



**Damu Entrepreneurship  
Development Fund JSC**

**Condensed Interim  
Financial Information (Unaudited)**

For the six months ended 30 June 2012

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## Damu Entrepreneurship Development Fund JSC

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

Management is responsible for the preparation of the condensed interim financial information that present fairly the financial position of Damu Entrepreneurship Development Fund JSC ("the Fund") as at 30 June 2012, and the results of its operations, cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

In preparing the condensed interim financial information, management is responsible for:


- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Fund's financial position and financial performance; and
- Making an assessment of the Fund's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Fund;
- Maintaining adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund, and which enable them to ensure that the financial statements of the Fund comply with IAS 34;
- Maintaining accounting records in compliance with the Republic of Kazakhstan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Fund; and
- Preventing and detecting fraud and other irregularities.

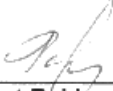
The condensed interim financial information of the Fund for the six months ended 30 June 2012 was approved by the Management Board on 8 August 2012.

On behalf of the Management Board:

  
Lyazzat Ibragimova  
Chairwoman of the Board

8 August 2012  
Almaty, Kazakhstan



  
Bakyt Rakhmatullina  
Chief Accountant

8 August 2012  
Almaty, Kazakhstan

The notes set out on pages 7 to 25 form an integral part of this condensed interim financial information.

## REPORT ON REVIEW OF THE CONDENSED INTERIM FINANCIAL INFORMATION

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

### Introduction

We have reviewed the accompanying condensed interim financial information of Damu Entrepreneurship Development Fund JSC ("the Fund") which comprises the condensed interim statement of financial position as at 30 June 2012 and the related condensed interim statement of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2012, and a summary of significant accounting policies and the selected explanatory notes. Management of the Fund is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34.

### Other Matter

The financial statements of the Fund for the year ended 31 December 2011, were audited by another auditor who expressed an unqualified opinion on those statements on 27 March 2012.

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8 August 2012  
Almaty, Kazakhstan

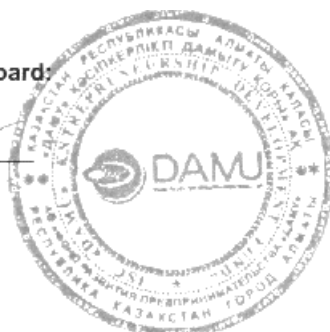
**Damu Entrepreneurship Development Fund JSC**  
**Condensed Interim Statement of Financial Position**

<i>In thousands of Kazakhstani Tenge</i>	Notes	30 June 2012 (unaudited)	31 December 2011 (audited)
<b>ASSETS</b>			
Cash and cash equivalents	6	24,636,127	9,758,144
Securities at fair value through profit or loss	7	9,441,119	9,328,978
Due from financial institutions	8	145,451,185	161,555,259
Due from subsidy programs	13	1,508,842	290,531
Loans and advances to customers	9	355,444	1,297,451
Investment securities available for sale	10	5,101,359	5,188,075
Investment in associates		10,000	10,000
Property, plant and equipment		494,396	566,472
Intangible assets		66,325	80,437
Current income tax assets		3,826,481	3,754,751
Deferred income tax asset	17	796,534	878,112
Other assets		372,920	288,464
<b>TOTAL ASSETS</b>		<b>192,060,732</b>	<b>192,996,674</b>
<b>LIABILITIES</b>			
Borrowed funds	11	99,943,124	128,675,362
Subordinated debt	12	13,227,500	13,227,500
Liabilities on subsidy programs	13	3,181,581	4,208,443
Deferred revenue and liability on financial guarantee	14	602,100	631,223
Other liabilities	15	303,209	310,207
<b>TOTAL LIABILITIES</b>		<b>117,257,514</b>	<b>147,052,735</b>
<b>EQUITY</b>			
Share capital	16	72,920,273	44,920,273
Other reserves		316,430	316,430
Revaluation reserve for investment securities available for sale		(168,997)	(466,652)
Retained earnings		1,735,512	1,173,888
<b>TOTAL EQUITY</b>		<b>74,803,218</b>	<b>45,943,939</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>192,060,732</b>	<b>192,996,674</b>

On behalf of the Management Board:

Lyazzat Ibragimova  
Chairman of the Board

8 August 2012  
Almaty, Kazakhstan



Bakyt Rakhmatullina  
Chief Accountant


8 August 2012  
Almaty, Kazakhstan

The notes set out on pages 7 to 25 form an integral part of this condensed interim financial information.

