

Sovereign Wealth Fund “Samruk-Kazyna” JSC

Separate financial statements

*For the year ended December 31, 2012
with Independent auditors' report*

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Independent auditors' report

To the Shareholder of "Sovereign Wealth Fund "Samruk-Kazyna" JSC

We have audited the accompanying separate financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC, which comprise the separate balance sheet as at 31 December 2012, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate financial statements.

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of "Sovereign Wealth Fund "Samruk-Kazyna" JSC as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Consolidated financial statements presented separately

Without qualifying our opinion, we draw attention to Note 2 to the separate financial statements, which states that "Sovereign Wealth Fund "Samruk-Kazyna" JSC is the parent entity and that consolidated financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries prepared in accordance with International Financial Reporting Standards have been issued separately. We have audited the consolidated financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries as at and for the year ended 31 December 2012 and expressed an unqualified opinion thereon in our auditors' report dated 30 April 2013.

Ernst & Young LLP

Elshad Aliyev
Audit Partner

Alexandr Nazarkulov
Auditor

Auditor Qualification Certificate No. МФ-0000059
dated 6 January 2012

30 April 2013

Evgeny Zhemaletdinov
General Director
Ernst and Young LLP

State Audit License for audit activities on the
territory of the Republic of Kazakhstan: series
МФЮ-2 No. 0000003 issued by the Ministry of
Finance of the Republic of Kazakhstan on
15 July 2005

SEPARATE BALANCE SHEET

As of December 31

<i>In millions of Tenge</i>	Note	2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment		468	634
Intangible assets		931	199
Investments in subsidiaries	5	3,231,412	2,498,897
Investments in associates and joint venture	6	18,455	101,783
Loans issued	7	657,400	458,723
Amounts due from credit institutions	8	361,780	258,512
Other non-current financial assets	9	124,194	132,721
Long-term bank deposits	10	204,553	170,110
Deferred tax asset	23	3,037	2,700
Other non-current assets		201	4,083
		4,602,431	3,628,362
Current assets			
Corporate income tax prepaid		13,734	18,434
Loans issued	7	110,081	81,611
Amounts due from credit institutions	8	32,760	33,681
Other current financial assets	9	26,124	66,833
Assets related to call/put options		47,429	33,240
Short-term bank deposits	10	159,923	70,202
Other current assets	11	27,939	10,857
Cash and cash equivalents	12	432,972	451,902
		850,962	766,760
TOTAL ASSETS		5,453,393	4,395,122
EQUITY AND LIABILITIES			
Equity			
Share capital	13	4,409,314	4,050,383
Revaluation reserve for available-for-sale investments	22	(595)	(126,333)
Accumulated losses		(557,989)	(1,116,293)
Total equity		3,850,730	2,807,757
Non-current liabilities			
Borrowings	14	1,295,007	1,032,791
Amounts due to the Government	15	185,704	404,731
Financial guarantee liabilities	16	31,724	25,845
		1,512,435	1,463,367
Current liabilities			
Borrowings	14	81,764	117,664
Amounts due to the Government	15	198	275
Financial guarantee liabilities	16	5,956	3,091
Liabilities under call/put options		32	717
Other current liabilities		2,278	2,251
		90,228	123,998
TOTAL EQUITY AND LIABILITIES		5,453,393	4,395,122

Managing Director – Member of the Management Board

Chief Accountant



Nurlan Rakhmetov

Almaz Abdurakhmanova

The accounting policies and notes on pages 6 to 40 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31

<i>In millions of Tenge</i>	Note	2012	2011
Interest income	17	61,510	58,847
Interest expenses	18	(91,423)	(107,125)
Dividend income	19	341,520	81,483
Gross profit		311,607	33,205
General and administrative expenses	20	(15,967)	(42,072)
Finance income	21	58,667	59,033
Impairment of investments in subsidiaries	5	(154,287)	(306,589)
Reversal of impairment/(impairment) of loans issued, bank deposits, amounts due from credit institutions and other current assets, net	7, 8, 10, 11	279,377	(283,616)
Loss from impairment of investments, available for sale	22	(146,848)	–
Foreign exchange gain, net		1,273	39
Gain from change in the value of options, net		11,365	41,936
Gain/(loss) on disposal of financial assets	9	4,830	(6,867)
Other operating income/(expenses), net		195	(1,202)
Profit/(loss) before income tax		350,212	(506,133)
Income tax expense	23	(10,489)	(9,701)
Net profit/(loss) for the year		339,723	(515,834)
Other comprehensive income/(loss), net of tax			
Net gain/(loss) on available-for-sale investments		125,738	(131,214)
Other comprehensive income/(loss), net of tax		125,738	(131,214)
Total comprehensive income/(loss) for the year		465,461	(647,048)

Managing Director – Member of the Management Board

Chief Accountant



Nurlan Rakhmetov

Almaz Abdurakhmanova

The accounting policies and notes on pages 6 to 40 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS

For the year ended December 31

<i>In millions of Tenge</i>	Note	2012	2011
Cash flows from operating activities:			
Profit/(loss) before income tax		350,212	(506,133)
Adjustments for:			
Depreciation and amortization		285	270
Impairment of investments in subsidiaries	5	154,287	306,589
(Reversal of impairment)/impairment of loans issued, bank deposits, amounts due from credit institutions and other current assets, net	7, 8, 10, 11	(279,377)	283,616
Finance income	20	(58,667)	(59,033)
Loss from impairment of investments, available for sale	22	146,848	–
Gain from change in the value of options, net		(11,365)	(41,936)
(Gain)/loss on disposal of financial assets	9	(4,830)	6,867
Foreign exchange loss		295	42
Other		476	451
Cash flows from operating activities before changes in working capital		298,164	(9,267)
Change in loans issued		(257,102)	(255,689)
Change in amounts due from credit institutions		(203,889)	80,642
Change in other assets		(24,973)	8,174
Change in amounts due to the Government		260,640	213,020
Change in other current liabilities		27	1,335
Net cash flows from operating activities		72,867	38,215
Income tax paid		(10,826)	(22,560)
Interest received		50,687	27,432
Net cash flows from operating activities		112,728	43,087
Cash flows from investing activities:			
Refund/(placement) of bank deposits, net	10	122,987	(4,452)
Acquisitions of subsidiaries and associates	5	(277,653)	(154,442)
Purchase of property, plant and equipment and intangible assets		(296)	(209)
Sale of investments in subsidiaries	5	150,035	–
Sale of financial assets, net		29,508	27,857
Net cash flows received from/(used in) investing activities		24,581	(131,246)

The accounting policies and notes on pages 6 to 40 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS (continued)

<i>In millions of Tenge</i>	Note	2012	2011
Cash flows from financing activities:			
Dividends paid to the Shareholder	13	(159,113)	–
Prepayment of dividends to the Shareholder	11	–	(9,077)
Other distributions to the Shareholder		(9,126)	–
Contributions to share capital	13	12,000	147,552
Net cash flows (used in)/received from financing activities		(156,239)	138,475
Net change in cash and cash equivalents		(18,930)	50,316
Cash and cash equivalents, at the beginning of the year		451,902	401,586
Cash and cash equivalents, at the end of the year	12	432,972	451,902

NON-CASH TRANSACTIONS

Non-cash transactions, including listed below, were excluded from the separate statement of cash flows:

1. Property contributions and contributions of state-owned shares to the share capital of the Fund by the Shareholder (*Note 13*) and the following transfer of these assets to subsidiaries of the Fund (*Note 5*).
2. Recognition of discount on loans issued, borrowings, amounts due from credit institutions and amounts due to the Government (*Note 7, 8, 14, 15*).
3. Transactions with the Shareholder (*Note 13*).

Managing Director – Member of the Management Board

Chief Accountant



Nurlan Rakhmetov
Nurlan Rakhmetov

Almaz Abdakhmanova
Almaz Abdakhmanova

The accounting policies and notes on pages 6 to 40 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended December 31

<i>In millions of Tenge</i>	Share capital	Available- for-sale investments revaluation reserves	Accumulated losses	Total
As at December 31, 2010	3,891,909	4,881	(626,713)	3,270,077
Net loss for the year	–	–	(515,834)	(515,834)
Other comprehensive loss	–	(131,214)	–	(131,214)
Total comprehensive loss for the year	–	(131,214)	(515,834)	(647,048)
Contributions to the share capital (Note 13)	158,474	–	–	158,474
Gain from initial recognition of amounts due to the Government (Note 15)	–	–	21,799	21,799
Transactions with the Shareholder (Note 13)	–	–	11,511	11,511
Dividends to the Shareholder	–	–	(7,056)	(7,056)
As at December 31, 2011	4,050,383	(126,333)	(1,116,293)	2,807,757
Net profit for the year	–	–	339,723	339,723
Other comprehensive income	–	125,738	–	125,738
Total comprehensive income for the year	–	125,738	339,723	465,461
Contributions to the share capital (Note 13)	358,931	–	–	358,931
Gain from transactions with amounts due to the Government (Note 15)	–	–	394,267	394,267
Transactions with the Shareholder (Note 13)	–	–	1,630	1,630
Dividends to the Shareholder (Note 13)	–	–	(168,190)	(168,190)
Other distributions to the Shareholder	–	–	(9,126)	(9,126)
As at December 31, 2012	4,409,314	(595)	(557,989)	3,850,730

Managing Director – Member of the Management Board

Chief Accountant



Nurlan Rakhmetov

Almaz Abdrakhmanova

The accounting policies and notes on pages 6 to 40 are an integral part of these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTSFor the year ended December 31, 2012

1. GENERAL INFORMATION

Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "Fund" or "Samruk-Kazyna") was established on November 3, 2008 in conjunction with the Decree of the President of the Republic of Kazakhstan dated October 13, 2008 and the Decree of the Government of the Republic of Kazakhstan dated October 17, 2008. The formation was enacted by the merger of Sustainable Development Fund "Kazyna" JSC ("Kazyna") and Kazakhstan Holding Company for State Assets Management "Samruk" JSC ("Samruk") and the additional transfer of ownership in certain entities owned by the Government of the Republic of Kazakhstan (the "Government" or the "State") to the Fund. The Government, represented by the State Assets and Privatization Committee of the Ministry of Finance is the sole shareholder of the Fund (the "Shareholder").

The Government's overall objective of the reorganization is to increase management's efficiency and to optimise organisational structures in the Fund's subsidiaries in order to achieve successfully their strategic objectives set in the respective Government programs and development plans.

Prior to February 1, 2012, the Fund's activities were governed by the Law of the Republic of Kazakhstan "On Sovereign Wealth Fund" No. 134-4 dated February 13, 2009 and were aimed at assistance in providing stable development of the state economy, modernization and diversification of economy, and improvement of the Group companies' efficiency. According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 "On Sovereign Wealth Fund" No. 550-4, the Fund's activities are focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group's assets.

The Fund is a holding company for state-owned enterprises listed in *Notes 5 and 6*.

