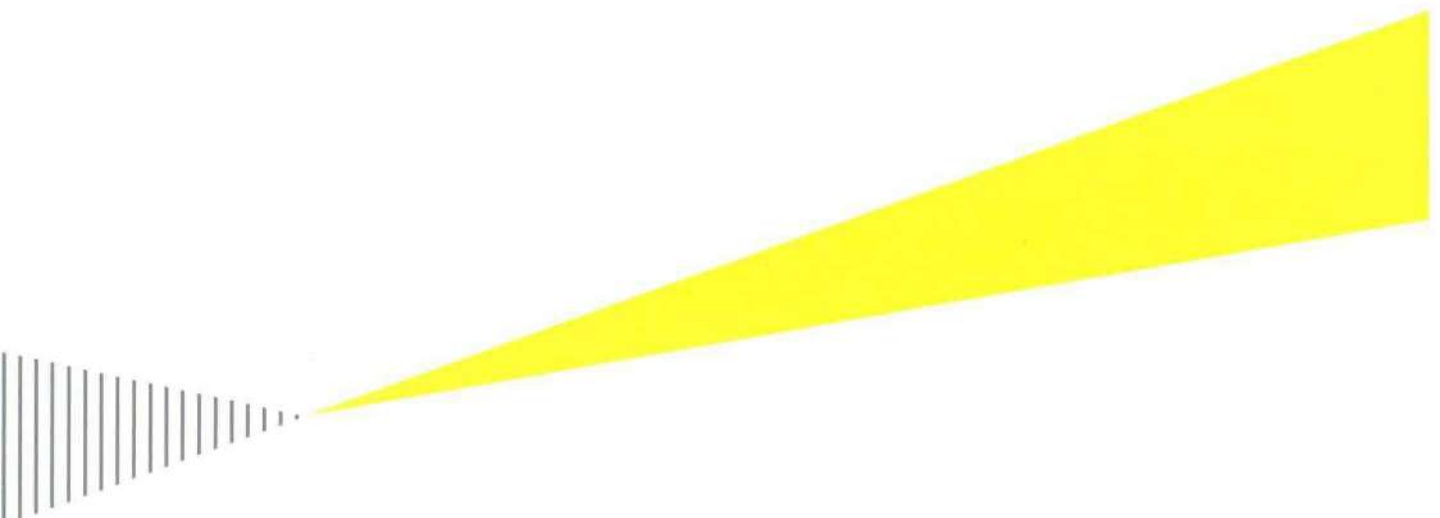


**Joint Stock Company  
Agrarian Credit Corporation**

**Financial statements**

*for 2014 together with Independent auditors' report*



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## Independent auditors' report

To the Shareholder and Management of Agrarian Credit Corporation JSC

We have audited the accompanying financial statements of Agrarian Credit Corporation JSC ("the Corporation"), which comprise the statement of financial position as at 31 December 2014, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the 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 financial statements***

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

### ***Auditors' responsibility***

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

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

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



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**Opinion**

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

*Ernst & Young LLP*



Evgeniy Zhemaletdinov  
Auditor / 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



Auditor Qualification Certificate  
No. 0000553 dated 24 December 2003

20 March 2015

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

*(in thousands of Tenge)*

	Notes	31 December 2014	31 December 2013
<b>Assets</b>			
Cash and cash equivalents	5	1,518,118	1,292,649
Amounts due from credit institutions	6	107,523	8,493,015
Loans to customers	7	100,605,389	113,210,190
Assets held for sale		10,500	73,931
Property and equipment	8	205,189	176,234
Investment property	8	74,599	80,614
Intangible assets	9	206,628	216,742
Current corporate income tax assets	15	422,490	382,045
Deferred corporate income tax assets	15	565,562	819,229
Other assets	10	1,935,233	1,023,437
<b>Total assets</b>		<b>105,651,231</b>	<b>125,768,086</b>
<b>Liabilities</b>			
Amounts due to credit institutions	11	2,012,375	3,012,375
Amounts due to the Shareholder	12	12,532,609	47,536,685
Debt securities issued	13	2,883,066	5,911,490
Amounts due to Government and budget funds		59,779	86,868
Short-term estimated liabilities		133,914	98,796
Other liabilities	14	125,258	119,139
<b>Total liabilities</b>		<b>17,747,001</b>	<b>56,765,353</b>
<b>Equity</b>			
Share capital	16	94,227,371	74,227,371
Additional paid-in capital		4,296,627	4,296,627
Reserve capital		1,036,490	992,725
Deemed distribution reserve		(7,521,118)	(6,320,292)
Accumulated deficit		(4,135,140)	(4,193,698)
<b>Total equity</b>		<b>87,904,230</b>	<b>69,002,733</b>
<b>Total liabilities and equity</b>		<b>105,651,231</b>	<b>125,768,086</b>
<b>Book value per share (tenge)</b>		<b>930.70</b>	<b>926.69</b>

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich

Chairman of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

20 March 2015



**INCOME STATEMENT**

For the year ended 31 December 2014

*(Thousands of Tenge)*

	<i>Notes</i>	<i>2014</i>	<i>2013</i>
<b>Interest income</b>			
Loans to customers		7,148,646	7,202,725
Income from REPO transactions		11,759	-
Cash and cash equivalents		637,443	232,638
		<u>7,797,848</u>	<u>7,435,363</u>
<b>Interest expense</b>			
Amounts due to the Shareholder		(1,009,852)	(1,029,870)
Amounts due to credit institutions		(221,340)	(78,108)
Debt securities issued		(340,463)	(333,156)
Amounts due to Government and budget funds		(4,680)	(6,858)
		<u>(1,576,335)</u>	<u>(1,447,992)</u>
<b>Net interest income</b>		6,221,513	5,987,371
Loan impairment charge	7	(2,517,182)	(3,063,632)
<b>Net interest income after loan impairment charge</b>		<u>3,704,331</u>	<u>2,923,739</u>
Net gains/(losses) on derivative financial instruments	17	74,046	(113,555)
Net (losses)/income from foreign currencies		(29,251)	11,766
Income from dealing transactions		99,300	-
Other income		57,358	13,170
<b>Non-interest (loss)/income</b>		<u>201,453</u>	<u>(88,619)</u>
Personnel expenses	18	(1,600,122)	(1,364,992)
Other operating expenses	18	(1,032,307)	(775,102)
<b>Non-interest expense</b>		<u>(2,632,429)</u>	<u>(2,140,094)</u>
<b>Profit before income tax expense</b>		1,273,355	695,026
Income tax expense	15	(777,148)	(257,377)
<b>Profit for the year</b>		<u>496,207</u>	<u>437,649</u>
<b>Basic and diluted earnings per share (tenge)</b>		5.88	6.04

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich

Chairman of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

20 March 2015

**STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 December 2014

*(Thousands of Tenge)*

	<i>Notes</i>	<i>2014</i>	<i>2013</i>
Profit for the year		496,207	437,649
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>496,207</b>	<b>437,649</b>

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich

Chairman of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

20 March 2015



## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

*(Thousands of Tenge)*

	Share capital	Additional paid-in capital	Reserve funds	Provision for notional distribution	Accumu- lated deficit	Total
<b>As at 31 December 2012</b>	69,349,371	4,190,171	702,348	(5,186,531)	(4,244,178)	64,811,181
Total comprehensive income for the year	-	-	-	-	437,649	437,649
Recognition of additional paid-in capital from initial recognition of loans from the Shareholder (Note 16)	-	106,456	-	-	-	106,456
Formation of allowance for notional distribution (Note 16)	-	-	-	(1,133,761)	-	(1,133,761)
Increase in share capital (Note 16)	4,878,000	-	-	-	-	4,878,000
Distribution of dividends	-	-	-	-	(96,792)	(96,792)
Increase in reserve capital (Note 16)	-	-	290,377	-	(290,377)	-
<b>At 31 December 2013</b>	74,227,371	4,296,627	992,725	(6,320,292)	(4,193,698)	69,002,733
Total comprehensive income for the year	-	-	-	-	496,207	496,207
Formation of allowance for notional distribution (Note 16)	-	-	-	(1,200,826)	-	(1,200,826)
Increase in share capital (Note 16)	20,000,000	-	-	-	-	20,000,000
Dividends paid (Note 16)	-	-	-	-	(393,884)	(393,884)
Increase in reserve capital (Note 16)	-	-	43,765	-	(43,765)	-
<b>At 31 December 2014</b>	94,227,371	4,296,627	1,036,490	(7,521,118)	(4,135,140)	87,904,230

