Kazakhstan Stock Exchange JSC
Consolidated financial statements
for the year ended 31 December 2018,
and Independent Auditor's report

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Management's statement of responsibility for the preparation and approval of consolidated financial statements for the year ended December 31, 2018

The following statement, which should be read in conjunction with the description of the duties of the auditors contained in the submitted audit report, was made with the aim of delimiting the responsibility of management and auditors in relation to the consolidated financial statements of Kazakhstan Stock Exchange JSC (hereinafter - the "Group").

The management of Kazakhstan Stock Exchange JSC is responsible for the preparation of consolidated financial statements that reliably reflect the financial situation at the end of the day on December 31, 2018, as well as the financial results of its activities, cash flow and changes in equity for the year ended December 31, 2018 in accordance with International Financial Reporting Standards (hereinafter - IFRS).

In preparing the consolidated financial statements, management is responsible for:

- ensuring the correct selection and application of accounting policies;
- providing information, including accounting policy data, in a form that ensures the relevance, reliability, comparability and clarity of such information;
- disclosure of additional information in cases where compliance with IFRS requirements is not sufficient for users to understand the impact of certain transactions, as well as other events or conditions on the financial position or financial performance of the Group;
- assessment of the Group's ability to continue operations in the foreseeable future.

Group management is also responsible for:

- development, implementation and maintenance of a reliable internal control system in the Group;
- keeping records in a form that allows the Group to open and explain the transactions, and
- providing information on any date with sufficient accuracy on the financial position of the Group and ensuring that financial statements comply with IFRS requirements;
- accounting in accordance with the legislation of the Republic of Kazakhstan;
- taking all reasonably possible measures to safeguard the assets of the Group;
- detection and prevention of facts of financial and other abuses.

The consolidated financial statements for the year ended December 31, 2018 were approved for issue by management of the Group on March 28, 2019.

On behalf of the Management

A.O. Aldambergen	**I.B. Kapanova**
Chairman of the Board	**Chief Accountant**

March 28, 2019
Almaty, Kazakhstan

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REPORT OF INDEPENDENT AUDITORS

To Shareholders and Board of Directors of Kazakhstan Stock Exchange JSC

Audit conclusion

Opinion

We conducted an audit of the consolidated financial statements of Kazakhstan Stock Exchange JSC and its subsidiaries (hereinafter - the Group), consisting of the consolidated statement of financial position at the end of the day on December 31, 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ending on the specified date, as well as a brief description of the main provisions of the accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements in all material aspects faithfully represent the financial position of the Group at the end of the day on December 31, 2018, as well as the financial results of its operations and cash flow for the year ending on that date, in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities in accordance with these standards are described in the Auditor's Responsibility for the Audit of Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics of Professional Accountants of the International Ethics Standards for Accountants Board (IESAB Code) and ethical requirements applicable to our audit of financial statements in Kazakhstan, and we have fulfilled other ethical obligations in accordance with these requirements and the Code ethics of professional accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for the expression of our opinion.

Other information

The Management is responsible for other information. Other information is an information in the annual report, excluding the financial statements and our audit report thereon. We assume that the approved annual report will be provided to us after the date of this audit report. Our opinion on the consolidated financial statements does not apply to other information, and we will not express any form of certainty about this information.

In connection with the audit of the consolidated financial statements, we are required to review other information when it is provided to us. In the course of the review, we consider other information regarding significant discrepancies in the financial statements, knowledge obtained by us during the audit, as well as other possible material misstatements.

If, when reviewing the annual report, we conclude that other information in it is significantly distorted, we must inform the persons responsible for corporate governance.

Management and Corporate Governance Responsibility for Consolidated Financial Statements

The Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with IFRS, as well as for the internal control system that management considers necessary for the preparation of consolidated financial statements that do not contain material misstatements due to fraud or errors.

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Group to operate as a going concern, for disclosing the going concern information, when appropriate, and for reporting on the basis of the going concern assumption, unless management intends to liquidate the Group, stop its activities or when it has no other real alternative than liquidation or termination.