**Damu Entrepreneurship Development Fund JSC**  
**Condensed Interim Statement of Comprehensive Income**

<i>In thousands of Kazakhstani Tenge</i>	Notes	Six months ended June 2012 (unaudited)	June 2011 (unaudited)
Interest income	17	6,462,814	7,723,520
Interest expense	17	(3,731,353)	(4,697,976)
<b>Net interest income</b>		<b>2,731,461</b>	<b>3,025,544</b>
Recovery of provision for impairment of loans to customers and due from financial institutions	8,9	345,836	444,705
<b>Net interest income after provision for loan impairment</b>		<b>3,077,297</b>	<b>3,470,249</b>
Fee and commission income		211,983	69,283
Losses less gains from securities at fair value through profit or loss		124,247	(137,608)
Foreign exchange (loss)/gain, net		(3,159)	274
Recovery/(provision) for credit related commitments		179,587	(168,522)
Impairment gain/(loss) of investment securities available for sale		94	(109,078)
Other operating (expense)/income		(170,169)	149,361
Payroll expenses		(807,462)	(681,907)
General and administrative expenses		(373,259)	(510,708)
<b>Profit before tax</b>		<b>2,239,159</b>	<b>2,081,344</b>
Income tax expense	18	(638,989)	(667,607)
<b>Profit for the period</b>		<b>1,600,170</b>	<b>1,413,737</b>
<b>Other comprehensive income:</b>			
Available-for-sale investments:			
- Gains less losses arising during the period		297,655	265,709
<b>Other comprehensive income</b>		<b>297,655</b>	<b>265,709</b>
<b>Total comprehensive income for the period</b>		<b>1,897,825</b>	<b>1,679,446</b>

On behalf of the Management Board:

  
 Lyazzat Ibragimova  
 Chairman of the Board

8 August 2012  
 Almaty, Kazakhstan



  
 Bakyt Rakhmatullina  
 Chief Accountant


8 August 2012  
 Almaty, Kazakhstan

The notes set out on pages 7 to 25 form an integral part of this condensed interim financial information.

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


<i>In thousands of Kazakhstani Tenge</i>	Attributable to Shareholder of the Fund				
	Share capital	Revaluation reserve for available for sale securities	General reserve	Retained earnings	Total
<b>Balance at 1 January 2011</b>	<b>44,920,273</b>	<b>(578,084)</b>	<b>316,430</b>	<b>(180,492)</b>	<b>44,478,127</b>
Profit for the period	-	-	-	1,413,737	1,413,737
Other comprehensive income	-	265,709	-	-	265,709
<b>Total comprehensive income for the six months ended 30 June 2011</b>	<b>-</b>	<b>265,709</b>	<b>-</b>	<b>1,413,737</b>	<b>1,679,446</b>
Dividends declared for 2010	-	-	-	(2,107,440)	(2,107,440)
<b>Balance at 30 June 2011 (unaudited)</b>	<b>44,920,273</b>	<b>(312,375)</b>	<b>316,430</b>	<b>(874,195)</b>	<b>44,050,133</b>
<b>Balance at 1 January 2012</b>	<b>44,920,273</b>	<b>(466,652)</b>	<b>316,430</b>	<b>1,173,888</b>	<b>45,943,939</b>
Issue of ordinary shares	28,000,000	-	-	-	28,000,000
Profit for the period	-	-	-	1,600,170	1,600,170
Other comprehensive income	-	297,655	-	-	297,655
<b>Total comprehensive income for the six months ended 30 June 2012</b>	<b>28,000,000</b>	<b>297,655</b>	<b>-</b>	<b>1,600,170</b>	<b>29,897,825</b>
Dividends declared for 2011	-	-	-	(1,038,546)	(1,038,546)
<b>Balance at 30 June 2012 (unaudited)</b>	<b>72,920,273</b>	<b>(168,997)</b>	<b>316,430</b>	<b>1,735,512</b>	<b>74,803,218</b>

On behalf of the Management Board:

  
 Lyazzat Ibragimova  
 Chairman of the Board

8 August 2012  
 Almaty, Kazakhstan



  
 Bakyt Rakhmatullina  
 Chief Accountant

8 August 2012  
 Almaty, Kazakhstan

The notes set out on pages 7 to 25 form an integral part of this condensed interim financial information.

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

<i>In thousands of Kazakhstani Tenge</i>	Six months ended	
	30 June 2012 (unaudited)	30 June 2011 (unaudited)
<b>Cash flows from operating activities</b>		
Interest received	5,438,614	6,689,895
Interest paid	(3,579,003)	(5,150,825)
Commission received	256,517	67,789
Cash inflows from other operating activities	6,997	4,784
Recovery of loans to customers previously written-off	71,505	135,883
Payroll costs paid	(873,488)	(711,439)
General and administrative expenses paid	(457,049)	(498,431)
Income tax paid	(72)	-
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>864,021</b>	<b>537,656</b>
Net decrease in securities at fair value through profit or loss	473,431	3,131,829
Net decrease in due from financial institutions	16,145,288	13,651,004
Net decrease in loans and advances to customers	1,242,458	1,194,949
Net decrease/(increase) in other assets	53,701	(123,967)
Net increase in other liabilities	25,314	144,114
<b>Net cash from operating activities</b>	<b>18,804,213</b>	<b>18,535,585</b>
<b>Cash flows from investing activities</b>		
Acquisition of equipment	(10,357)	(60,361)
Acquisition of intangible assets	-	(7,774)
<b>Net cash used in investing activities</b>	<b>(10,357)</b>	<b>(68,135)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowed funds	-	100,000
Repayment of borrowed funds	(28,419,703)	(27,515,372)
Repayment of subordinate debt	(455,000)	(386,750)
Proceeds from subsidy programs	5,051,678	5,359,646
Repayments on subsidy programs	(7,054,302)	(2,554,365)
Dividends paid	(1,038,546)	(2,107,439)
Issue of ordinary shares	28,000,000	-
<b>Net cash used in financing activities</b>	<b>(3,915,873)</b>	<b>(27,104,280)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14,877,983</b>	<b>(8,636,830)</b>
Cash and cash equivalents at the beginning of the period	9,758,144	23,649,327
<b>Cash and cash equivalents at the end of the period</b>	<b>24,636,127</b>	<b>15,012,497</b>