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich



Chairman of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

20 March 2015



## STATEMENT OF CASH FLOWS

Year ended 31 December 2014

(Thousands of Tenge)

	Notes	2014	2013
<b>Cash flows from operating activities</b>			
Interest received		5,980,985	5,556,407
Interest paid		(964,727)	(741,681)
Income from REPO		11,759	–
Realised loss on derivative financial assets		52,968	119,908
Realised (losses)/gain from translations with foreign currencies		(29,251)	15,047
Income from dealing transactions		99,300	–
Personnel expenses paid		(1,588,331)	(1,016,222)
Other operating expenses paid		(943,253)	(562,831)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>2,619,450</b>	<b>3,370,628</b>
<i>Net (increase)/decrease in operating assets</i>			
Loans to customers		9,380,947	(34,527,209)
Other assets		76,588	(156,051)
Amounts due from credit institutions		8,389,445	(8,493,015)
<i>Net (decrease)/increase in operating liabilities</i>			
Other liabilities		8,008	(156,792)
<b>Net cash flows from/(used in) operating activities before income tax</b>		<b>20,474,438</b>	<b>(39,962,439)</b>
Income tax paid		(263,720)	(22,258)
<b>Net cash from/(used in) in operating activities</b>		<b>20,210,718</b>	<b>(39,984,697)</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of assets held for sale		7,000	15,881
Sale of property and equipment		–	4,039
Purchase of property and equipment		(51,424)	(39,911)
Purchase of intangible assets		(28,075)	(8,924)
<b>Net cash used in investing activities</b>		<b>(72,499)</b>	<b>(28,915)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	16	20,000,000	4,878,000
Proceeds from borrowings from credit institutions		7,000,000	4,000,000
Redemption of amounts due to credit institutions		(8,000,000)	(3,411,000)
Proceeds from borrowings from the Shareholder		8,822,854	75,380,199
Redemption of borrowings due to the Shareholder		(44,411,590)	(43,557,655)
Redemption of borrowing due to Government and budget funds		(31,140)	(31,140)
Proceeds from debt securities issued		20,610	1,985,896
Redemption of debt securities repurchased		(2,919,600)	(13,911)
Dividends paid	16	(393,884)	(96,792)
<b>Net cash (used in)/from financing activities</b>		<b>(19,912,750)</b>	<b>39,133,597</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>225,469</b>	<b>(880,015)</b>
<b>Cash and cash equivalents, beginning</b>	5	<b>1,292,649</b>	<b>2,172,664</b>
<b>Cash and cash equivalents, ending</b>	5	<b>1,518,118</b>	<b>1,292,649</b>

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich

Chairman of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

20 March 2015

The accompanying notes on pages 6 to 34 are an integral part of these financial statements.

(Thousands of Tenge, unless otherwise indicated)

## 1. Principal activities

Agrarian Credit Corporation JSC (the “Corporation”) was established by the Decree of the Government of the Republic of Kazakhstan No. 137 dated 25 January 2001 “On certain agricultural issues” in the form of a joint stock company in accordance with the legislation of the Republic of Kazakhstan. The Corporation performs its activities on the basis of a license issued by the Committee on Regulation and Supervision of the Financial market and Financial Organizations of the National Bank of the Republic of Kazakhstan (the “Committee”) for conducting operations specified by the banking legislation of the Republic of Kazakhstan No. 5.2.24 dated 5 November 2013.

The Corporation’s principal activities are:

- participation in the development and implementation of state programs of lending and providing financial support to agricultural producers;
- attraction of domestic and foreign investments for realization of projects in agricultural sector;
- development and realization of projects in agricultural sector;
- realization of collateral and agricultural products received for repayment of loans originated;
- performing bank borrowing operations based on appropriate license;
- leasing activities;
- other types of activities that are not prohibited by enactments, that serve the purposes and objectives of the Corporation and provided by the charter.

The registered address of the Corporation’s registered office is: Imanov Str. 11, Astana, Republic of Kazakhstan.

The sole shareholder of the Corporation is JSC National Management Holding “KazAgro” (“KazAgro” or “Shareholder”). Ultimate controlling party is the Government of the Republic of Kazakhstan.

As at 31 December 2014 Corporation has 13 registered branches throughout the Republic of Kazakhstan (as at 31 December 2013: 13).

## 2. Basis of preparation

### General

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial statements are prepared under the historical cost convention except for those disclosed in “Summary of significant accounting policies”. For example, derivative financial instruments are carried at fair value, assets held-for-sale are carried at the lower of carrying amount or fair value less costs of sales.

These financial statements are presented in thousands of Kazakh Tenge (“thousand of Tenge” or “Tenge”) except per share amounts and unless otherwise indicated.

### Changes in accounting policies

Since 1 January 2014 the Corporation has adopted the following amended IFRS during the year.

#### *Investment Entities (amendments to IFRS 10, IFRS 12 and LAS 27)*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Corporation since the Corporation does not qualify to be an investment entity under IFRS 10.

#### *LAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to LAS 32*

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments had no impact on the Corporation’s financial position.

*(Thousands of Tenge, unless otherwise indicated)*

## 2. Basis of preparation (continued)

### Changes in accounting policies (continued)

#### *IFRIC Interpretation 21 Levies (IFRIC 21)*

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This IFRIC had no impact on the Corporation's financial statements as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

#### *IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. This amendment is not relevant to the Corporation, since the Corporation has not novated its derivatives during the current period.

#### *Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36*

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments had no impact on the Corporation's financial position or performance.

## 3. Summary of accounting policies

### Financial assets

#### *Initial recognition*

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. At initial recognition financial assets are measured at fair value. Plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Corporation determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

#### *Date of recognition*

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Corporation commits to purchase the asset. Regular way purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### *'Day 1' profit*

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Corporation immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the income statement. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

#### *Loans to customers*

Loans to customers represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except for assets that are classified into other categories of financial instruments.

Loans provided by the Corporation are initially recorded at fair value plus transaction costs. When the Corporation accepts a credit commitment to provide loans to customers at below market rates, a liability at fair value of these credit commitments is recorded in other liabilities in the statement of financial position together with reversing entry, which is included in income statement if the decision to undertake the obligation was adopted by the Corporation's management; or as deemed distribution to the controlling Shareholder, if the decision was adopted in accordance with controlling Shareholder's instructions.

*(Thousands of Tenge, unless otherwise indicated)*

### 3. Summary of accounting policies (continued)

#### Financial assets (continued)

##### *Loans to customers (continued)*

Subsequently, credit commitment is adjusted to fair value through profit and loss before granting a loan, when credit commitment is reduced by consideration paid, and remaining balance is recorded as loans issued to customers in the statement of financial position. As a result, loans to customers are initially recognized at fair value in the statement of financial position, and subsequently these loans are recorded at amortized cost, using the effective interest rate. Loans to customers are recorded net of any allowances for impairment.

##### *Determination of fair value*

The fair value for financial instruments traded in active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For other financial instruments not traded at an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

##### *Offset*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

#### Cash and cash equivalents

Cash and cash equivalents include cash not restricted in use on current and term deposit accounts with maturity not more than 90 days as the day of the asset origination.

#### Derivative financial instruments

In the normal course of business, the Corporation enters into various derivative financial instruments, including futures, forwards, swaps and options) on currency markets and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivative financial instruments with positive fair value are recorded within assets and derivative financial instruments with negative fair value are recorded within liabilities. Gains and losses resulting from transactions with these instruments are included in the income statement within net gains/(losses) on transactions with trading securities or net gains/(losses) on transactions in foreign currencies (trading transactions), depending on the nature of the financial instrument.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair on the trading portfolio with changes in fair value recognised in the income statement.

#### Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Corporation 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 the government, due to credit institutions, amounts due the shareholder and debt securities issued. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the borrowings are derecognised as well as through the amortisation process.

#### Operating lease – Corporation as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

*(Thousands of Tenge, unless otherwise indicated)*

### 3. Summary of accounting policies (continued)

#### Impairment of financial assets

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Amounts due from credit institutions and loans to customers*

For amounts due from credit institutions and loans to customers carried at amortised cost, the Corporation 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. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' current amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The current amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced current amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Corporation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Corporation or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### *Restructuring of loans*

Where possible, the Corporation seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The accounting treatment of such restructuring is as follows:

- If the currency of a loan has been changed the old loan is derecognised and the new loan is recognized in the statement of financial position;
- If the loan restructuring is not caused by the financial difficulties of the borrower the Corporation uses the same approach as for financial liabilities described below.
- If the loan restructuring is due to the financial difficulties of the borrower and the loan is impaired after restructuring, the Corporation recognizes the difference between the present value of the new cash flows discounted using the original effective interest rate and the current amount before restructuring in the provision charges for the period. In case loan is not impaired after restructuring the Corporation recalculates the effective interest rate.

(Thousands of Tenge, unless otherwise indicated)

### 3. Summary of accounting policies (continued)

#### Impairment of financial assets (continued)

##### *Restructuring of loans (continued)*

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

#### Derecognition of financial assets and liabilities

##### *Financial assets*

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

- the rights to receive cash flows from the asset have expired;
- the Corporation has transferred its rights to receive cash flows from the asset, or retained 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; and;
- the Corporation 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.

Where the Corporation 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 recognised to the extent of the Corporation's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original current amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

##### *Financial liabilities*

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective current amounts is recognised in the income statement.

#### Taxation

Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or nonexistent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and forfeits. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Corporation is in substantial compliance with the tax laws regulating its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

#### Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

*(Thousands of Tenge, unless otherwise indicated)***3. Summary of accounting policies (continued)****Property and equipment (continued)**

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis according to the following annual rates based on the estimated useful lives:

Buildings and constructions	4.5%
Computers and office equipment	10%-20%
Vehicles	10%
Other	7%-10%

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each reporting year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

**Investment property**

Investment property is intended to earn rentals or capital appreciation, and which is not used by the Corporation as fixed assets.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Investment properties are subsequently measured at cost less accumulated depreciation. Investment property is depreciated on a straight-line basis over the period of useful life.

Investment properties are derecognised when either they have been disposed of or when no future economic benefit is expected from its disposal. Any income or losses from disposal of investment properties are recognized in the statement of comprehensive income in the year of derecognition.

Transfers to and from investment properties are carried out only when there is a change in use. For a transfer from investment property to owner occupied property, the carrying amount is not changed because the Corporation uses the model of cost accounting for both categories: investment property and owner occupied property.

**Intangible assets**

Intangible assets include computer software and licences.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets have finite lives and are amortised over the useful economic lives of 1 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Intangible assets	10%-100%
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**Assets classified as held for sale**

The Corporation classifies non-current assets as held for sale if its current amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

The sale qualifies as highly probable if the Corporation's management is committed to a plan to sell the non-current asset. An active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset must have been actively marketed for a sale at price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset as held for sale.

The Corporation measures an asset classified as held for sale at the lower of its current amount and fair value less costs to sell. The Corporation recognises an impairment loss for any initial or subsequent write-down of the asset to fair value less costs to sell if events or changes in circumstance indicate that their current amount may be impaired.

*(Thousands of Tenge, unless otherwise indicated)*

### 3. Summary of accounting policies (continued)

#### Share capital

Contributions to share capital are recognized at historic cost, less direct issuance costs.

#### *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 financial statements are authorised.

#### *Deemed distribution reserve*

When the Corporation enters into a loan agreement at below market rates on behalf of the Shareholder, the fair value of credit commitment is recognized as allowance for notional distribution as deemed payment to the Shareholder.

#### *Additional paid-in capital*

When the Corporation receives loans or other financial support from the Shareholder at below market rates, the difference between received cash consideration and fair value of loans or other financial support is recorded as additional capital.

#### Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

#### Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

#### Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### *Interest and similar income and expenses*

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or 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 current amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) 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 current amount of the financial asset or financial liability is adjusted if the Corporation revises its estimates of payments or receipts. The adjusted current amount is calculated based on the original effective interest rate and the change in current 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, interest income continues to be recognised using the original effective interest rate applied to the new current amount.

#### Fee and commission income

The Corporation earns fee and commission income from a diverse range of services it provides to its customers.

Loan commitment fees are deferred together with any direct costs and recognised as an adjustment to the effective interest rate on the loan. If there is a possibility that due to loan commitment a credit arrangement will be signed, loan commitment fee is included in deferred income (together with corresponding direct costs), and subsequently is reflected as an adjustment of actual proceeds from a loan. When the probability to enter into credit arrangement under loan commitments is remote, loan commitment fees are recognised in the income statement during the remaining validity period of loan commitment. Upon expiration of loan commitment validity period, which is not resulted in loan issuance, loan commitment fees are recognised in the income statement on its expiration date. Other commissions are recognized upon rendering of services.



*(Thousands of Tenge, unless otherwise indicated)*

### 3. Summary of accounting policies (continued)

#### Foreign currency translation

The financial statements are presented in Tenge, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the income statement as net gains from foreign currencies - translation differences. 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 items measured at fair value in a foreign currency are translated using the official exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and KASE official exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. Below are the exchange rates used by the Corporation in preparation of these financial statements:

	<i>31 December</i>	
	<i>2014</i>	<i>2013</i>
Tenge/USD	182.35	153.61
Tenge/EURO	221.97	211.17
Tenge/RUR	3.17	4.69

#### Future changes in accounting policies

##### *Standards and interpretations issued but not yet effective*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Corporation's financial statements are disclosed below. The Corporation intends to adopt these standards, if applicable, when they become effective.

##### *IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Corporation's financial assets, but no impact on the classification and measurement of the Corporation's financial liabilities.

##### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue arising from lease contracts within the scope of IAS 17 *Leases*, insurance contracts within the scope of IFRS 4 *Insurance Contracts* and financial instruments and other contractual rights and obligations within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* (or IFRS 9 *Financial Instruments*, if early adopted) is out of IFRS 15 scope and is dealt by respective standards. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Corporation is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

##### *IFRS 14 Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Corporation is an existing IFRS preparer, this standard would not apply.

(Thousands of Tenge, unless otherwise indicated)

### 3. Summary of accounting policies (continued)

#### Future changes in accounting policies (continued)

##### *Standards and interpretations issued but not yet effective (continued)*

###### *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Corporation, since Corporation defined benefit plans with contributions from employees or third parties.

###### *Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Corporation.

###### *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Corporation given that the Corporation has not used a revenue-based method to depreciate its non-current assets.

###### *Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Corporation as the Corporation does not have any bearer plants.

###### *Amendments to IAS 27: Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Corporation currently considers whether to apply these amendments for preparation of its separate financial statements. These amendments will not have any impact on the Corporation's financial statements.

(Thousands of Tenge, unless otherwise indicated)

### 3. Summary of accounting policies (continued)

#### Future changes in accounting policies (continued)

##### *Standards and interpretations issued but not yet effective (continued)*

##### *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary is recognised only to the extent of unrelated investors' interests in that former subsidiary. The amendments are applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

##### *Annual improvements 2010-2012 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Corporation. They include:

##### *IFRS 2 Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

##### *IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

##### *IFRS 8 Operating Segments*

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

##### *IFRS 13 Short-term Receivables and Payables – Amendments to IFRS 13*

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

##### *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

*(Thousands of Tenge, unless otherwise indicated)*

### 3. Summary of accounting policies (continued)

#### Future changes in accounting policies (continued)

##### *Standards and interpretations issued but not yet effective (continued)*

###### Annual improvements 2010-2012 Cycle (continued)

###### *IAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

###### Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Corporation. They include:

###### *IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

###### *IFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

###### *IAS 40 Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

###### *Meaning of effective IFRSs – Amendments to IFRS 1*

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Corporation, since the Corporation is an existing IFRS preparer.

