141
Investment securities available for sale	-	-	-	-	556,791	556,791
Gross settled swaps:						
- inflows			33,057,725	9,345,144	89,997,138	132,400,007
- outflows	(168,186)	(114,442)	(26,433,649)	(5,274,965)	(59,515,007)	(91,506,249)
Other financial assets	306,590	-	-	-	-	306,590
Total financial assets	**46,460,126**	**11,033,367**	**30,787,261**	**35,847,750**	**210,309,325**	**334,437,829**
FINANCIAL LIABILITIES						
Borrowed funds	1,687,800	58,688	75,251	223,154	221,824,858	223,869,751
Liabilities on subsidy programs	14,341,822	-	-	-	-	14,341,822
Deferred income and provision for credit related commitments	5,263,218	-	-	-	-	5,263,218
Other financial liabilities	1,234,952	-	-	-	-	1,234,952
Total potential future payments for financial obligations	**22,527,792**	**58,688**	**75,251**	**223,154**	**221,824,858**	**244,709,743**
Liquidity gap arising from financial instruments	**23,932,334**	**10,974,679**	**30,712,010**	**35,624,596**	**(11,515,533)**	**89,728,086**

27 Financial Risk Management (Continued)

The maturity analysis for financial liabilities as at 31 December 2015 is as follows:

In thousands of Kazakhstani Tenge	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
31 December 2015						
FINANCIAL ASSETS						
Cash and cash equivalents	33,252,986	-	-	-	-	33,252,986
Securities at fair value through profit or loss	-	-	596,408	173,151	5,552,583	6,322,142
Due from financial institutions	4,262,816	13,179,321	1,862,971	29,257,750	206,390,643	254,953,501
Due from subsidy programs	42,508	-	-	-	-	42,508
Loans and advances to customers	35,643	2,498	7,224	10,971	45,266	101,602
Investment securities available for sale	-	-	2,051,140	609,883	-	2,661,023
Gross settled swaps:						
- inflows	-	197,657	-	1,459,105	137,606,367	139,263,129
- outflows	(174,806)	(117,080)	(106,039)	(1,511,107)	(91,379,145)	(93,288,177)
Other financial assets	469,769	20,464	-	-	-	490,233
Total financial assets	**37,888,916**	**13,282,860**	**4,411,704**	**29,999,753**	**258,215,714**	**343,798,947**
FINANCIAL LIABILITIES						
Borrowed funds	663,846	898,025	735,792	24,784,835	229,414,773	256,497,271
Liabilities on subsidy programs	15,675,071	-	-	-	-	15,675,071
Deferred income and provision for credit related commitments	4,515,041	-	-	-	-	4,515,041
Financial guarantees	83,333	345,811	166,125	1,064,773	42,959,799	44,619,841
Other financial liabilities	833,192	-	-	-	-	833,192
Total potential future payments for financial obligations	**21,770,483**	**1,243,836**	**901,917**	**25,849,608**	**272,374,572**	**322,140,416**
Liquidity gap arising from financial instruments	**16,118,433**	**12,039,024**	**3,509,787**	**4,150,145**	**(14,158,858)**	**21,658,531**

28 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 proceeding 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.

Compliance with covenants. The Fund is subject to certain non-financial covenants related primarily to its borrowings from the ADB. Management believes that the Fund was in compliance with covenants at 31 December 2015 and 31 December 2014.

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 2016**	**31 December 2015**
Guarantees issued as collateral of loans		40,903,200	27,220,000
Guarantees issued		23,069,196	17,399,841
Undrawn credit lines		250,000	-
Less: Provision for credit related commitments	16	(1,507,370)	(1,808,788)
Total credit related commitments, net of provision		**62,715,026**	**42,811,053**

During 2015, the Fund issued guarantees to Bank CenterCredit in respect of credit lines opened by Bank CenterCredit in the EBRD for the total amount of Tenge 27,220 million. As of 31 December 2016, Bank CenterCredit had drown down the EBRD loan for the amount of Tenge 27,220 million (2015: Tenge 18,610 million). The management of the Fund assessed fair value of these guarantees based on commission fees received and estimated the fair value to be equal to Tenge 318,957 thousand (2015: Tenge 229,222 thousand). Refer to Notes 4 and 16.

28 Contingencies and Commitments (Continued)

During 2016, the Fund issued guarantees to ForteBank JSC and MFO KMF in respect of credit lines opened by ForteBank and MFO KMF in the EBRD for Tenge 9,907 million and Tenge 3,776 million, respectively. As of 31 December 2016, ForteBank and MFO KMF have drawn down the EBRD loans for the amount of Tenge 9,907 million and Tenge 3,776 million, respectively. The management of the Fund assessed fair value of these guarantees based on commission fees received and estimated the fair value to be equal to Tenge 35,383 thousand and Tenge 32,303 thousand, respectively. Refer to Notes 4 and 16.

