



**Damu Entrepreneurship Development Fund JSC**

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

**31 December 2014**

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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 2014 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.



## INDEPENDENT AUDITOR'S REPORT (continued)

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### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fund as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

2 March, 2015  
Almaty, Kazakhstan

Approved by:

*Dana Inkarbekova*

Dana Inkarbekova  
Managing Director of PricewaterhouseCoopers LLP  
(General State License of the Ministry of Finance  
of the Republic of Kazakhstan №00000005 dated 21  
October 1999)

Signed by:

*Derek Clark*

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*

Aigule Akhmetova  
Auditor in charge  
(Qualified Auditor's Certificate №000000083  
dated 27 August 2012)

**Damu Entrepreneurship Development Fund JSC**  
**Statement of Financial Position**

<i>In thousands of Kazakhstani Tenge</i>	<i>Note</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>ASSETS</b>			
Cash and cash equivalents	7	20,831,371	12,568,964
Securities at fair value through profit or loss	8	9,605,641	9,558,315
Due from financial institutions	9	177,779,614	135,156,724
Due from subsidy programs		38,552	433,579
Loans and advances to customers	10	104,792	199,783
Investment securities available for sale	11	2,538,843	2,655,637
Premises and equipment	12	2,657,308	2,233,205
Intangible assets		203,724	117,419
Current income tax asset		5,271,880	4,832,780
Deferred income tax asset	26	440,574	676,981
Other assets	13	3,581,645	895,815
<b>TOTAL ASSETS</b>		<b>223,053,944</b>	<b>169,329,202</b>
<b>LIABILITIES</b>			
Borrowed funds	14	124,495,453	75,810,555
Subordinated debt	15	-	4,022,973
Liabilities on subsidy programs	16	6,047,164	8,020,601
Deferred income and provision for credit related commitments	17	8,927,402	1,019,333
Other liabilities	18	441,184	385,820
<b>TOTAL LIABILITIES</b>		<b>139,911,203</b>	<b>89,259,282</b>
<b>EQUITY</b>			
Share capital	19	72,920,273	72,920,273
Additional paid-in-capital		834,527	834,527
Revaluation reserve for investment securities available for sale		5,447	27,460
Other reserves		316,430	316,430
Retained earnings		9,066,064	5,971,230
<b>TOTAL EQUITY</b>		<b>83,142,741</b>	<b>80,069,920</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>223,053,944</b>	<b>169,329,202</b>

Approved for issue and signed on 2 March 2015.

Ms. Lyazzat Ibragimova  
Chairman of the Board



Ms. Aigul Kusaiynova  
Chief Accountant

**Damu Entrepreneurship Development Fund JSC**  
**Statement of Profit or Loss and Other Comprehensive Income**

<i>In thousands of Kazakhstani Tenge</i>	<b>Note</b>	<b>2014</b>	<b>2013</b>
Interest income	20	12,550,795	11,156,954
Interest expense	20	(5,062,080)	(4,829,544)
<b>Interest income, net</b>		<b>7,488,715</b>	<b>6,327,410</b>
Recovery of provision for impairment of loans and advances to customers and amounts due from financial institutions	9,10	612,366	307,685
<b>Net interest income after provision for loan portfolio impairment</b>		<b>8,101,081</b>	<b>6,635,095</b>
Fee and commission income	21	2,529,635	1,858,588
Gains less losses from financial derivatives	22	1,461,340	-
Gains less losses from securities at fair value through profit or loss		129,340	(26,188)
Net loss on initial recognition of financial instruments at rates below market	23	(1,462,112)	-
Foreign exchange translation gains less losses		(56,643)	(4,025)
Provision for impairment of other assets and credit related commitments		(116,458)	(26,037)
Recovery of impairment of investment securities available for sale		2,147	19,861
Other operating income	24	102,153	80,864
General and administrative expenses	25	(5,141,595)	(3,920,936)
<b>Profit before tax</b>		<b>5,548,888</b>	<b>4,617,222</b>
Income tax expense	26	(1,407,468)	(1,129,214)
<b>PROFIT FOR THE YEAR</b>		<b>4,141,420</b>	<b>3,488,008</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Available for sale investments:			
- Gains less losses arising during the year		(19,866)	192,527
- Gains less losses reclassified to profit or loss upon disposal or impairment		(2,147)	(19,861)
<b>Other comprehensive income for the year</b>		<b>(22,013)</b>	<b>172,666</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>4,119,407</b>	<b>3,660,674</b>

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

**Damu Entrepreneurship Development Fund JSC**  
**Statement of Changes in Equity**

	Share capital	Additional paid-in-capital	Revaluation reserve for investment securities available for sale	Other reserves	Retained earnings	Total
<i>In thousands of Kazakhstani Tenge</i>						
<b>Balance at 1 January 2013</b>	<b>72,920,273</b>	<b>250,240</b>	<b>(145,206)</b>	<b>316,430</b>	<b>3,520,082</b>	<b>76,861,819</b>
Profit for the year	-	-	-	-	3,488,008	3,488,008
Other comprehensive income	-	-	172,666	-	-	172,666
Total comprehensive income for the year	-	-	172,666	-	3,488,008	3,660,674
Additional paid-in-capital	-	584,287	-	-	-	584,287
Dividends paid	-	-	-	-	(1,036,860)	(1,036,860)
<b>Balance at 31 December 2013</b>	<b>72,920,273</b>	<b>834,527</b>	<b>27,460</b>	<b>316,430</b>	<b>5,971,230</b>	<b>80,069,920</b>
Profit for the year	-	-	-	-	4,141,420	4,141,420
Other comprehensive income	-	-	(22,013)	-	-	(22,013)
Total comprehensive income for the year	-	-	(22,013)	-	4,141,420	4,119,407
Dividends paid	-	-	-	-	(1,046,586)	(1,046,586)
<b>Balance at 31 December 2014</b>	<b>72,920,273</b>	<b>834,527</b>	<b>5,447</b>	<b>316,430</b>	<b>9,066,064</b>	<b>83,142,741</b>

The notes set out on pages 5 to 52 form an integral part of these financial statements.

**Damu Entrepreneurship Development Fund JSC**  
**Statement of Cash Flows**

<i>In thousands of Kazakhstani Tenge</i>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Interest received	9,797,407	10,423,888
Interest paid	(3,394,628)	(4,250,026)
Fees and commissions received	1,570,206	1,565,387
Other operating income received	98,194	123,591
Recovery of loans to customers previously written-off	358,271	73,385
Staff costs paid	(1,770,930)	(1,968,708)
Administrative and other operating expenses paid	(1,472,800)	(2,130,966)
Income tax paid	-	(553,453)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>5,185,720</b>	<b>3,283,098</b>
<i>Net (increase)/decrease in:</i>		
- securities at fair value through profit or loss	197,170	1,189,678
- due from financial institutions	(141,509,617)	1,673,645
- loans and advances to customers	274,413	293,781
- other assets	(1,625,497)	(555,885)
<i>Net increase/(decrease) in:</i>		
- other financial liabilities	(1,783,835)	5,719,640
- other liabilities	466,844	(652,970)
<b>Net cash (used in)/from operating activities</b>	<b>(138,794,802)</b>	<b>10,950,987</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal and redemption of investment securities available for sale	81,969	2,866,233
Proceeds from disposal of associates	1,700	-
Acquisition premises and equipment	(669,522)	(1,817,913)
Acquisition of intangible assets	(133,990)	(84,268)
<b>Net cash (used in)/from investing activities</b>	<b>(719,843)</b>	<b>964,052</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowed funds	172,646,140	4,000,000
Repayment of borrowed funds	(19,960,506)	(19,877,897)
Repayment of subordinated debt	(3,953,782)	(1,373,109)
Dividends paid	(1,046,586)	(1,036,860)
<b>Net cash from/(used in) financing activities</b>	<b>147,685,266</b>	<b>(18,287,866)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>91,786</b>	<b>-</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>8,262,407</b>	<b>(6,372,827)</b>
Cash and cash equivalents at the beginning of the year	12,568,964	18,941,791
<b>Cash and cash equivalents at the end of the year</b>	<b>20,831,371</b>	<b>12,568,964</b>

The notes set out on pages 5 to 52 form an integral part of these financial statements.



## **1 Introduction**

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

Prior to May 2013 the sole shareholder of the Fund was "Samruk-Kazyna" National Welfare Fund" JSC. In accordance with a Decree of the President No. 571 dated 22 May 2013 "Concerning Some Actions on the Optimisation of Management System by Development Institutions, Financial Organizations and National Economy Development" and a Decree of the Government No. 516 dated 25 May 2013 "Concerning Actions on the Implementation of Decree of the President of the Republic of Kazakhstan dated 22 May 2013", "Samruk-Kazyna" NWF JSC transferred ownership over the Fund to "Baiterek" National Managing Holding" JSC (the "Baiterek"). As at 31 December 2014 and 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 33.

