DAMU
ENTREPRENEURSHIP DEVELOPMENT FUND

Damu Entrepreneurship Development Fund JSC

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

31 December 2013

Contents

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of JSC Damu Entrepreneurship Development Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2013 and the statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fund as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

6 March, 2014
Almaty, Kazakhstan

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:

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

Signed by:

Aigule Akhmetova
Auditor in charge
(Qualified Auditor's Certificate №00000083 dated 27 August 2012)

(in thousands of Kazakhstani Tenge)	Note	31 December 2013	31 December 2012
ASSETS			
Cash and cash equivalents	7	12,568,964	18,941,791
Securities at fair value through profit or loss	8	9,558,315	10,647,919
Due from financial institutions	9	135,156,724	136,668,029
Due from subsidy programs		433,579	2,454,801
Loans and advances to customers	10	199,783	274,206
Investment securities available for sale	11	2,655,637	5,099,494
Premises and equipment	12	2,233,205	549,643
Intangible assets		117,419	54,279
Current income tax asset		4,832,780	4,320,841
Deferred income tax asset	24	676,981	781,665
Other assets	13	895,815	405,017
TOTAL ASSETS		**169,329,202**	**180,197,685**
LIABILITIES			
Borrowed funds	14	75,810,555	92,241,597
Subordinated debt	15	4,022,973	5,420,112
Liabilities on subsidy programmes	16	8,020,601	4,448,488
Deferred income and liabilities on financial guarantees	17	1,019,333	904,696
Other liabilities	18	385,820	320,973
TOTAL LIABILITIES		**89,259,282**	**103,335,866**
EQUITY			
Share capital	19	72,920,273	72,920,273
Additional paid-in- capital		834,527	250,240
Revaluation reserve for investment securities available for sale		27,460	(145,206)
Other reserves		316,430	316,430
Retained earnings		5,971,230	3,520,082
TOTAL EQUITY		**80,069,920**	**76,861,819**
TOTAL LIABILITIES AND EQUITY		**169,329,202**	**180,197,685**

Approved for issue and signed on 5 March 2014.

Ms. Lyazzat Ibragimova
Chairman of the Board

Ms. Aigul Kusaiynova
Chief Accountant

(in thousands of Kazakhstani Tenge)	Note	2013	2012
Interest income	20	11,156,954	12,512,661
Interest expense	20	(4,829,544)	(6,625,812)
Interest income, net		**6,327,410**	**5,886,849**
Recovery of provision for impairment of loans and advances to customers and amounts due from financial institutions	9,10	307,685	737,861
Net interest income after provision for loan portfolio impairment		**6,635,095**	**6,624,710**
Fee and commission income	21	1,858,588	921,984
Gains less losses from securities at fair value through profit or loss		(26,188)	(185,370)
Foreign exchange translation gains less losses		(4,025)	(4,642)
Provision/(Recovery) for credit related commitments		(26,037)	211,530
Recovery/(Impairment) of investment securities available for sale		19,861	(20,524)
Other operating income and expenses	22	80,864	(261,586)
General and administrative expenses	23	(3,920,936)	(2,854,079)
Profit before tax		**4,617,222**	**4,432,023**
Income tax expense	24	(1,129,214)	(975,819)
PROFIT FOR THE YEAR		**3,488,008**	**3,456,204**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available for sale investments:			
- Gains less losses arising during the year		192,527	300,922
- Gains less losses reclassified to profit or loss upon disposal or impairment		(19,861)	20,524
Other comprehensive income for the year		**172,666**	**321,446**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,660,674**	**3,777,650**

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 reserve**	**Retained earnings**	**Total**
Balance at 1 January 2012	**44,920,27**	**-**	**(466,652**	**316,430**	**1,102,424**	**45,872,475**
Profit for the year	-	-	-	-	3,456,204	**3,456,204**
Other comprehensive income	-	-	321,44	-	-	**321,446**
Total comprehensive income for the year	-	-	321,44	-	3,456,204	**3,777,650**
Issue of ordinary shares	28,000,00	-	-	-	-	**28,000,000**
Additional paid-in-capital	-	250,24	-	-	-	**250,240**
Dividends paid	-	-	-	-	(1,038,546)	**(1,038,546)**
Balance at 31 December 2012	**72,920,27**	**250,24**	**(145,206**	**316,430**	**3,520,082**	**76,861,819**
Profit for the year	-	-	-	-	3,488,008	**3,488,008**
Other comprehensive income	-	-	172,66	-	-	**172,666**
Total comprehensive income for the year	-	-	172,66	-	3,488,008	3,660,674
Dividends paid	-	-	-	-	(1,036,860)	**(1,036,860)**
Additional paid-in-capital	-	584,287	-	-	-	**584,287**
Balance at 31 December 2013	**72,920,27**	**834,527**	**27,46**	**316,4300**	**5,971,230**	**80,069,920**

(in thousands of Kazakhstani Tenge)	2013	2012
Cash flows from operating activities:		
Interest received	10,423,888	10,651,979
Interest paid	(4,250,026)	(7,148,197)
Commissions received	1,565,387	673,340
Cash flows from other operating activities	123,591	12,393
Recovery of loans to customers previously written-off	73,385	173,568
Payroll costs paid	(1,968,708)	(1,782,032)
General and administrative expenses paid	(2,130,966)	(988,685)
Corporate income tax paid	(553,453)	(3,521)
Cash flows from operating activities before changes in operating assets and liabilities	**3,283,098**	**1,588,845**
Net decrease/(increase) in securities at fair value through profit or loss	1,189,678	495,107
Net decrease in due from other financial institutions	1,673,645	24,757,984
Net decrease in loans and advances to customers	293,781	1,404,317
Net increase in other assets	(555,885)	(1,917,151)
Net increase in other financial liabilities	5,719,640	592,604
Net increase/(decrease) in other liabilities	(652,970)	307,792
Net cash from operating activities	**10,950,987**	**27,229,498**
Cash flows from investing activities		
Proceeds from purchase of investment securities available for sale	-	(1,927,716)
Proceeds from disposal and redemption of investment securities available for sale	2,866,233	479,626
Acquisition premises and equipment	(1,817,913)	(110,711)
Acquisition of intangible assets	(84,268)	-
Net cash from/(used in) investing activities	**964,052**	**(1,558,801)**
Cash flows from financing activities		
Issue of ordinary shares	-	28,000,000
Proceeds from borrowed funds	4,000,000	2,600,000
Repayment of borrowed funds	(19,877,897)	(38,375,395)
Repayment of subordinated debt	(1,373,109)	(7,673,109)
Dividends paid	(1,036,860)	(1,038,546)
Net cash used in financing activities	**(18,287,866)**	**(16,487,050)**
Net (decrease)/increase in cash and cash equivalents	**(6,372,827)**	**9,183,647**
Cash and cash equivalents at the beginning of the year	18,941,791	9,758,144
Cash and cash equivalents at the end of the year	**12,568,964**	**18,941,791**

1 Introduction

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

As at 31 December 2012 the sole shareholder of the Fund was National Welfare Fund Samruk-Kazyna JSC.". In accordance with a Decree of the President dated 22 May 2013 #571 "Concerning Some Actions on the Optimisation of Management System by Development Institutions, Financial Organizations and National Economy Development" and a Decree of the Government dated 25 May 2013 #516 "Concerning Actions on the Implementation of Decree of the President of the Republic of Kazakhstan dated 22 May 2013, Samruk-Kazyna JSC transferred ownership over the Fund to "Baiterek" National Managing Holding" JSC. As at 31 December 2013, the Fund is under 100% ownership of the "Baiterek" National Managing Holding. The Fund is ultimately controlled by the Government of the Republic of Kazakhstan. Information on transactions with related parties is disclosed in Note 29.