###### Annual improvements 2012-2014 Cycle

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the Corporation. They include:

###### *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal*

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

*(Thousands of Tenge, unless otherwise indicated)*

### 3. Summary of accounting policies (continued)

#### Future changes in accounting policies (continued)

#### *Standards and interpretations issued but not yet effective (continued)*

##### *Annual improvements 2012-2014 Cycle (continued)*

##### *IFRS 7 Financial Instruments: Disclosures – servicing contracts*

IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

##### *IFRS 7 Financial Instruments: Disclosures – applicability of the offsetting disclosures to condensed interim financial statements*

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that “[A]n entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.

The amendment removes the phrase ‘and interim periods within those annual periods’, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

##### *IAS 19 Employee Benefits – regional market issue regarding discount rate*

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted.

##### *IAS 34 Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’*

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

### 4. Significant accounting judgments and estimates

#### Estimation uncertainty

In the process of applying the Corporation’s accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

##### *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

*(Thousands of Tenge, unless otherwise indicated)*

#### 4. Significant accounting judgments and estimates (continued)

##### Estimation uncertainty (continued)

###### *Allowance for loan impairment*

The Corporation regularly reviews its loans and receivables to assess impairment. The Corporation uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers.

Similarly, the Corporation estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Corporation uses its subjective judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

###### *Assessment of collateral*

The management monitors collateral on a regular basis using experienced judgements or independent estimate in order to adjust the cost of collateral considering the current market situation.

###### *Taxation*

Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or nonexistent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and forfeits. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Corporation is in substantial compliance with the tax laws regulating its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

###### *Recovery of deferred income tax assets*

Judgement is required in determining whether deferred income tax assets are recognized in the statement of financial position. Deferred income tax assets including those arising from unused tax losses require the management to assess whether it is probable that the Corporation will generate sufficient taxable income in future periods for the purpose of using recognized deferred income tax assets. Assumptions relating to generation of taxable income in future depend on estimates of the management regarding future cash flows. These estimates of future taxable income are based on forecasts of cash flows from operating activities (interest income, interest expenses, provision for impairment) and judgements regarding application of existing tax legislation in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realise the net deferred income tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Corporation could limit the ability of the Corporation to obtain tax deductions in future periods.

#### 5. Cash and cash equivalents

Cash comprises:

	<i>31 December 2014</i>	<i>31 December 2013</i>
Cash on current bank accounts in Tenge	1,496,403	1,292,536
Cash on current bank accounts in US dollars	21,591	54
Cash on hand	124	59
<b>Cash and cash equivalents</b>	<b>1,518,118</b>	<b>1,292,649</b>

*(Thousands of Tenge, unless otherwise indicated)***5. Cash and cash equivalents (continued)****Concentration of cash and cash equivalents**

As at 31 December 2014, the Corporation had cash placed at settlement accounts in banks represented by Tenge 881,389 thousand placed in one local bank, Bank CenterCredit JSC or 58% of balance of cash and cash equivalents (31 December 2013: Tenge 324,534 thousand Bank CenterCredit JSC or 25%).

**6. Amounts due from credit institutions**

Amounts due from credit institution comprises the following:

	<i>31 December 2014</i>	<i>31 December 2013</i>
Cash in term bank deposits	99,195	8,488,640
Accrued interest on term bank deposits	8,328	4,375
<b>Amounts due from credit institutions</b>	<b>107,523</b>	<b>8,493,015</b>

As at 31 December 2014, funds were placed in deposits in the second tier banks of Kazakhstan in Tenge with the interest rate from 7% to 7.5% and the maturity from one year to three years (as at 31 December 2013: 8,488,640 thousand Tenge with the interest rate from 7% to 7.5% and the maturity from one year to three years).

**7. Loans to customers**

Loans to customers comprise:

	<i>31 December 2014</i>	<i>31 December 2013</i>
Loans to legal entities in the agricultural sector	91,915,779	113,132,299
Loans to individuals in the agricultural sector	25,016,309	13,936,589
<b>Total loans to customers</b>	<b>116,932,088</b>	<b>127,068,888</b>
Less allowance for impairment	(16,326,699)	(13,858,698)
<b>Loans to customers</b>	<b>100,605,389</b>	<b>113,210,190</b>

*Allowance for impairment of loans to customers*

A reconciliation of the allowance for impairment of loans is as follows:

	<i>2014</i>	<i>2013</i>
<b>As at 1 January</b>	<b>13,858,698</b>	<b>11,591,670</b>
Charge for the year	2,517,182	3,063,632
Write-off	(49,181)	(796,604)
<b>As at 31 December</b>	<b>16,326,699</b>	<b>13,858,698</b>
Individual impairment	8,262,768	6,709,112
Collective impairment	8,063,931	7,149,586
	<b>16,326,699</b>	<b>13,858,698</b>
<b>Gross amount of loans, individually determined to be impaired, before deducting impairment allowance</b>	<b>10,673,364</b>	<b>7,525,259</b>

On 31 December 2014 loss in the amount of Tenge 1,501,032 thousand (2013: Tenge 1,417,201 thousand) resulting from fair value measurement of loans to customers in 2014 at a rate lower than the market, which have been funded by Shareholder was recognized as a deemed distribution reserve. Loans individually determined as impaired.

**Loans individually assessed as impaired**

The fair value of collateral that the Corporation holds relating to loans individually determined as impaired as at 31 December 2014 amounts to Tenge 2,410,596 thousand (as at 31 December 2013: Tenge 816,147 thousand).

**Collateral and other credit enhancements**

The amount and type of collateral required by the Corporation depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

*(Thousands of Tenge, unless otherwise indicated)***7. Loans to customers (continued)****Collateral and other credit enhancements (continued)**

The main types of collateral obtained are as follows:

- for loans to customers – collateral of real estate properties, agricultural equipment, inventory and accounts receivable, guarantees and securities;
- for loans to individuals – collateral of residential properties and other assets.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the loan impairment.

**Concentration of loans to customers**

As at 31 December 2014, the Corporation had a concentration of loans represented by Tenge 18,892,006 thousand due from 10 largest borrowers that comprised 16% of the total gross loan portfolio (as at 31 December 2013: Tenge 27,280,986 thousand and 21% of the total gross loan portfolio).

Interest income of the Corporation on loans for which individual impairment is recognized, for the year ended 31 December 2014, comprised to Tenge 95,343 thousand. (2013: Tenge 113,470 thousand).

**8. Property and equipment**

	<i>Land</i>	<i>Buildings and const- ructions</i>	<i>Computers and office equipment</i>	<i>Vehicles</i>	<i>Other</i>	<i>Total</i>
<b>At cost</b>						
<b>As at 31 December 2012</b>	5,397	–	135,511	64,689	62,803	268,400
Additions	–	–	19,696	–	19,746	39,442
Disposals	–	–	(7,988)	(5,825)	(2,909)	(16,722)
<b>As at 31 December 2013</b>	5,397	–	147,219	58,864	79,640	291,120
Additions	–	–	45,715	7,261	11,632	64,608
Disposals	–	–	(17,459)	–	(1,646)	(19,105)
<b>As at 31 December 2014</b>	5,397	–	175,475	66,125	89,626	336,623
<b>Accumulated amortization</b>						
<b>As at 31 December 2012</b>	–	–	55,486	14,344	27,560	97,390
Charge for the year	–	–	17,205	5,900	6,744	29,849
Written-off on disposal	–	–	(7,940)	(1,942)	(2,471)	(12,353)
<b>As at 31 December 2013</b>	–	–	64,751	18,302	31,833	114,886
Charge for the year	–	–	20,748	5,873	8,868	35,489
Written-off on disposal	–	–	(16,541)	–	(2,400)	(18,941)
<b>As at 31 December 2014</b>	–	–	68,958	24,175	38,301	131,434
<b>Net book value</b>						
<b>As at 31 December 2012</b>	5,397	–	80,025	50,345	35,243	171,010
<b>As at 31 December 2013</b>	5,397	–	82,468	40,562	47,807	176,234
<b>As at 31 December 2014</b>	5,397	–	106,517	41,950	51,325	205,189

In 2012 the Corporation made a decision to transfer the building with net book value at the date of transfer previously occupied by the administrative personnel into operating lease. According to IAS 40, property held to earn rentals, but not to be used for administrative purposes meets the definition of investment property. Due to change in the method of using, the reclassification from property and equipment to investment property is possible. As at 31 December 2014 the building with net amortised cost of Tenge 74,599 thousand continues to be used for rental income (as at 2013: Tenge 80,614 thousand).