**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 displays some characteristics inherent to emerging markets. 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 economy is especially sensitive to fluctuation in prices of mineral resources, particularly, of oil and gas. The tax, currency and customs legislation of the Republic of Kazakhstan continue to develop and are subject to varying interpretations. Refer to Note 28.

The Kazakhstan economy is highly connected with economy of the Russian Federation. The negative impact on the Russian economy, due to recent political and economic turmoil witnessed in Russian Federation region, in particular the developments in Ukraine, including current and future international sanctions against Russian companies may have a significant impact on the economy of Kazakhstan, the effect of which is difficult to predict. The Russian Rouble has significantly devalued starting from November 2014.

The remaining uncertainty and volatility of the financial markets and other risks could have negative impact on the Kazakhstan financial and corporate sector. The future economic and regulatory situation may differ from management's expectations. These prospects for future economic stability in Kazakhstan in 2015-2016 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 34.

The management is unable to predict both the degree and duration of changes in the Kazakhstan economy, or to estimate their possible influence on the financial position of the Fund in the future. The management believes it is taking all necessary measures for to support sustainability and growth of activity of the Fund in the current circumstances.

## **2 Operating Environment of the Fund (Continued)**

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%. The exchange rate has had minimal fluctuations since then.

## **3 Summary of Significant Accounting Policies**

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

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

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

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

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

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 31.

### **3 Summary of Significant Accounting Policies (Continued)**

*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.

**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.

### **3 Summary of Significant Accounting Policies (Continued)**

**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.

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.

### **3 Summary of Significant Accounting Policies (Continued)**

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.

**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.

### **3 Summary of Significant Accounting Policies (Continued)**

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

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

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

Securities lent to counterparties for a fixed fee are retained in the 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.

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

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

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

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

### **3 Summary of Significant Accounting Policies (Continued)**

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

	<u>Useful lives in years</u>
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

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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.

**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.

**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.

### **3 Summary of Significant Accounting Policies (Continued)**

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

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

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

**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.

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

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

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

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



### **3 Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

**Foreign currency translation.** 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 2014, the official rate of exchange used for translating foreign currency balances was the US dollar (USD) 1= Tenge 182.35 (31 December 2013: USD 1= Tenge 153.61). 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.

### **3 Summary of Significant Accounting Policies (Continued)**

**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.

**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:

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

**Impairment losses 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.

**Reversals of impairment provisions.** The Fund reversed loan impairment provisions of Tenge 612,366 thousand (2013: Tenge 307,685 thousand) primarily as a result of improvement in the financial condition of its borrowers.

**Fair value of derivatives and certain other instruments.** Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in Note 31.

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

**Initial recognition of related party transactions.** In the normal course of business the Fund enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 33.

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

During the reporting year the Fund received borrowed funds from its Parent, Baiterek, within a governmental program to support development of Small and Medium Entrepreneurship in Manufacturing Industry for Tenge 100 billion and Tenge 50 billion at a rate below market, 0.15%, for a twenty year term. Management applied its judgment in determining market rate, using yield to maturity of government bonds further extrapolated for twenty years using linear regression. The rates of 6.58% and 6.57% respectively were applied to determine the fair value of borrowings received. This led to a gain at initial recognition of Tenge 98,479,418 thousand on borrowed funds. Refer to Note 23.

Under the same government program those funds received were distributed to a certain Kazakh commercial banks carrying a 2% interest rate and a maturity of twenty years. The Management of the Fund used its judgment in determining market rates for each commercial bank, in which funds were allocated. The Management used specific credit risk for each bank based on their credit ratings applying released Credit Default Spread. Credit Default Spreads adjusted by basic rate of 6.07%, determined through yield for 10 year government bonds extrapolated for 20 years. This led to a loss at initial recognition of Tenge 99,941,530 thousand. Refer to Note 23.

In October 2014 the Fund received a loan from Asian Development Bank for the amount of USD 122 million with an interest rate of 0.57% and maturity in October 2019. Management of the Fund used judgement when assessing fair value of the borrowed funds. They concluded that the transaction is sufficiently unique as both the Fund and Asian Development Bank are development institutions and there are no similar transactions in the market. Following from this, they also concluded that the transaction in itself is a principal or most advantageous market and, hence, transaction price is fair value and no adjustments are required for the borrowed funds at their initial recognition.

#### **5 Adoption of New or Revised Standards and Interpretations**

The following new standards and interpretations became effective for the Fund from 1 January 2014:

**“Offsetting Financial Assets and Financial Liabilities” - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).** The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard did not have a material impact on the Fund.

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

**“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).** The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standard did not have a material impact on the Fund.

**IFRIC 21 – “Levies” (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).** The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation did not have a material impact on the Fund.

**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).** The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have a material impact on the Fund.

**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).** The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard did not have a material impact on 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 2015, and which the Fund has not early adopted.

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

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

## **6 New Accounting Pronouncements (Continued)**

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

***Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below).*** The improvements consist of changes to seven standards.

IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

## **6 New Accounting Pronouncements (Continued)**

**Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).** The improvements consist of changes to four standards.

The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

**Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).** In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

**IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017).** The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

**Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).** The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

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**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Current accounts with banks	10,828,658	12,567,294
Cash balances with the NBRK (other than mandatory reserve deposits)	10,001,908	-
Cash on hand	805	1,670
<b>Total cash and cash equivalents</b>	<b>20,831,371</b>	<b>12,568,964</b>

The Fund places funds received under Governmental programs to support development of Small and Medium Entrepreneurship in Manufacturing Industry on accounts at the NBRK. Cash balances with the NBRK mainly represent amounts not yet distributed under those programs. Refer to Note 14.

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings as follows at 31 December 2014 and 2013:

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2014 Balances in bank accounts on-demand</b>	<b>31 December 2013 Balances in bank accounts on-demand</b>
<i>Neither past due nor impaired</i>		
- National Bank of Kazakhstan	10,001,908	-
- BBB- to BBB+ rated	1,076,228	1,354,497
- BB- to BB+ rated	479,795	1,026,180
- B- to B+ rated	8,826,448	9,455,256
- CCC- to CCC+ rated	317,384	563,050
- Unrated	128,803	168,311
<b>Total cash and cash equivalents, excluding cash on hand</b>	<b>20,830,566</b>	<b>12,567,294</b>

Refer to Note 31 for disclosure of the fair value of cash and cash equivalents. Interest rate analysis of cash and cash equivalents is disclosed in Note 27. Information on related party balances is disclosed in Note 33. Cash and cash equivalent balances as at year end are neither past due nor impaired.

## **8 Securities at Fair Value through Profit or Loss**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Kazakhstan government bonds	4,826,571	4,805,500
Corporate bonds	4,779,070	4,752,815
<b>Total securities at fair value through profit or loss</b>	<b>9,605,641</b>	<b>9,558,315</b>

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.

## **8 Securities at Fair Value through Profit or Loss (Continued)**

Analysis by credit quality of securities designated at fair value through profit or loss outstanding at 31 December 2014 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Kazakhstan government bonds</b>	<b>Corporate bonds</b>	<b>Total</b>
<i>Neither past due nor impaired</i>			
- BBB- to BBB+ rated	4,826,571	2,325,024	7,151,595
- BB- to BB+ rated	-	1,592,016	1,592,016
- B- to B+ rated	-	862,030	862,030
<b>Total debt securities at fair value through profit or loss, neither past due nor impaired</b>	<b>4,826,571</b>	<b>4,779,070</b>	<b>9,605,641</b>

Analysis by credit quality of debt securities at fair value through profit or loss outstanding at 31 December 2013 was as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Kazakhstan government bonds</b>	<b>Corporate bonds</b>	<b>Total</b>
<i>Neither past due nor impaired</i>			
- BBB- to BBB+ rated	4,805,500	2,329,202	7,134,702
- BB- to B+ rated	-	1,535,575	1,535,575
- B- to B+ rated	-	888,038	888,038
<b>Total debt securities at fair value through profit or loss, neither past due nor impaired</b>	<b>4,805,500</b>	<b>4,752,815</b>	<b>9,558,315</b>

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. The debt securities are not collateralised.

Refer to Note 31 for disclosure of the fair value of securities at fair value through profit or loss. Interest rate analyses of securities at fair value through profit or loss are disclosed in Note 27. Information on securities at fair value through profit or loss issued by related parties is disclosed in Note 33.

## **9 Due from Financial Institutions**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Loans given to financial institutions	174,283,096	133,432,363
Placements with other banks with original maturities of more than three months	5,019,641	3,385,498
Less: Provision for loan portfolio impairment	(1,523,123)	(1,661,137)
<b>Total due from financial institutions</b>	<b>177,779,614</b>	<b>135,156,724</b>

In April and December 2014, within a governmental program to support development of Small and Medium Entrepreneurship in Manufacturing Industry, Tenge 100 billion and Tenge 40 billion respectively were distributed to a certain Kazakh commercial banks carrying a 2% interest rate and a maturity of twenty years. As interest rate is below the market loans were recognised at discount resulting in loss on initial recognition of Tenge 70,963,701 thousand and Tenge 28,977,829 thousand respectively. Refer to Note 23.