On behalf of the Management Board:

Lyazzat Ibragimova  
Chairman of the Board

8 August 2012  
Almaty, Kazakhstan



Bakyt Rakhmatullina  
Chief Accountant

8 August 2012  
Almaty, Kazakhstan

The notes set out on pages 7 to 25 form an integral part of this condensed interim financial information.



## **1 Introduction**

Damu Entrepreneurship Development Fund JSC (the "Fund") was established in accordance with a Decree of the Government of the Republic of Kazakhstan #665 dated 26 April 1997. The Fund is incorporated and domiciled in the Republic of Kazakhstan as a joint stock company and provides financial services.

As at 30 June 2012 the sole shareholder of the Fund is Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "Parent" and the "Shareholder"). The Parent and its subsidiaries are jointly called the "Shareholder's Group".

The Fund is ultimately controlled by the Government of the Republic of Kazakhstan. Information on transactions with related parties is presented in Note 20.

**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: Gogol Street, building 111, Almaty, Republic of Kazakhstan.

**Presentation currency.** This condensed interim financial information is presented in Kazakhstani Tenge, unless otherwise stated.

## **2 Operating Environment of the Fund**

Emerging markets such as the Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political, social, legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in the Republic of Kazakhstan and Kazakhstan's economy in general.

Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly. Tax, currency and customs legislation within the Republic of Kazakhstan is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Republic of Kazakhstan. The future economic direction of the Republic of Kazakhstan is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt Kazakhstan's economy, adversely affect the Fund's access to capital and cost of capital for the Fund and, more generally, its business, results of operations, financial condition and prospects.

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

**Basis of preparation.** This condensed interim financial information for the period covering six months of 2012 has been prepared in accordance with IAS 34 "Interim Financial Reporting". It does not include all the information required for the full set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this condensed interim financial information as compared with the annual financial statements for the year ended 31 December 2011. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the financial statements for the year ended 31 December 2011, became effective for the Fund from 1 January 2012. These have not significantly affected the condensed interim financial information of the Fund.

**Interim period tax measurement.** Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

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

The preparation of interim condensed financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial information, the significant judgements made by management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2011.

#### **5 Application of new and revised International Financial Reporting Standards (IFRSs)**

The Fund has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the IFRIC) which became effective for the Fund's condensed interim financial information for six months ended 30 June 2012:

- IFRS 7 "Financial Instruments: Disclosures" — amendments resulting from May 2010 Annual Improvements to IFRSs: clarification of disclosures and release of requirement for disclosure regarding restructured loans;
- IAS 24 "Related Party Disclosures" (as revised in 2009) — modifies the definition of a related party and simplifies disclosures for government-related entities;
- Amendment to IAS 32 "Classification of Rights Issues" — under the amendment, rights issues of instruments issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency and which otherwise meet the definition of equity are classified as equity. There was no effect on the Fund's financial statements related to this amendment as there are no such instruments.

The adoption of the new or revised standards did not have any effect on the financial position or performance of the Fund, and all have been retrospectively applied in compliance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", unless otherwise noted below.

**Amendments to IAS 24 Related Party Disclosures** –The revised Standard modifies the definition of a related party and simplifies disclosures for Government-related entities. Since the Fund is ultimately controlled by the Government of Kazakhstan the disclosure exemptions introduced in IAS 24 are applicable for the Fund financial statements commencing from the year ended 31 December 2011.

#### **New and revised IFRSs in issue but not yet effective**

At the date of authorization of this financial information, the following new standards and interpretations were in issue, but not yet effective, and which the Fund has not early adopted:

- IFRS 7 "Financial Instruments: Disclosures" – amendments enhancing disclosures about offsetting financial assets and financial liabilities<sup>2</sup>;
- IFRS 9 "Financial Instruments"<sup>3</sup>;
- IFRS 12 "Disclosure of Interest in Other Entities"<sup>3</sup>;
- IFRS 13 "Fair Value Measurement"<sup>2</sup>;
- IAS 1 "Presentation of Financial Statements" — amendments to revise the way other comprehensive income is presented<sup>4</sup>;
- IAS 1 "Presentation of Financial Statements" — amendments to clarify the requirements for comparative information<sup>2</sup>;
- IAS 12 "Income Taxes" — limited scope amendment (recovery of underlying assets)<sup>5</sup>;
- IAS 32 "Financial Instruments: Presentation" – amendments which provide clarifications on the application of the offsetting rules and disclosure requirements<sup>1</sup>.