The Fund has its registered office in the Republic of Kazakhstan, Astana, 8, Kunayev str.

These separate financial statements were authorized for issue by the Managing Director – Member of the Management Board and Chief Accountant of the Fund on April 30, 2013.

Stabilization Plan

In order to maintain stability of economic and financial system of the country during the world economic crisis the Government by Decree No. 1085 dated November 25, 2008 approved a Joint action plan of the Government, the National Bank and the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on stabilization of the economy and financial system for 2009-2010 ("Stabilization Plan"). The Stabilization Plan provides certain measures aimed at the following:

- Stabilization of financial sector
- Resolution of real estate market issues
- Small and medium business support
- Development of agricultural sector
- Implementation of innovation, industrial and infrastructure projects

The Fund is the principal operator for the Government in the implementation of the Stabilization Plan.

Investments in Karachaganak project

On June 28, 2012 the Government, as represented by the Ministry of Oil and Gas and the State Assets and Privatization Committee of the Ministry of Finance, and the participants of the Karachaganak Project (further, the "Consortium" or "KPO") signed an agreement, according to which the Government acquired a 10% participating interest in KPO. The fair value of the 10% interest acquired was assessed as 2 billion US Dollars (approximating 300 billion Tenge), of which 150 billion Tenge was paid by the Government in cash and the remaining portion through a settlement of taxes. The Government established a new entity Final Production Sharing Agreement Interest Managing Company LLP ("FPSAIME") and contributed the newly acquired 10% in the project into FPSAIME capital. Further, in accordance with Government's Resolution No. 570 dated May 3, 2012, on June 28, 2012 the Fund received the Government's 100% share in FPSAIME as a contribution to the Fund's capital with a fair value of 300,070 million Tenge as at the date of transaction (*Notes 5 and 13*).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)**Investments in Karachaganak project**

On June 29, 2012 the Fund transferred FPSAIMC to National Company "KazMunayGas" JSC ("NC KMG") for consideration of 150,035 million Tenge of NC KMG share capital and cash consideration of 150,035 million Tenge, which was financed by a loan of 1 billion US Dollars. In accordance with the agreement, the interest rate is LIBOR plus 3% times 1.25 per annum, and the principal is payable in equal monthly installments from cash inflows from the project within next 3 years. Under the loan agreement the NC KMG has undertaken to provide the collateral in the form of 5% share in the Project to the Consortium. The loan is guaranteed by the Fund.

On June 28, 2012 the Fund paid dividends in amount of 159,113 million Tenge, part of which in amount of 150,035 million Tenge was used by the Government to finance the acquisition of the above-mentioned interest in KPO (*Note 13*).

Restructuring of financial liabilities of BTA Bank JSC

In December 2012 BTA Bank JSC completed the second restructuring process of its financial liabilities. Within the framework of restructuring plan the Fund undertook a number of measures aimed to support the restructuring of BTA Bank JSC, in particular:

Acquisition of shares

On December 21, 2012 the Fund acquired additionally issued common shares of BTA Bank JSC for the amount of 176,376 million Tenge, out of the partial withdrawal of funds placed at bank deposits and current account in this bank (*Notes 5 and 10*). As a result of this acquisition, the Fund increased its share in BTA Bank from 81.48% to 97.28%. Moreover, the interest rate on the above stated deposit with the closing balance of 89,894 million Tenge as of December 31, 2012 was decreased from 11% to 7%.

Issue of loan

On December 19, 2012 the Fund provided BTA Bank JSC with a loan for the amount of 239,771 million Tenge maturing in 2024 with interest rate of 4% (*Note 8*). The loan was financed by the proceeds from the bonds issue of 143,196 million Tenge (*Note 15*) and own funds of 96,575 million Tenge.

Substantial modification of the bonds terms

In accordance with amendments to the terms of the bonds issued by the Fund and acquired by BTA Bank JSC the coupon rate was increased from 4% to 6% (*Note 14*).

Addendum to guarantee agreement

On December 20, 2012 the Fund changed the commission on guarantee provided to the lenders of BTA Bank JSC. According to the changed terms, the amount of commission was decreased from 2% to 0.125% per annum, starting from 1 September 2012.

2. BASIS OF PREPARATION

These separate financial statements have been prepared on a historical cost basis, except as described in the accounting policies and notes to these separate financial statements. The Fund maintains its accounting records in Kazakhstan Tenge ("Tenge" or "KZT"). All values in these separate financial statements are rounded to the nearest million, except when otherwise indicated.

These separate financial statements are prepared in accordance with requirements of legislation of Republic of Kazakhstan.

These separate financial statements were prepared in addition to the consolidated financial statements for the year ended December 31, 2012. The consolidated financial statements were approved for issue by the Managing Director – Member of the Management Board and Chief Accountant of the Fund on April 30, 2013. A copy of the consolidated financial statements can be obtained from the Fund's registered office (*Note 1*).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)**Statement of compliance**

These separate financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by International Accounting Standard Board ("IASB").

The preparation of separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in *Note 4*.

Foreign currency translation*Functional and presentation currency*

The separate financial statements are presented in Tenge, which is the Fund's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are accounted for in the separate statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets measured at the fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

As at December 31, 2012 and 2011 the currency exchange rate of KASE was 150.74 Tenge and 148.4 Tenge to 1 US Dollar, respectively. These rates were used to translate monetary assets and liabilities denominated in US Dollars as at December 31, 2012 and 2011. The currency exchange rate of KASE as at April 30, 2013 was 151.23 Tenge to 1 US Dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Changes in accounting policies and disclosures**

The accounting policies applied in the preparation of these separate financial statements are consistent with those applied in the preparation of the separate financial statements for the year ended December 31, 2011, except for the following new and amended IFRS and IFRIC interpretations effective as of January 1, 2012:

Amendment to IAS 12 Income Taxes – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after January 1, 2012 and has been no effect on the Fund's financial position, performance or its disclosures.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Changes in accounting policies and disclosures (continued)***Amendment to IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable user of the Fund's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after July 1, 2011. The Fund does not have any assets with these characteristics so there has been no effect on the presentation of separate financial statements of the Fund

Standards issued but not effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Fund's separate financial statements are listed below. The Fund intends to adopt these standards when they become effective.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Fund's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012, and will therefore be applied in the Fund's first annual report after becoming effective.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The management expects that revised standard will not impact the Fund's financial position or performance. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2012)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment will not have an impact on the separate financial statements of the Fund. The revised standard becomes effective for annual periods beginning on or after January 1, 2013.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Fund's financial position or performance and become effective for annual periods beginning on or after January 1, 2014.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Standards issued but not effective (continued)***Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Fund's financial position or performance and become effective for annual periods beginning on or after January 1, 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Fund's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Fund will quantify the effect on separate financial statements in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. IFRS 10 will not have an impact on the separate financial statements of the Fund. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The standard will not have an impact on the separate financial statements of the Fund. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard will not have an impact on the financial position or performance of the Fund. The standard is effective for annual periods beginning on or after January 1, 2013.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Standards issued but not effective (continued)***IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Fund is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. The standard is effective for annual periods beginning on or after January 1, 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013.

Annual Improvements (May 2012)

These improvements will not have an impact on the separate financial statements of the Fund:

- IAS 1 *Presentation of Financial Statements*;
- IAS 16 *Property Plant and Equipment*;
- IAS 32 *Financial Instruments, Presentation*;
- IAS 34 *Interim Financial Reporting*.

These improvements are effective for annual periods beginning on or after January 1, 2013.

Investments in subsidiaries, joint ventures and associates

The Fund's investments in its subsidiaries, joint ventures and associates are accounted for at cost, less any impairment losses. Associate is an entity in which the Fund has significant influence and which is neither subsidiary nor joint venture of the Fund.

Impairment of non-financial assets

On every reporting date, the Fund assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Fund makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date to identify any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated by the Fund. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. That increased amount cannot exceed the recoverable amount or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statement of comprehensive income.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of non-financial assets (continued)**

The following criteria are also applied in assessing impairment of specific assets:

Investments in subsidiaries, joint ventures and associates

The Fund determines at each reporting date whether there is any objective evidence that the investment in subsidiaries, associates and joint ventures is impaired. If impairment indicators exist, the Fund conducts impairment test and identifies impairment as difference between the recoverable value and carrying value of investments.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives. The Fund determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

The Fund's financial assets include cash and cash equivalents, bank deposits, trade and other receivables, loan issued, amounts due from credit institutions, investments available for sale and other receivables. The subsequent measurement of financial assets depends on their classification as follows:

Amounts due from credit institutions, loans and other receivables

Amounts due from credit institutions, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement such financial assets are carried at amortized cost using the effective interest rate (EIR) method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the separate statement of comprehensive income. The losses arising from impairment are recognized as a separate line in the separate statement of comprehensive income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Fund has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the separate statement of comprehensive income. The losses arising from impairment are recognized as a separate line in the separate statement of comprehensive income.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognized as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to impairment loss in the separate statement of comprehensive income and removed from the available-for-sale reserve.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial assets (continued)***Fair value determination*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques include cash flow discounting models, reference to the current fair value of another instrument that is substantially the same, option valuation models or other valuation models.

Derecognition*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or the Fund has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset.

In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Impairment of financial assets*Amounts due from credit institutions, loans to customers and bank deposits*

For amounts due from credit institutions, loans and bank deposits carried at amortized cost the Fund first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists 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. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of financial assets (continued)**

The present value of estimated future cash flows is discounted at the financial assets' original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the separate statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the initial rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of revenue in the separate line of the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been sold or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit and losses in the separate statement of comprehensive income.

Investments available for sale

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost.

If an available-for-sale equity security is impaired, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments are recognized for the difference between the fair value and the original cost basis, less any previously recognized impairment.

Non-current assets classified as held for distribution to the Shareholder

Assets are classified as non-current assets held for transfer to the Shareholder if they meet the following criteria:

- are available for immediate transfer in their current condition;
- there is a firm intention to ensure their planned transfer;
- actions have been taken to execute the plan;
- there is a high possibility of making a transfer, and it is expected that the transfer will be made within one year from classification.

Non-current assets classified as held for transfer to the Shareholder have been presented separately in the separate financial statements within current assets category on the face of the separate balance sheet.

Non-current assets and disposal groups classified as held for transfer to the Shareholder are measured at the lower of carrying amount and fair value less costs to transfer.

Non-current asset that ceases to be classified as held for transfer to the Shareholder is measured at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for transfer to the Shareholder, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for transfer to the Shareholder, and
- its recoverable amount at the date of the subsequent decision not to transfer.

Value Added Tax (VAT)

The tax authorities permit the settlement of sales and purchases VAT on a net basis. VAT recoverable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero-rated.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash on demand deposits, other short-term highly liquid investments with original maturities of three months or less.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial liabilities***Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Fund's financial liabilities include trade and other payables, borrowings, amounts due to the Government and financial guarantee contracts.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and amounts due to the Government

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the separate statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in interest expense in the statement of comprehensive income.