In October 2014 funds received from Asian Development Bank in the amount of Tenge 22,222,300 thousand were distributed to certain Kazakh commercial banks approved by the Government with an interest rate of 7% and maturity on October 2019 within Small and Medium Enterprise Investment Program – Tranche II. Refer to Note 14.



**9 Due from Financial Institutions (Continued)**

Amounts due from financial institutions are not collateralised. Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2014 is as follows:

	Loans given to financial institutions	Placements with other banks with original maturities of more than three months	Total
<i>In thousands of Kazakhstani Tenge</i>			
<i>Neither past due nor impaired</i>			
- BBB- to BBB+ rated	14,920,578	-	14,920,578
- BB- to BB+ rated	9,022,076	829,426	9,851,502
- B- to B+ rated	132,825,187	3,526,784	136,351,971
- CCC- to CCC+ rated	10,810,589	663,431	11,474,020
- Unrated	5,181,543	-	5,181,543
<b>Total neither past due nor impaired</b>	<b>172,759,973</b>	<b>5,019,641</b>	<b>177,779,614</b>
<i>Balances individually determined to be impaired</i>			
- over 360 days overdue	1,523,123	-	1,523,123
<b>Total individually impaired</b>	<b>1,523,123</b>	<b>-</b>	<b>1,523,123</b>
<b>Less provision for impairment</b>	<b>(1,523,123)</b>	<b>-</b>	<b>(1,523,123)</b>
<b>Total due from financial institutions</b>	<b>172,759,973</b>	<b>5,019,641</b>	<b>177,779,614</b>

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.

Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2013 is as follows:

	Loans given to financial institutions	Placements with other banks with original maturities of more than three months	Total
<i>In thousands of Kazakhstani Tenge</i>			
<i>Neither past due nor impaired</i>			
- BBB- to BBB+ rated	12,756,167	-	12,756,167
- BB- to BB+ rated	101,357	829,426	930,783
- B- to B+ rated	85,395,336	2,556,073	87,951,409
- CCC- to CCC+ rated	28,180,936	-	28,180,936
- Unrated	5,337,429	-	5,337,429
<b>Total neither past due nor impaired</b>	<b>131,771,225</b>	<b>3,385,499</b>	<b>135,156,724</b>
<i>Balances individually determined to be impaired</i>			
- over 360 days overdue	1,661,137	-	1,661,137
<b>Total individually impaired</b>	<b>1,661,137</b>	<b>-</b>	<b>1,661,137</b>
<b>Less provision for impairment</b>	<b>(1,661,137)</b>	<b>-</b>	<b>(1,661,137)</b>
<b>Total due from financial institutions</b>	<b>131,771,225</b>	<b>3,385,499</b>	<b>135,156,724</b>

## **9 Due from Financial Institutions (Continued)**

The primary factor that the Fund considers in determining whether a placement or loan is impaired is its overdue status. As a result, the Fund presents above an ageing analysis of placements and loans that are individually determined to be impaired.

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

<i>In thousands of Kazakhstani Tenge</i>	<b>2014 Loans given to financial institutions</b>	<b>2013 Loans given to financial institutions</b>
<b>Provision for impairment at 1 January</b>	<b>1,661,137</b>	<b>1,662,184</b>
Recovery of provision for impairment during the year	-	(1,047)
Amounts written off during the year as uncollectible	(138,014)	-
<b>Provision for impairment at 31 December</b>	<b>1,523,123</b>	<b>1,661,137</b>

Refer to Note 31 for the estimated fair value of each class of amounts due from financial institutions. Interest rate analysis of due from financial institutions is disclosed in Note 27. Information on related party balances is disclosed in Note 33.

## **10 Loans and Advances to Customers**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Loans to small and medium size entities	1,533,091	1,657,615
Loans to microfinance organisations	1,353,780	1,481,789
Net investments in finance lease	207,642	249,381
Loans to others	44,594	97,969
Less: Provision for loan impairment	(3,034,315)	(3,286,971)
<b>Total loans and advances to customers</b>	<b>104,792</b>	<b>199,783</b>

Movements in the provision for loan impairment during 2014 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Loans to small and medium size entities</b>	<b>Loans to microfinance organisations</b>	<b>Net investments in finance lease</b>	<b>Loans to others</b>	<b>Total</b>
<b>Provision for loan impairment at 1 January 2014</b>	<b>1,594,997</b>	<b>1,442,913</b>	<b>237,830</b>	<b>11,231</b>	<b>3,286,971</b>
Recovery of impairment during the year	(69,246)	(107,509)	(32,449)	(11,231)	(220,335)
Amounts written off during the year as uncollectible	(32,321)	-	-	-	(32,321)
<b>Provision for loan impairment at 31 December 2014</b>	<b>1,493,530</b>	<b>1,335,404</b>	<b>205,381</b>	<b>-</b>	<b>3,034,315</b>

The recovery of provision for impairment during 2014 differs from the amount presented in profit or loss for the year due to Tenge 392,031 thousand (2013: Tenge 63,818 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.

**10 Loans and Advances to Customers (Continued)**

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

<i>In thousands of Kazakhstani Tenge</i>	<b>Loans to small and medium size entities</b>	<b>Loans to microfinance organisations</b>	<b>Net investments in finance lease</b>	<b>Loans to others</b>	<b>Total</b>
<b>Provision for loan impairment at 1 January 2013</b>	<b>1,752,113</b>	<b>1,492,862</b>	<b>274,510</b>	<b>11,967</b>	<b>3,531,452</b>
Recovery of impairment during the year	(155,455)	(49,949)	(36,680)	(736)	(242,820)
Amounts written off during the year as uncollectible	(1,661)	-	-	-	(1,661)
<b>Provision for loan impairment at 31 December 2013</b>	<b>1,594,997</b>	<b>1,442,913</b>	<b>237,830</b>	<b>11,231</b>	<b>3,286,971</b>

Information about collateral at 31 December 2014 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Loans to small and medium size entities</b>	<b>Loans to microfinance organisations</b>	<b>Net investments in finance lease</b>	<b>Loans to others</b>	<b>Total</b>
Unsecured loans	7,157	949	1,331	-	9,437
Loans guaranteed by other parties, including credit insurance	1,416	-	-	-	1,416
Loans collateralised by:					
- residential real estate	3,265	12,622	-	44,594	60,481
- other real estate	11,973	2,109	-	-	14,082
- movable property	10,231	-	930	-	11,161
- other assets	5,519	2,696	-	-	8,215
<b>Total loans and advances to customers</b>	<b>39,561</b>	<b>18,376</b>	<b>2,261</b>	<b>44,596</b>	<b>104,792</b>

Information about collateral at 31 December 2013 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Loans to small and medium size entities</b>	<b>Loans to microfinance organisations</b>	<b>Net investments in finance lease</b>	<b>Loans to others</b>	<b>Total</b>
Unsecured loans	13,837	5,012	6,165	-	25,014
Loans guaranteed by other banks	1,530	-	-	-	1,530
Loans collateralised by:					
- residential real estate	26,383	33,864	667	86,738	147,652
- movable property	6,296	-	4,719	-	11,015
- other assets	14,572	-	-	-	14,572
<b>Total loans and advances to customers</b>	<b>62,618</b>	<b>38,876</b>	<b>11,551</b>	<b>86,738</b>	<b>199,783</b>

In the disclosure above the carrying value of loans was allocated based on weight of the assets taken as collateral.