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

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

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

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

2 Operating Environment of the Fund

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

The global financial crisis has had a severe effect on the economy of the Republic of Kazakhstan and the financial situation in the Kazakhstan financial and corporate sectors significantly deteriorated since the middle of 2008. During 2012 and 2013, the economy of Republic of Kazakhstan experienced moderate economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Kazakhstani Tenge against major foreign currencies, and increased money market liquidity levels.

Additionally, the financial sector in Kazakhstan is particularly impacted by political, legislative, fiscal and regulatory developments in the Republic. These prospects for future economic stability in Kazakhstan in 2014-2015 are largely dependent upon the effectiveness of a range of measures undertaken by the Government. There remains the possibility of unpredictable changes in the financial and economic environment that may have an adverse effect on the Fund's operations. See also Note 30.

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

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

3 Summary of Significant Accounting Policies

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

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

At 31 December 2013, the official rate of exchange used for translating foreign currency balances was the US dollar (USD) 1= Tenge 153,61 (31 December 2012: USD 1= Tenge 150,74). Exchange restrictions and currency controls exist relating to converting Tenge into other currencies. The Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

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

With the effect from 1 January 2013 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 is used to measure fair value, which management considers is the last trading price on the reporting date. Prior to 1 January 2013, 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. Refer to Note 5.

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 (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie 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.

3 Summary of Significant Accounting Policies (Continued)

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 28.

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

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

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.

3 Summary of Significant Accounting Policies (Continued)

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.

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.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

Intangible assets. The Fund's intangible assets 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 of 7 years.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

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

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

3 Summary of Significant Accounting Policies (Continued)

Subsidy programmes. 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.

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.

Borrowed funds. Borrowings are recorded when money or other assets are advanced to the Fund by counterparties. The non-derivative liability is carried at amortised cost. If the Fund purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

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

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

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

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

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.

3 Summary of Significant Accounting Policies (Continued)

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

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

Amendment of the financial statements after issue. Any changes to these financial statements after issue require approval of the Fund's management who authorised these financial statements for issue.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Impairment losses on loans 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.

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Fund from 1 January 2013:

IFRS 10 "Consolidated Financial Statements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Standard did not have any material impact on the Fund's financial statements.

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

IFRS 11 "Joint Arrangements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Venturers". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Standard did not have any material impact on the Fund's financial statements.

IFRS 12 "Disclosure of Interests in Other Entities" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements previously found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Standard does not result in additional disclosures in these financial statements.

IFRS 13 "Fair Value Measurement" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. [The price within the bid-ask spread that is most representative of fair value in the circumstances is used to measure fair value, which management considers is [the last trading price on the reporting date] [the average of actual trading prices on the reporting date]. Prior to 1 January 2013, the quoted market price used for financial assets was the current bid price; the quoted market price for financial liabilities was the current asking price. In addition, the Fund revised valuation of its derivative liabilities and measured them at their transfer value rather than settlement value allowed by the previous guidance. The standard also resulted in additional disclosures in these financial statements. Refer to Note 27.

IAS 27 "Separate Financial Statements" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013) was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 "Consolidated Financial Statements". The amended standard did not have any material impact on the Fund's financial statements.

IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The amended standard did not have any material impact on the Fund's financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" (issued in June 2011, effective for annual periods beginning on or after 1 July 2012) changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to "statement of profit or loss and other comprehensive income". The amended standard resulted in changed presentation of financial statements, but did not have any impact on measurement of transactions and balances.

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

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

"Disclosures - Offsetting Financial Assets and Financial Liabilities" - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The Standard does not result in additional disclosures in these financial statements.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 "Borrowing costs", retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 now requires disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amended standards did not have any material impact on the Fund's financial statements.

"Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12" (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 "Consolidated Financial Statements". Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The amended standards did not have any material impact on the Fund's financial statements.

Other revised standards and interpretations: IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation did not have an impact on the Fund's financial statements. Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards - Government Loans", which were issued in March 2012 and are effective for annual periods beginning 1 January 2013, give first-time adopters of IFRSs relief from full retrospective application of accounting requirements for loans from government at below market rates. The amendment is not relevant to the Fund.

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 2014, and which the Fund has not early adopted.

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

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Fund does not intend to adopt the existing version of IFRS 9.

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

- "Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).
- "Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities" (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014).
- IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).
- Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period).
- Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014).

6 New Accounting Pronouncements (Continued)

- Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014).

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 2013**	**31 December 2012**
Current accounts with banks	12,567,294	14,938,003
Cash on hand	1,670	335
Reverse repurchase agreements	-	4,003,453
Total cash and cash equivalents	**12,568,964**	**18,941,791**

The credit quality of cash and cash equivalents balances is summarised based on Standard and Poor's ratings as follows at 31 December 2013 and 2012:

(in thousands of Kazakhstani Tenge)	**31 December 2013 Balances in bank accounts on-demand**	**31 December 2012 Balances in bank accounts on-demand**
Neither past due nor impaired		
- BBB- to BBB+	1,354,497	4,302,850
- BB- to BB+	1,026,180	3,447,286
- B- to B+	9,455,256	7,711,027
- CCC- to CCC+	563,050	-
- Unrated	168,311	3,480,293
Total	**12,567,294**	**18,941,456**

Refer to Note 27 for disclosure of the fair value of cash and cash equivalents. Interest rate analysis of cash and cash equivalents is disclosed in Note 25. Information on related party balances is disclosed in Note 29. Cash and cash equivalent balances as at year end are neither past due nor impaired.

8 Securities at Fair Value Through Profit or Loss

(in thousands of Kazakhstani Tenge)	**31 December 2013**	**31 December 2012**
Kazakhstan government bonds	4,805,500	5,464,880
Corporate bonds	4,752,815	5,183,039
Total securities at fair value through profit or loss	**9,558,315**	**10,647,919**

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 2013 is as follows:

(in thousands of Kazakhstani Tenge)	**Kazakhstan government bonds**	**Corporate bonds**	**Total**
Neither past due nor impaired			
- BBB+	4,805,500	-	4,805,500
- BBB	-	-	-
- BBB-	-	2,329,202	2,329,202
- BB-	-	1,535,575	1,535,575
- B+	-	641,339	641,339
- B	-	246,699	246,699
Total securities at fair value through profit or loss	**4,805,500**	**4,752,815**	**9,558,315**

Analysis by credit quality of securities at fair value through profit or loss outstanding at 31 December 2012 was as follows:

(in thousands of Kazakhstani Tenge)	**Kazakhstan government bonds**	**Corporate bonds**	**Total**
Neither past due nor impaired			
- BBB+	5,464,880	-	5,464,880
- BBB	-	2,296,189	2,296,189
- BBB-	-	1,489,485	1,489,485
- B+	-	898,753	898,753
- B	-	498,612	498,612
Total securities at fair value through profit or loss	**5,464,880**	**5,183,039**	**10,647,919**

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

Refer to Note 27 for disclosure of the fair value of securities at fair value through profit or loss. Interest rate analyses of securities at fair value through profit or loss are disclosed in Note 25. Information on securities at fair value through profit or loss issued by related parties is disclosed in Note 29.