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Fund having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to Government and credit institutions and are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the separate statement of comprehensive income over the period of the borrowings using the effective interest method. If the Fund purchases its own debt, it is removed from the separate balance sheets and the difference between the carrying amount of the liability and the consideration paid is recognized in net interest income.

Debt securities issued

Debt securities issued represent bonds issued by the Fund. They are accounted for according to the same principles used for loans and amounts due to the Government.

Financial guarantee contracts

Financial guarantee contracts issued by the Fund are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Options arising on investments acquisition

While acquiring investments the Fund issues to a third party a call option on acquired interest in the business, the Fund assesses whether being a party to such option gives to a third party access to benefits and risks associated with ownership of such interest.

If a call-option does not provide a third party with access to benefit and risk of ownership of an interest, a call option is not accounted for the purpose of determination of Fund's significant influence.

Fair value of the liability for the Fund under the option is recognized as a part of acquired investments. The financial liability is subsequently measured in accordance with the requirements of IAS 39. Changes in the fair value of a financial liability as well as any income or loss related to the settlement of these options are recorded directly in separate statement of comprehensive income.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Derivative financial instruments**

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in the separate statement of comprehensive income unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the separate statement of comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is classified as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are classified as current assets or current liabilities.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Fund and the amount of revenue can be reliably measured.

Interest and similar income and expenses

Interest income on financial instruments, except for interest income on placement of temporarily redundant cash, represent income from operating activity of the Fund and is disclosed as Interest income. Interest income on placement of temporarily redundant cash is disclosed as Finance income.

For all financial instruments measured at amortized cost and interest bearing securities classified as available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, early repayment) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if there is reassessment of payments and cash receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss in the separate financial statements, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Dividends

Dividends income is recognized when the Fund's right to receive the payment is established.

Expense recognition

Expenses are recognized as incurred and are reported on the accrual basis in the separate financial statements in the period to which they relate.

Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the separate statement of comprehensive income except to the extent that it relates to items charged or credited directly to equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Equity***Share capital*

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is charged to retained earnings.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the separate financial statements are authorised for issue.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the separate financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the separate financial statements. Where an inflow of economic benefits is probable, they are disclosed.

Offsetting

Assets and liabilities are only offset and reported at the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Subsequent Events

Post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the separate financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the separate financial statements of the Fund requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the separate balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the separate financial statements.

Allowance on impairment of loans issued, amounts due from credit institutions and deposits

The Fund reviews its individually significant loans issued, amounts due from credit institutions and deposits at each reporting date to assess whether an impairment loss should be recorded in the profit and losses. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Fund makes judgement about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (continued)*Allowance on impairment of loans issued, amounts due from credit institutions and deposits (continued)*

Due to the deterioration of the financial position, relative limited liquidity and the negative financial result of BTA Bank JSC during 2011, the Fund recognized an impairment loss on amounts due from credit institutions and bank deposits placed with this bank as of December 31, 2011 in the amount of 36,999 million Tenge and 245,068 million Tenge, respectively. In 2012 the Fund reversed the full amount of previously recognized impairment on these assets (*Notes 8 and 10*) due to the completion of the second restructuring of the financial liabilities of this bank (*Note 1*) and improvements in its financial situation.

Taxation

In assessing tax risks, management considers the known areas of non-compliance with tax legislation as a probable obligation which the Fund would not appeal or does not believe it could successfully appeal, if additional taxes will be accrued by tax authorities. Such determinations involve significant judgment and are subject to changes as a result of changes in tax legislation and regulations, amendments to the taxation terms, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. Uncertainties related to taxation, are disclosed in *Note 26*.

Deferred tax assets

Deferred tax assets were recognized for all allowances on doubtful accounts and other liabilities to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved, as well as successful application of tax planning strategies. The recognized deferred tax assets amounted to 3,037 million Tenge as at December 31, 2012 (2011: 2,700 million Tenge) (*Note 23*).

Impairment of investments in subsidiaries

Impairment exists when the carrying value of an investment in subsidiary exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell for investments in subsidiaries is calculated using the capitalized earnings method. In 2012, the Fund recognized impairment of investments in subsidiaries in the total amount of 154,287 million Tenge (2011: 306,589 million Tenge) (*Note 5*).

Impairment of investments available for sale

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. In 2012 the Fund recognized an impairment of the investments available for sale for the total amount of 146,848 million Tenge (2011: nil) (*Note 22*).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**5. INVESTMENTS IN SUBSIDIARIES**

The following table represents investments in subsidiaries, activity, country of incorporation or location of the Fund's subsidiaries, as well as the Fund's share in these subsidiaries:

<i>In millions of Tenge</i>	Activity	Country	December 31, 2012	December 31, 2011	Ownership	
					December 31, 2012	December 31, 2011
"BTA Bank" JSC	Bank services	Kazakhstan	1,320,026 ^{4,5}	891,092	97.28%	81.48%
"National Company "KazMunayGas" JSC	Oil and gas industry	Kazakhstan	928,806 ^{1,2,4,6}	737,286	100.00%	100.00%
"National Company "Kazakhstan Temir Zholy" JSC	Freight and passengers railway transportation	Kazakhstan	835,476 ^{4,5}	795,877	100.00%	100.00%
"Development Bank of Kazakhstan" JSC	State investment activity	Kazakhstan	312,614 ^{4,6}	302,769	100.00%	100.00%
"Samruk-Energy" JSC	Production and transportation of heat and electricity	Kazakhstan	254,652 ^{4,6,7}	138,765	100.00%	94.73%
"National Atomic Company "KazAtomProm" JSC	Uranium production	Kazakhstan	147,275	147,275	100.00%	100.00%
"Alliance Bank" JSC	Bank services	Kazakhstan	142,075 ⁵	122,801	67.00%	67.00%
"Kazakhstan Electricity Grid Operating Company" JSC ("KEGOC")	Transfer of electricity	Kazakhstan	113,129 ⁴	112,129	100.00%	100.00%
"Kazakhtelecom" JSC	Services of fixed communication	Kazakhstan	88,733	88,733	51.00%	51.00%
"Kazyna Capital Management" JSC	Creation of investment funds	Kazakhstan	69,444	69,444	100.00%	100.00%
"Entrepreneurship development Fund "Damu" JSC	Development of small entrepreneurship	Kazakhstan	67,771 ⁴	39,521	100.00%	100.00%
"United Chemical Company" JSC	Development of chemical industry	Kazakhstan	40,428 ⁴	7,002	100.00%	100.00%
"Investment Fund of Kazakhstan" JSC	Assistance in realization of the strategy of industrial and innovation development	Kazakhstan	33,268 ⁵	32,493	100.00%	100.00%
"Real Estate Fund "Samruk-Kazyna" JSC	Stabilization of real estate market	Kazakhstan	31,851 ⁴	31,738	100.00%	100.00%
"Temirbank" JSC	Bank services	Kazakhstan	23,488	23,488	79.90%	79.90%
Export-Credit Insurance Corporation KazExportGarant JSC	Insurance services	Kazakhstan	11,270	11,270	100.00%	100.00%
"National Company "Kazakhstan Engineering" JSC	Industry	Kazakhstan	9,850	9,850	100.00%	100.00%
"KazPost" JSC	Postal activity and financial services	Kazakhstan	9,564 ⁴	9,387	100.00%	100.00%
"National Geological Company "Kazgeology" JSC	Geological exploration services	Kazakhstan	8,586 ⁴	3,176	100.00%	100.00%
"National Mining Company "Tau-Ken Samruk" JSC	Development of mining industry	Kazakhstan	7,862 ⁴	3,437	100.00%	100.00%
East Kazakhstan Regional Energy Company JSC	Transfer of electricity	Kazakhstan	7,723 ³	—	100.00%	—
"Air Astana" JSC	Passengers air transportation	Kazakhstan	7,276	7,276	51.00%	51.00%
"International Airport Aktobe" JSC	Airport services	Kazakhstan	6,029	6,589	100.00%	100.00%
"Samruk-Kazyna Contract" LLP	Projects management	Kazakhstan	2,193	2,193	100.00%	100.00%
"Airport Pavlodar" JSC	Airport services	Kazakhstan	1,454 ⁴	1,207	100.00%	100.00%
"International Airport Atyrau" JSC	Airport services	Kazakhstan	1,196	1,196	100.00%	100.00%

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN SUBSIDIARIES (continued)

In millions of Tenge	Activity	Country	Ownership			
			December 31, 2012	December 31, 2011		
"Samruk-Kazyna Invest" LLP	Professional services on investment projects	Kazakhstan	1,151 ⁴	394	100.00%	100.00%
"SK Pharmacy" LLP	Purchase of medicine within the limits of guaranteed medical aid for population	Kazakhstan	700	700	100.00%	100.00%
"Kazakh Research Institute named after Chokin" JSC	Scientific work	Kazakhstan	219	219	50.00%	50.00%
"KOREM" JSC	Operator of electricity market	Kazakhstan	161	161	100.00%	100.00%
"Karagandagiprospekt and K" LLP	Projection	Kazakhstan	6	6	90.00%	90.00%
"Samruk-Kazyna Finance" LLP	Consulting Services	Kazakhstan	-	-	100.00%	100.00%
KGFI IM	Financial transactions	Cayman Islands	-	-	100.00%	100.00%
KGFI Management	Financial transactions	Cayman Islands	-	-	100.00%	100.00%
KGFI SLP	Financial transactions	Cayman Islands	-	-	100.00%	100.00%
Less: Impairment			(1,252,864)	(1,098,577)		
			3,231,412	2,498,897		

Changes in investments in subsidiaries

- 1) In accordance with the Resolution No. 570 of the Government dated May 3, 2012, on June 28, 2012 the Fund received the Government's 100% share in Final Production Sharing Agreement Interest Managing Company LLP ("FPSAIMC") with a fair value of 300,070 million Tenge as at the date of transaction (Note 13). On June 29, 2012 the Fund transferred 50% share in FPSAIMC with the carrying value of 150,035 million Tenge to the share capital of NC KMG. The remaining 50% of interest in FPSAIMC was sold to NC KMG for 150,035 million Tenge.
- 2) In accordance with the Resolution No. 822 of the Government dated July 18, 2011, on April 19, 2012 the Fund received the Government's 100% share in Arkagas JSC with the fair value of 4,110 million Tenge as of the date of the transaction (Note 13). On June 26, 2012 the Fund transferred 100% share in Arkagas JSC to the share capital of NC KMG.
- 3) In accordance with the Resolution No. 543 of the Government dated April 28, 2012, on December 20, 2012 the Fund received the Government's 100% share in East Kazakhstan Regional Energy Company ("EK REC") JSC with the fair value of 7,723 million Tenge as of the date of the transaction (Note 13).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**5. INVESTMENTS IN SUBSIDIARIES (continued)***Changes in investments in subsidiaries (continued)*