**10 Loans and Advances to Customers (Continued)**

Analysis by credit quality of loans outstanding at 31 December 2014 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Loans to small and medium size entities</b>	<b>Loans to microfinance organisations</b>	<b>Net investments in finance lease</b>	<b>Loans to others</b>	<b>Total</b>
<i>Neither past due nor impaired</i>					
- Loans to small entities	-	-	2,261	-	2,261
- Loans to individuals	-	-	-	44,594	44,594
<b>Total neither past due nor impaired</b>	<b>-</b>	<b>-</b>	<b>2,261</b>	<b>44,594</b>	<b>46,855</b>
<i>Loans individually determined to be impaired (gross)</i>					
- 91 to 180 days overdue	-	-	-	-	-
- 181 to 360 days overdue	-	-	-	-	-
- over 360 days overdue	1,533,091	1,353,780	205,381	-	3,092,252
<b>Total individually impaired loans (gross)</b>	<b>1,533,091</b>	<b>1,353,780</b>	<b>205,381</b>	<b>-</b>	<b>3,092,252</b>
<b>Less impairment provisions</b>	<b>(1,493,530)</b>	<b>(1,335,404)</b>	<b>(205,381)</b>	<b>-</b>	<b>(3,034,315)</b>
<b>Total loans and advances to customers</b>	<b>39,561</b>	<b>18,376</b>	<b>2,261</b>	<b>22,594</b>	<b>104,792</b>

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

<i>In thousands of Kazakhstani Tenge</i>	<b>Loans to small and medium size entities</b>	<b>Loans to microfinance organisations</b>	<b>Net investments in finance lease</b>	<b>Loans to others</b>	<b>Total</b>
<i>Neither past due nor impaired</i>					
- Loans to small entities	135	4,754	11,169	9	16,067
- Loans to individuals	-	-	-	86,738	86,738
<b>Total neither past due nor impaired</b>	<b>135</b>	<b>4,754</b>	<b>11,169</b>	<b>86,747</b>	<b>102,805</b>
<i>Past due but not impaired</i>					
- 30 to 90 days overdue	904	-	-	-	904
<b>Total past due but not impaired</b>	<b>904</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>904</b>
<i>Loans individually determined to be impaired (gross)</i>					
- 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
<b>Total individually impaired loans (gross)</b>	<b>1,661,322</b>	<b>1,477,035</b>	<b>238,212</b>	<b>6,475</b>	<b>3,383,044</b>
<b>Less impairment provisions</b>	<b>(1,594,996)</b>	<b>(1,442,913)</b>	<b>(237,830)</b>	<b>(11,231)</b>	<b>(3,286,970)</b>
<b>Total loans and advances to customers</b>	<b>67,366</b>	<b>38,875</b>	<b>11,551</b>	<b>81,991</b>	<b>199,783</b>

## **10 Loans and Advances to Customers (Continued)**

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 31 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 27. Information on related party balances is disclosed in Note 33.

## **11 Investment Securities Available for Sale**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Corporate bonds	2,538,843	2,655,637
<b>Total investment securities available for sale</b>	<b>2,538,843</b>	<b>2,655,637</b>

Analysis by credit quality of debt securities outstanding at 31 December 2014 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>Corporate bonds</b>	<b>Corporate bonds</b>
<b><i>Neither past due nor impaired</i></b>		
- BB- to BB+ rated	1,994,698	2,037,361
- B- to B+ rated	544,145	538,636
- Unrated	-	79,640
<b>Total debt securities available for sale, neither past due nor impaired</b>	<b>2,538,843</b>	<b>2,655,637</b>

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 2,147 thousand (2013: impairment in the amount of Tenge 19,861 thousand) was recognized in statement of profit and loss and other comprehensive income.

Refer to Note 31 for disclosure of the fair value of investment securities available for sale. Interest rate analysis of investment securities available for sale is disclosed in Note 27. Information on related party balances is disclosed in Note 33.

**Damu Entrepreneurship Development Fund JSC**  
**Notes to the financial statements – 31 December 2014**

**12 Premises and Equipment**

	Note	Land and buildings	Office and computer equipment	Vehicles	Total
<i>In thousands of Kazakhstani Tenge</i>					
Cost at 1 January 2013		307,271	619,395	155,889	1,082,555
Accumulated depreciation		(212,344)	(283,368)	(37,200)	(532,912)
<b>Carrying amount at 1 January 2013</b>		<b>94,927</b>	<b>336,027</b>	<b>118,689</b>	<b>549,643</b>
Additions		1,449,736	263,779	104,399	1,817,914
Disposals		-	(33,192)	-	(33,912)
Depreciation charge	25	(7,313)	(90,014)	(31,773)	(129,100)
Accumulated depreciation disposal		-	27,940	-	27,940
<b>Carrying amount at 31 December 2013</b>		<b>1,537,350</b>	<b>504,540</b>	<b>191,315</b>	<b>2,233,205</b>
Cost at 31 December 2013		1,757,007	849,982	260,288	2,867,277
Accumulated depreciation		(219,657)	(345,442)	(68,973)	(634,072)
<b>Carrying amount at 31 December 2013</b>		<b>1,537,350</b>	<b>504,540</b>	<b>191,315</b>	<b>2,233,205</b>
Additions		102,575	556,947	-	669,522
Disposals		-	(6,565)	(59,615)	(66,180)
Depreciation charge	25	(17,322)	(163,618)	(36,699)	(217,639)
Accumulated depreciation disposal		-	4,679	33,721	38,400
<b>Carrying amount at 31 December 2014</b>		<b>1,622,603</b>	<b>905,983</b>	<b>128,722</b>	<b>2,657,308</b>
Cost at 31 December 2014		1,859,582	1,410,364	200,673	3,470,619
Accumulated depreciation		(236,979)	(504,381)	(71,951)	(813,311)
<b>Carrying amount at 31 December 2014</b>		<b>1,622,603</b>	<b>905,983</b>	<b>128,722</b>	<b>2,657,308</b>

**13 Other Assets**

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2014	31 December 2013
Accounts receivable		1,170,657	293,590
Other financial derivatives	30	1,461,340	-
Accounts receivable on guarantees		559,947	407,896
Less: Provision for impairment		(350,142)	(268,465)
<b>Total other financial assets within other assets</b>		<b>2,841,802</b>	<b>433,021</b>
Raw materials and supplies		269,534	241,874
Taxes other than on income		87,310	592
Services prepaid		43,355	32,343
Construction in progress		-	69,194
Other		379,218	140,353
Less: Provision for impairment		(39,574)	(21,562)
<b>Total other assets</b>		<b>3,581,645</b>	<b>895,815</b>

Other financial derivatives represent net balance on currency swap transactions with other financial institutions. Refer to Note 22.

### 13 Other Assets (Continued)

Movements in the provision for impairment during 2014 and 2013 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>2014</b>	<b>2013</b>
Balance at the beginning of the year	290,027	265,118
Provision for impairment during the year	100,611	24,909
Amounts written off during the year as uncollectible	(922)	-
<b>Balance at the end of the year</b>	<b>389,716</b>	<b>290,027</b>

The provision for impairment of other assets during 2014 differs from the amount presented in profit or loss for the year due to Tenge 24,353 thousand (2013: Tenge 17,500 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.

As of 31 December 2014, included in other assets receivables of Tenge 389,716 thousand (31 December 2013: Tenge 290,027 thousand), all of which are overdue for more than one year. Refer to Note 31 for disclosure of the fair value of other financial assets. Information on related party balances is disclosed in Note 33.

### 14 Borrowed Funds

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Baiterek NMH JSC (6.55%-6.58%)	45,842,265	-
Asian Development Bank (0.57% - 4.99%)	44,527,451	22,198,052
Samruk-Kazyna NWF JSC (2% - 6.5%)	31,604,886	51,147,788
Distressed Assets Fund JSC (1%)	1,402,369	1,275,909
Municipal authorities (1% - 7.42%)	911,364	1,014,282
Ministry of Finance of the Republic of Kazakhstan (5% - 7%)	207,118	174,524
<b>Total borrowed funds</b>	<b>124,495,453</b>	<b>75,810,555</b>

In April and December 2014 the Fund received loans from its Parent, Baiterek, for the amount of Tenge 100 billion and Tenge 50 billion respectively, with an interest rate of 0.15% and maturity of twenty years in 2034. The borrowed funds have been received to be further distributed to a list of Kazakh commercial banks, approved by the Government for the purpose of governmental program of support for development of Small and Medium Entrepreneurship in Manufacturing Industries. As of 31 December 2014 the funds are utilised for Tenge 100 billion and Tenge 40 billion respectively. Refer to Notes 4 and 9.

The Fund recognised a gain on initial recognition of these borrowed funds for the amount of Tenge 70,347,832 thousand and Tenge 28,131,586 thousand respectively. Refer to Note 23.

As of 31 December 2014 the unutilised part of the loan received from the Parent in December 2014 was Tenge 10 billion. The gain on initial recognition in the amount of Tenge 7,032,896 thousand was reflected as deferred income until the funds would be distributed to commercial banks. Refer to Notes 17 and 34.

In October 2014 the Fund received a loan from Asian Development Bank for the amount of USD 122 million with an interest rate of 0.57% and maturity in October 2019. As of 31 December 2014 the borrowed funds have been fully distributed to approved Kazakh commercial banks. Refer to Notes 4 and 9.

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

Refer to Note 31 for disclosure of the fair value of each class of borrowed funds. Interest rate analysis of borrowed funds is disclosed in Note 27. Information on related party balances is disclosed in Note 33.

## **15 Subordinated Debt**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Samruk-Kazyna NWF JSC (7%)	-	4,022,973
<b>Total subordinated debt</b>	<b>-</b>	<b>4,022,973</b>

Subordinated debt consisted from 7% loans from the Samruk-Kazyna National Welfare Fund JSC which matured on 8 August 2014. The debt was fully settled by the Fund on maturity date. The loans from the Samruk-Kazyna were intended for local banks to support financing of small and medium-sized enterprises.