9 Due from Financial Institutions

(in thousands of Kazakhstani Tenge)	31 December 2013	31 December 2012
Loans given to banks	133,432,363	135,774,681
Placements with other banks with original maturities of more than three months	3,385,498	2,555,532
Less: Provision for loan portfolio impairment	(1,661,137)	(1,662,184)
Total due from financial institutions	**135,156,724**	**136,668,029**

Amounts due from financial institutions are not collateralised. Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2013 is as follows:

(in thousands of Kazakhstani Tenge)	Placements with other banks	Loans to banks	Total
Neither past due nor impaired			
- BBB- to BBB+	-	12,756,167	**12,756,167**
- BB- to BB+	829,426	101,357	**930,783**
- B- to B+	2,556,073	85,395,336	**87,951,409**
- CCC- to CCC+	-	28,180,936	**28,180,936**
- Unrated	-	6,998,566	**6,998,566**
Total neither past due nor impaired	**3,385,499**	**133,432,362**	**136,817,861**
Balances individually determined to be impaired			
- over 360 days overdue	-	1,661,137	1,661,137
Total individually impaired	**-**	**1,661,137**	**1,661,137**
Less provision for impairment	**-**	**(1,661,137)**	**(1,661,137)**
Total due from financial institutions	**3,385,499**	**131,771,225**	**135,156,724**

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

9 Due from Financial Institutions (Continued)

Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2012 is as follows:

(in thousands of Kazakhstani Tenge)	Placements with other banks	Loans to banks	Total
Neither past due nor impaired			
- B- to B+	1,726,247	90,084,412	91,810,659
- Unrated	829,285	45,690,269	46,519,554
Total neither past due nor impaired	**2,555,532**	**135,774,681**	**138,330,213**
Balances individually determined to be impaired			
- over 360 days overdue	-	1,662,184	1,662,184
Total individually impaired	**-**	**1,662,184**	**1,662,184**
Less provision for impairment	**-**	**(1,662,184)**	**(1,662,184)**
Total due from financial institutions	**2,555,532**	**134,112,497**	**136,668,029**

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

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

(in thousands of Kazakhstani Tenge)	2013 Loans to banks	2012 Loans to banks
Provision for impairment at 1 January	**1,662,184**	**1,662,184**
Recovery of provision for impairment during the year	(1,047)	-
Provision for impairment at 31 December	**1,661,137**	**1,662,184**

Refer to Note 27 for the estimated fair value of each class of amounts due from financial institutions. Interest rate analysis of due from financial institutions is disclosed in Note 25. Information on related party balances is disclosed in Note 29.

10 Loans and Advances to Customers

(in thousands of Kazakhstani Tenge)	31 December 2013	31 December 2012
Loans to small and medium size entities	1,657,615	1,914,334
Loans to microfinance organisations	1,481,789	1,567,523
Net investments in finance lease	249,381	311,834
Loans to others	97,969	11,967
Less: Provision for loan impairment	(3,286,971)	(3,531,452)
Total loans and advances to customers	**199,783**	**274,206**

Movements in the provision for loan impairment during 2013 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 2013	**1,752,113**	**1,492,862**	**274,510**	**11,967**	**3,531,452**
Recovery of impairment during the period	(155,455)	(49,949)	(36,680)	(736)	**(242,820)**
Write off from the provision	(1,661)	-	-	-	**(1,661)**
Provision for loan impairment at 31 December 2013	**1,594,997**	**1,442,913**	**237,830**	**11,231**	**3,286,971**

The recovery of provision for impairment during the year differs from the amount presented in the statement of profit and loss and other comprehensive income for the year due to Tenge 63,818 (2012: 173,568) thousand, recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the year.

Movements in the provision for loan impairment during 2012 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 2012	**2,052,699**	**1,696,839**	**333,249**	**12,958**	**4,095,745**
Recovery of impairment during the period	(300,586)	(203,977)	(58,739)	(991)	(564,293)
Provision for loan impairment at 31 December 2012	**1,752,113**	**1,492,862**	**274,510**	**11,967**	**3,531,452**

10 Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2013 is as follows:

(in thousands of Kazakhstani Tenge)	**Loans to small and medium size entities**	**Loans to microfinance organisations**	**Net investments in finance lease**	**Loans to others**	**Total**
Unsecured loans	13,837	5012	6,165	-	25,014
Residential real estate	26,383	33,864	667	86,738	147,652
Movable property	6,296	4,719	-	-	11,015
Loans guaranteed by other banks	1,530	-	-	-	1,530
Other assets	14,572	-	-	-	14,572
Total loans and advances to customers	**62,618**	**38,876**	**11,551**	**86,738**	**199,783**

Information about collateral at 31 December 2012 is as follows:

(in thousands of Kazakhstani Tenge)	**Loans to small and medium size entities**	**Loans to microfinance organisations**	**Net investments in finance lease**	**Total**
Unsecured loans	84,193	217	-	84,410
Residential real estate	74,187	67,772	9,994	151,953
Movable property	3,406	-	27,329	30,735
Loans guaranteed by other banks	436	-	-	436
Other assets	-	6,672	-	6,672
Total loans and advances to customers	**162,222**	**74,661**	**37,323**	**274,206**

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

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2013 is as follows:

In thousands of Russian Roubles	**Loans to small and medium size entities**	**Loans to microfinance organisations**	**Net investments in finance lease**	**Loans to others**	**Total**
Neither past due nor impaired					
- Loans to small entities	135	4,754	11,169	9	16,067
- Loans to individuals	-	-	-	86,738	86,738
Total neither past due nor impaired	**135**	**4,754**	**11,169**	**86,747**	**102,805**
Past due but not impaired					
- 30 to 90 days overdue	904	-	-	-	904
Total past due but not impaired	**904**	**-**	**-**	**-**	**904**
Loans individually determined to be impaired (gross)					
- 91 to 180 days overdue	35,734	2,523	-	6,475	44,732
- 181 to 360 days overdue	-	-	764	-	764
- over 360 days overdue	1,625,589	1,474,511	237,448	-	3,337,548
Total individually impaired loans (gross)	**1,661,322**	**1,477,035**	**238,212**	**6,475**	**3,383,044**
Less impairment provisions	**(1,594,996)**	**(1,442,913)**	**(237,830)**	**(11,231)**	**(3,286,970)**
Total loans and advances to customers	**67,366**	**38,875**	**11,551**	**81,991**	**199,783**

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2012 is as follows:

In thousands of Russian Roubles	**Loans to small and medium size entities**	**Loans to microfinance organisations**	**Net investments in finance lease**	**Loans to others**	**Total**
Past due but not impaired					
- less than 30 days overdue	65,352	33,714	37,058	-	136,124
Total past due but not impaired	**65,352**	**33,714**	**37,058**	**-**	**136,124**
Loans individually determined to be impaired (gross)					
- less than 30 days overdue	16,752	-	-	-	16,752
- 30 to 90 days overdue	586	4,735	11,308	-	16,629
- 91 to 180 days overdue	20,388	-	404	-	20,792
- 181 to 360 days overdue	19,829	34,729	1,263	-	55,821
- over 360 days overdue	1,791,428	1,494,345	261,800	11,967	3,559,540
Total individually impaired loans (gross)	**1,848,983**	**1,533,809**	**274,775**	**11,967**	**3,669,534**
Less impairment provisions	**(1,752,113)**	**(1,492,862)**	**(274,510)**	**(11,967)**	**(3,531,452)**
Total loans and advances to customers	**162,222**	**74,661**	**37,323**	**-**	**274,206**

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 27 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 25. Information on related party balances is disclosed in Note 29.