- 4) In addition to the above, during 2012, the Fund made the following contributions to share or charter capital of:
- BTA Bank JSC in the amount of 176,376 million Tenge (*Note 1*);
 - NC KMG in the amount of 32,222 million Tenge, including cash contribution of 2,000 million Tenge, using funds received from the Republican budget, and contribution of property in the amount of 30,222 million Tenge;
 - Samruk-Energy JSC by transfer of 50% share of interest in Ekibastuz GRES-1 LLP with the carrying value of 101,502 million Tenge as of the date of the transaction (*Note 6*);
 - Entrepreneurship Development Fund "Damu" JSC ("Damu") in the amount of 28,000 million Tenge. The contribution was made in cash out of the funds received from the Republican budget;
 - National Company "Kazakhstan Temir Zholy" JSC in the amount of 5,630 million Tenge. The contribution was made in cash out of the funds received from the Republican budget and in the form of property amounting to 4,000 million Tenge and 1,630 million Tenge, respectively;
 - National Geological Company "Kazgeology" JSC in the amount of 5,410 million Tenge. The contribution was made in cash out of the funds received from the Republican budget;
 - United Chemical Company LLP in the amount of 33,426 million Tenge. The contribution of 29,441 million Tenge was made in cash using the funds provided by the Government's Stabilization Plan according to the minutes of the Government Committee on Management of the National Fund No. 17-5/11-1 dated March 15, 2012 and No. 17-5/I-380 dated April 5, 2012. Cash in the amount of 3,985 million Tenge were provided from the own funds of the Fund;
 - Development Bank of Kazakhstan JSC, Samruk-Energy JSC, KEGOC JSC in the total amount of 8,000 million Tenge. The contributions were made in cash in the amount of 4,646 million Tenge and property in the amount of 3,354 million Tenge out of the funds received from the Republican budget;
 - National Mining Company "Tau-Ken Samruk" JSC, Samruk-Kazyna Invest LLP, Kazpost JSC, Airport Pavlodar JSC and Real Estate Fund "Samruk-Kazyna" JSC in the total amount of 5,719 million Tenge. The contributions were made in the form of cash and property in the amount of 5,606 million Tenge and 113 million Tenge, respectively.
- 5) In 2012, the Fund granted loans to its subsidiaries at interest rates below market (*Notes 7 and 8*), and the discount of 173,241 million Tenge representing the difference between fair value of the loans and their nominal amount was recognized as an increase in investments in subsidiaries. Moreover, the Fund made amendments to the terms of the bonds acquired by BTA Bank JSC and Alliance Bank JSC by increasing the coupon rate from 4% to 6% (*Note 14*). The Fund derecognized the original bonds with the total carrying value of 612,267 million Tenge and recognized new bonds with the fair value of 750,000 million Tenge. The difference of 118,459 million Tenge and 19,274 million Tenge was recognized as an increase in the investments in BTA Bank JSC and Alliance Bank JSC, respectively.
- 6) In 2012, the Fund provided financial guarantees to the creditors of NC KMG, Development Bank of Kazakhstan JSC and Samruk-Energy JSC. The fair value of financial guarantees amounted to 5,153 million Tenge, 2,961 million Tenge and 4,868 million Tenge, respectively, and was recognized as an increase in investments in respective subsidiaries.
- 7) According to the swap agreement with KazTransGas JSC dated October 24, 2012, the Fund made a contribution to the share capital of Samruk-Energy JSC through a transfer of the gas pipelines in exchange of the shares of this subsidiary in the amount of 5,209 million Tenge.

Impairment

In 2012 the Fund recognized a loss on impairment of investments in BTA Bank JSC, Alliance Bank JSC and investment Fund of Kazakhstan JSC in the amount of 134 billion Tenge, 12 billion Tenge and 8 billion Tenge respectively (2011: 196 billion Tenge, 32 billion Tenge, and nil Tenge, respectively). Moreover, in 2011 the Fund recognized a loss on impairment of investments in Development Bank of Kazakhstan JSC in the amount of 79 billion Tenge (2012: nil).

Recoverable amount for all investments listed above have been determined using the fair value less costs to sell.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE**

As at December 31 investments in associates and joint venture were presented as follows:

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
Joint venture:		
"Ekibastuz GRES-1" LLP	–	101,502
Associates:		
"ShekerBank"	18,174	–
"Astana-Finance" JSC	6,516	6,516
"Maikainzoloto" JSC	281	281
Less: Impairment	(6,516)	(6,516)
	18,455	101,783

As at December 31, activities of associates and joint venture, countries of residence and the Funds share in these entities were as follows:

Company	Activity	Country	% in charter capital	
			December 31, 2012	December 31, 2011
Joint venture:				
"Ekibastuz GRES-1" LLP	Production and transportation of heat and electricity	Kazakhstan	–	50.00%
Associates:				
"ShekerBank"	Bank Services Finance	Turkey	22.1%	–
"Astana-Finance" JSC	organization	Kazakhstan	5.52%	5.52%
"Maikainzoloto" JSC	Gold production	Kazakhstan	25.00%	25.00%

Acquisition of share of interest in Shekerbank

On March 16, 2012 the Fund acquired 222,148,406 shares (22.1%) of Turkish bank Shekerbank from BTA Securities JSC (a subsidiary of BTA Bank JSC).

Transfer of share of interest in Ekibastuz GRES-1 LLP

On October 31, 2012 the Fund performed a transfer of 50% share of interest in Ekibastuz GRES-1 LLP to Samruk-Energy JSC in exchange for 355,798 common shares of Samruk-Energy JSC at the price of 285,611.68 Tenge per one common share (Note 5).

7. LOANS ISSUED

Loans issued comprised the following at December 31:

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
Loans to third and related parties	505,584	306,314
Loans to subsidiaries	254,513	232,543
Bonds issued by subsidiaries	954	879
Interest accrued	18,690	11,915
Less: Impairment	(12,260)	(11,317)
Total loans issued	767,481	540,334
Less: current portion	(110,081)	(81,611)
Non-current portion	657,400	458,723

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**7. LOANS ISSUED (continued)**

The analysis of loans issued by maturities at December 31 is presented as follows:

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
Loans for which no impairment has been identified:		
- Neither past due, nor impaired	766,159	537,744
Past due, but not impaired:		
- overdue less than 30 days	-	2,000
- overdue over 90 days and less than 180 days	732	-
- overdue over 360 days	590	590
Total overdue loans	1,322	2,590
Total loans issued	767,481	540,334

Loans to third and related parties*Kazakhmys Finance PLC*

In 2012 the Fund provided tranches to Kazakhmys Finance PLC in the amount of 1,200 million US Dollars (equivalent to 180,888 million Tenge at exchange rate as at December 31, 2012) with maturity periods of 15 years. The annual interest rate on the loan equals to six-months LIBOR plus a 4.80% margin. The loan was provided for the development of Bozshakol and Akbastau/Kosmurun copper fields. The loan was financed by proceeds of the loan facility of State China Development Bank (*Note 14*).

Elorda Damu LLP

On November 27, 2012 the Fund entered into a loan agreement with Elorda Damu LLP, according to which the Fund provided a loan in the amount of 20,000 million Tenge with maturity period until November 10, 2014 and interest rate of 0.02%. The loan was provided for financing of a pilot project on demolition of dangerous structures in Astana.

At initial recognition, the loan was measured at fair value amounting to 18,863 million Tenge using a relevant market interest rate.

Loans to subsidiaries*National Company "Kazakhstan Temir Zholy" JSC*

On July 13, 2012 the Fund entered into a loan agreement with National Company "Kazakhstan Temir Zholy" JSC, according to which the Fund provided loans in the amount of 60,755 million Tenge with maturity period until 2042 with interest rates below market to finance construction of "Zhezkazgan-Beineu" and "Arkalyk-Shubarkol" railways.

On September 11, 2012 the Fund entered into a loan agreement with National Company "Kazakhstan Temir Zholy" JSC, according to which the Fund provided loans in the amount of 2,155 million Tenge with maturity period until 2037 with interest rates below market to finance the renovation of passenger railway wagons Carriage JSC. Financing was made using the funds received from the Republican budget (*Note 15*).

At initial recognition, the loans were measured at fair values amounting to 29,713 million Tenge using relevant market interest rates. The difference between nominal value of the loans and their fair value totaling 33,197 million Tenge was recognized as an increase in investments in National Company "Kazakhstan Temir Zholy" JSC (*Note 5*).

Real Estate Fund "Samruk-Kazyna" JSC

Within the Stabilization Plan, in 2012 the Fund provided additional tranche to Real Estate Fund "Samruk-Kazyna" JSC in amount of 11,324 million Tenge to purchase of residential premises within housing complexes under construction.

On March 14, 2012 the Fund signed an agreement on opening of a nonrevolving credit line (with a limit of 17,100 million Tenge) with Real Estate Fund "Samruk-Kazyna" JSC, according to which the Fund provided a loan of 5,000 million Tenge maturing on December 14, 2021 to realize pilot projects in Astana and Shymkent as a part of housing construction program from 2011 to 2014.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**7. LOANS ISSUED (continued)****Loans to subsidiaries (continued)**

On September 5, 2012 the Fund signed an agreement on opening of a revolving credit line (with credit limit of 99,053 million Tenge), with Real Estate Fund "Samruk-Kazyna" JSC according to which the Fund provided loan in the amount of 6,238 million Tenge maturing on July 31, 2022 for the purpose of implementing the housing construction projects in terms of "Available housing-2020" program, approved by the Decree of the Government of Republic of Kazakhstan No. 821 dated June 21, 2012.

In accordance with the terms of the loans, the Fund has a right to demand an early repayment of the loans or part of the loans from Real Estate Fund "Samruk-Kazyna" JSC each December, and Real Estate Fund "Samruk-Kazyna" JSC is also obliged to make an early repayment in case of the Fund's demand. Due to this condition the Fund classifies these loans as short-term.

In 2012 Real Estate Fund "Samruk-Kazyna" JSC made a partial early repayment of its loans for an amount of 31,398 million Tenge.

National Company "Kazakhstan Engineering" JSC

On February 14, 2012 the Fund signed a loan agreement with National Company "Kazakhstan Engineering" JSC, according to which the Fund provided a loan in the amount of 5,000 million Tenge maturing on December 30, 2013 for construction of the centre of electrical-optical production and centre of modernization, engineering-technical maintenance and armour repair on the basis of Semei Engineering JSC.

National Company "KazMunayGas" JSC

On January 5, 2012 National Company "KazMunayGas" JSC made a partial repayment of loan for the amount of 12,028 million Tenge.