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014. The new offsetting disclosure requirements are effective for annual periods beginning on or after 1 January 2013.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted if all the other standards in the 'package of five' are also early applied (except for IFRS 12 that can be applied earlier on its own).
- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2012, with early adoption permitted.
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2012, with earlier application permitted.
- <sup>6</sup> Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

**Amendments to IFRS 7 Financial Instruments: Disclosures** – The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Retrospective application is required in accordance with IAS 8 with the exception that in the first year of application, an entity need not provide comparative information for the disclosures required by the amendments for periods beginning before July 1, 2011. The Fund does not expect this amendment to have a material effect on its financial position or results of operations.

**IFRS 9 Financial Instruments** – was issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The Fund management anticipate that IFRS 9 that will be adopted in the Fund's financial statements for the annual period beginning 1 January 2015 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Fund's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

**IFRS 12 Disclosure of Interests in Other Entities** – requires enhanced disclosures about both consolidated and unconsolidated entities in which an entity has involvement, so that financial statement users are able to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Thus, IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11 and replaces the disclosure requirements currently found in IAS 28.

**IFRS 13 Fair Value Measurement** – aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements to use across IFRSs. The Standard:

- defines fair value;
- sets out in a single IFRS a framework for measuring fair value;
- requires disclosures about fair value measurements.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for share-based payment transactions within the scope of IFRS 2 "Share-based Payment", leasing transactions within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

The Fund is currently assessing the impact of the amended standard on its financial statements.

**Amendments to IAS 1 Presentation of Financial Statements** – revise the way other comprehensive income is presented. The amendments to IAS 1:

- Preserve the amendments made to IAS 1 in 2007 to require profit or loss and OCI to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income' – rather than requiring a single continuous statement as was proposed in the exposure draft
- Require entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently, i.e. those that might be reclassified and those that will not be reclassified;
- Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

The Fund does not expect this amendment to have a material effect on its financial position or results of operations.

**Amendments to IAS 1 Presentation of Financial Statements** – clarify the requirements for comparative information. The amendments to IAS 1:

- Allow presenting comparative information in addition to the minimum comparative financial statements required by IFRSs, as long as that information is prepared in accordance with IFRSs. These comparatives need not comprise a complete set of financial statements. When this is the case, the related footnote information for those additional statements is required.
- Require presenting a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements if:
  - (a) the entity applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and
  - (b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

The Fund does not expect this amendment to have a material effect on its financial position or results of operations.

**Amendment to IAS 12 Income Taxes** – provides a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 "Investment Property" will, normally, be through sale.

Retrospective application is required in accordance with IAS 8. The Fund is considering the impact of the amendment on the financial statements and the timing of its application.

**Amendments to IAS 32 Financial Instruments: Presentation** - provide clarifications on the application of the offsetting rules, and focus on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

The respective amendments to the disclosure requirements in IFRS 7 "Financial Instruments: Disclosure" require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the Fund's financial position.

The Fund is considering the impact of these amendments on the financial statements and the timing of their application.

## 6 Cash and Cash Equivalents

<i>In thousands of Kazakhstani Tenge</i>	<b>30 June 2012</b>	<b>31 December 2011</b>
Current accounts with banks	24,635,614	9,757,257
Cash on hand	513	887
<b>Total cash and cash equivalents</b>	<b>24,636,127</b>	<b>9,758,144</b>

## 7 Securities at Fair Value Through Profit or Loss

<i>In thousands of Kazakhstani Tenge</i>	<b>30 June 2012</b>	<b>31 December 2011</b>
Corporate bonds	5,713,326	5,572,070
Kazakhstani government bonds	3,727,793	3,756,908
<b>Total securities at fair value through profit or loss</b>	<b>9,441,119</b>	<b>9,328,978</b>

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

Securities designated at fair value through profit or loss are carried at fair value which also reflects any credit risk related write-downs. Analysis by credit quality of debt securities designated at fair value through profit or loss outstanding at 30 June 2012 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Kazakhstani government bonds</b>	<b>Corporate bonds</b>	<b>Total</b>
<i>Neither past due nor impaired</i>			
- BBB+	3,727,793	-	3,727,793
- BBB	-	2,111,091	2,111,091
- B	-	1,520,150	1,520,150
- BBB3	-	993,992	993,992
- BBB-	-	204,716	204,716
- B+	-	657,298	657,298
- Unrated	-	226,079	226,079
<b>Total neither past due nor impaired amounts</b>	<b>3,727,793</b>	<b>5,713,326</b>	<b>9,441,119</b>

Analysis by credit quality of debt securities at fair value through profit or loss outstanding at 31 December 2011 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Kazakhstani government bonds</b>	<b>Corporate bonds</b>	<b>Total</b>
<i>Neither past due nor impaired</i>			
- BBB+	3,756,908	-	3,756,908
- BBB	-	1,905,789	1,905,789
- BBB-	-	205,981	205,981
- B+	-	1,764,651	1,764,651
- B	-	1,695,649	1,695,649
<b>Total neither past due nor impaired amounts</b>	<b>3,756,908</b>	<b>5,572,070</b>	<b>9,328,978</b>