## **16 Liabilities on Subsidy Programs**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Banks	4,539,692	4,404,398
Municipal authorities	1,507,472	1,548,388
Ministry of Economic Development and Trade of the Republic of Kazakhstan	-	2,067,815
<b>Total liabilities on subsidy programs</b>	<b>6,047,164</b>	<b>8,020,601</b>

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

Refer to Note 31 for disclosure of the fair value of liabilities on subsidy programs. Information on related party balances is disclosed in Note 33.

## **17 Deferred Income and Provision for Credit Related Commitments**

<i>In thousands of Kazakhstani Tenge</i>	<b>Note</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Deferred income on loan received from the Parent		7,032,896	-
Deferred income		1,488,509	788,484
Financial guarantees (provision for credit related commitments)	28	405,997	230,849
<b>Total deferred income and provision for credit related commitments</b>		<b>8,927,402</b>	<b>1,019,333</b>

Deferred income on loan received from the Parent represents government grant (provided as part of the Tenge 50 billion borrowing) linked to specific loans provided on preferential terms and will be recognised in Statement of Profit and Loss and Other Comprehensive Income at the moment of distribution to commercial banks. Refer to Notes 14 and 34.

Fund issues financial guarantees under "Business Road Map 2020" program, initiated by the Government, to the small and medium sized entities. This program is subsidised by the Government (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 31 for disclosure of the fair value of liabilities on deferred income and provision for credit related commitments. Information on related party balances is disclosed in Note 33.



**Damu Entrepreneurship Development Fund JSC**  
**Notes to the financial statements – 31 December 2014**

**18 Other Liabilities**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Accounts payable	9,497	73,237
Accrued liabilities and other creditors	15,167	14,643
<b>Total financial liabilities within other liabilities</b>	<b>24,664</b>	<b>87,880</b>
Unused vacation reserve	138,664	136,667
Accrued employee benefit costs	119,374	9,801
Taxes payable other than on income	115,233	130,709
Advances received	43,249	7,907
Other	-	12,856
<b>Total other liabilities</b>	<b>441,184</b>	<b>385,820</b>

All of the above liabilities are expected to be settled within twelve months after the end of the period. Refer to Note 31 for disclosure of the fair value of other financial liabilities.

**19 Share Capital**

<i>In thousands of Kazakhstani Tenge except for number of shares</i>	<b>Number of outstanding shares (in thousands)</b>	<b>Ordinary shares</b>	<b>Total</b>
<b>At 31 December 2013</b>	<b>27,462</b>	<b>72,920,273</b>	<b>72,920,273</b>
New share issue	-	-	-
<b>At 31 December 2014</b>	<b>27,462</b>	<b>72,920,273</b>	<b>72,920,273</b>

At the Shareholders' meeting on 29 May 2014, the Fund declared dividends in respect of the year ended 31 December 2013, totalling to Tenge 1,046,586 thousand. The amount was paid to the shareholder on 27 June 2014.

**20 Interest Income and Expense**

<i>In thousands of Kazakhstani Tenge</i>	<b>2014</b>	<b>2013</b>
<b>Interest income</b>		
Due from financial institutions	11,186,650	9,547,896
Cash and cash equivalents	590,966	658,452
Securities at fair value through profit or loss	495,837	555,640
Investment securities available for sale	222,125	245,179
Loans and advances to customers	42,175	62,510
Fines and fees on loans and advances to customers	13,042	82,674
Amounts receivable under reverse repurchase agreements	-	4,603
<b>Total interest income</b>	<b>12,550,795</b>	<b>11,156,954</b>
<b>Interest expense</b>		
Borrowed funds	4,802,997	4,506,589
Subordinated debt	259,083	322,955
<b>Total interest expense</b>	<b>5,062,080</b>	<b>4,829,544</b>
<b>Net interest income</b>	<b>7,488,715</b>	<b>6,327,410</b>

## **21 Fee and Commission Income**

<i>In thousands of Kazakhstani Tenge</i>	<b>2014</b>	<b>2013</b>
Fee and commission income		
Financial agent services	1,646,772	1,190,853
Guarantees issued	847,583	610,512
Other	35,280	57,223
<b>Total fee and commission income</b>	<b>2,529,635</b>	<b>1,858,588</b>

Fee and commission income is comprised of commission income received from issued guarantees (see Note 17), agency fees received in connection with subsidy program (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" program.

## **22 Gains less Losses from Financial Derivatives**

In December 2014 the Fund entered into five-year fixed rate SWAP agreements with two commercial banks with a purpose to minimise currency risk related to US dollar borrowings from Asian Development Bank (Note 14). The Fund calculated the fair value of the SWAP at reporting date, resulting in fair value of derivatives and a gain in the amount of Tenge 1,461,340 thousand. When calculating fair value, the Fund utilised discounted cash flow model with risk-free rates for US dollars and Kazakhstani Tenge adjusted to Kazakhstan country risk premium. Refer to Note 30.

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

<i>In thousands of Kazakhstani Tenge</i>	<b>2014</b>	<b>2013</b>
Gain on initial recognition of borrowed funds at rate below market	98,479,418	-
Loss on initial recognition of due from financial institutions at rate below market	(99,941,530)	-
<b>Net loss on initial recognition of financial instruments at rates below market</b>	<b>(1,462,112)</b>	<b>-</b>

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

## **24 Other Operating Income**

<i>In thousands of Kazakhstani Tenge</i>	<b>2014</b>	<b>2013</b>
Income on operating lease	91,742	34,320
Fines and penalties	31,639	-
Loss of fixed assets disposals	(1,836)	(4,933)
Other	(19,392)	51,477
<b>Total other operating income</b>	<b>102,153</b>	<b>80,864</b>

## **25 General and Administrative Expenses**

<i>In thousands of Kazakhstani Tenge</i>	<b>2014</b>	<b>2013</b>
Staff costs	2,321,102	2,022,742
Realisation of Fund's programs*	1,365,000	816,789
Depreciation of premises and equipment	217,639	129,100
Repair and technical maintenance	205,378	128,370
Rent expense	167,129	124,894
Communication services	134,896	84,695
Business trip and representative expenses	109,917	155,510
Training	102,007	38,195
Legal and consulting services	69,333	152,685
Transportation expense	59,623	59,148
Bank charges	54,973	15,407
Amortisation of intangible assets	47,686	21,126
Security services	44,287	24,334
Insurance expenses	41,246	28,543
Utilities	39,558	17,109
Taxes other than on income	30,023	22,189
Materials	29,309	10,137
Stationery	27,280	14,469
Advertising and marketing services	7,517	30,005
Broker fees	5,582	6,088
Other	62,110	19,401
<b>Total</b>	<b>5,141,595</b>	<b>3,920,936</b>

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

## **26 Income Taxes**

### **(a) Components of income tax expense**

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

<i>In thousands of Kazakhstani Tenge</i>	<b>2014</b>	<b>2013</b>
Current tax expense	1,171,061	1,024,530
Deferred income tax expense	236,407	104,684
<b>Income tax expense for the year</b>	<b>1,407,468</b>	<b>1,129,214</b>

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

The income tax rate applied to most of the Fund's 2014 income is 20% (2013: 20%). A reconciliation between the expected and the actual taxation charge is provided below:

<i>In thousands of Kazakhstani Tenge</i>	<b>2014</b>	<b>2013</b>
<b>Profit before tax</b>	<b>5,548,888</b>	<b>4,617,222</b>
Theoretical tax charge at statutory rate (2014: 20%; 2013: 20%)	1,109,778	923,444
Tax effects of items which are not deductible or assessable for taxation purposes:		
- Income from Government securities, exempt from tax	(143,593)	(176,428)
- Non-taxable income on finance leasing	-	(12,906)
- Other non-taxable income	(37,088)	(20,402)
- Write-off of deferred tax asset due to change in tax legislation	179,226	-
- Other non-deductible expenses	174,601	154,350
- Adjustment of prior year tax expense estimate	124,544	261,156
<b>Income tax expense for the year</b>	<b>1,407,468</b>	<b>1,129,214</b>

## 26 Income Tax (Continued)

### (c) Deferred taxes analysed by type of temporary difference

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 2014 and 2013. The specified deferred tax assets were recorded in these financial statements.