*(Thousands of Tenge, unless otherwise indicated)***8. Property and equipment (continued)****Investment in real estate**

	<i>Buildings</i>
Cost as at 31 December 2014 and 2013	<u>133,668</u>
Accumulated amortization	
As at 31 December 2012	47,040
Charge for the year	6,014
As at 31 December 2013	<u>53,054</u>
Charge for the year	6,015
As at 31 December 2014	<u>59,069</u>
Net book value	
As at 31 December 2013	80,614
As at 31 December 2014	<u>74,599</u>

Income from lease of investment property amounted to Tenge 18,493 thousand (2013: Tenge 19,128 thousand).

**9. Intangible assets**

The movements in intangible assets were as follows:

	<i>Software</i>
Cost	
As at 31 December 2012	415,244
Additions	8,582
Disposals	(3,675)
As at 31 December 2013	<u>420,151</u>
Additions	37,325
Disposals	(4,810)
As at 31 December 2014	<u>452,666</u>
Accumulated depreciation	
As at 31 December 2012	162,680
Charge for the year	44,404
Disposals	(3,675)
As at 31 December 2013	<u>203,409</u>
Charge for the year	47,439
Disposals	(4,810)
As at 31 December 2014	<u>246,038</u>
Net book value	
As at 31 December 2012	252,564
As at 31 December 2013	<u>216,742</u>
As at 31 December 2014	<u>206,628</u>

**10. Other assets**

	<i>31 December 2014</i>	<i>31 December 2013</i>
Reposessed land from borrowers	<u>1,310,788</u>	848,091
Other assets	624,445	175,346
<b>Total other assets</b>	<u>1,935,233</u>	<u>1,023,437</u>

As at 31 December 2014 reposessed collaterals comprise real estate that was collected by the Corporation from borrowers who failed to meet the obligations to repay a loan to the Corporation. During 2014 the Corporation collected from the borrowers plots of land in the amount of Tenge 1,028,176 thousand. During 2013 the Corporation collected from the borrowers plots of land in the amount of Tenge 679,609 thousand.

*(Thousands of Tenge, unless otherwise indicated)***11. Amounts due to credit institutions**

Long-term borrowings obtained from banks include:

<i>Bank</i>	<i>Currency</i>	<i>Maturity</i>	<i>Interest rate</i>	<i>2014</i>	<i>2013</i>
SB Sberbank of Russia JSC	Tenge	9 June 2014	6,75%	–	3,012,375
SB Sberbank of Russia JSC	Tenge	28 May 2015	6,75%	2,012,375	–
				<u>2,012,375</u>	<u>3,012,375</u>

On 14 February 2014, the Corporation repaid short-term loan in the amount of 3,000,000 thousand Tenge according to the agreement dated 4 December 2013. On 28 November 2014 Corporation received a short-term loan in the amount of Tenge 2,000,000 thousand from JSC Sberbank with the interest rate of 6.75% maturing on 28 May 2014.

**12. Amounts due to the Shareholder**

	<i>Maturity</i>	<i>Interest rate</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Investment loan under contract No. 36	30 December 2023	1.02%	12,176,340	13,087,307
The loan under contract No. 148	10 December 2019	1,00%	356,269	418,551
The loan under contract No. 112	10 April 2014	1,02%	–	34,030,827
<b>Amounts due to the Shareholder</b>			<u>12,532,609</u>	<u>47,536,685</u>

*Investment loan under contract No. 36*

On 18 May 2009 the Corporation entered into Master Lending Agreement with KazAgro No. 36. In accordance with this Agreement, the Corporation obtains an investment loan to develop, expand and modify production in agricultural sector. The investment loan matures on 30 December 2023, the amortised cost of cash as at 31 December 2014 under the Agreement is Tenge 12,176,340 thousand, and interest is accrued at nominal rate of 1.02% per annum and effective interest rate of 6% at the date of issue. During 2014 the Corporation under Master Lending Agreement with KazAgro No. 36 received long-term funds in the amount of Tenge 1,640,763 thousand (during 2013: Tenge 380,189 thousand). During 2014 the Corporation also repaid loans under Master Lending Agreement with KazAgro No. 36 in the amount of Tenge 132,027 thousand (during 2013: Tenge 2,037,655 thousand).

*The loan under contract No. 148*

On 10 December 2012 the Corporation entered into Master Lending Agreement with KazAgro No. 148. The amount of the loan under the agreement is Tenge 2,000,000 thousand. Interest is accrued on the rate of 1%. The loan mature in 7 years after signing date of the agreement. The loan may be used to meet liquidity needs sufficient to cover the liabilities; support agricultural complex entities; acquire, repair and upgrade property and equipment and other purposes in accordance with the legislation. The carrying amount of cash under this master lending agreement as at 31 December 2014 amounted to Tenge 356,269 thousand.

During 2014 the Corporation also repaid loans under Master Lending Agreement with KazAgro No. 148 in the amount of Tenge 80,000 thousand.

*The loan under contract No. 112*

On 26 November 2013 the Corporation entered into short-term loan agreement with KazAgro No. 112. The source of financing of this loan are the funds borrowed from the National Fund of the Republic of Kazakhstan. The amount of the loan under the agreement is Tenge 34,000,000 thousand. Interest is accrued at the nominal rate of 1.02%. The loan was repaid at the end of the term dated 10 April 2014. The loan could be used for replacement of funds attracted by the Corporation in 2013 under the budget program 023 "Lending to the National Managing Holding KazAgro JSC for the purpose to support agro-industrial complex entities". On 10 April 2014 the loan was fully repaid.

As at 31 December 2014 and 2013 the Corporation had no violations of financial covenants related to amounts due to the Shareholder.

*(Thousands of Tenge, unless otherwise indicated)***13. Debt securities issued**

	<i>Maturity</i>	<i>Rate %</i>	<i>Currency</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Fixed income debt securities, 2nd issue	5 December 2015	7.00%	Tenge	2,862,451	2,870,273
Fixed income debt securities, 1st issue	29 June 2014	8.00%	Tenge	–	3,041,217
Fixed income debt securities, 1st issue, 2 bond program	20 February 2023	8.50%	Tenge	20,615	–
				<u>2,883,066</u>	<u>5,911,490</u>

On 9 July 2014 Corporation paid debt securities of the first issue of the first bond program in the amount of Tenge 3,036,384 thousand. Principal amount and sixth coupon interest comprised Tenge 2,919,600 thousand and Tenge 116,784 thousand, respectively.

On 30 December 2014 Corporation placed debt securities on the first issue of the first bond program in the amount of 20,000 items.

**14. Other liabilities**

	<i>31 December 2014</i>	<i>31 December 2013</i>
Amounts of interest rate subsidizes on loans issued by the Corporation by Ministry of Agriculture of the Republic of Kazakhstan	25,180	43,517
Accounts payable	72,166	26,609
Salary and taxes payable	11,861	29,172
Liabilities on pension and social deductions	10,967	17,144
Other	5,084	2,697
<b>Total other liabilities</b>	<u>125,258</u>	<u>119,139</u>

**15. Taxation**

A reconciliation of corporate income tax expenses ("CIT") applicable to income before taxation at the statutory corporate income tax rate, for the years ended 31 December is set out below:

	<i>2014</i>	<i>2013</i>
Current income tax expense	(223,275)	–
Deferred tax: origination and decrease of temporary differences	(253,667)	(551)
Less: deferred tax expense recognized in other comprehensive income	(300,206)	(256,826)
<b>Income tax expense</b>	<u>(777,148)</u>	<u>(257,377)</u>

As at 31 December 2014 current CIT assets amounted to Tenge 422,490 thousand (2013: Tenge 382,045 thousand).