The persons responsible for corporate governance are responsible for the oversight of the preparation of the consolidated financial statements of the Group.

Auditor's responsibility for auditing consolidated financial statements

Our goal is to obtain reasonable assurance that the consolidated financial statements are free from material misstatement due to fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high degree of certainty, but it does not guarantee that an audit conducted in accordance with International Standards on Auditing always reveals significant distortions, if any. Distortions can be the result of fraud or error and are considered significant if it can be reasonably assumed that, individually or collectively, they can affect the economic decisions of users based on these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing, we apply professional judgment and maintain professional skepticism throughout the audit. In addition, we do the following:

- identify and assess the risks of material misstatement of financial statements due to fraud or errors; we develop and conduct audit procedures in response to these risks; we obtain audit evidence that is sufficient and appropriate to serve as a basis for expressing our opinion.

The risk of not detecting material misstatement as a result of fraud is higher than the risk of not detecting material misstatement as a result of an error, as fraud may include collusion, forgery, intentional omissions, distorted information or actions to bypass the internal control system;

- obtain an understanding of the internal control system that is relevant for the audit, in order to develop audit procedures appropriate to the circumstances, but not to express an opinion on the effectiveness of the Group's internal control system;

- assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and the corresponding disclosures prepared by management;

- make a conclusion about the legitimacy of the management's use of the going concern assumption, and on the basis of the audit evidence obtained - a conclusion about whether there is a material uncertainty due to events or conditions that may result in significant doubts about the ability of the Group to operate as a going concern. If we conclude that there is a material uncertainty, we must draw attention in our audit report to appropriate disclosures in the financial statements or, if such disclosures are inappropriate, modify our opinion. Our findings are based on audit evidence obtained prior to the date of our audit report. However, future events or conditions may cause the Group to lose its ability to operate as a going concern;

- we assess the presentation of the financial statements as a whole, its structure and content, including disclosures, and whether the financial statements represent the underlying operations and events in such a way as to ensure their fair presentation.

We communicate with persons responsible for corporate governance, bringing to their attention, among other things, information about the planned scope and timing of the audit, as well as significant remarks on the audit results, including significant deficiencies in the internal control system, which we during the audit.

BDO Kazakhstan LLP
State license of the Financial Control Committee of the Ministry of Finance of the Republic of Kazakhstan No. 15003448 dated February 19, 2015 for auditing activities

Director T. A. Omarov ____________

March 28, 2019

6 Gabdullin street, A15H4E3, Almaty, Republic of Kazakhstan.

Auditor Irina Litvinchik ____________
Auditor qualification certificate No. 0000223, issued by the Qualification Commission for Attestation of Auditors of the Republic of Kazakhstan on December 22, 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands of Kazakhstan tenge, except for earnings per share, expressed in tenge)

	Note	*The year ended* *31 December 2018*	*31 December 2017*
Income from services and commissions	4	**2.360.794**	1.939.460
Interest income	5	**671.598**	554.160
Recovery (formation) of provision for impairment of assets on which interest is accrued and other operations	6	**(4.444)**	656
Net profit / (loss) on foreign currency transactions	7	**10.135**	2.927
Share in profit of an associate		**-**	792
Income derived from liquidation of a subsidiary		**(19.213)**	-
Other income	8	**62.021**	23.619
OPERATING INCOME		**3.080.891**	2.521.614
OPERATING EXPENSES	9	**(1.938.678)**	(1.615.972)
PROFIT BEFORE TAX		**1.142.213**	905.642
Corporate Income Tax Expenses	10	**(176.901)**	(112.833)
Net profit		**965.312**	792.809
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in the current or subsequent periods			
Net unrealized loss from revaluation of investments carried at fair value		**(44)**	(44)
Other comprehensive income not reclassified to profit or loss in the current or subsequent periods			
Revaluation of fixed assets:		**-**	(25.663)
Revaluation of fixed assets	17	**-**	(29.682)
Income tax impact	10	**-**	4.019
Other comprehensive income		**(44)**	(25.707)
Total comprehensive income		**965.268**	767.102
Earnings per share			
Basic and diluted (tenge)	11	**1.024,73**	841,61

On behalf of the Managment[1]

A.O. Aldambergen
Chairman of the Board

I.B. Kapanova
Chief Accountant

March 28, 2019
Almaty, Kazakhstan

[1] Hereinafter, in the consolidated financial statements of the Group and in the notes thereto, the Management means the Board of Kazakhstan Stock Exchange JSC subject to paragraph 2 of item 4 of article 6 of the Law of the Republic of Kazakhstan "On Accounting and Financial Reporting".