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

## 8 Due from Financial Institutions

<i>in thousands of Kazakhstani Tenge</i>	30 June 2012	31 December 2011
Loans given to banks and financial institutions	145,386,997	161,491,072
Deposits to banks with initial term of more than 3 months	1,726,372	1,726,371
Less: Provision for loan impairment	(1,662,184)	(1,662,184)
<b>Total due from financial institutions</b>	<b>145,451,185</b>	<b>161,555,259</b>

Amounts due from other banks are not collateralised. Movements in the provision for loan impairment during six months ended 30 June 2012 and 30 June 2011 are as follows:

<i>in thousands of Kazakhstani Tenge</i>	<b>Loans given to banks</b>	
	<b>Six months ended 30 June 2012</b>	<b>Six months ended 30 June 2011</b>
Provision for loan impairment as at 1 January	1,662,184	1,741,145
Recovery of impairment during the period	-	(2,713)
<b>Provision for impairment as at 30 June</b>	<b>1,662,184</b>	<b>1,738,432</b>

## 9 Loans and Advances to Customers

<i>in thousands of Kazakhstani Tenge</i>	30 June 2012	31 December 2011
Loans to small and medium size entities	2,090,856	2,985,706
Loans to microfinance organisations	1,638,692	1,962,688
Net investments in finance lease	348,685	418,153
Loans to others	27,120	26,649
Less: Provision for loan impairment	(3,749,909)	(4,095,745)
<b>Total loans and advances to customers</b>	<b>355,444</b>	<b>1,297,451</b>

Movements in the provision for loan impairment during first six months ended 30 June 2012 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>
Provision for impairment as at 1 January 2012	2,052,700	1,696,840	333,247	12,958	4,095,745
Recovery of impairment during the period	(129,092)	(181,227)	(35,002)	(515)	(345,836)
<b>Provision for loan impairment as at 30 June 2012</b>	<b>1,923,608</b>	<b>1,515,613</b>	<b>298,245</b>	<b>12,443</b>	<b>3,749,909</b>

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

Movements in the provision for loan impairment during six months ended 30 June 2011 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Loans to others	Total
<b>Provision for impairment as at 1 January 2011</b>	<b>2,417,816</b>	<b>2,107,019</b>	<b>419,124</b>	<b>38,045</b>	<b>4,982,004</b>
Recovery of impairment during the period	(236,969)	(155,250)	(24,970)	(24,803)	(441,992)
<b>Provision for loan impairment as at 30 June 2011</b>	<b>2,180,847</b>	<b>1,951,769</b>	<b>394,154</b>	<b>13,242</b>	<b>4,540,012</b>

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

<i>In thousands of Kazakhstani Tenge</i>	30 June 2012		31 December 2011	
	Amount	%	Amount	%
Financial Services	119,640	34%	234,225	18%
Services	93,340	26%	762,377	59%
Production Industry	38,476	11%	150,476	12%
Trade	38,120	11%	15,810	1%
Individuals	31,842	9%	28,098	2%
Transport and communications	16,731	5%	48,672	4%
Agriculture	12,169	3%	45,478	3%
Construction	5,126	1%	12,315	1%
<b>Total loans and advances to customers</b>	<b>355,444</b>	<b>100%</b>	<b>1,297,451</b>	<b>100%</b>

Information about collateral as at 30 June 2012 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Loans to small and medium size entities	Loans to microfinance organisations	Net investments in finance lease	Total
Real estate	105,310	111,124	16,649	233,083
Unsecured loans	62,379	212	-	62,591
Movable property	9,663	191	34,162	44,016
Loans guaranteed by other banks	4,203	-	-	4,203
Loans guaranteed by other parties, including credit insurance	-	4,038	-	4,038
Other assets	-	7,513	-	7,513
<b>Total loans and advances to customers</b>	<b>181,555</b>	<b>123,078</b>	<b>50,811</b>	<b>355,444</b>

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

Information about collateral as at 31 December 2011 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>Total</b>
Residential real estate	342,845	233,264	22,373	598,482
Loans guaranteed by other banks	579,358	83	-	579,441
Movable property	32,745	376	54,395	87,516
Unsecured loans	24,514	305	1,037	25,856
Other assets	-	6,156	-	6,156
<b>Total loans and advances to customers</b>	<b>979,462</b>	<b>240,184</b>	<b>77,805</b>	<b>1,297,451</b>