Movements in temporary differences during the year ended 31 December 2014 are detailed below:

<i>In thousands of Kazakhstani Tenge</i>	1 January 2014	(Charged)/ credited to profit or loss	31 December 2014
<b>Tax effect of deductible/(taxable) temporary differences</b>			
Loans to customers	536,470	(44,028)	492,442
Fair valuation of financial instruments	-	292,422	292,422
Borrowings	179,226	(179,226)	-
Premises and equipment and intangible assets	(66,048)	(13,707)	(79,755)
Other financial derivatives	-	(292,268)	(292,268)
Other liabilities	27,333	400	27,733
<b>Net deferred tax asset</b>	<b>676,981</b>	<b>(236,407)</b>	<b>440,574</b>
Recognized deferred tax asset	743,029	69,568	812,597
Recognized deferred tax liability	(66,048)	(305,975)	(372,023)
<b>Net deferred tax asset</b>	<b>676,981</b>	<b>(236,407)</b>	<b>440,574</b>

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

<i>In thousands of Kazakhstani Tenge</i>	1 January 2013	(Charged)/ credited to profit or loss	31 December 2013
<b>Tax effect of deductible/(taxable) temporary differences</b>			
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
<b>Deferred tax asset, net</b>	<b>781,665</b>	<b>(104,684)</b>	<b>676,981</b>
Recognized deferred tax asset	807,976	(64,947)	743,029
Recognized deferred tax liability	(26,311)	(39,737)	(66,048)
<b>Net deferred tax asset</b>	<b>781,665</b>	<b>(104,684)</b>	<b>676,981</b>

## 27 Financial Risk Management

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

## **27 Financial Risk Management (Continued)**

**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 identify risk in good time; and
- To minimize losses and reduce current expenses on potential losses.

### **Risk management structure:**

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

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

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

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

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

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

## **27 Financial Risk Management (Continued)**

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

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

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

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

**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.

## 27 Financial Risk Management (Continued)

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.

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 2014:

<i>In thousands of Kazakhstani Tenge</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 6 months</b>	<b>From 6 to 12 months</b>	<b>More than 1 year</b>	<b>Total</b>
<b>31 December 2014</b>						
Total financial assets	12,849,834	8,501,884	2,969,928	17,283,958	153,904,430	195,510,034
Total financial liabilities	4,120,565	6,161,035	(629,395)	8,464,784	106,378,494	124,495,453
<b>Net interest sensitivity gap at 31 December 2014</b>	<b>8,729,269</b>	<b>2,340,849</b>	<b>3,599,353</b>	<b>8,819,174</b>	<b>47,525,936</b>	<b>71,014,581</b>
<b>31 December 2013</b>						
Total financial assets	12,714,873	11,094,698	3,002,751	16,267,957	114,423,329	157,503,608
Total financial liabilities	1,112,863	10,072,863	71,188	9,991,122	58,585,493	79,833,529
<b>Net interest sensitivity gap at 31 December 2013</b>	<b>11,602,010</b>	<b>1,021,835</b>	<b>2,931,563</b>	<b>6,276,835</b>	<b>55,837,836</b>	<b>77,670,079</b>

**Average interest rates.** The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2014 and 2013. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	<b>2014 Average effective interest rate</b>	<b>2013 Average effective interest rate</b>
<b>Interest bearing assets</b>		
Cash and cash equivalents	0.97%	3.06%
Securities at fair value through profit or loss	5.09%	5.84%
Due from financial institutions	9.04%	7.23%
Loans and advances to customers	10.58%	10.89%
Investment securities available for sale	8.63%	6.54%
Other financial assets	0%	0%
<b>Interest bearing liabilities</b>		
Borrowed funds	5.64%	5.34%
Subordinated debt	-	7.00%
Liabilities under subsidy programs	0%	0%
Deferred income and provision for credit related commitments	0%	0%
Other financial liabilities	0%	0%

## 27 Financial Risk Management (Continued)

**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 2014 and 2013 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	At 31 December 2014		At 31 December 2013	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
100 bp (2013: 100 bp) parallel increase	(366,270)	(27,624)	776,701	621,361
100 bp (2013: 100 bp) parallel decrease	366,270	27,624	(776,701)	(621,361)

**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 2014:

<i>In thousands of Kazakhstani Tenge</i>	KZT	USD	Total
<b>FINANCIAL ASSETS</b>			
Cash and cash equivalents	20,831,176	195	20,831,371
Securities at fair value through profit or loss	9,605,641	-	9,605,641
Due from financial institutions	177,779,614	-	177,779,614
Due from subsidy programs	38,552	-	38,552
Loans and advances to customers	104,792	-	104,792
Investment securities available for sale	2,538,843	-	2,538,843
Other financial assets	1,369,333	1,472,469	2,841,802
<b>Total financial assets</b>	<b>212,267,951</b>	<b>1,472,664</b>	<b>213,740,615</b>
<b>FINANCIAL LIABILITIES</b>			
Borrowed funds	102,074,501	22,420,952	124,495,453
Subordinated debt	-	-	-
Liabilities under subsidy programs	6,047,164	-	6,047,164
Deferred income and provision for credit related commitments	8,923,549	-	8,923,549
Other financial liabilities	24,664	-	24,664
<b>Total financial liabilities</b>	<b>117,069,878</b>	<b>22,420,952</b>	<b>139,490,830</b>
<b>Net position as at 31 December 2014</b>	<b>95,198,073</b>	<b>(20,948,288)</b>	<b>74,249,785</b>



## 27 Financial Risk Management (Continued)

The following table shows the currency structure of financial assets and liabilities as at 31 December 2013:

<i>In thousands of Kazakhstani Tenge</i>	<b>KZT</b>	<b>USD</b>	<b>Total</b>
<b>FINANCIAL ASSETS</b>			
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
Due from subsidy programs	433,579	-	433,579
Loans and advances to customers	199,783	-	199,783
Investment securities available for sale	2,655,637	-	2,655,637
Other financial assets	433,021	-	433,021
<b>Total financial assets</b>	<b>161,006,023</b>	<b>-</b>	<b>161,006,023</b>
<b>FINANCIAL LIABILITIES</b>			
Borrowed funds	75,636,082	174,473	75,810,555
Subordinated debt	4,022,973	-	4,022,973
Liabilities under subsidy programs	8,020,601	-	8,020,601
Deferred income and provision for credit related commitments	1,019,333	-	1,019,333
Other financial liabilities	87,880	-	87,880
<b>Total financial liabilities</b>	<b>88,786,869</b>	<b>174,473</b>	<b>88,961,342</b>
<b>Net position as at 31 December 2013</b>	<b>72,219,154</b>	<b>(174,473)</b>	<b>72,044,681</b>

A strengthening of the Tenge, as indicated below, against the following currencies at 31 December 2014 and 2013 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 Note 30.

<i>In thousands of Kazakhstani Tenge</i>	<b>At 31 December 2014</b>		<b>At 31 December 2013</b>	
	<b>Impact on profit or loss</b>	<b>Impact on equity</b>	<b>Impact on profit or loss</b>	<b>Impact on equity</b>
US Dollar strengthening by 20% (2013: strengthening by 20%)	(228,960)	(228,960)	(34,894)	(34,895)
US Dollar weakening by 20% (2013: by weakening by 20%)	228,960	228,960	34,894	34,895

**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.

## **27 Financial Risk Management (Continued)**

The rules of credit risk management covers the following areas:

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

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. The Fund reviews the ageing analysis of outstanding loans and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk as disclosed in Notes 9, 11, 13 and 14.

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

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

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

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

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

## **27 Financial Risk Management (Continued)**

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

The liquidity management policy of the Fund requires:

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

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

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

**27 Financial Risk Management (Continued)**

The maturity analysis for financial liabilities as at 31 December 2014 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Demand and less than 1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>Over 1 year</b>	<b>Total</b>
<b>31 December 2014</b>						
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents	20,831,371	-	-	-	-	20,831,371
Securities at fair value through profit or loss	154,000	1,500,780	-	839,472	7,111,389	9,605,641
Due from financial institutions	7,286,057	7,242,141	3,368,797	17,254,622	241,776,597	276,928,214
Due from subsidy programs	38,552	-	-	-	-	38,552
Loans and advances to customers	59,031	657	510	-	44,594	104,792
Investment securities available for sale	54,058	-	-	-	2,484,785	2,538,843
Gross settled swaps and forwards:						
- inflows	-	-	-	-	23,578,206	23,578,206
- outflows	-	-	(637)	(1,827)	(22,114,402)	(22,116,866)
Other financial assets	1,380,462	-	-	-	-	1,380,462
<b>Total financial assets</b>	<b>29,803,531</b>	<b>8,743,578</b>	<b>3,368,670</b>	<b>18,092,267</b>	<b>252,881,169</b>	<b>312,889,215</b>
<b>FINANCIAL LIABILITIES</b>						
Borrowed funds	3,912,087	7,154,386	625,579	10,994,731	214,889,233	237,576,016
Subordinated debt	-	-	-	-	-	-
Liabilities on subsidy programs	6,047,164	-	-	-	-	6,047,164
Deferred income and provision for credit related commitments	8,923,549	-	-	-	-	8,923,549
Gross loan commitments	-	-	-	250,000	-	250,000
Financial guarantees	-	235,656	442,236	440,655	8,502,067	9,620,614
Other financial liabilities	24,664	-	-	-	-	24,664
<b>Total potential future payments for financial obligations</b>	<b>18,907,464</b>	<b>7,390,042</b>	<b>1,067,815</b>	<b>11,685,386</b>	<b>223,391,300</b>	<b>262,442,007</b>
<b>Liquidity gap arising from financial instruments</b>	<b>10,896,067</b>	<b>1,353,536</b>	<b>2,300,855</b>	<b>6,406,881</b>	<b>29,489,869</b>	<b>50,447,208</b>