The notes on pages 6–44 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands of Kazakhstan tenge)

	Note	31 December 2018[2]	31 December 2017
ASSETS			
Cash and cash equivalents	13	**26.720.462**	102.759
Restricted cash		**-**	1.859.408
Funds in banks	14	**1.145.303**	1.926.341
Financial assets at fair value through other comprehensive income / Investments available for sale	15	**21.053**	21.053
Financial assets carried at amortized cost / Investments held to maturity	16	**18.593.240**	4.156.119
Investment in associate		**-**	141.256
Financial assets of the central counterparty	12	**3.341.113**	-
Advances issued		**4.939**	6.142
Fixed assets	17	**1.333.716**	1.381.846
Intangible assets	18	**156.215**	179.134
Assets held for sale	1	**100.325**	-
Prepaid current corporate income tax		**-**	120.520
Deferred corporate tax asset	10	**710**	633
Other assets	19	**166.717**	114.258
Total assets		**51.583.793**	10.009.469
LIABILITIES AND EQUITY			
LIABILITIES			
Funds of clearing participants	20	**39.141.386**	1.859.408
Central counterparty financial liabilities	12	**3.341.113**	-
Advances received		**66.228**	51.831
Current corporate income tax liability		**20.785**	3.218
Deferred Corporate Income Tax liabilities	10	**24.360**	23.546
Other liabilities	21	**77.956**	59.576
Total liabilities		**42.671.828**	1.997.579
EQUITY			
Authorized capital	22	**2.366.256**	2.366.256
Repurchased own equity instruments		**(62.076)**	-
Revaluation reserve for investments held at fair value through other comprehensive income		**57**	101
Reserve for revaluation of fixed assets	17	**179.893**	181.105
Other funds		**1.750.000**	240.000
Retained earnings		**4.677.835**	5.224.428
Total equity		**8.911.965**	8.011.890
Total liabilities and equity		**51.583.793**	10.009.469

On behalf of the Management

A.O. Aldambergen
Chairman of the Board

I.B. Kapanova
Chief Accountant

March 28, 2019
Almaty, Kazakhstan

[2] Hereinafter, in the consolidated financial statements of the Group and in the notes thereto, December 31 of any year is understood as at 24.00 of Almaty time on December 31 of that year.

The notes on pages 6–44 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

(in thousands of Kazakhstan tenge)

	Authorized capital	*Revaluation reserve for available-for-sale investments*	*Provision for revaluation of fixed assets*	*Other funds*	*Retained earnings*	*Total equity*
31 December 2016	2.366.256	145	213.770	225.000	4.439.617	7.244.788
Other comprehensive loss	-	(44)	-	-	-	(44)
Revaluation of fixed assets	-	-	(25.663)	-	-	(25.663)
Depreciation fund revaluation	-	-	(1.239)	-	1.239	-
Transfer of revaluation of fixed assets at disposal	-	-	(5.763)	-	5.763	-
Increase of reserve fund	-	-	-	15.000	(15.000)	-
Net profit for the year	-	-	-	-	792.809	792.809
Total comprehensive income	-	(44)	(32.665)	15.000	784.811	767.102
31 December 2017	**2.366.256**	**101**	**181.105**	**240.000**	**5.224.428**	**8.011.890**
Provisions for expected credit losses due to the application of IFRS 9	-	-	-	-	(3.117)	(3.117)
Repurchase of own shares	(62.076)	-	-	-	-	(62.076)
Other comprehensive loss	-	(44)	-	-	-	(44)
Depreciation fund revaluation	-	-	(403)	-	403	-
Transfer of revaluation of fixed assets at disposal	-	-	(809)	-	809	-
Increase of reserve fund	-	-	-	1.510.000	(1.510.000)	-
Net profit for the year	-	-	-	-	965.312	965.312
Total comprehensive income	(62.076)	(44)	(1.212)	1.510.000	(546.593)	900.075
31 December 2018	2.304.180	57	179.893	1.750.000	4.677.835	8.911.965