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

Analysis by credit quality of loans outstanding as at 30 June 2012 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 invest- ments in finance lease</b>	<b>Loans to others</b>	<b>Total</b>
<i>Past due but not individually impaired</i>					
- less than 30 days overdue	77,169	62,170	35,915	-	175,254
- 30 to 90 days overdue	4,374	616	231	-	5,221
<b>Total past due but not individually impaired</b>	<b>81,543</b>	<b>62,786</b>	<b>36,146</b>	<b>-</b>	<b>180,475</b>
<i>Loans individually determined to be impaired (gross)</i>					
- less than 30 days overdue	-	-	10,424	-	10,424
- 30 to 90 days overdue	16,233	7,674	34,658	1,912	60,477
- 91 to 180 days overdue	21,229	21,537	1,119	-	43,885
- 181 to 360 days overdue	45,631	26,529	-	-	72,160
- over 360 days overdue	1,926,220	1,520,166	266,338	25,208	3,737,932
<b>Total individually impaired loans (gross)</b>	<b>2,009,313</b>	<b>1,575,906</b>	<b>312,539</b>	<b>27,120</b>	<b>3,924,878</b>
<b>Less impairment provisions</b>	<b>(1,923,607)</b>	<b>(1,515,613)</b>	<b>(298,246)</b>	<b>(12,443)</b>	<b>(3,749,909)</b>
<b>Total loans and advances to customers</b>	<b>167,249</b>	<b>123,079</b>	<b>50,439</b>	<b>14,677</b>	<b>355,444</b>



## 9 Loans and Advances to Customers (Continued)

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

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

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.

## 9 Loans and Advances to Customers (Continued)

The fair value of collateral in respect to loans past due but not impaired and in respect of loans individually determined to be impaired as at 30 June 2012 was as follows:

<i>In thousands of Kazakhstani Tenge</i>	Loans to small and medium size entities	Loans to microfinance organizations	Net investments in finance lease	Loans to other organizations	Total
<i>Fair value of collateral – loans past due but not impaired</i>					
- residential real estate	647,758	816,561	52,441	7,818	1,524,578
- movable property	72,947	3,962	118,171	16,580	211,660
- other assets	-	129,160	-	-	129,160
- bank guarantees	51,672	-	-	-	51,672
- right to request	-	6,783	-	-	6,783
<i>Fair value of collateral – individually determined to be impaired</i>					
- residential real estate	2,948,133	1,663,497	82,905	43,246	4,737,780
- movable property	150,657	49,988	255,630	13,665	469,940
- right to request	-	93,153	-	-	93,153
- other assets	3,950	22,761	-	-	26,711
<b>Total</b>	<b>3,875,118</b>	<b>2,785,863</b>	<b>509,147</b>	<b>81,308</b>	<b>7,251,436</b>

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

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

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

## 10 Investment Securities Available for Sale

<i>In thousands of Kazakhstani Tenge</i>	30 June 2012	31 December 2011
Corporate bonds	8,467,814	8,554,530
Less: Allowance for impairment losses	(3,366,455)	(3,366,455)
<b>Total investment securities available for sale</b>	<b>5,101,359</b>	<b>5,188,075</b>

The content of the available for sale portfolio has not changed since the latest year end.

## 11 Borrowed Funds

<i>In thousands of Kazakhstani Tenge</i>	30 June 2012	31 December 2011
Shareholder	75,280,020	101,211,532
Asian Development Bank	22,008,356	21,929,809
Distressed Assets Fund JSC	1,822,727	2,005,000
Municipal bodies	661,841	3,360,026
Ministry of Finance of the Republic of Kazakhstan	170,180	168,995
<b>Total borrowed funds</b>	<b>99,943,124</b>	<b>128,675,362</b>

The funds from the Shareholder, state and municipal bodies 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.

## 12 Subordinated Debt

<i>In thousands of Kazakhstani Tenge</i>	30 June 2012	31 December 2011
Due to Shareholder	13,227,500	13,227,500
<b>Total subordinated debt</b>	<b>13,227,500</b>	<b>13,227,500</b>

## 13 Due from and liabilities on Subsidy programs

### Liabilities on Subsidy Programs

<i>In thousands of Kazakhstani Tenge</i>	30 June 2012	31 December 2011
Municipal bodies	3,181,581	3,557,293
Ministry of Economical Development and Trade of the Republic of Kazakhstan	-	651,150
<b>Total liabilities on subsidy programs</b>	<b>3,181,581</b>	<b>4,208,443</b>

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

### Due from Subsidy Programs

<i>In thousands of Kazakhstani Tenge</i>	30 June 2012	31 December 2011
Due from subsidy programs	1,508,842	290,531
<b>Total due from on subsidy programs</b>	<b>1,508,842</b>	<b>290,531</b>

**14 Deferred revenue and liability on financial guarantee**

<i>In thousands of Kazakhstani Tenge</i>	<b>30 June 2012</b>	<b>31 December 2011</b>
Deferred revenue	429,122	351,013
Guarantee liabilities	172,978	280,210
<b>Total Deferred revenue and liability on financial guarantee</b>	<b>602,100</b>	<b>631,223</b>

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

Guarantees are recognized from the moment of issuance till maturity or fulfilment of its claims or obligations according to the terms of the guarantees (Note 20).

## 15 Other Liabilities

<i>In thousands of Kazakhstani Tenge</i>	30 June 2012	31 December 2011
Accrued liabilities and other creditors	21,697	30,308
Trade payables	11,470	49,939
<b>Total financial liabilities within other liabilities</b>	<b>33,167</b>	<b>80,247</b>
Advances received	180,697	66,148
Taxes payable other than on income	37,323	116,104
Unused vacation reserve	34,247	1,840
Accrued employee benefit costs	17,347	45,440
Other	428	428
<b>Trade and other payables</b>	<b>303,209</b>	<b>310,207</b>

All of the above liabilities are expected to be settled less than twelve months after the end of the period.