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amount due from credit institutions comprised the following at December 31:

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
10 largest local banks	266,215	166,136
Other local credit institutions	123,172	157,252
Interest accrued	5,153	5,804
Less: Impairment	–	(36,999)
Total amounts due from credit institutions	394,540	292,193
Less: current portion	(32,760)	(33,681)
Non-current portion	361,780	258,512

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
Ratings above BB+	23,531	17,350
Ratings from B to BB-	118,380	42,890
Rating B-	12,825	92,117
Ratings lower than B-	141,767	932
No rating	98,037	138,904
	394,540	292,193

There was no past due but not impaired amount due from credit institutions as of December 31, 2012 and 2011.

Amounts due from credit institutions mainly represent funds placed with banks and other financial institutions to finance the activities under the Stabilization Plan.

Total amount of repaid funds during 2012 amounted to 49,730 million Tenge, including repayment of 42,892 million Tenge made by Entrepreneurship Development Fund "Damu" JSC (2011: 132,552 million Tenge and 47,670 million Tenge, respectively).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**8. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)**

As at December 31, 2012 amounts due from credit institutions were mainly represented by loans to the following financial entities:

- Entrepreneurship Development Fund "Damu" JSC ("Damu") in the amount of 72,638 million Tenge (2011: 114,439 million Tenge) in order to finance small and medium businesses, of which 44,690 million Tenge (2011: 58,246 million Tenge) were the amounts placed under the Stabilization Plan (*Note 1*). These loans had interests at the rate of 4.71% – 7% per annum;

On August 14, 2012 the Fund entered into a loan agreement with Damu for the total amount of 6,000 million Tenge, according to which the Fund provided a loan in the amount of 2,000 million Tenge maturing on June 30, 2018 and with interest rate of below market to finance the development of microcredit organizations and provision of microcredits to female entrepreneurship, financing was made using the funds received from the Republican budget for 2009-2011;

At initial recognition, the loan was measured at fair value amounting to 1,750 million Tenge using a relevant market interest rate. The difference between nominal value of the loan and its fair value in the amount of 250 million Tenge was recognized as an increase in investments in Damu (*Note 5*).

- Development Bank of Kazakhstan to decrease financing rates of investment projects in priority segments of economy and to decrease the funding costs on finance leases in the amount of 2,659 million Tenge and 16,542 million Tenge, respectively (2011: 2,478 million Tenge and 10,324 million Tenge, respectively).

On December 11, 2012 the Fund entered into a loan agreement with Development Bank of Kazakhstan JSC according to which the Fund provided a loan in the amount of 10,000 million Tenge maturing on June 20, 2021 and with interest rate below the market rate to decrease the funding costs on finance leases. Financing was made using the funds received from the Republican budget (*Note 15*).

At initial recognition, the loan was measured at fair value amounting to 5,808 million Tenge using a relevant market interest rate. The difference between nominal value of the loan and its fair value in the amount of 4,192 million Tenge was recognized as an increase in investments in Development Bank of Kazakhstan JSC (*Note 5*).

- To the second tier banks for refinancing mortgage loans, construction of housing in Astana and Almaty and provision of intermediary housing loans in the amount of 116,346 million Tenge (2011: 123,119 million Tenge), 53,661 million Tenge (2011: 53,936 million Tenge) and 25,399 million Tenge (2011: 24,465 million Tenge), respectively. A portion of amounts granted to the second tier banks for refinancing mortgage loans and construction of residential housing in Astana and Almaty in the amount of 170,007 million Tenge (2011: 176,794 million Tenge) is the amounts placed under the Stabilization Plan. These loans had interest rates of 3.74% – 7.5% per annum.

BTA Bank JSC

On December 19, 2012 the Fund entered into a loan agreement with BTA Bank JSC according to which the Fund provided a loan in the amount of 239,771 million Tenge maturing in 2024 and with interest rate of 4%. The loan was provided for the purpose of the payment of compensation, payable in the procedure, prescribed in Informational memorandum and for overall purposes as part of the second restructuring of the financial liabilities of BTA Bank JSC. The loan was financed by the proceeds from the bonds issue of 143,196 million Tenge (*Note 15*) and own funds of 96,575 million Tenge.

At initial recognition, the loan was measured at fair value amounting to 105,672 million Tenge using a relevant market interest rate. The difference between nominal value of the loan and its fair value in the amount of 134,099 million Tenge was recognized as an increase in investments in BTA Bank JSC (*Note 5*).

Impairment of amounts due from credit institutions

Due to the deterioration of the financial position, relative limited liquidity and the negative financial result of BTA Bank JSC during 2011, the Fund recognized an impairment loss on amounts due from credit institutions placed with this bank as of December 31, 2011 in the amount of 36,999 million Tenge. In 2012 the Fund reversed the full amount of previously recognized impairment on these assets due to the completion of the second restructuring of the financial liabilities of this bank (*Note 1*) and improvements in its financial situation.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**9. OTHER FINANCIAL ASSETS**

As at December 31 other financial assets comprised the following:

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
Financial investments available for sale:		
<i>Equity securities of Kazakhmys PLC</i>	111,925	124,876
<i>Equity securities of "Kazkommertsbank" JSC</i>	24,828	36,306
<i>Equity securities of "Halyk Bank Kazakhstan" JSC</i>	1,028	30,149
<i>Debt securities</i>	12,537	8,223
Total other financial assets	150,318	199,554
Less: current portion	(26,124)	(66,833)
Non-current portion	124,194	132,721

On May 28, 2012, Holding Group ALMEX JSC and Halyk Bank of Kazakhstan JSC signed an agreement on assignment of a right of demand option agreement related to preferred shares of Halyk Bank of Kazakhstan JSC.

In accordance with this agreement on June 29, 2012 and July 5, 2012 Halyk Bank of Kazakhstan JSC realized its right for partial execution of the option and acquired 150,000,000 and 40,000,000 of its preferred shares at the price of 179.94 Tenge per share and 180.21 Tenge per share, respectively. The sale amounted to 34,199 million Tenge.

After selling of Halyk Bank of Kazakhstan JSC preferred shares with a fair value at the date of disposal of 34,273 million Tenge, the Fund ceased recognition of the relevant option obligation on purchase of preferred shares, the fair value of which on the date of disposal amounted to 3,509 million Tenge.

Additionally the unrealized gain of 1,395 million Tenge on revaluation of available-for-sale investments on the preferred shares of Halyk Bank of Kazakhstan JSC was reclassified from revaluation reserve for available-for-sale investments into net profit for the period. The resulting net gain on disposal of financial assets was recorded in the separate statement of comprehensive income in the amount of 4,830 million Tenge.

Fair value of equity securities of Kazakhmys PLC, Halyk Bank Kazakhstan JSC and Kazkommertsbank JSC as at December 31, 2012 and December 31, 2011 was determined based on published quotations from the active market.

In 2012 the Fund recognized an impairment loss on equity instruments of Kazakhmys PLC and Kazkommertsbank JSC in the amount of 86,103 million Tenge and 60,745 million Tenge, respectively (2011: nil) (*Note 22*).

10. BANK DEPOSITS

As at December 31 bank deposits comprised the following:

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
10 largest local banks	284,155	413,348
Other local credit institutions	73,198	63,279
Interest accrued	7,123	8,753
Less: Impairment	-	(245,068)
Total bank deposits	364,476	240,312
Less: current portion	(159,923)	(70,202)
Non-current portion	204,553	170,110

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
Ratings above BB+	29,957	20,000
Ratings from B to BB-	190,012	106,786
Rating B-	54,115	100,991
Rating below B-	89,894	12,056
No rating	498	479
	364,476	240,312

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**10. BANK DEPOSITS (continued)***Withdrawal of deposits in BTA Bank JSC*

In 2012 the Fund performed a partial withdrawal of amounts placed in a bank deposit at BTA Bank JSC in the amount of 184,473 million Tenge, part of these funds was used for the acquisition of common shares of BTA Bank JSC (Note 5). The interest rate on this deposit with the closing balance of 89,894 million Tenge as of December 31, 2012 was decreased from 11% to 7%.

Placement of temporary redundant cash

Under the redundant cash management policy, the Fund places deposits with second tier banks in the amount of 79,500 million Tenge with maturity up to one year and interest rate from 6% to 9 % per annum.

As at December 31, 2012 the weighted average interest rate on long-term bank deposits was 7.81% (December 31, 2011: 9.52%), and the weighted average interest rate on short-term bank deposits was 7.74% (December 31, 2011: 9.22%).

Impairment of deposits placed in BTA Bank

Due to the deterioration of the financial position, relative limited liquidity and the negative financial result of BTA Bank JSC during 2011, the Fund recognized an impairment loss on bank deposits placed with this bank as of December 31, 2011 in the amount of 245,068 million Tenge. In 2012 the Fund reversed the full amount of previously recognized impairment on these assets due to the completion of the second restructuring of the financial liabilities of this bank (Note 1) and improvements in its financial situation.

11. OTHER CURRENT ASSETS

As at December 31 other current assets comprised the following:

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
Prepayment of dividends to the Shareholder (Note 13)	–	9,077
Other accounts receivable	6,075	3,184
Dividends receivable	23,996	176
Other	1,487	292
Less: Impairment	(3,619)	(1,872)
	27,939	10,857

12. CASH AND CASH EQUIVALENTS

As at December 31 cash and cash equivalents comprised the following:

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
Current accounts with banks – Tenge	301,829	449,189
Current accounts with banks – US Dollars	29,998	1,639
Current accounts with banks – Euro	602	587
Term bank deposits – Tenge	100,543	487
	432,972	451,902

As at December 31, 2012 weighted average interest rate for most current accounts placed with Kazakhstan banks is equal to 0.1% (2011: 0.08%).

Short-term deposits are placed for varying periods between one day and three months depending on the immediate cash requirements of the Fund. As at December 31, 2012, the weighted average interest rate for term deposits with banks was 0.77% (2011: 0.02%).

Total amount of Fund's cash balances on bank accounts include funds received from the State budget and National Fund for Government programs. As at December 31, 2012 these cash balances were accumulated on the accounts with the National Bank and amounted to 395 billion Tenge (2011: 435 billion Tenge), including:

- 247 billion Tenge (2011: 279 billion Tenge) – resources of National Fund, received under Stabilization Plan;
- 6 billion Tenge (2011: 9 billion Tenge) – funds from the State budget received to provide financing of projects implemented by the Fund;
- 142 billion Tenge (2011: 147 billion Tenge) – the Fund's cash balance required for operating and investing activities.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**13. EQUITY***Share capital*

During 2012 and 2011 the Fund made issue of shares, which were contributed as follows:

Payment for shares	Number of shares authorized and issued	Par value per share, in Tenge	Share capital, in millions of Tenge
As at December 31, 2010	3,479,076,667		3,891,909
Cash contributions	1,451,337	1,000,000; 100,000; 1,000 100,000; 10,000; 1,945;	147,552
Property contributions	44,813	1,000	4,458
Contribution of state-owned shares	64,638	100,000; 34,647; 1,353	6,464
As at December 31, 2011	3,480,637,455		4,050,383
Contribution of state-owned shares	418,402	1,000,000; 282,174; 100,000; 46,000; 40,600 100,000; 93,549; 90,092;	311,903
Property contributions	350,282	80,000; 72,800; 23,156	35,028
Cash contributions	120,000	100,000	12,000
As at December 31, 2012	3,481,526,139		4,409,314

As at December 31, 2012 3.481.526.139 shares were fully paid (2011: 3.480.637.455 shares).