11 Investment Securities Available for Sale

(in thousands of Kazakhstani Tenge)	31 December 2013	31 December 2012
Corporate bonds	6,022,092	8,465,949
Less: Provision for impairment	(3,366,455)	(3,366,455)
Total investment securities available for sale	**2,655,637**	**5,099,494**

(in thousands of Kazakhstani Tenge)	31 December 2013 Corporate bonds	31 December 2012 Corporate bonds
Neither past due nor impaired		
- BBB- to BBB+	-	3
- BB- to BB+	2,037,361	-
- B- to B+	538,636	5,039,815
- Unrated	79,640	59,676
Total neither past due nor impaired	**2,655,637**	**5,099,494**
Debt securities individually determined to be impaired (gross)		
- over 360 days overdue	3,366,455	3,366,455
Total individually impaired debt securities	**3,366,455**	**3,366,455**
Less impairment provisions	**(3,366,455)**	**(3,366,455)**
Total debt securities available for sale	**2,655,637**	**5,099,494**

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

The primary factor that the Fund considers in determining whether a debt security is impaired is its overdue status. As a result, the Fund presents above an ageing analysis of debt securities that are individually determined to be impaired. During the year, reversal of impairment of Tenge 19,861 thousand (2012: impairment in the amount of Tenge 20,524 thousand) was recognized in statement of profit and loss and other comprehensive income.

Refer to Note 27 for disclosure of the fair value of investment securities available for sale. Interest rate analysis of investment securities available for sale is disclosed in Note 25. Information on related party balances is disclosed in Note 29.

12 Premises and Equipment

(in thousands of Kazakhstani Tenge)	Note	Land and buildings	Equipment	Fixtures and fittings	Vehicles	Total
Cost at 1 January 2012		307,271	434,500	144,778	105,935	992,484
Accumulated depreciation		(171,924)	(173,652)	(53,279)	(27,157)	(426,012)
Carrying amount at 1 January 2012		**135,347**	**260,848**	**91,499**	**78,778**	**566,472**
Additions		-	27,658	28,296	54,994	110,948
Disposals		-	(12,070)	(3,767)	(5,040)	(20,877)
Depreciation charge	23	(40,420)	(53,262)	(13,326)	(15,083)	(122,091)
Accumulated depreciation disposal		-	7,729	2,422	5,040	15,191
Carrying amount at 31 December 2012		**94,927**	**230,903**	**105,124**	**118,689**	**549,643**
Cost at 31 December 2012		307,271	450,088	169,307	155,889	1,082,555
Accumulated depreciation		(212,344)	(219,185)	(64,183)	(37,200)	(532,912)
Carrying amount at 31 December 2012		**94,927**	**230,903**	**105,124**	**118,689**	**549,643**
Additions		1,449,736	110,906	152,873	104,399	1,817,914
Disposals		-	(30,178)	(3,014)	-	(33,192)
Depreciation charge	23	(7,313)	(67,228)	(22,786)	(31,773)	(129,100)
Accumulated depreciation disposal		-	25,695	2,245	-	27,940
Carrying amount at 31 December 2013		**1,537,350**	**270,098**	**234,442**	**191,315**	**2,233,205**
Cost at 31 December 2013		1,757,007	530,816	319,166	260,288	2,867,277
Accumulated depreciation		(219,657)	(260,718)	(84,724)	(68,973)	(634,072)
Carrying amount at 31 December 2013		**1,537,350**	**270,098**	**234,442**	**191,315**	**2,233,205**

Additions of buildings for the amount of Tenge 1,348,582 thousand during 2013 (2012:nil) year are purchases of buildings and offices under the program of support for small and medium entrepreneurship in regions. Within that program the Fund opened ten new entrepreneurship service centres in Kazakhstan by 31 December 2013(2012:nil).

13 Other Assets

(in thousands of Kazakhstani Tenge)	31 December 2013	31 December 2012
Accounts receivable on guarantees	407,896	19,894
Accounts receivable	293,590	284,035
Impairment allowance	(268,465	(265,118
Total financial assets within other assets	**433,021**	**38,811**
Raw materials and supplies	241,874	279,747
Construction in progress	69,194	-
Services prepaid	32,343	18,341
Taxes other than on income	592	34,146
Other	140,353	33,972
Impairment allowance	(21,562	-
Total other assets	**895,815**	**405,017**

Movements in the provision for impairment during 2013 and 2012 are as follows:

(in thousands of Kazakhstani Tenge)	2013	2012
Balance at the beginning of the year	265,11	255,642
Provision for impairment during the year	24,90	9,476
Balance at the end of the year	**290,02**	**265,118**

As at 31 December 2013, included in other assets receivables of Tenge 290,027 thousand (at 31 December 2012: Tenge 265,118 thousand), all of which are overdue for more than one year.

Refer to Note 27 for disclosure of the fair value of other financial assets.

14 Borrowed Funds

(in thousands of Kazakhstani Tenge)	31 December 2013	31 December 2012
Samruk-Kazyna JSC (2% - 6.5%)	51,147,788	67,217,437
Asian Development Bank (4,99%)	22,198,052	22,088,747
Disstressed Assets Fund JSC (1%)	1,275,909	1,123,747
Municipal authorities (1% - 7,42%)	1,014,282	1,640,455
Ministry of Finance of the Republic of Kazakhstan (5% - 7%)	174,524	171,211
Total borrowed funds	**75,810,555**	**92,241,597**

The funds borrowed from the Samruk-Kazyna JSC and state authorities are intended to be lent to local banks to support financing of small and medium-sized enterprises in accordance with the approved government programmes.

Refer to Note 27 for disclosure of the fair value of each class of borrowed funds. Interest rate analysis of borrowed funds is disclosed in Note 25. Information on related party balances is disclosed in Note 29.

15 Subordinated Debt

(in thousands of Kazakhstani Tenge)	31 December 2013	31 December 2012
Samruk-Kazyna JSC	4,022,973	5,420,112
Total subordinated debt	**4,022,973**	**5,420,112**

As at 31 December 2013 and 2012, subordinated loans include loans from the Samruk-Kazyna JSC which mature in 2014 and carry an interest rate of 7 percent per annum. In case of bankruptcy, the subordinated loans will be repaid after a full settlement of all other liabilities of the Fund. The loans from the Samruk-Kazyna JSC were intended for local banks to support financing of small and medium-sized enterprises.

Refer to Note 27 for disclosure of the fair value of subordinated debt. Interest rate analysis of subordinated debt is disclosed in Note 25. Information on related party balances is disclosed in Note 29.

16 Liabilities on Subsidy Programmes

(in thousands of Kazakhstani Tenge)	31 December 2013	31 December 2012
Banks	4,404,398	3,591,851
Ministry of Economic Development and Trade of the Republic of Kazakhstan	2,067,815	216,810
Municipal authorities	1,548,388	639,827
Total liabilities on subsidy programmes	**8,020,601**	**4,448,488**

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

Refer to Note 27 for disclosure of the fair value of liabilities on subsidy programmes. Information on related party balances is disclosed in Note 29.