## 27 Financial Risk Management (Continued)

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

<i>In thousands of Kazakhstani Tenge</i>	<b>Demand and less than 1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>Over 1 year</b>	<b>Total</b>
<b>31 December 2013</b>						
<b>FINANCIAL ASSETS</b>						
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	102,316,923	135,156,724
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
<b>Total financial assets</b>	<b>16,217,287</b>	<b>11,094,699</b>	<b>3,200,681</b>	<b>23,072,031</b>	<b>107,421,325</b>	<b>161,006,023</b>
<b>FINANCIAL LIABILITIES</b>						
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 income and provision for credit related commitments	1,019,333	-	-	-	-	1,019,333
Other financial liabilities	87,880	-	-	-	-	87,880
<b>Total financial liabilities</b>	<b>10,240,676</b>	<b>10,072,863</b>	<b>71,188</b>	<b>9,991,122</b>	<b>58,585,493</b>	<b>88,961,342</b>
<b>Credit related commitments</b>	<b>9,553,971</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,553,971</b>

## 28 Contingencies and Commitments

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

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

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

## **28 Contingencies and Commitments (Continued)**

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 2014.

**Credit related commitments.** The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Fund will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Fund is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Fund monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Guarantees issued	9,620,613	6,370,913
Guarantees issued as collateral of loans	-	3,048,907
Undrawn credit lines	250,000	365,000
Less: Provision for credit related commitments	(405,997)	(230,849)
<b>Total credit related commitments, net of provision</b>	<b>9,464,616</b>	<b>9,553,971</b>

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

Movements in provisions for credit related commitments are as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>2014</b>	<b>2013</b>
<b>Carrying amount at 1 January</b>	<b>230,849</b>	<b>165,032</b>
Initial recognition of issued financial guarantees	134,948	47,189
Losses charged to profit or loss	291,117	26,583
Unused amounts reversed	(250,917)	(7,935)
<b>Carrying amount at 31 December</b>	<b>405,997</b>	<b>230,849</b>

## 29 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2014:

	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Net amount of exposure
<i>In thousands of Kazakhstani Tenge</i>	(a)	(b)	(c) = (a) - (b)	
<b>ASSETS</b>				
<b>Other financial assets:</b>				
- Other financial derivatives	23,578,206	22,116,866	1,461,340	1,461,340
<b>TOTAL ASSETS SUBJECT TO OFFSETTING</b>	<b>23,578,206</b>	<b>22,116,866</b>	<b>1,461,340</b>	<b>1,461,340</b>

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting.

In 2013 the Fund had no financial instruments subject to offsetting, enforceable master netting and similar arrangements.

## 30 Derivative Financial Instruments

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

		2014		2013	
<i>In thousands of Kazakhstani Tenge</i>	Note	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
<b>Foreign exchange forwards and swaps: fair values, at the end of the reporting period, of</b>	<b>27</b>				
- USD receivable on settlement (+)		23,578,206	-	-	-
- Tenge payable on settlement (-)		(22,116,866)	-	-	-
<b>Net fair value of foreign exchange forwards and swaps</b>	<b>13</b>	<b>1,461,340</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

### 31 Fair Value Disclosures

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

#### (a) Recurring fair value measurements

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

<i>In thousands of Kazakhstani Tenge</i>	2014		2013	
	Level 1	Level 2	Level 1	Level 2
<b>FINANCIAL ASSETS</b>				
<b>Securities at fair value through profit or loss</b>				
- Kazakhstani government bonds	-	4,826,571	4,805,500	-
- Corporate bonds	-	4,779,070	4,752,815	-
<b>Investment securities available for sale</b>				
- Corporate bonds	-	2,538,843	2,655,637	-
<b>Other financial assets</b>				
Other financial derivatives	-	1,461,340	-	-
<b>TOTAL ASSETS</b>				
<b>RECURRING FAIR VALUE MEASUREMENTS</b>	-	13,605,824	12,213,952	-

The securities at fair value through profit or loss and investment securities available for sale were reported as level 1 instrument in the above analysis at 31 December 2013. Due to the deterioration of financial markets liquidity in 2014, they were reclassified and reported as level 2 instruments in the above analysis at 31 December 2014.

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



**31 Fair Value Disclosures (Continued)**

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

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

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2014</b>	
	<b>Level 1</b>	<b>Level 2</b>
<b>FINANCIAL ASSETS</b>		
<b>Cash and cash equivalents</b>		
- Current accounts with banks	10,828,658	-
- Cash balances with the NBRK (other than mandatory reserve deposits)	10,001,908	-
- Cash on hand	805	-
<b>Due from financial institutions</b>		
- Loans given to financial institutions	-	172,759,973
- Placements with other banks with original maturities of more than three months	5,019,641	-
<b>Due from subsidy programs</b>		
- Due from subsidy programs	-	38,552
<b>Loans and advances to customers</b>		
- Loans to small and medium size entities	-	39,561
- Loans to microfinance organisations	-	18,376
- Net investments in finance lease	-	2,261
- Loans to others	-	44,594
<b>Other financial assets</b>		
- Other	-	1,380,462
<b>TOTAL ASSETS CARRIED AT AMORTISED COST</b>	<b>25,851,012</b>	<b>174,283,779</b>
<b>FINANCIAL LIABILITIES</b>		
<b>Borrowed funds</b>		
- Baiterek NMH JSC	-	45,842,265
- Asian Development Bank	-	44,527,451
- Samruk-Kazyna NWF JSC	-	31,604,886
- Municipal authorities	-	1,402,369
- Stressed Assets Fund JSC	-	911,364
- Ministry of Finance of the Republic of Kazakhstan	-	207,118
<b>Subordinated debt</b>		
- Subordinated debt	-	-
<b>Liabilities on subsidy programs</b>		
- Banks	-	4,539,692
- Municipal authorities	-	1,507,472
- Ministry of Economic Development and Trade of the Republic of Kazakhstan	-	-
<b>Deferred income and provision for credit related commitments</b>		
- Deferred income on loan received from the Parent	-	7,032,896
- Deferred income	-	1,488,509
- Financial guarantees	-	405,997
<b>Other financial liabilities</b>		
- Other	-	24,664
<b>TOTAL LIABILITIES CARRIED AT AMORTISED COST</b>	<b>-</b>	<b>139,494,683</b>

**31 Fair Value Disclosures (Continued)**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2013</b>	
	<b>Level 1</b>	<b>Level 2</b>
<b>FINANCIAL ASSETS</b>		
<b>Cash and cash equivalents</b>		
- Cash balances with the NBRK (other than mandatory reserve deposits)	-	-
- Current accounts with banks	12,567,294	-
- Cash on hand	1,670	-
<b>Due from financial institutions</b>		
- Loans given to financial institutions	-	131,771,226
- Placements with other banks with original maturities of more than three months	3,385,498	-
<b>Due from subsidy programs</b>		
- Due from subsidy programs	-	433,579
<b>Loans and advances to customers</b>		
- Loans to small and medium size entities	-	62,618
- Loans to microfinance organisations	-	38,876
- Net investments in finance lease	-	11,551
- Loans to others	-	86,738
<b>Other financial assets</b>		
- Other	-	433,021
<b>TOTAL ASSETS CARRIED AT AMORTISED COST</b>	<b>15,954,462</b>	<b>132,837,609</b>
<b>FINANCIAL LIABILITIES</b>		
<b>Borrowed funds</b>		
- Baitek NMH JSC	-	-
- Asian Development Bank	-	22,198,052
- Samruk-Kazyna NWF JSC	-	51,147,788
- Municipal authorities	-	1,014,282
- Stressed Assets Fund JSC	-	1,275,909
- Ministry of Finance of the Republic of Kazakhstan	-	174,524
<b>Subordinated debt</b>		
- Subordinated debt	-	4,022,973
<b>Liabilities on subsidy programs</b>		
- Banks	-	4,404,398
- Municipal authorities	-	1,548,388
- Ministry of Economic Development and Trade of the Republic of Kazakhstan	-	2,067,815
<b>Deferred income and provision for credit related commitments</b>		
- Deferred income on loan received from the Parent	-	-
- Deferred income	-	788,484
- Financial guarantees	-	230,849
<b>Other financial liabilities</b>		
- Other	-	87,880
<b>TOTAL LIABILITIES CARRIED AT AMORTISED COST</b>	<b>-</b>	<b>88,961,342</b>