Deferred tax recognized in other comprehensive income is allocated as follows:

	<i>2014</i>	<i>2013</i>
On assets	300,206	283,440
On liabilities	–	(26,614)
<b>Income tax benefit recognized in other comprehensive loss</b>	<u>300,206</u>	<u>256,826</u>

	<i>2014</i>	<i>2013</i>
Profit before income tax expense	1,273,355	695,026
Statutory tax rate	20%	20%
<b>Theoretical corporate income tax expenses at the statutory rate</b>	<u>(254,671)</u>	<u>(139,005)</u>
Impairment of provision from indexing	(394,596)	–
Non-deductible tax expenses	(127,881)	(118,372)
<b>Income tax expense</b>	<u>(777,148)</u>	<u>(257,377)</u>

*(Thousands of Tenge, unless otherwise indicated)***15. Taxation (continued)**

Deferred tax assets and liabilities as at 31 December and their movements for the respective years comprise the following:

	<i>Origination and decrease of temporary differences</i>			<i>Origination and decrease of temporary differences</i>			<i>2014</i>
	<i>In the income statement</i>		<i>In equity</i>	<i>In the income statement</i>		<i>In equity</i>	
	<i>2012</i>			<i>2013</i>			
<b>Tax effect of deductible temporary differences</b>							
Tax loss carried forward	1,493,549	(1,433,736)	–	59,813	(59,813)	–	–
Loans to customers	693,924	222,339	283,440	1,199,703	(606,208)	300,206	893,701
Unused vacations accrual	20,653	(894)	–	19,759	7,024	–	26,783
Assets held for sale	5,325	(3,209)	–	2,116	(2,116)	–	–
<b>Net deferred tax asset</b>	<b>2,213,451</b>	<b>(1,215,500)</b>	<b>283,440</b>	<b>1,281,391</b>	<b>(661,113)</b>	<b>300,206</b>	<b>920,484</b>
<b>Tax effect of taxable temporary differences</b>							
Dynamic provisions	(698,375)	698,375	–	–	–	–	–
Derivative financial instruments	(106,359)	106,359	–	–	–	–	–
Amounts due to the Shareholder	(561,761)	134,339	(26,614)	(454,036)	123,654	–	(330,382)
Property and equipment and intangible assets	(27,176)	19,050	–	(8,126)	(16,414)	–	(24,540)
<b>Deferred tax liabilities</b>	<b>(1,393,671)</b>	<b>958,123</b>	<b>(26,614)</b>	<b>(462,162)</b>	<b>107,240</b>	<b>–</b>	<b>(354,922)</b>
<b>Deferred tax asset/ (liability)</b>	<b>819,780</b>	<b>(257,377)</b>	<b>256,826</b>	<b>819,229</b>	<b>(553,873)</b>	<b>300,206</b>	<b>565,562</b>

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**16. Equity**

Below is information on movement of issued and fully paid shares:

	<i>Offering price (Tenge)</i>	<i>Number of ordinary shares</i>	<i>Total in thousands of Tenge</i>
<b>As at 31 December 2012</b>		69,349,371	69,349,371
Increase in share capital	1,000	4,878,000	4,878,000
<b>As at 31 December 2013</b>		74,227,371	74,227,371
Increase in share capital	1,000	20,000,000	20,000,000
<b>As at 31 December 2014</b>		<b>94,227,371</b>	<b>94,227,371</b>

As at 31 December 2014, total number of authorized, issued and paid common shares comprised 94,227,371 shares, (as at 31 December 2013: were paid 74,227,371 shares). On the basis of the decision of the sole Shareholder dated 10 January 2014 the share capital was increased by 20,000 thousand of ordinary shares with the placement value of Tenge 1,000 each; cash was obtained from the sole Shareholder as a contribution to the share capital in 2014. On the basis of the decision of the sole Shareholder dated 30 January 2013 the share capital was increased by 4,878 thousand of ordinary shares with the placement value of Tenge 1,000 each; cash was obtained from the sole Shareholder as a contribution to the share capital in 2013.

As at 31 December 2014 and 2013 the owner of a common share has the right for one vote and an equal right for dividends. Distributable income is determined on the basis of income recorded in the Corporation's financial statements.

In 2014 the Corporation paid dividends for 2013 in the amount of Tenge 393,884 thousand based on the decision of the sole Shareholder No. 32 dated 9 June 2014 (Tenge 5,31 for one share).

In 2013 the Corporation paid dividends for 2012 in the amount of Tenge 96,792 thousand based on the decision of the sole Shareholder No. 32 dated 29 May 2013 (Tenge 1,304 for one share).

*(Thousands of Tenge, unless otherwise indicated)***16. Equity (continued)**

In accordance with the Regulation of the Corporation, reserve capital is made for general financial institutions' future losses and other unforeseen risks and obligations. Reserve capital is subject to allocation based on the decision of shareholders at the general meeting.

In 2014 based on the decision of the sole Shareholder dated 9 June 2014 the reserve capital was increased by Tenge 43,765 thousand with the use of 2013 income. In 2013 based on the decision of the sole Shareholder dated 30 May 2012 the reserve capital was increased by Tenge 290,377 thousand with the use of 2012 income.

The movements in other reserves were as follows:

	<i>Reserve funds</i>	<i>Additional paid-in capital</i>	<i>Provision for notional distribution</i>	<i>Total</i>
<b>As at 31 December 2012</b>	702,348	4,190,171	(5,186,531)	(294,012)
Deemed distribution reserve (Note 7)	-	-	(1,417,201)	(1,417,201)
Tax effect on deemed distribution reserve (Note 15)	-	-	283,440	283,440
Initial recognition of income on loans acquired at below market rates (Note 12)	-	133,070	-	133,070
Tax effect on initial recognition of income on loans at below market rates (Note 15)	-	(26,614)	-	(26,614)
Increase in reserve capital	290,377	-	-	290,377
<b>As at 31 December 2013</b>	992,725	4,296,627	(6,320,292)	(1,030,940)
Deemed distribution reserve (Note 7)	-	-	(1,501,032)	(1,501,032)
Tax effect on deemed distribution reserve (Note 15)	-	-	300,206	300,206
Initial recognition of income on loans acquired at below market rates (Note 12)	-	-	-	-
Increase in reserve capital	43,765	-	-	43,765
<b>As at 31 December 2014</b>	<b>1,036,490</b>	<b>4,296,627</b>	<b>(7,521,118)</b>	<b>(2,188,001)</b>

**17. Derivative financial instruments**

Net gains/(losses) on derivative financial instruments include the following positions:

	<i>2014</i>	<i>2013</i>
Realized gains on derivative financial instruments	74,046	119,908
Unrealized gain on derivative financial instruments	-	-
Losses related to the expiration of contracts on derivative financial instruments	-	(233,463)
<b>Net gains/(losses) on derivative financial instruments</b>	<b>74,046</b>	<b>(113,555)</b>

During 2013 the Corporation invalidated currency options for all its contract and wrote off previously accrued income in the amount of Tenge 233,463 thousand. As at 31 December 2014 and 2013 years Corporation did not have derivative financial instruments in its portfolio.

*(Thousands of Tenge, unless otherwise indicated)***18. Personnel and other operating expenses**

Salaries and other employee benefits and other operating expenses comprise:

	<u>2014</u>	<u>2013</u>
Salaries and bonuses	(1,458,437)	(1,241,200)
Social security costs	(141,685)	(123,792)
<b>Personnel expenses</b>	<b>(1,600,122)</b>	<b>(1,364,992)</b>
Rent	(288,051)	(169,332)
Legal and advisory services	(209,294)	(142,890)
Advertising expenses	(89,497)	(82,690)
Depreciation and amortization	(88,943)	(80,262)
State duty	(62,862)	(18,452)
Business trip	(54,703)	(60,496)
Maintenance of property and equipment	(39,389)	(23,368)
Communication	(34,611)	(32,737)
Materials, including fuel and lubricants	(31,261)	(28,178)
Expenses associated with the assessment of collateral	(31,023)	(36,164)
Insurance	(19,455)	(13,846)
Bank charges	(9,734)	(22,503)
Training	(8,125)	(8,095)
Charity and sponsorship	-	(15,000)
Other	(65,359)	(41,089)
<b>Other operating expenses</b>	<b>(1,032,307)</b>	<b>(775,102)</b>

**19. Commitments and contingencies****Legal issues**

In the ordinary course of business, the Corporation is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Corporation.