## 16 Share Capital

<i>In thousands of Kazakhstani Tenge except for number of shares</i>	Number of outstanding shares (in thousands)	Ordinary shares	Total
<b>As at 1 January 2010</b>	<b>27,182</b>	<b>44,920,273</b>	<b>44,920,273</b>
New shares issued	-	-	-
<b>As at 31 December 2011</b>	<b>27,182</b>	<b>44,920,273</b>	<b>44,920,273</b>
New shares issued	280	28,000,000	28,000,000
<b>As at 30 June 2012</b>	<b>27,462</b>	<b>72,920,273</b>	<b>72,920,273</b>

Dividends payable are restricted to the maximum retained earnings of the Fund, which are determined according to legislation of the Republic of Kazakhstan. In accordance with the legislation of the Republic of Kazakhstan, as at the reporting date, the Fund did not have any reserves available for distribution of dividends.

At the Shareholders' meeting on 17 April 2012, the Fund declared dividends in respect of the year ended 31 December 2011, totalling to Tenge 1,038,546 thousand (Tenge 38.20 per share). The whole amount of dividends was paid to the shareholder on 31 May 2012. No dividends were declared or distributed during six months ended 30 June 2012.

## 17 Interest Income and Expense

<i>In thousands of Kazakhstani Tenge</i>	<b>Six months ended 30 June 2012</b>	<b>Six months ended 30 June 2011</b>
<b>Interest income</b>		
Loans and advances to financial institutions	5,348,860	6,022,010
Cash and cash equivalents	355,328	676,014
Trading securities at fair value through profit or loss	296,875	357,259
Debt investment securities available for sale	234,333	307,397
Loans and advances to customers	144,422	236,002
Fines and fees on amounts due from financial institutions	63,559	109,641
Fines and fees on loans and advances to customers	19,437	15,197
<b>Total interest income</b>	<b>6,462,814</b>	<b>7,723,520</b>
<b>Interest expense</b>		
Borrowed funds	(3,276,353)	(4,242,976)
Subordinated debt	(455,000)	(455,000)
<b>Total interest expense</b>	<b>(3,731,353)</b>	<b>(4,697,976)</b>
<b>Net interest income</b>	<b>2,731,461</b>	<b>3,025,544</b>

## 18 Income Taxes

Income tax expense recorded in profit or loss for the period comprises the following:

<i>In thousands of Kazakhstani Tenge</i>	<b>Six months ended 30 June 2012</b>	<b>Six months ended 30 June 2011</b>
Current tax expense	557,411	685,895
Deferred tax expense/(benefit)	81,578	(18,288)
<b>Income tax expense for the period</b>	<b>638,989</b>	<b>667,607</b>

The income tax rate applicable to the majority of the Fund's income is 20 percent (2011: 20 percent). Reconciliation between the expected and the actual taxation charge is provided below:

<i>In thousands of Kazakhstani Tenge</i>	<b>Six months ended 30 June 2012</b>	<b>Six months ended 30 June 2011</b>
<b>Profit before tax</b>	<b>2,239,159</b>	<b>2,081,344</b>
Theoretical tax charge at statutory rate (2012: 20%; 2011: 20%)	447,832	416,269
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Tax exempt Income on government securities	(15,273)	(68,936)
- Other non-taxable income	(197,511)	(59,468)
- Non-deductible provision expenses on issued guarantees	1,152	33,704
- Other non-deductible expenses	123,280	13,068
- Adjustment of prior year tax expense estimate	279,509	332,970
<b>Income tax expense for the period</b>	<b>638,989</b>	<b>667,607</b>

## 18 Income Taxes (Continued)

<i>In thousands of Kazakhstani Tenge</i>	1 January 2012	(Charged)/ credited to profit or loss	30 June 2012
<b>Tax effect of deductible/(taxable) temporary differences</b>			
Loans to customers	826,256	(100,736)	725,520
Premises and equipment	(27,435)	5,776	(21,659)
Deferred future revenue	70,203	15,621	85,824
Other liabilities	9,088	(2,239)	6,849
<b>Net deferred tax asset</b>	<b>878,112</b>	<b>(81,578)</b>	<b>796,534</b>
Recognised deferred tax asset	905,547	(87,354)	818,193
Recognised deferred tax liability	(27,435)	5,776	(21,659)
<b>Net deferred tax asset</b>	<b>878,112</b>	<b>(81,578)</b>	<b>796,534</b>

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

## 19 Financial Risk Management

The risk management function within the Fund is carried out in respect of financial risks (credit, market, and liquidity risks), operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

## 19 Financial Risk Management (Continued)

The objectives, policies and processes for managing the financial risks and the methods used to measure the risks applied by the Fund during the six months ended 30 June 2012 are consistent with those applied during the year 2011.