In accordance with the Law of the Republic of Kazakhstan "On Republican budget for 2012-2014" dated November 24, 2011, the Shareholder contributed cash to the Fund's share capital in the amount of 12,000 million Tenge in 2012. This amount is intended for financing of projects implemented by subsidiaries.

In accordance with the Resolution No. 570 of the Government dated May 3, 2012, on June 28, 2012 the Fund received the Government's 100% share in FPSAIMC with the fair value of 300,070 million Tenge as of the date of the transaction (*Note 5*).

In accordance with the Resolution No. 822 of the Government dated July 18, 2011, on April 19, 2012 the Fund received the Government's share in Arkagas JSC with the fair value of 4,110 million Tenge as of the date of the transaction (*Note 5*).

In accordance with the Resolution No. 543 of the Government dated April 28, 2012, on December 20, 2012 the Fund received the Government's interest in East Kazakhstan Regional Energy Company JSC with the fair value of 7,723 million Tenge as of the date of the transaction (*Note 5*).

In 2012, the Shareholder contributed property to the share capital of the Fund in the total amount of 35,028 million Tenge, according to the Decree of the Government No. 939 dated September 14, 2010 "On certain issues of the government property" and the Decree of the Government No. 660 dated August 6, 2007 "Separate issues of power service in Almaty and Astana oblast".

Transactions with Shareholder

In accordance with the swap agreement between the Fund and the Shareholder dated April 11, 2011 the Fund transferred to the Shareholder shares of subsidiaries "House Construction Savings Bank of Kazakhstan" JSC and "Kazakhstan Mortgage Guarantee Fund" JSC in exchange to the State's property in 2011.

In 2012, as a result of swap transactions the Fund recognized a net gain of 1,630 million Tenge (2011: 11,511 million Tenge) (the difference between the carrying value of transferred investments and the fair value of assets received) directly in the separate statement of changes in equity.

Dividends to the Shareholder

On January 19, 2012 the Decree No. 139 of the Government approved final order for distribution of the Fund's net income for 2010 in the amount of 9,077 million Tenge and settled this amount against prepayment of dividends (*Note 11*).

On June 28, 2012 the Fund paid dividends to the Shareholder in the amount of 159,113 million Tenge on the results of 2011 according to the Decree No. 850 of the Government dated June 26, 2012.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**13. EQUITY (continued)***Book value of shares*

In accordance with the decision of the Exchange Board of the Kazakhstan Stock Exchange ("KASE") dated October 4, 2010 financial statements shall disclose book value per share (common and preferred) as at the reporting date, calculated in accordance with the KASE rules.

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
Total assets	5,453,393	4,395,122
Intangible assets	(931)	(199)
Total liabilities	(1,602,663)	(1,587,365)
Net assets for common shares	3,849,799	2,807,558
Number of common shares as at December 31	3,481,526,139	3,480,637,455
Book value per share, Tenge	1,106	807

14. BORROWINGS

Borrowings, including accrued interest, comprised the following as at December 31:

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
Bonds issued, purchased by subsidiaries:		
- BTA Bank JSC	652,978	527,519
- Alliance Bank JSC	106,260	85,846
- Development Bank of Kazakhstan JSC	43,733	43,657
- National Company "KazMunayGas" JSC	41,600	36,973
- Temirbank JSC	3,048	3,048
- Export-Credit Insurance Corporation "KazExportGarant" JSC	-	1,842
Bonds issued, purchased by other companies	106,707	104,865
Loans received	422,445	346,705
Total borrowings	1,376,771	1,150,455
Less: amounts due for settlement within 12 months	(81,764)	(117,664)
Amounts due for settlement after 12 months	1,295,007	1,032,791

As at December 31 borrowings, including accrued interest, comprised the following currencies:

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
Tenge-denominated borrowings	954,326	916,244
US Dollar-denominated borrowings	422,445	234,211
	1,376,771	1,150,455

Bonds issued

In accordance with the amendments made to the prospectus of the bonds issued by the Fund and acquired by BTA Bank JSC and Alliance Bank JSC, the coupon rate was increased from 4% to 6%. In accordance with IFRS 39 the Fund performed an extinguishment of the original bonds with the total carrying value of 612,267 million Tenge and recognition of a new bonds with the fair value of 750,000 million Tenge. The difference of 118,459 million Tenge and 19,274 million Tenge was recognized as an increase in investments in BTA Bank JSC and Alliance Bank JSC, respectively (Note 5).

Under the second bonds program, in September 2010 the Fund placed the bonds in the amount of 75,000 million Tenge on the open market. The bonds' maturities are 10 years with coupon rate of 6.5% per annum. In April 2011 the Fund additionally placed bonds on the open market for the total amount of 75,000 million Tenge. The bonds' maturities are 7 years with coupon rate of 5.89% per annum. Under this program the Fund's subsidiaries Development Bank of Kazakhstan JSC, Temirbank JSC and Export-Credit Insurance Corporation "KazExportGarant" JSC acquired bonds of the Fund. Remaining bonds were acquired by third parties. As of December 31, 2012 Export-Credit Insurance Corporation "KazExportGarant" JSC sold its bonds to third parties.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**14. BORROWINGS (continued)****Loans received***Credit line of State China Development Bank*

On June 22, 2009 the Master financial agreement for opening of credit facility for 3 billion US Dollars was signed between the Fund, State China Development Bank and Development Bank of Kazakhstan JSC, acting as an operator. According to this agreement, State China Development Bank shall provide US Dollar-denominated long-term loans to the Fund in the amount of 3 billion US Dollars with an interest rate of six-month LIBOR plus 4.3%. Loans are assigned for supporting and development of industrial production and other industries between China and Kazakhstan. In 2012, the Fund obtained tranches in the amount of 1,200 million US Dollars, equivalent to 179,305 million Tenge as of the date of receipt, under this credit facility (2011: 600 million US Dollars and 87,073 million Tenge, respectively). The purpose of the tranches obtained in 2012 is granting loans to Kazakhmys Finance PLC for development of Bozshakol and Akbastau/Kosmurun copper fields (*Note 7*).

Loan from NC KazMunayGas JSC

On August 28, 2012 the Fund made an early repayment of a loan from National Company "KazMunayGas" JSC in the amount of 95,874 million Tenge (2011: 41,381 million Tenge).

15. AMOUNTS DUE TO THE GOVERNMENT

As at December 31 amounts due to the Government comprised of the following:

<i>In millions of Tenge</i>	December 31, 2012	December 31, 2011
Bonds placed by National Bank of Republic of Kazakhstan	122,263	352,523
Other loans from the Government	63,639	52,483
	185,902	405,006

2012

In 2012 the Fund placed 73,000,000 and 70,196,000 coupon bonds with nominal value of 1,000 Tenge per bond for the total amount of 73,000 million Tenge and 70,196 million Tenge, respectively. The maturity of bonds shall be 50 years and 12 years, coupon rate 0.01% and 4% per annum, coupon shall be paid semiannually. All bonds were purchased by the National Bank of the Republic of Kazakhstan. The bonds were initially recorded at fair value calculated using market interest rates applicable to the Fund as at the date of bonds issue and subsequently are accounted for at amortized cost. The difference between nominal value of loans and their fair value at the amount of 82,646 million Tenge was recognized in the separate statement of changes in equity.

Amounts obtained from realization of these bonds were utilized for issue of loan to BTA Bank JSC (*Note 8*) as part of debt restructuring program of BTA Bank JSC.

In 2012 amendments to the prospectus for the bonds acquired by NBRK in 2009, with nominal value of 361,393 million Tenge, were registered. According to these amendments, the maturities of the bonds were prolonged to 2062 and the coupon rates were reduced to 0.01%. The amendments resulted in a substantial modification of the terms of the existing financial liability, and respectively, the extinguishment of the original financial liability and the recognition of a new financial liability in accordance with IAS 39. The difference of 304,650 million Tenge, between the fair value of the new liability and the carrying value of the liability, was recognized in the separate statement of changes in equity.

In accordance with the Law of the Republic of Kazakhstan "On Republican budget for 2012-2014" dated November 24, 2011, on August 13, 2012 and November 22, 2012 the Fund received loans from the Ministry of Finance of the Republic of Kazakhstan. Total amount of loans is 15,285 million Tenge with interest rates from 0.15% to 0.5%. Loans were issued for the period from 10 to 25 years and are intended for the following purposes:

- providing loan to National Company "Kazakhstan Temir Zholy" JSC in the amount of 2,155 million Tenge (*Note 7*) with an interest rate not exceeding 0.75% per annum;
- providing loan to Doszhan Temir Zholy JSC in the amount of 3,130 million Tenge (*Note 7*). Interest rate on this loan should not exceed 0.5% per annum;
- providing loan to Development Bank of Kazakhstan JSC in the amount of 10,000 million Tenge (*Note 8*) with an interest rate not exceeding 0.2% per annum.

At initial recognition, the loans were measured at fair value amounting to 8,314 million Tenge using a relevant market interest rate and subsequently accounted for at amortized cost. The difference between nominal value of loans and their fair value in amount of 6,971 million Tenge was recognized in the separate statement of changes in equity.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**15. AMOUNTS DUE TO THE GOVERNMENT (continued)**

2011

In accordance with the Law of the Republic of Kazakhstan "On Republican budget for 2011-2013" dated November 29, 2010 in 2011 the Fund received loans from the Ministry of Industry and New Technologies of the Republic of Kazakhstan. Total amount of loans is 46,600 million Tenge with interest rates from 0.1% to 0.5%. Loans were issued for the period from 10 to 25 years and are intended for the following purposes:

- providing loan to National Company "Kazakhstan Temir Zholy" JSC in the amount of 19,000 million Tenge with an interest rate not exceeding 0.75% per annum;
- providing loan to Development Bank of Kazakhstan JSC in the amount of 15,000 million Tenge with an interest rate not exceeding 0.2% per annum;
- providing loan to Doszhan Temir Zholy JSC in the amount of 6,600 million Tenge to finance the construction of "Shar-Ust-Kamenogorsk" railway with interest rate not exceeding 0.5% per annum;
- providing loan to Export-Credit Insurance Corporation "KazExportGarant" JSC in the amount of 6,000 million Tenge with an interest rate not exceeding 0.2% per annum.

At initial recognition, the loans were measured at fair value amounting to 24,801 million Tenge using a relevant market interest rate and subsequently accounted for at amortized cost. The difference between nominal value of loans and their fair value in amount of 21,799 million Tenge was recognized in the separate statement of changes in equity.