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

Movements in provisions for credit related commitments are as follows:

In thousands of Kazakhstani Tenge	2016	2015
Carrying amount at 1 January	**1,808,788**	**405,997**
Initial recognition of issued financial guarantees	-	346,670
Losses charged to profit or loss	1,767,636	2,081,133
Unused amounts reversed	(2,050,870)	(1,025,042)
Other	(18,184)	-
Carrying amount at 31 December	**1,507,370**	**1,808,788**

29 Derivative Financial Instruments

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the Fund. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts are short term in nature:

		2016		2015	
In thousands of Kazakhstani Tenge	Note	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Foreign exchange swaps: fair values, at the end of the reporting period, of	27				
- USD receivable on settlement (+)		132,400,007	-	139,263,129	-
- Tenge payable on settlement (-)		(91,506,249)	-	(93,288,177)	-
Net fair value of foreign exchange swaps	13	**40,893,758**	**-**	**45,974,952**	**-**

Foreign exchange derivative financial instruments entered into by the Fund are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

30 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In thousands of Kazakhstani Tenge	2016		2015	
	Level 1	**Level 2**	**Level 1**	**Level 2**
FINANCIAL ASSETS				
Securities at fair value through profit or loss				
- Corporate bonds	-	3,717,475	-	3,154,319
- Kazakhstani government bonds	-	2,352,106	-	3,154,319
Investment securities available for sale				
- Corporate bonds	-	556,791	-	2,661,023
Other financial assets				
Financial derivatives		40,893,758	-	45,974,952
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**-**	**47,520,130**	**-**	**54,958,117**

The securities at fair value through profit or loss and investment securities available for sale were reported as level 2 instrument in the above analysis at 31 December 2016. Due to the deterioration of financial markets liquidity in 2014, they were reclassified and reported as level 2 instruments in the above analysis at 31 December 2014.

The Fund uses a discounted cash flow valuation technique to measure the fair value of currency swaps that are not traded in an active market. However, in accordance with IFRS, the fair value of an instrument at inception is generally the transaction price. If the transaction price differs from the amount determined at inception using the valuation technique, that difference is amortised on a straight line basis over the term of the currency swaps.

30 Fair Value Disclosures (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value as of 31 December 2016 are as follows:

	31 December 2016	
In thousands of Kazakhstani Tenge	**Level 1**	**Level 2**
FINANCIAL ASSETS		
Cash and cash equivalents		
- Current accounts with banks	40,790,450	-
- Cash on hand	3,235,283	-
- Cash balances with the NBRK (other than mandatory reserve deposits)	1,281	-
Due from financial institutions		
- Loans given to financial institutions	-	186,461,779
- Placements with other banks with original maturities of more than three months	37,154,593	-
Due from subsidy programs		
- Due from subsidy programs	-	43,508
Loans and advances to customers		
- Loans to small and medium size entities	-	40,519
- Loans to microfinance organisations	-	18,583
- Net investments in finance lease	-	-
- Loans to others	-	17,039
Other financial assets		
- Other	-	306,590
TOTAL ASSETS CARRIED AT AMORTISED COST	**81,181,607**	**186,888,018**
FINANCIAL LIABILITIES		
Borrowed funds		
- Asian Development Bank	-	117,172,162
- Baiterek NMH JSC	-	45,788,634
- Samruk-Kazyna NWF JSC	-	25,279,304
- Municipal authorities	-	13,077,165
- Ministry of Finance of the Republic of Kazakhstan	-	182,273
- Baiterek Development JSC	-	378,557
Liabilities on subsidy programs		
- Municipal authorities	-	11,218,234
- Banks	-	3,123,588
Deferred income and provision for credit related commitments		
- Deferred income		
- Financial guarantees		
Other financial liabilities		
- Other	-	1,234,952
TOTAL LIABILITIES CARRIED AT AMORTISED COST	**-**	**222,718,087**

30 Fair Value Disclosures (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value as of 31 December 2015 are as follows:

In thousands of Kazakhstani Tenge	31 December 2015	
	Level 1	**Level 2**
FINANCIAL ASSETS		
Cash and cash equivalents		
- Current accounts with banks	33,250,959	-
- Cash on hand	2,013	-
- Cash balances with the NBRK (other than mandatory reserve deposits)	14	-
Due from financial institutions		
- Loans given to financial institutions	-	246,909,462
- Placements with other banks with original maturities of more than three months	8,044,039	-
Due from subsidy programs		
- Due from subsidy programs	-	42,508
Loans and advances to customers		
- Loans to small and medium size entities	-	64,096
- Loans to microfinance organisations	-	18,687
- Net investments in finance lease	-	-
- Loans to others	-	18,819
Other financial assets		
- Other	-	490,233
TOTAL ASSETS CARRIED AT AMORTISED COST	**41,297,025**	**247,543,805**
FINANCIAL LIABILITIES		
Borrowed funds		
- Asian Development Bank	-	141,371,397
- Baiterek NMH JSC	-	63,859,047
- Samruk-Kazyna NWF JSC	-	25,116,588
- Municipal authorities	-	3,989,431
- Ministry of Finance of the Republic of Kazakhstan	-	385,576
- Baiterek Development JSC	-	546,818
Liabilities on subsidy programs		
- Municipal authorities	-	12,415,699
- Banks	-	3,259,372
Deferred income and provision for credit related commitments		
- Deferred income	-	2,706,254
- Financial guarantees	-	1,808,788
- Deferred income on loan received from the Parent		-
Other financial liabilities		
- Other	-	833,192
TOTAL LIABILITIES CARRIED AT AMORTISED COST	**-**	**256,292,162**

30 Fair Value Disclosures (Continued)

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

	2016	2015
Cash and cash equivalents		
- Current accounts with banks	0 % до 19.6 % p.a.	0 % to 18.0 % p.a.
Securities at fair value through profit or loss		
- Kazakhstani government bonds	0 % до 11.0 % p.a.	3.3 % to 5.8 % p.a.
- Corporate bonds	3.2% до 5.8 % p.a.	5.7 % to 8.8 % p.a.
Due from financial institutions		
- Loans given to financial institutions	1.1% до 17.8 % p.a.	1.1 % to 12.6 % p.a.
- Placements with other banks with original maturities of more than three months	4 % до 19 % p.a.	4.0 % to 13.5 % p.a.
Loans and advances to customers		
- Loans to small and medium size entities	7.0 % до 12.5 % p.a.	7.0 % to 12.5 % p.a.
- Loans to microfinance organisations	6.0 % до 11.0 % p.a.	6.0 % to 11.0 % p.a.
- Net investments in finance lease	7.0 % до 10.0 % p.a.	7.0 % to 10.0 % p.a.
Investment securities available for sale		
- Corporate bonds	8.0 % до 8.8 % p.a.	8.0 % to 8.8 % p.a.
Other financial assets		
- Financial derivatives	-	-
- Other	-	-
Borrowed funds		
- Asian Development Bank	0.9 % до 5.0 % p.a.	0.9 % to 5.0 % p.a.
- Baiterek NMH JSC	9.1% p.a.	6.6 % to 6.7 % p.a.
- Samruk-Kazyna NWF JSC	2 % до 6.5 % p.a.	2 % to 6.5 % p.a.
- Municipal authorities	1 % до 7.4 % p.a.	1 % to 7.4 % p.a.
- Baiterek Development JSC	5 % до 7.0 % p.a.	1 % p.a.
- Ministry of Finance of the Republic of Kazakhstan	1.0 % p.a.	5 % to 7.0 % p.a.
Liabilities on subsidy programs		
- Municipal authorities	-	-
- Banks	-	-
Deferred income and provision for credit related commitments		
- Deferred income	-	-
- Financial guarantees	-	-
Other financial liabilities		
- Other	-	-

31 Presentation of Financial Instruments by Measurement Category

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. In addition, finance lease receivables form a separate category.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2016:

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	40,790,450	-	-	**40,790,450**
- Cash balances with the NBRK (other than mandatory reserve deposits)	3,235,283	-	-	**3,235,283**
- Cash on hand	1,281	-	-	**1,281**
Securities at fair value through profit or loss				
- Corporate bonds	-	-	3,717,475	**3,717,475**
- Kazakhstani government bonds	-	-	2,352,106	**2,352,106**
Due from financial institutions				
- Loans given to financial institutions	205,309,853	-	-	**205,309,853**
- Placements with other banks with original maturities of more than three months	37,154,593	-	-	**37,154,593**
Due from subsidy programs				
- Due from subsidy programs	43,508	-	-	**43,508**
Loans and advances to customers				
- Loans to small and medium size entities	40,519	-	-	**40,519**
- Loans to microfinance organisations	18,583	-	-	**18,583**
- Net investments in finance lease	-	-	-	**-**
- Loans to others	17,039	-	-	**17,039**
Investment securities available for sale				
- Corporate bonds	-	556,791	-	**556,791**
Other financial assets				
- Financial derivatives	-	-	40,893,758	**40,893,758**
- Other	306,590	-	-	**306,590**
TOTAL FINANCIAL ASSETS	**286,917,699**	**556,791**	**46,963,339**	**334,437,829**

31 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of financial assets with measurement categories as of 31 December 2015:

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	33,250,959	-	-	**33,250,959**
- Cash on hand	2,013	-	-	**2,013**
- Cash balances with the NBRK (other than mandatory reserve deposits)	14	-	-	**14**
Securities at fair value through profit or loss				
- Kazakhstani government bonds	-	-	3,154,319	**3,154,319**
- Corporate bonds	-	-	3,167,823	**3,167,823**
Due from financial institutions				
- Loans given to financial institutions	246,909,462	-	-	**246,909,462**
- Placements with other banks with original maturities of more than three months	8,044,039	-	-	**8,044,039**
Due from subsidy programs				
- Due from subsidy programs	42,508	-	-	**42,508**
Loans and advances to customers				
- Loans to small and medium size entities	64,096	-	-	**64,096**
- Loans to microfinance organisations	18,687	-	-	**18,687**
- Net investments in finance lease	-	-	-	**-**
- Loans to others	18,819	-	-	**18,819**
Investment securities available for sale				
- Corporate bonds	-	2,661,023	-	**2,661,023**
Other financial assets				
- Financial derivatives	-	-	45,974,952	**45,974,952**
- Other	490,233	-	-	**490,233**
TOTAL FINANCIAL ASSETS	**288,840,866**	**2,661,023**	**52,297,094**	**343,798,947**

As at 31 December 2016 and 31 December 2015, all liabilities of the Fund are measured at amortized cost.

32 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.

At 31 December 2016, the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	Sole Shareholder	Entities under common control	Associates	Other related parties
Cash and cash equivalents	-	3,089	-	3,235,283
Securities at fair value through profit or loss	-	-	-	2,352,107
Due from financial institutions	-	10,178,889	-	-
Current income tax prepayment	-	-	-	11,054,657
Other assets	-	92,264	8,000	131,544
Borrowed funds	67,780,290	182,273	-	38,735,026
Liabilities on subsidy programs	-	-	-	11,218,234
Deferred income tax liability	-	-	-	5,412,132
Deferred income and provision for credit related commitments	-	-	-	475,225
Other liabilities	-	-	-	20

The income and expense items with related parties for 2016 were as follows:

In thousands of Kazakhstani Tenge	Sole Shareholder	Entities under common control	Other related parties
Interest income	-	507,500	289,463
Interest expense	(4,221,243)	(3,172)	(1,181,859)
Gains less losses from securities at fair value through profit or loss	-	-	230,264
General and administrative expenses	-	(9,594)	(3)
Income tax expense	-	-	(1,850,874)

Aggregate amounts lent to and repaid by related parties during 2016 were:

In thousands of Kazakhstani Tenge	Other related parties
Amounts lent to related parties during the year	-
Amounts repaid by related parties during the year	-

At 31 December 2015, the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	Sole Shareholder	Entities under common control	Associates	Other related parties
Cash and cash equivalents	-	151,070	-	21,475
Securities at fair value through profit or loss	-	-	-	5,204,159
Due from financial institutions	-	-	-	6,330,939
Due from subsidy programs	-	369	-	-
Current income tax prepayment	-	-	-	7,402,353
Other assets	-	20,096	8,000	1,071,471
Borrowed funds	63,859,047	546,818	-	29,491,595
Liabilities on subsidy programs	-	-	-	12,415,699
Deferred income tax liability	-	-	-	3,561,258
Deferred income and provision for credit related commitments	-	-	-	345,807
Other liabilities	-	-	-	68,670

32 Related Party Transactions (Continued)

The income and expense items with related parties for 2015 were as follows:

In thousands of Kazakhstani Tenge	**Sole Shareholder**	**Entities under common control**	**Other related parties**
Interest income	-	-	623,475
Interest expense	(3,792,391)	(6,808)	(1,293,178)
Fee and commission income	-	57,595	935,518
Gains less losses from financial derivatives	-	-	1,011,214
Losses less gains from securities at fair value through profit or loss	-	-	(591,448)
Foreign exchange translation losses less gains	-	44,109	-
Net gain/(loss) on initial recognition of financial instruments	42,537,671	-	(2,975,349)
General and administrative expenses	-	(14,713)	(47,857)
Income tax expense	-	-	(4,001,832)

Aggregate amounts lent to and repaid by related parties during 2015 were:

In thousands of Kazakhstani Tenge	**Other related parties**
Amounts lent to related parties during the year	6,672,059
Amounts repaid by related parties during the year	237,004

Key management compensation is presented below:

In thousands of Kazakhstani Tenge	**2016**	**2015**
Short-term benefits:		
- Salaries	172,955	117,541
- Short-term bonuses	57,125	48,014
- Other cash payments	-	-
- Benefits in-kind	13,533	8,902
Total	**243,613**	**174,457**

33 Events after the End of the Reporting Period

No significant events occurred after the reporting date.