On behalf of the Management

A.O. Aldambergen
Chairman of the Board

I.B. Kapanova
Chief Accountant

March 28, 2019
Almaty, Kazakhstan

The notes on pages 6–44 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands of Kazakhstan tenge)

	Note	*Year ended December 31, 2018*	*Year ended December 31, 2017*
Cash flow from operating activitie			
Profit before tax		**1.142.213**	905.642
Adjustments to non-cash items			
Allowance for impairment of other assets	6	**(976)**	656
Formation of a reserve on revaluation of fixed assets		–	8.038
Loss from revaluation of fixed assets	17	–	54.410
Share in profit of an associate		–	(792)
Net change in fair value of investments carried through other comprehensive income		**(44)**	(44)
Loss on disposal of fixed assets		**4.776**	14.173
Impairment loss on investment in associate		**37.473**	-
Profit / loss due to the reclassification of the associate to assets for sale		**6.256**	-
Other PPE and IA proceeds		**(3.474)**	-
Accrued interest income	5	**(671.598)**	(554.160)
Depreciation and amortization	17,18	**132.515**	134.796
Cash flows from operating activities to changes in operating assets and liabilities		**647.141**	562.719
Changes in operating assets and liabilities			
Increase / (decrease) in operating assets			
Funds of clearing participants		**1.859.408**	(1.432.772)
Funds in banks		**772.495**	640.614
Advances issued		**1.203**	(2.298)
Other assets		**(52.015)**	(31.450)
Increase / (decrease) in operating liabilities			
Liabilities on the funds of clearing participants		**37.281.978**	1.432.772
Advances received		**14.397**	10.521
Other liabilities		**18.380**	1.641
Receipt of cash from operating activities before tax		**40.542.987**	1.181.747
Interest received		**674.195**	628.598
Corporate Income Tax Paid		**(38.077)**	(91.804)
Net operating income		**41.179.105**	1.718.541

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands of Kazakhstan tenge)

	Note	Year ended December 31, 2018	Year ended December 31, 2017
Cash flow from investing activities			
Acquisition of fixed assets		**(36.354)**	(87.288)
Acquisition of intangible assets		**(12.436)**	(11.697)
Wages and other costs capitalized in intangible assets		**(16.776)**	(11.634)
Acquisition of investments at amortized cost		**(14.433.760)**	(1.615.322)
Net use of cash in investment activities		**(14.499.326)**	(1.725.941)
Cash flows from financial activities			
Repurchase of own equity instruments		**(62.076)**	-
Net use of cash in financial activities		**(62.076)**	-
Net increase / (decrease) in cash and cash equivalents		**26.617.703**	(7.400)
Cash and cash equivalents at the beginning of the year	13	**102.759**	110.159
Cash and cash equivalents at the end of the year	13	**26.720.462**	102.759

On behalf of the Management

A.O. Aldambergen
Chairman of the Board

I.B. Kapanova
Chief Accountant

March 28, 2019
Almaty, Kazakhstan

The notes on pages 6–44 are an integral part of these consolidated financial statements.

(in thousands of Kazakhstan tenge, unless otherwise specified)

1. ORGANIZATION

The Kazakhstan Stock Exchange Joint-Stock Company (hereinafter referred to as the Company, the Stock Exchange) was established on November 17, 1993 in accordance with the legislation of the Republic of Kazakhstan.

Currently, the Company operates on the basis of the certificate of state re-registration of the legal entity No. 1952-1910-01-AO dated January 7, 2004, issued by the Justice Department of the Bostandyk District of the Department of Justice of Almaty.