16. FINANCIAL GUARANTEE LIABILITIES

Movements in the financial guarantee liabilities comprise as follows:

<i>In millions of Tenge</i>	2012	2011
As at January 1	28,936	27,707
Guarantees issued during the year	12,982	3,802
Amortization of financial guarantees liabilities	(4,717)	(2,715)
Effect of changes in exchange rates	479	142
As at December 31	37,680	28,936
Less: current portion	(5,956)	(3,091)
Non-current portion	31,724	25,845

Financial guarantees liabilities comprise the Fund's liabilities on guarantees issued to financial institutions to finance economic activity and significant contracts of its subsidiaries (*Note 5*). All guarantees are issued free of charge. Total outstanding amount of guarantees as at December 31, 2012 is 3,002 million US Dollars, 8,550 million Tenge and 4,500 million Russian Rubles (2011: 2,145 million US Dollars, 1,402 million Tenge and nil Russian Rubles, respectively).

17. INTEREST INCOME

Interest income for the year ended December 31 comprised the following:

<i>In millions of Tenge</i>	2012	2011
Interest on loans	47,456	43,865
Unwinding of discount on loans issued	14,047	14,973
Interest on bonds	7	9
	61,510	58,847

18. INTEREST EXPENSES

Interest expenses for the year ended December 31 comprised the following:

<i>In millions of Tenge</i>	2012	2011
Interest on bonds	45,684	44,996
Unwinding of discount on financial assets and liabilities	23,829	31,723
Interest on loans	20,773	16,659
Loss on discounting of financial assets at initial recognition	1,137	13,747
	91,423	107,125

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**19. DIVIDEND INCOME**

According to the decision No. 16/12 of the Management Board dated March 20, 2012, the Fund established the dividend payout from 30% to 50% of the net profit in 2011 for all subsidiaries excluding BTA Bank JSC, Alliance Bank JSC and Kazakh Research Institute named after Chokin JSC.

In 2012 according to the decision of the Management Board of the Fund No. 20/12 dated May 2, 2012, Kazakhtelecom JSC distributed income on results of the first quarter of 2012 in the amount of 18,559 Tenge and 27 tiin per ordinary share in the total amount of 103,386 million Tenge (2011: 2,945 million Tenge).

In 2012 according to the decision of the Management Board of the Fund No. 33/12 dated August 7, 2012, National Company "KazMunayGas" JSC distributed income in the amount of 293 Tenge and 35 tiin per ordinary share in the total amount of 143,201 million Tenge (2011: 47,796 million Tenge).

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31 comprised the following:

<i>In millions of Tenge</i>	2012	2011
Charitable donations	6,835	33,160
Personnel costs	2,576	2,429
Consulting services	2,048	1,893
VAT non-recoverable	788	1,033
Other	3,720	3,557
	15,967	42,072

21. FINANCE INCOME

Finance income for the year ended December 31 comprised the following:

<i>In millions of Tenge</i>	2012	2011
Interest on bank deposits	44,644	43,856
Income from financial guarantees	12,666	14,235
Interest on current bank accounts	407	480
Other	950	462
	58,667	59,033

22. LOSS FROM IMPAIRMENT OF INVESTMENTS, AVAILABLE FOR SALE

As of December 31, 2012 there were objective evidences that the cost of equity securities of Kazakhmys PLC and Kazkommertsbank JSC available for sale, may not be recovered, due to a significant and prolonged decline in the fair value below cost. On the ground of this fact the Fund reclassified an unrealized loss on equity securities of Kazakhmys PLC and Kazkommertsbank JSC from other comprehensive income to impairment loss in the amount of 86,103 million Tenge and 60,745 million Tenge, respectively (2011: nil). Impairment loss was recognized in the amount of the difference between the initial cost and the fair value of equity securities of Kazakhmys PLC and Kazkommertsbank JSC as of December 31, 2012.

23. INCOME TAX EXPENSE

Income tax expenses for the year ended December 31 comprised the following:

<i>In millions of Tenge</i>	2012	2011
Withholding tax	10,826	10,938
Deferred tax benefit	(337)	(1,237)
	10,489	9,701

As of December 31, 2012 the Fund used official current income tax rate of 20% (December 31, 2011: 20%).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**23. INCOME TAX EXPENSE (continued)**

A reconciliation of income tax expense applicable to profit before income tax at the statutory income tax to income tax expense was as follows:

<i>In millions of Tenge</i>	2012	2011
Profit/(loss) before tax	350,212	(506,133)
Statutory tax rate	20%	20%
Income tax expense/(benefit) on accounting profit	70,042	(101,227)
Tax effect of permanent differences	(59,553)	110,928
Non-taxable income from dividends	(67,349)	(14,998)
(Gain from reversal)/loss from impairment of amounts due from credit institutions and bank deposits	(56,185)	56,414
Impairment of investments into subsidiaries	30,857	61,318
Loss from impairment of investments available for sale	29,370	–
Withholding income tax	4,469	3,208
Gain on changes in the value of options, net	(2,273)	(8,387)
Amortization of discount on financial assets and liabilities	2,184	6,100
Charitable donations	1,123	6,276
(Gain)/loss from disposal of assets	(830)	1,373
Income from financial guarantees	(943)	(543)
Other permanent differences	24	167
Expenses on corporate income tax presented in the statement of comprehensive income	10,489	9,701

Deferred tax balances, calculated by applying the statutory tax rates applicable at the balance sheet date to the temporary differences between the basis of assets and liabilities and the amounts reported in the separate financial statements, are comprised of the following:

<i>In millions of Tenge</i>	2012	2011
Deferred tax assets		
Loans issued	2,947	3,259
Other current liabilities	180	131
Deferred tax assets	3,127	3,390
Deferred tax liabilities		
Property, plant and equipment	(90)	(44)
Loans received	–	(646)
Deferred tax liabilities	(90)	(690)
Net deferred tax liability	3,037	2,700

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**24. RELATED PARTY TRANSACTIONS**

Related parties include entities of the Fund's group and other entities controlled by the Government, the Fund's key management personnel, other related parties. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following table provides the total amount of transactions entered into with related parties during 2012 and 2011 and the related balances as at December 31, 2012 and 2011, respectively:

<i>In millions of Tenge</i>		Due from related parties (Note 7,8,11)	Due to related parties (Note 14,15)	Cash and deposits placed with related parties (Note 10,12)
Other entities controlled by the Government	December 31, 2012	49,417	188,676	395,060
	December 31, 2011	33,794	405,006	436,100
Subsidiaries	December 31, 2012	536,373	849,911	211,877
	December 31, 2011	383,956	807,267	132,660
Associates and joint venture of subsidiaries	December 31, 2012	9,473	—	—
	December 31, 2011	10,539	—	—

<i>In millions of Tenge</i>		Dividends received (Note 19)	Purchases from related parties (Note 6)	Interest earned from related parties (Note 17, 21)	Interest incurred to related parties (Note 18)
Other entities controlled by the Government	2012	—	—	782	17,955
	2011	—	—	800	27,115
Subsidiaries	2012	336,885	19,939	75,835	50,135
	2011	74,686	1,752	89,017	54,400
Associates and joint venture of subsidiaries	2012	—	—	300	—
	2011	—	—	379	—
Other related parties	2012	—	—	—	—
	2011	2,763	—	1,672	4,308

Nature of transactions entered into with related parties during 2012 and 2011, is disclosed in the respective notes to Financial Statements.

Total compensation to key management personnel included in the general and administrative expenses category in the accompanying separate statement of comprehensive income amounted to 437 million Tenge and 491 million Tenge for the years ended December 31, 2012 and 2011, respectively. Compensation to key management personnel consists of contractual salary.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's principal financial liabilities consist of borrowings from credit institutions and the Government, bonds issued, financial guarantees and other accounts payable. The main purpose of these financial instruments is to raise finance for the Fund's operations. The Fund's financial assets comprise loans issued to subsidiaries and credit institutions, bank deposits, other financial assets, other accounts receivable, purchased bonds and state securities, cash and cash equivalents arising directly from its operating activity.

The Fund is exposed to market risk, interest rate risk, credit risk, currency risk and liquidity risk.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's exposure to interest risk relates primarily to the Fund's debt obligations with floating interest rates (*Note 14*). At the same time a sensitivity of the Fund's profit before income tax to the potential changes in interest rates, is insignificant due to the existence of loans with floating interest rates provided at the similar conditions and for the same amount (*Note 7*). There is no impact on the Fund's equity.

Credit risk

Credit risk arising from the inability of a party to meet the terms of the Fund's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Fund to that party. It is the Fund's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by the carrying value of each financial asset. The Fund considers that its maximum exposure is reflected by the amount of loans to customers (*Note 7*), amount due from credit institutions (*Note 8*), other financial assets (*Note 9*), bank deposits (*Note 10*), other current assets (*Note 11*), and cash and cash equivalents (*Note 12*), net of allowances for impairment recognized at the reporting date.

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected by changes in economic or other conditions.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table shown below summarises the maturity profile of the Fund's financial liabilities at December 31, 2012 and 2011 based on contractual undiscounted payments.

<i>In millions of Tenge</i>	On demand	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	>5 years	Total
As at December 31, 2012						
Loans	53,338	22,654	53,664	465,650	1,758,000	2,353,306
Amounts due to the Government	–	24	3,246	19,866	1,120,445	1,143,581
Other current liabilities	–	2,278	–	–	–	2,278
Total	53,338	24,956	56,910	485,516	2,878,445	3,499,165

<i>In millions of Tenge</i>	On demand	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	>5 years	Total
As at December 31, 2011						
Loans	63,226	19,651	85,936	311,841	1,676,369	2,157,023
Amounts due to the Government	–	48	1,299	13,321	975,571	990,239
Other current liabilities	407	1,078	766	–	–	2,251
Total	63,633	20,777	88,001	325,162	2,651,940	3,149,513

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Currency risk**

Except for current accounts with banks in foreign currency, the Fund attracts substantial amount of foreign currency denominated long-term borrowings and is thus exposed to currency risk.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies' exchange rate, with all other variables held constant, of the Fund's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Fund's equity.

<i>In millions of Tenge</i>	Increase/ (decrease) in currency rate	Effect on profit before tax
2012		
Euro	10.77% (10.77%)	172 (172)
US Dollar		
	1.57% (1.57%)	1,707 (1,707)
2011		
Euro	16.33% (16.33%)	249 (249)
US Dollar	10.72% (10.72%)	361 (361)

Capital management

The primary objective of the Fund's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize value of parties concerned. The Fund manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Fund may issue new shares or attract borrowings.

The Fund performs capital management through attracting financial resources at optimally advantageous conditions for further financing of its activity and to invest it for resolving strategic tasks assigned to the Fund. The process of capital management also comprises regular monitoring of current conditions at the capital market, cost of borrowed funds and risks related to the each class of capital.

The Fund has established the equity to debt ratio, which should not exceed a ratio of 4:1. This coefficient was satisfied during the reporting period and as at the reporting date.