**Undrawn loan facilities**

As at 31 December the Corporation's commitments and contingencies comprised the following:

	<u>2014</u>	<u>2013</u>
Undrawn credit lines – loans to customers	27,153,834	26,987,290

As at 31 December 2014, the concentration of undrawn credit lines to 10 largest independent parties totalled Tenge 6,306,951 thousand or 23% of the total amount of undrawn credit lines (as at 31 December 2013: Tenge 5,313,650 thousand and 45%).

**20. Risk management****Introduction**

Risk is inherent to the activities of the Corporation. The Corporation manages these risks through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Corporation's continuing profitability and each individual within the Corporation is accountable for the risk exposures relating to his or her responsibilities. The Corporation is exposed to credit risk, risk of liquidity, market risk and prepayment risk. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Corporation's strategic planning process.

*Risk management structure*

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

*(Thousands of Tenge, unless otherwise indicated)*

## 20. Risk management (continued)

### Introduction (continued)

#### *Board of Directors*

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

#### *Management Board*

The Management Board has the responsibility to monitor the overall risk process within the Corporation.

#### *Risk management department*

The Risk Management Unit is responsible for introduction and performance of risk management related procedures in order to ensure an independent control process as well as compliance with principles, risk management policies and risk limits across the Corporation. The Risk Management Unit consists of two structural subdivisions: Financial risk department and Credit risk department.

#### *Treasury department*

The Corporation Treasury is responsible for managing the Corporation's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Corporation.

#### *Internal audit function*

Risk management processes throughout the Corporation are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Corporation's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Management Board and Boards of Directors.

#### *Risk measurement and reporting systems*

The Corporation's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models.

Monitoring and controlling risks is primarily performed based on limits established by KazAgro for the Corporation. These limits reflect the business strategy and market environment of the Corporation.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, Board of Directors, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer risks takes place. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Corporation.

#### *Excessive risk concentration*

In order to avoid excessive concentrations of risks, the Corporation's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of risks are controlled and managed accordingly.

### Credit risk

Credit risk is the risk that the Corporation will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Corporation manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. Thus, in order to avoid a concentration of credit risk in one or a group of affiliates, has been established a limit of no more than 23% of the Corporation's own equity. Bank-counterparty limits are established by KazAgro for interbank transactions.

The Corporation has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions which are performed by separate units of the Corporation. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Corporation to assess the potential loss as a result of the risks to which it is exposed and undertake corrective action.

*(Thousands of Tenge, unless otherwise indicated)***20. Risk management (continued)****Credit risk (continued)**

The maximum exposure to credit risk for the components of the statement of financial position, including derivatives, before the influence of risk mitigation through the use of master netting agreements and collateral agreements is most accurately reflected by their carrying amounts.

For additional information on the maximum credit exposure for each class of financial instruments, see Notes 5-7 and 20.

*Credit quality per class of financial assets*

The credit quality of financial assets is managed by the Corporation's internal credit ratings. The table below shows the credit quality by class of asset for loan-related balance sheet lines, based on the Corporation's credit rating system. Loans to borrowers with good financial position and no overdue payments are defined as standard. If there is a temporary decline in financial standing of the borrower and/or insufficient collateral without overdue payments, these loans are defined as substandard.

	<i>Standard grade</i>	<i>Substandard</i>	<i>Individually impaired</i>	<i>Total</i>
<b>Loans to customers</b>				
2014	73,940,351	24,360,423	2,304,615	100,605,389
2013	92,343,200	20,050,843	816,147	113,210,190

*Credit quality per class of financial assets*

It is the Corporation's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products.

*Aging analysis of past due but not impaired loans per class of financial assets*

	<i>Less than 30 days</i>	<i>31-60 days</i>	<i>61-90 days</i>	<i>Total</i>
<b>Loans to customers</b>				
2014	3,394,765	4,568,504	1,188,757	9,152,026
2013	2,914,048	2,566,789	258,934	5,739,771

*Impairment assessment*

The main considerations for the loan impairment assessment comprise: whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Corporation addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

*Collectively assessment*

Allowances are assessed collectively for impairment of loans that are not individually significant and provisions for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Corporation's overall policy.

**Liquidity risk and funding management**

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, the management of the Corporation has arranged diversified funding sources. Also, it manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis.



*(Thousands of Tenge, unless otherwise indicated)***20. Risk management (continued)****Analysis of financial liabilities by remaining contractual maturities**

The table below summarizes the maturity profile of the Corporation's financial liabilities as at 31 December 2014 and 2013, based on contractual undiscounted payment obligations:

<i>Financial liabilities As at 31 December 2014</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Amounts due to credit institutions	35,250	2,032,250	–	–	2,067,500
Amounts due to the Shareholder	209,806	1,763,762	9,729,037	3,042,082	14,744,687
Debt securities issued	850	3,071,750	8,500	24,250	3,105,350
Amounts due to government and budget funds	11,353	31,540	20,008	–	62,901
<b>Total undiscounted financial liabilities</b>	<b>257,259</b>	<b>6,899,302</b>	<b>9,757,545</b>	<b>3,066,332</b>	<b>19,980,438</b>

<i>Financial liabilities As at 31 December 2013</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Amounts due to credit institutions	50,625	3,050,625	–	–	3,101,250
Amounts due to the Shareholder	384,141	36,218,126	8,939,935	4,976,830	50,519,032
Debt securities issued	–	3,239,384	3,103,000	–	6,342,384
Amounts due to government and budget funds	–	31,769	62,900	–	94,669
<b>Total undiscounted financial liabilities</b>	<b>434,766</b>	<b>42,539,904</b>	<b>12,105,835</b>	<b>4,976,830</b>	<b>60,057,335</b>

**Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchanges.

**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Interest rates on assets and liabilities (except for indexed issued debt securities) of the Corporation are fixed. The Corporation regularly monitors inflation risks arising from indexed debt securities. The Corporation has the right to consider repurchasing of these instruments at the open market in the event of the significant increase of debt service expenses linked to the change in inflation index.

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The tables below indicate the currencies to which the Corporation had significant exposure as at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Tenge, with all other variables held constant on the income statement (due to the fair value of currency sensitive trading monetary assets). The effect on equity does not differ from the effect on the income statement. All other variables are held constant. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

<i>Currency</i>	<i>Change in currency rate in % 2014</i>	<i>Effect on profit before tax 2014</i>	<i>Change in currency rate in % 2013</i>	<i>Effect on profit before tax 2013</i>
USD	+17.37%	3,751	+30%	16,908

<i>Currency</i>	<i>Change in currency rate in % 2014</i>	<i>Effect on profit before tax 2014</i>	<i>Change in currency rate in % 2013</i>	<i>Effect on profit before tax 2013</i>
USD	-17.37%	(3,751)	-10%	(5,366)

**Prepayment risk**

Prepayment risk is the risk that the Corporation will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected.

*(Thousands of Tenge, unless otherwise indicated)***20. Risk management (continued)****Operational risk**

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or can lead to financial loss. The Corporation cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

**21. Fair value of financial instruments**

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

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)	
<b>Assets whose fair value is disclosed</b>					
Cash and cash equivalents	31 December 2014	1,518,118	–	–	1,518,118
Amounts due from credit institutions	31 December 2014	–	–	107,523	107,523
Loans to customers	31 December 2014	–	–	97,563,033	97,563,033
<b>Liabilities whose fair value is disclosed</b>					
Amounts due to credit institutions	31 December 2014	–	–	2,012,375	2,012,375
Amounts due to the Shareholder	31 December 2014	–	–	11,859,366	11,859,366
Debt securities issued	31 December 2014	2,864,997	–	–	2,864,997
Amounts due to government and budget funds	31 December 2014	–	–	60,278	60,278
<b>Assets whose fair value is disclosed</b>					
Cash and cash equivalents	31 December 2013	1,292,649	–	–	1,292,649
Amounts due from credit institutions	31 December 2013	–	–	8,493,015	8,493,015
Loans to customers	31 December 2013	–	–	106,352,867	106,352,867
<b>Liabilities whose fair value is disclosed</b>					
Amounts due to credit institutions	31 December 2013	–	–	3,012,375	3,012,375
Amounts due to the Shareholder	31 December 2013	–	–	46,284,262	46,284,262
Debt securities issued	31 December 2013	5,800,609	–	–	5,800,609
Amounts due to government and budget funds	31 December 2013	–	–	84,513	84,513

*(Thousands of Tenge, unless otherwise indicated)***21. Fair values of financial instruments (continued)***Financial instruments recorded at fair value*

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Corporation's estimate of assumptions that a market participant would make when valuing the instruments.