**Currency risk exposure.** The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the interim balance sheet date relative to the functional currency of the Fund, with all other variables held constant:

<i>In thousands of Kazakhstani Tenge</i>	Impact on profit or loss	
	As at 30 June 2012	As at 31 December 2011
US Dollar strengthening by 15% (2011: strengthening by 15%)	25,558	82,411
US Dollar weakening by 15% (2011: weakening by 15%)	(25,558)	(82,411)
<b>Net effect</b>	-	-

**Liquidity risk.** The maturity analysis of financial liabilities as at 30 June 2012 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	Over 1 year	Total
<b>Liabilities</b>						
Borrowed funds	-	-	553,890	15,279,833	98,931,343	114,765,066
Subordinated debt	-	227,500	227,500	455,000	14,534,361	15,444,361
Liabilities on subsidy programs	3,181,581	-	-	-	-	3,181,581
Deferred revenue and liability on financial guarantee	602,100	-	-	-	-	602,100
Other financial liabilities	33,167	-	-	-	-	33,167
<b>Total future payments, including future principal and interest payments</b>	<b>3,816,848</b>	<b>227,500</b>	<b>781,390</b>	<b>15,734,833</b>	<b>113,465,704</b>	<b>134,026,275</b>
<b>Credit related commitments</b>	<b>2,967,124</b>	-	-	-	-	<b>2,967,124</b>

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

<i>In thousands of Kazakhstani Tenge</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	Over 1 year	Total
<b>Liabilities</b>						
Borrowed funds	1,838,515	11,900,939	4,023,139	15,902,115	114,040,216	147,704,924
Subordinated debt	227,500	-	227,500	455,000	14,989,361	15,899,361
Liabilities on subsidy programs	4,208,443	-	-	-	-	4,208,443
Deferred revenue and liability on financial guarantee	631,223	-	-	-	-	631,223
Other financial liabilities	80,247	-	-	-	-	80,247
<b>Total future payments, including future principal and interest payments</b>	<b>6,985,928</b>	<b>11,900,939</b>	<b>4,250,639</b>	<b>16,357,115</b>	<b>129,029,577</b>	<b>168,524,198</b>
<b>Credit related commitments</b>	<b>2,203,650</b>	-	-	-	-	<b>2,203,650</b>



## 20 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 this condensed interim financial information.

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

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

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

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

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

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

Outstanding credit related commitments are as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>30 June 2012</b>	<b>31 December 2011</b>
Guarantees issued	3,140,102	2,163,860
Undrawn credit lines	-	320,000
Less: Provision for credit related commitments	(172,978)	(280,210)
<b>Total credit related commitments, net of provision</b>	<b>2,967,124</b>	<b>2,203,650</b>

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

## 21 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.

As at 30 June 2012, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Parent company	Entities under common control	Associates	Other related parties
Cash and cash equivalents	-	597,508	-	-
Securities at fair value through profit or loss	-	2,111,091	-	3,727,794
Due from financial institutions	-	46,373,047	-	1,883,077
Investment securities available for sale	-	576,705	-	2,967,460
Investments in associates	-	-	10,000	-
Borrowed funds	75,280,019	-	-	661,864
Liabilities on subsidy programs	-	-	-	3,181,581
Subordinated debt	13,227,500	-	-	-
Other liabilities	-	3,891	-	-

The income and expense items with related parties during the six months ended 30 June 2012 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Parent company	Entities under common control
Interest income	-	1,900,135
Interest expense	(3,052,458)	(72,302)
Dividends	(1,038,546)	-
Gains less losses from securities available for sale	-	28,507
Gains less losses from securities at fair value through profit or loss	-	76,361
Administrative and other operating expenses	-	(41,132)

Aggregate amounts lent to and repaid by related parties during the six months ended 30 June 2012 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Other related parties
Amounts lent to related parties during the period	31,200
Amounts repaid by related parties during the period	5,989,959

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

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

## 21 Related Party Transactions (Continued)

The income and expense items with related parties during the six months ended 30 June 2011 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Parent company</b>	<b>Entities under common control</b>
Interest income	-	3,512,038
Interest expense	(4,565,171)	(132,802)
Recovery of impairment	-	(2,713)
Dividends	(2,107,439)	-
Gains less losses from securities available for sale	-	(110,280)
Gains less losses from securities at fair value through profit or loss	-	30,690
Other operating income	-	69,101
Administrative and other operating expenses	-	(39,092)

Aggregate amounts lent to and repaid by related parties during the six months ended 30 June 2011 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Other related parties</b>
Amounts lent to related parties during the period	3,741,455
Amounts repaid by related parties during the period	11,036,045

Key management compensation is presented below:

<i>In thousands of Kazakhstani Tenge</i>	<b>Six months ended 30 June 2012</b>		<b>Six months ended 30 June 2011</b>	
	<b>Expense</b>	<b>Accrued liability</b>	<b>Expense</b>	<b>Accrued liability</b>
<i>Short-term benefits:</i>				
- Salaries	53,019	12,590	20,675	1,615
- Short-term bonuses	61,626	-	220	-
- Other cash payments	3,376	-	1,747	-
- Benefits in-kind	929	-	499	-
<b>Total</b>	<b>118,950</b>	<b>12,590</b>	<b>23,141</b>	<b>1,615</b>