17 Deferred Income and Liabilities on Financial Guarantees

(in thousands of Kazakhstani Tenge)	Note	31 December 2013	31 December 2012
Deferred income		788,484	739,664
Financial guarantees (pprovision for credit related commitments)	26	230,849	165,032
Total deferred income and liabilities on financial guarantees		**1,019,333**	**904,696**

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

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

18 Other Liabilities

(in thousands of Kazakhstani Tenge)	31 December 2013	31 December 2012
Accounts payable	73,237	70,632
Accrued liabilities and other creditors	14,643	14,984
Total financial liabilities within other liabilities	**87,880**	**85,616**
Unused vacation reserve	136,667	97,595
Taxes payable other than on income	130,709	58,841
Advances received	9,801	14,538
Accrued employee benefit costs	7,907	43,152
Other	12,856	21,231
Total other liabilities	**385,820**	**320,973**

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

19 Share Capital

In thousands of Kazakhstani Tenge except for number of shares	Number of outstanding shares (in thousands)	Ordinary shares	Total
At 31 December 2012	**27,462**	**72,920,273**	**72,920,273**
New share issue	-	-	-
At 31 December 2013	**27,462**	**72,920,273**	**72,920,273**

At the Shareholders' meeting on 13 June 2013, the Fund declared dividends in respect of the year ended 31 December 2012, totalling to Tenge 1,036,860 thousand. The amount was paid to the shareholder on 24 June 2013.

20 Interest Income and Expense

(In thousands of Kazakhstani Tenge)	2013	2012
Interest income		
Due from financial institutions	9,547,89	10,146,43
Cash and cash equivalents	658,45	878,54
Securities at fair value through profit or loss	555,64	568,80
Investment securities available for sale	245,17	473,94
Fines and fees on loans and advances to customers	82,67	156,20
Loans and advances to customers	62,51	285,27
Amounts receivable under reverse repurchase agreements	4,60	3,45
Total interest income	**11,156,95**	**12,512,66**
Interest expense		
Borrowed funds	4,506,58	5,890,83
Subordinated debt	322,95	734,98
Total interest expense	**4,829,54**	**6,625,81**
Net interest income	**6,327,41**	**5,886,84**

21 Fee and Commission Income

(In thousands of Kazakhstani Tenge)	2013	2012
Fee and commission income		
Financial agent services	1,190,853	601,196
Guarantees issued	610,512	320,788
Other	57,223	-
Total fee and commission income	**1,858,588**	**921,984**

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

22 Other Operating Income and Expense

(in thousands of Kazakhstani Tenge)	2013	2012
Income on operating lease	34,320	11,546
Correction of previous period costs	43,038	(277,143)
Fines and penalties	-	2,811
Loss on equipment disposals	(4,933)	(11,562)
Other	8,439	12,762
Total other operating income/(expense)	**80,864**	**(261,586)**

23 General and Administrative Expenses

(in thousands of Kazakhstani Tenge)	2013	2012
Staff costs	2,022,742	1,744,858
Legal and consulting services	378,458	102,835
Advertising and marketing services	341,334	114,278
Repair and technical maintenance	202,608	62,251
Business trip and representative expenses	161,177	117,401
Training	160,003	74,370
Rent expense	135,045	118,525
Depreciation of premises and equipment	129,100	122,091
Communication services	88,118	77,261
Transportation expense	83,407	41,306
Materials	34,471	28,447
Insurance expenses	29,689	24,025
Security services	24,334	16,137
Taxes other than on income	22,189	5,979
Amortisation of intangible assets	21,126	26,158
Utilities	19,125	12,217
Bank charges	15,407	12,877
Stationery	14,851	11,405
Broker fees	6,088	5,377
Other	31,664	136,281
Total	**3,920,936**	**2,854,079**

24 Income Tax

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

(in thousands of Kazakhstani Tenge)	2013	2012
Current tax expense	1,024,530	879,372
Deferred income tax expense	104,684	96,447
Income tax expense for the year	**1,129,214**	**975,819**

The income tax rate applied to most of the Fund's income is 20% (2012: 20%).

24 Income Tax (Continued)

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

(in thousands of Kazakhstani Tenge)	2013	2012
Profit before tax	**4,617,222**	**4,432,023**
Theoretical tax charge at statutory rate (2013: 20%; 2012: 20%)	923,444	886,405
Tax effects of items which are not deductible or assessable for taxation purposes:		
- Income from Government securities, exempt from tax	(176,428)	(208,551)
- Non-taxable income on finance leasing	(12,906)	(30,328)
- Other non-taxable income	(20,402)	-
- Other non-deductible expenses	154,350	48,784
- Adjustment of prior year tax expense estimate	261,156	279,509
Income tax expense for the year	**1,129,214**	**975,819**

Temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes give rise to net deferred tax assets as at 31 December 2013 and 2012. The specified deferred tax assets were recorded in these financial statements.

Movements in temporary differences during the period ended 31 December 2013 are detailed below:

(in thousands of Kazakhstani Tenge)	1 January 2013	(Charged)/ credited to profit or loss	31 December 2013
Tax effect of deductible/(taxable) temporary differences			
Loans to customers	676,727	(140,257)	536,470
Borrowings	-	179,226	179,226
Premises and equipment and intangible assets	(26,311)	(39,737)	(66,048)
Deferred Income	111,730	(111,730)	-
Other liabilities	19,519	7,814	27,333
Deferred tax asset, net	**781,665**	**(104,684)**	**676,981**
Recognized deferred tax asset	807,976	(64,947)	743,029
Recognized deferred tax liability	(26,311)	(39,737)	(66,048)
Net deferred tax asset	**781,665**	**(104,684)**	**676,981**

24 Income Tax (Continued)

Movements in temporary differences during the period ended 31 December 2012 are detailed below:

(in thousands of Kazakhstani Tenge)	**1 January 2012**	**(Charged)/ credited to profit or loss**	**31 December 2012**
Tax effect of deductible/(taxable) temporary differences			
Loans to customers	826,256	(149.529)	676,727
Premises and equipment and intangible assets	(27,435)	1,124	(26,311)
Deferred income	70,203	41,527	111,730
Other liabilities	9,088	10,431	19,519
Deferred tax asset, net	**878,112**	**(96,447)**	**781,665**
Recognized deferred tax asset	905,547	(97,571)	807,976
Recognized deferred tax liability	(27,435)	1,124	(26,311)
Net deferred tax asset	**878,112**	**(96,447)**	**781,665**

25 Financial Risk Management

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

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

The risk management strategy is set forth in the Fund's risk management policy, which has been worked out in accordance with the risk management strategy of the Fund's sole shareholder.

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.

25 Financial Risk Management (Continued)

Risk management structure:

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

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

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

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

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

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

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

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

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

25 Financial Risk Management (Continued)

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.