*Derivatives*

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The techniques combine various inputs, including credit quality of counterparties, currencies forward and spot rates and interest rates curves.

*Financial instruments not carried at fair value in the statement of financial position*

Set out below is a comparison of the current amounts and fair values of the Corporation's financial instruments recorded in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

<i>As at 31 December 2014</i>	<i>Current value</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>
<b>Financial assets</b>			
Cash and cash equivalents	1,518,118	1,518,118	–
Amounts due from credit institutions	107,523	107,523	–
Loans to customers	100,605,389	97,563,033	(3,042,356)
<b>Financial liabilities</b>			
Amounts due to credit institutions	2,012,375	2,012,375	–
Amounts due to the Shareholder	12,532,609	11,859,366	673,243
Debt securities issued	2,883,066	2,864,997	18,069
Amounts due to government and budget funds	59,779	60,278	(499)
<b>Total unrecognised change in unrealized fair value</b>			<b>(2,351,543)</b>
<i>As at 31 December 2013</i>	<i>Current value</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>
<b>Financial assets</b>			
Cash and cash equivalents	1,292,649	1,292,649	–
Amounts due from credit institutions	8,493,015	8,493,015	–
Loans to customers	113,210,190	106,352,867	(6,857,323)
<b>Financial liabilities</b>			
Amounts due from credit institutions	3,012,375	3,012,375	–
Amounts due to the Shareholder	47,536,685	46,284,262	1,252,423
Debt securities issued	5,911,490	5,800,609	110,881
Amounts due to government and budget funds	86,868	84,513	2,355
<b>Total unrecognised change in unrealized fair value</b>			<b>(5,491,664)</b>

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

**Assets for which fair value approximates current value**

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the current amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

**Fixed and variable rate financial instruments**

For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

*(Thousands of Tenge, unless otherwise indicated)***22. Maturity analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note "Risk management" for the Corporation's contractual undiscounted repayment obligations.

	2014			2013		
	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
<b>Financial assets</b>						
Cash and cash equivalents	1,518,118	–	1,518,118	1,292,649	–	1,292,649
Amounts due from credit institutions	20,185	87,338	107,523	1,304,375	7,188,640	8,493,015
Loans to customers	36,571,416	64,033,973	100,605,389	67,172,397	46,037,793	113,210,190
Assets held for sale	10,500	–	10,500	73,931	–	73,931
Property and equipment	–	205,189	205,189	–	176,234	176,234
Investment property	–	74,599	74,599	–	80,614	80,614
Intangible assets	–	206,628	206,628	–	216,742	216,742
Current income tax assets	422,490	–	422,490	382,045	–	382,045
Deferred income tax assets	–	565,562	565,562	–	819,229	819,229
Other assets	624,445	1,310,788	1,935,233	175,346	848,091	1,023,437
	<b>39,167,154</b>	<b>66,484,077</b>	<b>105,651,231</b>	<b>70,400,743</b>	<b>55,367,343</b>	<b>125,768,086</b>
<b>Financial liabilities</b>						
Amounts due to credit institutions	2,012,375	–	2,012,375	3,012,375	–	3,012,375
Amounts due to the Shareholder	1,961,952	10,570,657	12,532,609	36,473,497	11,063,188	47,536,685
Debt securities issued	2,863,070	19,996	2,883,066	3,055,878	2,855,612	5,911,490
Amounts due to government and budget funds	42,054	17,725	59,779	31,513	55,355	86,868
Short-term estimated liabilities	133,914	–	133,914	98,796	–	98,796
Other liabilities	125,258	–	125,258	119,139	–	119,139
<b>Total</b>	<b>7,138,623</b>	<b>10,608,378</b>	<b>17,747,001</b>	<b>42,791,198</b>	<b>13,974,155</b>	<b>56,765,353</b>
<b>Net position</b>	<b>32,028,531</b>	<b>55,875,699</b>	<b>87,904,230</b>	<b>27,609,545</b>	<b>41,393,188</b>	<b>69,002,733</b>

**23. Related party transactions**

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

*(Thousands of Tenge, unless otherwise indicated)***23. Related party transactions (continued)**

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	2014				2013			
	Shareholder	Entities under common control	Associates	Due to the government	Shareholder	Entities under common control	Associates	Due to the government
<b>Loans to customers as at 1 January</b>	-	3,566,177	-	-	-	6,265,892	-	-
Loans issued during the year	-	972,078	-	-	-	1,228,078	-	-
Repayment of loans during the year	-	(248,658)	-	-	-	(3,927,793)	-	-
<b>Loans issued but not repaid as at 31 December</b>	-	4,289,597	-	-	-	3,566,177	-	-
Interest income during the year	-	158,169	-	-	-	171,353	-	-
<b>Loans obtained at 1 January</b>	47,536,685	-	-	86,868	15,111,020	-	-	111,988
Loans obtained during the year	8,822,854	-	-	-	75,380,199	-	-	-
Repayment of loans during the year	(44,411,590)	-	-	(31,140)	(43,557,655)	-	-	(31,140)
Unwinding of discount	584,660	-	-	4,051	603,121	-	-	6,020
<b>Loans obtained as at 31 December</b>	12,532,609	-	-	59,779	47,536,685	-	-	86,868
Interest expenses during the year	395,740	-	-	523	364,304	-	-	6,858

Key management personnel in 2014 consisted of 5 persons (2013: 5 persons). Compensation of key management personnel comprised of the following:

	2014	2013
Salaries and other short-term benefits	60,982	43,871
Social security costs	6,227	4,364
<b>Total compensation to key management personnel</b>	<b>67,209</b>	<b>48,235</b>
	<b>2014</b>	<b>2013</b>
Undrawn credit lines – loans to associates	180,180	1,550,577

**24. Capital adequacy**

The Corporation maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Corporation's capital is monitored using, among other measures, the ratios established by the FMSC in supervising the Corporation.

The primary objectives of the Corporation's capital management are to ensure that the Corporation complies with externally imposed capital requirements and that the Corporation maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. During the 2014, the Corporation had complied in full with all its external statutory capital requirements.

*(Thousands of Tenge, unless otherwise indicated)***24. Capital adequacy (continued)***Capital adequacy ratio established by the FMSC*

The Committee requires companies engaged in certain types of banking activities to maintain a minimum k1 and k1-2 capital adequacy ratio of 6% of assets and minimum k1-3 total capital adequacy ratio of 12% of risk-weighted assets. In 2014 and 2013 the risk-weighted assets, calculated under the Committee requirements were obtained on the basis of Corporation's separate financial statements prepared in accordance with Kazakhstan Accounting Standards. As at 31 December, the Corporation's capital adequacy ratio on this basis was as follows:

	<i>2014</i>	<i>2013</i>
Tier 1 capital	87,349,189	68,531,607
Tier 2 capital	499,207	437,649
Participatory shares in charter capital of a legal entity	(10,500)	(73,931)
<b>Total equity</b>	<b>87,837,896</b>	<b>68,895,325</b>
Risk weighted assets	104,518,486	123,214,515
Commitments and contingencies	13,576,917	13,493,645
Operational risk	3,476,372	2,806,683
Capital adequacy ratio k1	82.5%	54.5%
Capital adequacy ratio (k1-2)	74.0%	50.1%
Capital adequacy ratio (k1-3)	72.3%	49.4%

**25. Subsequent events**

On 11 February 2015 the Corporation had signed a Master Lending agreement with KazAgro No. 9. Loan amount under the agreement amounted is Tenge 7,500,000 thousand. The loan was used to support agricultural complex entities.