The Company's activities in the securities market are carried out on the basis of licenses:

1) License for carrying out activities on the securities market dated July 19, 2012 No. 4.2.3 / 1, issued by the Committee for Control and Supervision of the Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan. The license gives the right to carry out the following activities in the securities market:
   - organization of trading securities and other financial instruments;
   - clearing activities on transactions with financial instruments in the securities market;
2) the license to conduct banking operations in national and foreign currency dated September 5, 2018 No. 4.3.8, issued by the National Bank of the Republic of Kazakhstan. The license gives the right to conduct the following banking operations:
   - opening and maintaining correspondent accounts of banks and organizations engaged in certain types of banking operations;
   - transfer operations: execution of orders of individuals and legal entities on payments and money transfers;
   - opening and maintaining bank accounts of legal entities;
   - organization of exchange operations with foreign currency, except for the organization of exchange operations with cash foreign currency.

The legal address of the Company: 8th floor, 280 Bayzakova street, North Tower of the Almaty Towers Multifunctional Complex, 050040, Almaty, Republic of Kazakhstan.

The main activity of the Stock Exchange is the organization of trading in securities and other financial instruments in accordance with the laws of the Republic of Kazakhstan.

Related activities of the Stock Exchange are clearing of transactions with financial instruments, the implementation of certain types of banking operations, the provision of information and other services not prohibited by the laws of the Republic of Kazakhstan.

As of the end of days of December 31, 2018 and December 31, 2017, the shareholders, each of which owns ordinary shares of the Company in an amount of more than 5% of the total number of its outstanding shares, are as follows:

	31 December 2018, %	*31 December 2017, %*
Shareholders		
National Bank of the Republic of Kazakhstan State Institute	**50,10**	**50,10**
Halyk Savings Bank of Kazakhstan	**7,75**	**–**
JSC Kazkommertsbank	**–**	**6,33**
CENTRICA LLP	**6,88**	**6,88**
Others (individually owning less than 5%)	**35,27**	**36,69**
Total	**100,00**	**100,00**

In accordance with paragraph 2 of Article 84 of the Law of the Republic of Kazakhstan “On the Securities Market” (hereinafter referred to as the Law), the share of each shareholder - organizer of trading together with its affiliates cannot exceed 20% of the total number of offered shares, unless the shareholder is authorized body, that is, the National Bank of the Republic of Kazakhstan.

(in thousands of Kazakhstan tenge, unless otherwise specified)

1. ORGANIZATION (continued)

During the years ended December 31, 2018 and December 31, 2017, the National Bank of the Republic of Kazakhstan (hereinafter - the NBRK) is the controlling party of the Company.

The company is the parent company of the Group, which includes the following organizations consolidated for the purposes of these financial statements:

as of the end of the day December 31, 2017

Name	*Country of business*	*Percentage of voting shares, (%)*	*Contribution to authorized capital (thous. KZT)*	*Kind of activity*
IRBIS Information Agency of Financial Markets LLP	Kazakhstan	100	8.930	Information Services
"eTrade.kz" LLP	Kazakhstan	100	12.852	Information Technology
			21.782	

The liquidation procedures of IAFM IRBIS LLP have been completed in accordance with Order No. 4813 of the Ministry of Justice of the Republic of Kazakhstan dated December 13, 2018 "On registration of IAFM IRBIS LLP termination".

As of the end of December 31, 2018, the Information Agency of Financial Markets IRBIS LLP has been liquidated.

Name	*Country of business*	*Percentage of voting shares, (%)*	*Contribution to authorized capital (thous. KZT)*	*Kind of activity*
"eTrade.kz" LLP	Kazakhstan	100	12.852	Information Technology
			12.852	

Associated company

The associated company RTRS LLP conducts its activities in the Republic of Kazakhstan and performs the functions of a backup trade and settlement center. Investments in an associate for consolidation purposes are accounted for using the equity method.

During the years ended December 31, 2018 and December 31, 2017, the percentage of participation in the authorized capital was 50% of direct participation and there is an indirect participation in the authorized capital of RTRS LLP through the ownership of 34.69% of shares in Central Securities Depository.