25 Financial Risk Management (Continued)

Interest rate risk is managed principally through monitoring interest rate gaps. The table below summarises the Fund's exposure to interest rate risks. The table presents the aggregated amounts of the Fund's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates as at 31 December 2013:

(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 2013						
Total financial assets	12,714,873	11,094,698	3,002,751	16,267,957	114,423,329	160,787,559
Total financial liabilities	1,112,863	10,072,863	71,188	9,991,122	58,585,493	87,967,803
Net interest sensitivity gap at 31 December 2013	**11,602,010**	**1,021,835**	**2,931,563**	**6,276,835**	**55,837,836**	**72,819,756**
31 December 2012						
Total financial assets	12,997,92	11,706,29	3,591,95	16,626,190	117,814,79	162,737,163
Total financial liabilities	1,371,820	10,032,533	32,601	9,943,296	76,281,459	97,661,709
Net interest sensitivity gap at 31 December 2012	**11,626,109**	**1,673,762**	**3,559,350**	**6,682,894**	**39,554,737**	**63,096,852**

25 Financial Risk Management (Continued)

Average interest rates. The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2013 and 2012. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2013 Average effective interest rate	**2012 Average effective interest rate**
Interest bearing assets		
Cash and cash equivalents	3.06%	5.07%
Securities at fair value through profit or loss	5.84%	7.94%
Due from financial institutions	7.23%	7.40%
Loans and advances to customers	10.89%	9.11%
Investment securities available for sale	6.54%	7.95%
Other financial assets	0%	0%
Interest bearing liabilities		
Borrowed funds	5.34%	5.39%
Subordinated debt	7.00%	7.00%
Liabilities under subsidy programmes	0%	0%
Deferred income and liabilities on financial guarantees	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 2013 and 2012 is as follows:

	2013		**2012**	
(in thousands of Kazakhstani Tenge)	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp (2012: 100 bp) parallel increase	776,701	621,361	1,608,267	509,949
100 bp (2012: 100 bp) parallel decrease	(776,701)	(621,361)	(1,608,267)	(509,949)

25 Financial Risk Management (Continued)

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

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 2013:

(in thousands of Kazakhstani Tenge)	KZT	USD	Total
FINANCIAL ASSETS			
Cash and cash equivalents	12,568,964	-	**12,568,964**
Securities at fair value through profit or loss	9,558,315	-	**9,558,315**
Due from financial institutions	135,156,724	-	**135,156,724**
Loans and advances to customers	199,783	-	**199,783**
Investment securities available for sale	2,655,637	-	**2,655,637**
Due from subsidy programs	433,579	-	**433,579**
Other financial assets	433,021	-	**433,021**
Total financial assets	**161,006,024**	**-**	**161,006,024**
FINANCIAL LIABILITIES			
Borrowed funds	75,636,082	174,473	**74,810,555**
Subordinated debt	4,022,973	-	**4,022,973**
Liabilities under subsidy programmes	8,020,601	-	**8,020,601**
Deferred income and liabilities on financial guarantees	1,019,333	-	**1,019,333**
Other financial liabilities	87,881	-	**87,881**
Total financial liabilities	**88,786,870**	**174,473**	**88,961,343**
Net position as at 31 December 2013	**72,219,153**	**(174,473)**	**72,044,681**

25 Financial Risk Management (Continued)

The following table shows the currency structure of financial assets and liabilities as at 31 December 2012:

(in thousands of Kazakhstani Tenge)	KZT	USD	Total
FINANCIAL ASSETS			
Cash and cash equivalents	18,941,79	-	18,941,79
Securities at fair value through profit or loss	10,647,91	-	10,647,91
Due from financial institutions	136,668,02	-	136,668,02
Due from Subsidy Programs	2,454,80	-	2,454,80
Loans and advances to customers	274,18	19	274,20
Investment securities available for sale	5,099,49	-	5,099,49
Other financial assets	38,81	-	38,81
Total financial assets	**174,125,03**	**19**	**174,125,05**
FINANCIAL LIABILITIES			
Borrowed funds	92,070,38	171,21	92,241,59
Subordinated debt	5,420,11	-	5,420,11
Liabilities under subsidy programmes	4,448,48	-	4,448,48
Deferred income and liabilities on financial guarantees	904,69	-	904,69
Other financial liabilities	85,61	-	85,61
Total financial liabilities	**102,929,29**	**171,21**	**103,100,50**
Net position as at 31 December 2012	**71,195,73**	**(171,19⁄**	**71,024,54**

A strengthening of the Tenge, as indicated below, against the following currencies at 31 December 2013 and 2012 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Fund considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. See also Note30.

	2013		2012	
(in thousands of Kazakhstani Tenge)	**Profit**	**Equity**	**Profit**	**Equity**
US Dollar strengthening by 20% (2012: by 10%)	(34,894)	(34,895)	17,119	13,696
US Dollar weakening by 20% (2012: by 10%)	34,894	34,895	(17,119)	(13,696)

25 Financial Risk Management (Continued)

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

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

The rules of credit risk management covers the following areas:

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

The 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.

25 Financial Risk Management (Continued)

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

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

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

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

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

The liquidity management policy of the Fund requires:

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

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

25 Financial Risk Management (Continued)

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

The maturity analysis for financial liabilities as at 31 December 2013 is as follows:

(in thousands of Kazakhstani Tenge)	**Demand and less than 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year**	**Total**
31 December 2013						
FINANCIAL ASSETS						
Cash and cash equivalents	12,568,964	-	-	-	-	**12,568,964**
Securities at fair value through profit or loss	-	-	197,930	7,002,004	2,358,381	**9,558,315**
Due from financial institutions	2,711,225	11,066,640	2,999,030	16,062,906	102,316,924	**135,156,725**
Due from subsidy programs	433,579	-	-	-	-	**433,579**
Loans and advances to customers	70,498	28,056	3,721	7,121	90,387	**199,783**
Investment securities available for sale	-	3	-	-	2,655,634	**2,655,637**
Other financial assets	433,021	-	-	-	-	**433,021**
Total financial assets	**16,217,288**	**11,094,698**	**3,002,751**	**16,267,957**	**114,423,330**	**161,006,024**
FINANCIAL LIABILITIES						
Borrowed funds	1,043,671	10,072,863	71,188	9,991,122	54,631,711	**75,810,555**
Subordinated debt	69,191	-	-	-	3,953,782	**4,022,973**
Liabilities on subsidy programs	8,020,601	-	-	-	-	**8,020,601**
Deferred revenue/ Guarantee liabilities	1,019,333	-	-	-	-	**1,019,333**
Other financial liabilities	87,880	-	-	-	-	**87,880**
Total financial liabilities	**10,240,677**	**10,072,863**	**71,188**	**9,991,122**	**58,585,493**	**88,961,343**
Credit related commitments	**9,553,971**	**-**	**-**	**-**	**-**	**9,553,971**

25 Financial Risk Management (Continued)

The maturity analysis for financial liabilities as at 31 December 2012 is as follows:

(in thousands of Kazakhstani Tenge)	**Demand and less than 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year**	**Total**
31 December 2012						
FINANCIAL ASSETS						
Cash and cash equivalents	18,941,791	-	-	-	-	**18,941,791**
Securities at fair value through profit or loss	-	-	404,798	-	10,243,121	**10,647,919**
Due from financial institutions	2,883,703	11,634,648	3,144,062	16,563,330	102,442,286	**136,668,029**
Due from subsidy programs	2,454,801	-	-	-	-	**2,454,801**
Loans and advances to customers	66,711	71,647	43,091	62,860	29,897	**274,206**
Investment securities available for sale	-	-	-	-	5,099,494	**5,099,494**
Other financial assets	38,811	-	-	-	-	**38,811**
Total financial assets	**24,385,817**	**11,706,295**	**3,591,951**	**16,626,190**	**117,814,798**	**174,125,051**
FINANCIAL LIABILITIES						
Borrowed funds	1,278,600	10,032,532	32,601	9,943,296	70,954,568	**92,241,597**
Subordinated debt	93,221	-	-	-	5,326,891	**5,420,112**
Liabilities on subsidy programs	4,448,488	-	-	-	-	**4,448,488**
Deferred revenue/ Guarantee liabilities	904,696	-	-	-	-	**904,696**
Other financial liabilities	85,616	-	-	-	-	**85,616**
Total financial liabilities	**6,810,621**	**10,032,532**	**32,601**	**9,943,296**	**76,281,459**	**103,100,509**
Credit related commitments	**9,978,279**	-	-	-	-	**9,978,279**

26 Contingencies and Commitments

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

Tax legislation. Kazakhstan tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Fund may be challenged by the relevant authorities. The Kazakhstani tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years 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 borrowing to Asian Development Banks. The Fund was in compliance with covenants as at 31 December 2013.

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 2013**	**31 December 2012**
Guarantees issued	6,370,913	5,195,674
Guarantees issued as collateral of loans	3,048,907	2,160,537
Undrawn credit lines	365,000	2,787,100
Less: Provision for credit related commitments	(230,849)	(165,032)
Total credit related commitments, net of provision	**9,553,971**	**9,978,279**

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

27 Fair Value of Financial Instruments

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 level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	2013	2012
(in thousands of Kazakhstani Tenge)	**Quoted price in an active market (Level 1)**	**Quoted price in an active market (Level 1)**
FINANCIAL ASSETS		
Securities at fair value through profit or loss		
- Kazakhstani government bonds	4,805,500	5,464,880
- Corporate bonds	4,752,815	5,183,039
- Reverse repurchase agreements	-	4,003,453
Investment securities available for sale		
- Corporate bonds	2,655,637	5,099,494
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	**12,213,952**	**19,750,866**

As at 31 December 2013 the Fund does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

27 Fair Value of Financial Instruments (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 are as follows:

	31 December 2013		
(in thousands of Kazakhstani Tenge)	**Level 1**	**Level 2**	**Carrying Value**
FINANCIAL ASSETS			
Cash and cash equivalents			
- Current accounts with banks	12,567,294	-	12,567,294
- Cash on hand	1,670	-	1,670
Due from financial institutions			
- Loans given to banks		131,771,226	131,771,226
- Placements with other banks with original maturities of more than three months	3,385,498	-	3,385,498
Due from Subsidy Programs			
- Due from Subsidy Programs	-	433,579	433,579
Loans and advances to customers			
- Loans to small and medium size entities	-	62,618	62,618
- Loans to microfinance organisations	-	38,876	38,876
- Net investments in finance lease	-	11,552	11,552
- Loans to employees	-	86,738	86,738
Other financial assets			
- Other	-	433,021	433,021
TOTAL ASSETS CARRIED AT AMORTISED COST	**15,954,462**	**132,837,610**	**148,792,072**
FINANCIAL LIABILITIES			
Borrower funds			
- Samruk-Kazyna JSC	-	51,147,788	51,147,788
- Asian Development Bank	-	22,198,052	22,198,052
- Municipal authorities	-	1,014,282	1,014,282
- Stressed Assets Fund JSC	-	1,275,909	1,275,909
- Ministry of Finance of the Republic of Kazakhstan	-	174,524	174,524
Subordinated debt			
- Subordinated debt	-	4,022,973	4,022,973
Liabilities on subsidy programs			
- Banks	-	4,404,398	4,404,398
- Municipal authorities	-	1,548,388	1,548,388
- Ministry of Economic Development and Trade of the Republic of Kazakhstan	-	2,067,815	2,067,815
Deferred Income and Liabilities on Financial Guarantees			
- Deferred income	-	788,484	788,484
- Financial guarantees	-	230,849	230,849
Other financial liabilities			
- Other	-	87,880	87,880
TOTAL LIABILITIES CARRIED AT AMORTISED COST	**-**	**88,961,342**	**88,961,342**

27 Fair Value of Financial Instruments (Continued)

	31 December 2012		
(in thousands of Kazakhstani Tenge)	**Level 1**	**Level 2**	**Carrying Value**
FINANCIAL ASSETS			
Cash and cash equivalents			
- Current accounts with banks	18,942,456	-	18,942,456
- Cash on hand	335	-	335
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	-	-	-
Due from financial institutions			
- Loans given to banks		134,112,497	134,112,497
- Placements with other banks with original maturities of more than three months	2,555,532	-	2,555,532
Due from Subsidy Programs			
- Due from Subsidy Programs	-	2,454,801	2,454,801
Loans and advances to customers			
- Loans to small and medium size entities	-	162,221	162,221
- Loans to microfinance organisations	-	74,661	74,661
- Net investments in finance lease	-	37,324	37,324
- Loans to employees	-	-	-
Other financial assets			
- Other	-	38,811	38,811
TOTAL ASSETS CARRIED AT AMORTISED COST	**21.498,323**	**136,880,315**	**158,377,638**
FINANCIAL LIABILITIES			
Borrower funds			
- Samruk-Kazyna JSC	-	67,217,437	67,217,437
- Asian Development Bank	-	22,088,747	22,088,747
- Municipal authorities	-	1,123,747	1,123,747
- Stressed Assets Fund JSC	-	1,640,455	1,640,455
- Ministry of Finance of the Republic of Kazakhstan	-	171,211	171,211
Subordinated debt			
- Subordinated debt	-	5,420,112	5,420,112
Liabilities on subsidy programs			
- Banks	-	3,591,851	3,591,851
- Municipal authorities	-	639,827	639,827
- Ministry of Economic Development and Trade of the Republic of Kazakhstan	-	216,810	216,810
Deferred Income and Liabilities on Financial Guarantees			
- Deferred income	-	739,664	739,664
- Financial guarantees	-	165,032	165,032
Other financial liabilities			
- Other	-	85,616	85,616
TOTAL LIABILITIES CARRIED AT AMORTISED COST	**-**	**103,100,509**	**103,100,509**