The Fund performs capital management through optimization of balance between debt and equity using the capital adequacy coefficient representing the ratio of the Fund's equity to its assets. It is the Fund's policy that this ratio should not be less than 0.25.

Capital adequacy coefficient is presented as follows as of December 31:

<i>In millions of Tenge</i>	2012	2011
Share capital	4,409,314	4,050,383
Reserves	(595)	(126,333)
Accumulated loss	(557,989)	(1,116,293)
Total equity	3,850,730	2,807,757
Total borrowings	1,562,673	1,555,461
Total assets	5,453,393	4,395,122
Capital adequacy coefficient	0.71	0.64
Debt to equity ratio	0.41	0.55

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Fair value hierarchy**

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Set out below is a comparison by category of carrying amounts and fair values of all of the Fund's financial instruments:

<i>In millions of Tenge</i>	December 31, 2012	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets available-for-sale	150,318	150,318	–	–
Assets related to call/put options	47,429	–	47,429	–
Liabilities measured at fair value				
Liabilities under call/put options	(32)	–	(32)	–

<i>In millions of Tenge</i>	December 31, 2011	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets available-for-sale	199,554	199,554	–	–
Assets related to call/put options	33,240	–	33,240	–
Liabilities measured at fair value				
Liabilities under call/put options	(717)	–	(717)	–

Fair value of financial instruments

Set out below is a comparison by category of the carrying amounts and fair values of all of the Fund's financial instruments:

<i>In millions of Tenge</i>	Carrying amount		Fair value	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
<i>Financial assets</i>				
Cash and cash equivalents	432,972	451,902	432,972	451,902
Bank deposits	364,476	240,312	364,476	240,312
Loans issued	767,481	540,334	770,100	552,557
Amounts due from credit institutions	394,540	292,193	388,771	292,277
Other financial assets	150,318	199,554	150,318	199,554
Assets related to call/put options	47,429	33,240	47,429	33,240
Other current assets	27,939	10,857	27,939	10,857
<i>Financial liabilities</i>				
Borrowings	(1,376,771)	(1,150,455)	(1,406,192)	(1,265,481)
Amount due to the Government	(185,902)	(405,006)	(144,423)	(509,464)
Financial guarantee liabilities	(37,680)	(28,936)	(35,010)	(25,652)
Option liabilities	(32)	(717)	(32)	(717)
Other current liabilities	(2,278)	(2,251)	(2,278)	(2,251)

The fair value of loans given, borrowings, amounts due to the Government and financial guarantee liabilities has been calculated by discounting the expected future cash flows at prevailing interest rates.

The carrying amount of other assets and liabilities approximates their fair value due to the short-term maturity of these financial instruments.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

26. COMMITMENTS AND CONTINGENCIES**Contingent liabilities**

The Fund assesses the likelihood of material liabilities and makes a corresponding provision in its separate financial statements only if it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these separate financial statements for any of the contingent liabilities.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2012. As at December 31, 2012, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Fund's tax positions will be sustained.

Provisions against amounts due from BTA Bank JSC

In September 2010, the Tax Committee of Astana initiated integrated tax audit of the Fund's activities for 2009. During the tax audit, tax authorities raised a question on deductibility of Provisions for corporate income tax purpose for 2009. As at the date of these separate financial statements, an act relating to the tax audit was not enacted.

The Decree of the Government No. 2275 dated December 30, 2009 approved the Rules of "allocation of assets and contingent liabilities to the category of doubtful and bad by the national management holding, and by legal entities that are mainly engaged in borrowing transactions and repurchase of rights of demand and 100% of voting shares (share of participation) of such entities belong to the national management holding, and they have the right to deduct provision (reserve) expenses against doubtful and bad assets, contingent liabilities, apart from assets and contingent liabilities provided in favour of related parties, or third parties on obligations of related parties (apart from assets and contingent liabilities of credit cooperatives)" ("Rules").

In accordance with the Rules the Fund formed and deducted for corporate income tax purposes provisions on amounts due from BTA Bank JSC in the amount of 846,748 million Tenge ("provisions").

The Fund's management believes that as at December 31, 2012 its interpretation of applicable legislation (including Rules) is appropriate and the Fund's position on deduction of these provisions will be sustained. Accordingly, the Fund did not recognize any provisions associated with possible accruals by tax authorities in these separate financial statements.

Commitments under Stabilization Plan

The Fund was assigned as the Government's principal operator in implementation of the Stabilization Plan approved by the Government in 2008 (*Note 1*).

Stabilization of the situation on Real Estate Market

As at December 31, 2012 commitments for stabilization of the situation on real estate market were fulfilled.

Implementation of innovation, industrial and infrastructure projects

As at December 31, 2012 the Fund's commitments to provide financing to innovative, industrial and infrastructure projects amounted to 5,000 million Tenge (as at December 31, 2011: 5,000 million Tenge).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

26. COMMITMENTS AND CONTINGENCIES (continued)**Commitments on repetitive use of anti-crisis funds**

In accordance with the minutes No. 17-5/II-380 dated April 5, 2012 of the State committee on issues related to modernization of economy in the Republic of Kazakhstan and minutes No. 17-5/11-10 dated January 30, 2013 of the State committee on issues related to modernization of economy in the Republic of Kazakhstan, the Fund has to finance certain investment projects for the total amount of 514,718 million Tenge during 2012-2014. The Fund's liability for 2013 – 2014 is 415,324 million Tenge, including the following projects:

Financing of a housing construction program – implementation of the "Available housing" program

In accordance with the Decree No. 821 of the Government dated June 21, 2012, the Fund and the National Fund are to finance housing construction through Real Estate Fund "Samruk-Kazyna" JSC. On December 31, 2012 the Fund's commitments to finance the "Available housing-2020" program amounted to 36,200 million Tenge (December 31, 2011: nil).

Other investment projects of the Fund

On December 31, 2012 the Fund's commitments to finance other investments projects amounted to 379,124 million Tenge (December 31, 2011: nil).

Moreover, in accordance with minutes No. 17-5/11-10 dated January 30, 2013 of the State committee on issues related to modernization of economy in the Republic of Kazakhstan in 2013 the financing of investment project "Construction of West-North-Center gas pipeline" (Kartaly-Tobol-Kokshetau-Astana) in the amount of 60,000 million tenge, which should be provided by own funds of the Fund and/or National Company "KazMunayGas" JSC.

Commitments under investment projects out of funds from Republican budget

As at December 31, 2012 Fund's commitments on implementation of investment projects out of funds from Republican budget amounted to 6,030 million Tenge (December 31, 2011: 8,030 million Tenge).

Commitment on acquisition of Shekerbank shares.

On January 25, 2012 the Fund signed an agreement to purchase 339,787,080 shares (33.98%) of the Turkish bank Shekerbank from BTA Securities JSC (a subsidiary of BTA Bank JSC). As at December 31, 2012 the Fund acquired 222,148,406 shares (22.1%) (Note 6). Purchase of the remaining shares of the Turkish bank Shekerbank from BTA Securities JSC is not possible at the present time, due to an arrest of these shares associated with a legal claim filed by Turkiye Vakiflar Bankasi T.A.O. against BTA Securities JSC.

27. SUBSEQUENT EVENTS*Loans issued*

On January 24, 2013 the Fund issued a loan to Kazakhmys Finance PLC in amount of 200 million US Dollars for the financing of a project on the development of Zhomart copper field, Kazakhstan. The loans were issued using proceeds from the credit line with China Development Bank in January 2013.

In January 2013 the Fund entered into a loan agreement with National Company "Kazakhstan Temir Zholy" JSC, according to which the Fund provided loans in the amount of 135,136 million Tenge to finance construction of "Zhezkazgan-Beineu" and "Arkalyk-Shubarkol" railways. Financing was made using the funds of National Fund in accordance with minutes No. 17-5/II-380 dated April 5, 2012 of the State committee on issues related to modernization of economy in the Republic of Kazakhstan.

Transfer of interest in EK REC

On March 14, 2013 the Fund transferred 100% interest in EC REC to the share capital of Samruk-Energy JSC.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

27. SUBSEQUENT EVENTS (continued)*Transfer of development institutions, financial organisations and other changes in investments in subsidiaries*

In accordance with a minutes of meeting with participation of the President of the Republic of Kazakhstan dated January 23, 2013 No. 01-7.1 "On results of social and economic development of Republic of Kazakhstan in 2012 and aims on realization of "Kazakhstan-2050" Strategy" the Government was assigned to create "National development agency" JSC, with 100% ownership by the Government, and the transfer to it the Fund's share in development institutions and financial institutions (Development Bank of Kazakhstan JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation KazExportGarant JSC, "Entrepreneurship development Fund "Damu" JSC, "Investment Fund of Kazakhstan" JSC), including the transfer of SK-Pharmacy LLP to the Ministry of Health of the Republic of Kazakhstan.

In accordance with Decree of the Government of the Republic of Kazakhstan No. 206 dated March 4, 2013 the Fund is allowed to become a participant in Pension Fund "Halyk Bank" JSC, Pension Fund "Grantum" and Pension Fund "Ular Umit" in exchange of part of Fund's share in Kazkommertsbank JSC and BTA Bank JSC.

For the purpose of sale of Fund's share in BTA Bank JSC, Alliance Bank JSC and Temirbank JSC before December 31, 2013, in case the shareholders of banks refuse their privileged right of purchase of shares, the Fund is recommended to:

- take measures on disposal of shares of Alliance Bank JSC and Temirbank JSC to sole strategic investor;
- propose to Halyk Bank JSC to acquire remaining shares of BTA Bank JSC.

At the current moment, the procedures for a preparation and agreement of documents related to the approval of regulatory legal acts on creation of "National development agency" JSC, transfer of SK-Pharmacy LLP and disposal of banks' shares are under process.

In April 2013, the Fund transferred 100% interest in Export-Credit Insurance Corporation KazExportGarant JSC, Kazyna Capital Management JSC, Investment Fund of Kazakhstan JSC, Development Bank of Kazakhstan JSC, "Entrepreneurship development Fund "Damu" JSC and SK-Pharmacy LLP to the Shareholder under the trust management agreements.

Amounts due to the Government

In January 2013 the Fund placed 255,000,000 coupon bonds with nominal value of 1,000 Tenge per bond for the total amount of 255,000 million Tenge and maturity of 50 years, coupon rate 0.01% per annum. All bonds were purchased by the National Bank of the Republic of Kazakhstan. Amounts obtained from realization of these bonds were utilised for acquisition of share interest in Kazzinc LLP.

Acquisition of share interest in Kazzinc LLP

On February 1, 2013 the Fund acquired 29.8221% interest in share capital of Kazzinc LLP, through acquisition of 100% share interest in Logic Business LLP, Logic Invest Capital LLP and Investment House "Dana" LLP, each owning 9.9407% in Kazzinc LLP for the total amount of 248,837 million Tenge. The Fund plans to transfer share interest in these entities to the share capital of Tau-Ken Samruk JSC.