### 31 Fair Value Disclosures (Continued)

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

	2014	2013
<b>Cash and cash equivalents</b>		
- Current accounts with banks	0.1 % to 7.0 % p.a.	0.1 % to 7.0 % p.a.
<b>Securities at fair value through profit or loss</b>		
- Kazakhstani government bonds	3.2% to 5.8 % p.a.	3.2% to 5.8 % p.a.
- Corporate bonds	7.0 % to 13.0 % p.a.	6.9 % to 13.0 % p.a.
<b>Due from financial institutions</b>		
- Placements with other banks with original maturities of more than three months	8.1 % to 9.2 % p.a.	8.05% to 9.0 % p.a.
- Loans given to financial institutions	1.1% to 12.6 % p.a.	2.0 % to 9.35 % p.a.
<b>Loans and advances to customers</b>		
- 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.
<b>Investment securities available for sale</b>		
- Corporate bonds	8.0 % to 8.8 % p.a.	6.0 % to 8.2 % p.a.
<b>Other financial assets</b>		
- Other financial derivatives	-	-
- Other	-	-
<b>Borrowed funds</b>		
- Baiterek NMH JSC	6.6 % p.a.	-
- Asian Development Bank	0.6 % to 5.7 % p.a.	4.99 % p.a.
- Samruk-Kazyna NWF JSC	2 % to 6.5 % p.a.	2 % to 6.5 % p.a.
- Municipal authorities	1 % to 7.4 % p.a.	1 % to 7.42% p.a.
- Stressed Assets Fund JSC	1 % p.a.	1.0 % p.a.
- Ministry of Finance of the Republic of Kazakhstan	5 % to 7.0 % p.a.	5 % to 7.0 % p.a.
<b>Subordinated debt</b>		
- Subordinated debt	-	7.0 % p.a.
<b>Liabilities on subsidy programs</b>		
- Municipal authorities	-	-
- Ministry of Economic Development and Trade of the Republic of Kazakhstan	-	-
<b>Deferred income and provision for credit related commitments</b>		
- Deferred income on loan received from the Parent	-	-
- Deferred income	-	-
- Financial guarantees	-	-
<b>Other financial liabilities</b>		
- Other	-	-

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.

### 32 Presentation of Financial Instruments by Measurement Category

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2014:

	Loans and receivables	Available-for- sale assets	Assets designated at FVTPL	Total
<i>In thousands of Kazakhstani Tenge</i>				
<b>FINANCIAL ASSETS</b>				
<b>Cash and cash equivalents</b>				
- Current accounts with banks	10,828,658	-	-	10,828,658
- Cash balances with the NBRK (other than mandatory reserve deposits)	10,001,908	-	-	10,001,908
- Cash on hand	805	-	-	805
<b>Securities at fair value through profit or loss</b>				
- Kazakhstani government bonds	-	-	4,826,571	4,826,571
- Corporate bonds	-	-	4,779,070	4,779,070
<b>Due from financial institutions</b>				
- Loans given to financial institutions	172,759,973	-	-	172,759,973
- Placements with other banks with original maturities of more than three months	5,019,641	-	-	5,019,641
<b>Due from subsidy programs</b>				
- Due from subsidy programs	38,552	-	-	38,552
<b>Loans and advances to customers</b>				
- Loans to small and medium size entities	39,561	-	-	39,561
- Loans to microfinance organisations	18,376	-	-	18,376
- Net investments in finance lease	2,261	-	-	2,261
- Loans to others	44,594	-	-	44,594
<b>Investment securities available for sale</b>				
- Corporate bonds	-	2,538,843	-	2,538,843
<b>Other financial assets</b>				
- Other financial derivatives	-	-	1,461,340	1,461,340
- Other	1,380,462	-	-	1,380,462
<b>TOTAL FINANCIAL ASSETS</b>	<b>200,134,851</b>	<b>2,538,843</b>	<b>11,066,981</b>	<b>213,740,615</b>

**32 Presentation of Financial Instruments by Measurement Category (Continued)**

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

	Loans and receivables	Available-for- sale assets	Assets designated at FVTPL	Total
<i>In thousands of Kazakhstani Tenge</i>				
<b>FINANCIAL ASSETS</b>				
<b>Cash and cash equivalents</b>				
- Current accounts with banks	12,567,294	-	-	12,567,294
- Cash balances with the NBRK (other than mandatory reserve deposits)	-	-	-	-
- Cash on hand	1,670	-	-	1,670
<b>Securities at fair value through profit or loss</b>				
- Kazakhstani government bonds	-	-	4,805,500	4,805,500
- Corporate bonds	-	-	4,752,815	4,752,815
<b>Due from financial institutions</b>				
- Loans given to financial institutions	131,771,226	-	-	131,771,226
- Placements with other banks with original maturities of more than three months	3,385,498	-	-	3,385,498
<b>Due from subsidy programs</b>				
- Due from subsidy programs	433,579	-	-	433,579
<b>Loans and advances to customers</b>				
- Loans to small and medium size entities	62,618	-	-	62,618
- Loans to microfinance organisations	38,876	-	-	38,876
- Net investments in finance lease	11,551	-	-	11,551
- Loans to others	86,738	-	-	86,738
<b>Investment securities available for sale</b>				
- Corporate bonds	-	2,655,637	-	2,655,637
<b>Other financial assets</b>				
- Other financial derivatives	-	-	-	-
- Other	433,021	-	-	433,021
<b>TOTAL FINANCIAL ASSETS</b>	<b>148,792,071</b>	<b>2,655,637</b>	<b>9,558,315</b>	<b>161,006,023</b>

As at 31 December 2014 and 31 December 2013, all liabilities of the Fund are measured at amortized cost.

### 33 Related Party Transactions

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

At 31 December 2014, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Shareholder "Baiterek"	Entities under common control	Associates	Other related parties*
Cash and cash equivalents	-	83,209	-	10,001,908
Securities at fair value through profit or loss	-	-	-	7,151,595
Due from financial institutions	-	-	-	2,810,782
Due from subsidy programs	-	-	-	-
Investment securities available for sale	-	-	-	-
Investments in associates	-	-	8,000	-
Other assets	10,001	25,968	-	695,294
Borrowed funds	45,842,265	911,364	-	33,007,255
Subordinated debt	-	-	-	-
Liabilities on subsidy programs	-	-	-	1,561,033
Deferred income and provision for credit related commitments	7,032,896	-	-	1,653,533
Other liabilities	-	-	-	-

The income and expense items with related parties for 2014 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Shareholder "Baiterek"	Entities under common control	Other related parties*
Interest income	-	-	140,978
Interest expense	(1,414,995)	(10,384)	(2,400,533)
Financial agent services	-	48,638	1,598,134
Net gain/(loss) on initial recognition of financial instruments	98,479,418	-	(4,554,818)
Recovery of impairment	-	-	-
General and administrative expenses	-	(10,534)	(9)

Aggregate amounts lent to and repaid by related parties during 2014 were:

<i>In thousands of Kazakhstani Tenge</i>	Other related parties*
Amounts lent to related parties during the year	365,703
Amounts repaid by related parties during the year	10,546,965

### 33 Related Party Transactions (Continued)

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

<i>In thousands of Kazakhstani Tenge</i>	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 programs	-	-	-	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 programs	-	16,270	-	4,169,976
Deferred income and provision for credit related commitments	-	-	-	-
Other liabilities	-	-	-	117,176

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

<i>In thousands of Kazakhstani Tenge</i>	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
Fee and commission expense	-	-	-
Net gain/(loss) on initial recognition of financial instruments	-	-	-
Recovery of impairment	-	-	-
General and administrative expenses	-	-	-

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

<i>In thousands of Kazakhstani Tenge</i>	Other related parties*
Amounts lent to related parties during the year	555,597
Amounts repaid by related parties during the year	11,649,928

\* In 2013-2014 - group of companies "Samruk-Kazyna", municipal authorities and other entities controlled by the Government.

Key management compensation is presented below:

<i>In thousands of Kazakhstani Tenge</i>	2014	2013
Short-term benefits:		
- Salaries	108,162	112,105
- Short-term bonuses	113,828	87,701
- Other cash payments	-	2,232
- Benefits in-kind	6,044	2,368
<b>Total</b>	<b>228,034</b>	<b>204,406</b>

### **34 Events after the End of the Reporting Period**

On 19 January 2015 the Fund has fully utilised loan received from Parent in December 2014 in the amount of Tenge 50 billion for the purpose of governmental program of support for development of Small and Medium Entrepreneurship in Manufacturing Industries. The remaining amount of Tenge 10 billion has been distributed to Kazakh commercial banks approved by government.

Since mid-2014, world oil prices have fallen by more than 50 percent which has greatly affected the growth prospects of the oil-dependent economy of Kazakhstan. On 9 February 2015 Standard and Poor's has downgraded the country's foreign and local currency sovereign credit ratings from "BBB+" to "BBB" with a negative outlook. As the Fund is ultimately controlled by the Government of the Republic of Kazakhstan, the Fund's credit rating was downgraded by Standard and Poor's to 'BBB' from 'BBB+'.