28 Fair Value of Financial Instruments (Continued)

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

	2013	2012
Cash and cash equivalents		
- Current accounts with banks	0.1 % to 7.0 % p.a.	0.5 % to 6.0 % p.a.
-Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	-	5.23 % to 13.0 % p.a.
Securities at fair value through profit or loss		
- Kazakhstani government bonds	3.2% to 5.8 % p.a.	3.2% to 5.8 % p.a.
- Corporate bonds	6.9 % to 13.0 % p.a.	6.0 % to 13.0 % p.a.
Due from financial institutions		
- Placements with other banks with original maturities of more than three months	8.05% to 9.0 % p.a.	8.75% to 9.0 % p.a.
- Loans given to banks	2.0 % to 9.35 % p.a.	2.0 % to 9.35 % p.a.
Loans and advances to customers		
- Loans to small and medium size entities	7.0 % to 12.5 % p.a.	7.0 % to 12.5 % p.a.
- Loans to microfinance organisations	6.0 % to 11.0 % p.a.	6.0 % to 11.0 % p.a.
- Net investments in finance lease	7.0 % to 10.0 % p.a.	7.0 % to 10.0 % p.a.
Investment securities available for sale		
- Corporate bonds	6.0 % to 8.2 % p.a.	4.8 % to 10.4 % p.a.
Other financial assets		
- Other	0 % p.a.	0 % p.a.
Borrower funds		
- Samruk-Kazyna JSC	2 % to 6.5 % p.a.	2% to 7.0 % p.a.
- Asian Development Bank	4.99 % p.a.	4.99 % p.a.
- Municipal authorities	1 % to 7.42% p.a.	1 % to 7.42% p.a.
- Stressed Assets Fund JSC	1.00 % p.a.	1.00 % p.a.
- Ministry of Finance of the Republic of Kazakhstan	5 % to 7.0 % p.a.	5 % to 7.0 % p.a.
Subordinated debt		
- Subordinated debt	7.0 % p.a.	7.0 % p.a.
Liabilities on subsidy programs		
- Municipal authorities	0 % p.a.	0 % p.a.
- Ministry of Economic Development and Trade of the Republic of Kazakhstan	0 % p.a.	0 % p.a.
Deferred Income and Liabilities on Financial Guarantees		
- Deferred income	0 % p.a.	0 % p.a.
- Financial guarantees	0 % p.a.	0 % p.a.
Other financial liabilities		
- Other	0 % p.a.	0 % p.a.

28 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.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2013:

(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	12,567,294	-	-	**12,567,294**
- Cash on hand	1,670	-	-	**1,670**
Securities at fair value through profit or loss				
- Kazakhstani government bonds	-	-	4,805,500	**4,805,500**
- Corporate bonds	-	-	4,752,815	**4,752,815**
Due from financial institutions				
- Loans given to banks	131,771,226	-	-	**131,771,226**
- Placements with other banks with original maturities of more than three months	3,385,498	-	-	**3,385,498**
Due from Subsidy Programs				
-Due from Subsidy Programs	433,579	-	-	**433,579**
Loans and advances to customers				
- Loans to small and medium size entities	62,618	-	-	**62,618**
- Loans to microfinance organisations	38,876	-	-	**38,876**
- Net investments in finance lease	11,552	-	-	**11,552**
- Loans to employees	86,738	-	-	**86,738**
Investment securities available for sale				
- Corporate bonds	-	2,655,637	-	**2,655,637**
Other financial assets				
- Other	433,021	-	-	**433,021**
TOTAL FINANCIAL ASSETS	**148,792,072**	**2,655,637**	**9,558,315**	**161,006,024**

28 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2012:

(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	14,938,003	-	-	**14,938,003**
- Cash on hand	335	-	-	**335**
- Repurchase Agreements	4,003,453	-	-	**4,003,453**
Securities at fair value through profit or loss				
- Kazakhstani government bonds	-	-	5,464,880	**5,464,880**
- Corporate bonds	-	-	5,183,039	**5,183,039**
Due from financial institutions				
- Loans given to banks	2,555,532	-	-	**2,555,532**
- Placements with other banks with original maturities of more than three months	134,112,497	-	-	**134,112,497**
Due from Subsidy Programs				
-Due from Subsidy Programs	2,454,801	-	-	**2,454,801**
Loans and advances to customers				
- Loans to small and medium size entities	162,221	-	-	**162,221**
- Loans to microfinance organisations	74,661	-	-	**74,661**
- Net investments in finance lease	37,324	-	-	**37,324**
Investment securities available for sale				
- Corporate bonds	-	5,099,494	-	**5,099,494**
Other financial assets				
- Other	38,811	-	-	**38,811**
TOTAL FINANCIAL ASSETS	**158,377,638**	**5,099,494**	**10,647,919**	**174,125,051**

As at 31 December 2013 and 31 December 2012, all liabilities of the Fund are measure at amortized cost.

29 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.

29 Related Party Transactions (Continued)

At 31 December 2013, the outstanding balances with related parties were as follows:

(in thousands of Kazakhstani Tenge)	**Shareholder "Baiterek"**	**Entities under common control**	**Associates**	**Other related parties***
Cash and cash equivalents	-	198,398	-	694,246
Securities at fair value through profit or loss	-	-	-	6,936,772
Due from financial institutions	-	-	-	30,954,445
Due from subsidy programmes				389,189
Investment securities available for sale	-	-	-	538,633
Investments in associates	-	-	10,000	-
Other assets	-	-	-	5,509,761
Borrowed funds	-	1,275,909	-	52,336,594
Subordinated debt	-	-	-	4,022,973
Liabilities on subsidy programmes	-	16,270	-	4,169,976
Other liabilities	-	-	-	117,176

* In 2013- Group of companies "Samruk-Kazyna" and municipal authorities.

The income and expense items with related parties for 2013 were as follows:

(in thousands of Kazakhstani Tenge)	**Shareholder "Baiterek"**	**Entities under common control**	**Other related parties***
Interest income	-	-	3,113,472
Interest expense	-	14,056	3,570,345
Financial agent services	-	-	1,212,651
Recovery of impairment	-	-	-
General and administrative expenses	-	-	-

Aggregate amounts lent to and repaid by related parties during 2013 were:

(in thousands of Kazakhstani Tenge)	**Other related parties***
Amounts lent to related parties during the year	555,597
Amounts repaid by related parties during the year	11,649,928

At 31 December 2012, the outstanding balances with related parties were as follows:

(in thousands of Kazakhstani Tenge)	**Shareholder "Samruk-Kazyna"**	**Entities under common control**	**Associates**	**Other related parties**
Cash and cash equivalents	-	750,911	-	-
Securities at fair value through profit or loss	-	2,100,384	-	5,464,881
Due from financial institutions	-	41,113,492	-	1,647,692
Due from Subsidy Programs	-	-		2,454,801
Reverse repurchase agreements	-	-		4,003,453
Investment securities available for sale	-	558,242	-	-
Other assets	-	-	10,000	-
Borrowed funds	67,217,437	-	-	1,123,747
Subordinated debt	5,420,112	-	-	-
Liabilities on subsidy programmes	-	-	-	803,216
Other liabilities	-	-	-	53,421

29 Related Party Transactions (Continued)

The income and expense items with related parties for 2012 were as follows:

(in thousands of Kazakhstani Tenge)	**Shareholder "Samruk-Kazyna"**	**Entities under common control**
Interest income	-	3,509,629
Interest expense	(5,268,513)	(75,641)
Recovery of impairment	-	-
General and administrative expenses	-	(82,482)

Aggregate amounts lent to and repaid by related parties during 2012 were:

(in thousands of Kazakhstani Tenge)	**Entities under common control**
Amounts lent to related parties during the year	595,603
Amounts repaid by related parties during the year	11,473,799

Key management compensation is presented below:

(in thousands of Kazakhstani Tenge)	**2013**	**2012**
Short-term benefits:		
- Salaries	112,105	93,619
- Short-term bonuses	87,701	6,700
- Other cash payments	2,232	5,888
- Benefits in-kind	2,368	1,496
Total	**204,405**	**107,703**

30 Events After the End of the Reporting Period

On 11 February 2014 National Bank of Republic of Kazakhstan stopped supporting the Tenge exchange rate and decreased currency interventions. As a result, the exchange rate depreciated to 185 Tenge for 1 USD or approximately 19%. This situation hasn't caused any material effect on the Fund's financial position, as the Fund did not have significant open foreign currency positions.