The Stock Exchange does not consolidate the financial statements of RTRS LLP as a subsidiary, as the Group does not have control over it. The NBRK exercises actual control of RTRS LLP through the ownership of 54.98% of shares of Central Securities Depository JSC in accordance with the Law and through the ownership of 50.1% of the Stock Exchange shares. The total indirect share of the NBRK in the authorized capital of RTRS LLP is 52.54%.

By the decision of the Board of Directors dated December 25, 2018 No. 38 "On the sale of the Stock Exchange share in RTRS LLP and the conclusion of a transaction with Central Securities Depository JSC", by concluding a purchase agreement on the following essential conditions:
1) 50% participation share;
2) Participation price in the amount of 50% - 97.527.000 tenge 00 tiyn.

Based on the above, the financial statements of the Group for the year ended December 31, 2018, RTRS LLP is recorded as an asset intended for sale at a fair value determined from the report of an independent appraiser dated December 6, 2018, which is approved as the selling price.

2. BASIS FOR PREPAPING FINANCIAL STATEMENTS

Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter - IFRS) as approved by the International Accounting Standards Board (IFRS Board). The consolidated financial statements have been prepared in accordance with the principle of cost accounting, with the exception of the principle noted in the section "Significant Accounting Policies", for example, investments at fair value, groups of fixed assets: buildings, land, vehicles were measured at fair value.

These consolidated financial statements have been prepared on the assumption that the Group is an operating entity and will continue to operate in the foreseeable future.

These consolidated financial statements are presented in thousands of Kazakhstan tenge (hereinafter - tenge), except for earnings per share, unless otherwise indicated.

Functional currency

The functional currency of the consolidated financial statements of the Group is Tenge, the currency that best reflects the economic substance of the underlying events and circumstances relating to the Group.

Application of new and revised IFRS

New and revised standards and interpretations

IFRS 9 "Financial instruments";

IFRS 15 Revenue from Contracts with Customers;

IFRIC 22 “Transactions in foreign currency and prepayment of compensation”;

IAS 40 Transfers of Investment Real Estate Objects;

Amendments to IFRS 2, Classification and Evaluation of Share-based Payment Transactions;

Amendments to IFRS 4, Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts;

Amendments to IAS 28 Investments in Associates and Joint Ventures

- clarification that the decision to evaluate investment objects at fair value through profit or loss should be made separately for each investment;

Amendments to IFRS 10 and IAS 28 “Sale or contribution of assets in transactions between an investor and its associate or joint venture”;

The Group has applied the following revised IFRSs that have entered into force for annual periods beginning on or after January 1, 2018. The group did not prematurely apply the standards, clarifications or amendments that were issued, but did not enter into force.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments, which includes all phases of a financial instrument project and replaces IAS 39 Financial Instruments: Recognition and Measurement, as well as all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, as well as accounting for impairment and hedging.

In terms of classification and valuation, the new standard requires that all financial assets, with the exception of equity and derivative instruments, be evaluated on the basis of a combined approach based on the business model used by the company to manage financial assets and the characteristics of the financial asset associated with the contractual cash flows. in streams. Instead of the categories established by IAS 39, the following categories of financial instruments are introduced: estimated at fair value through profit or loss (hereinafter referred to as P & L), at fair value through other comprehensive income (hereinafter referred to as OCI) and at amortized cost.

2. BASIS FOR PREPAPING FINANCIAL STATEMENTS (continued)

Application of new and revised IFRS (continued)

New and revised standards and interpretations (continued)

IFRS 9 also allows companies to continue to classify (but without the right of subsequent reclassification) financial instruments that meet the recognition criteria as valued at amortized cost or at fair value through OCI, categorized at fair value through profit or loss, if allowed eliminate or significantly reduce inconsistencies in valuation or recognition approaches. Equity instruments not intended for trading may be (without the right of subsequent reclassification) classified as fair value through the OCI, and the income or expenses of such instruments are not to be reflected in the income statement in the future. The treatment of financial liabilities is generally similar to the requirements of IAS 39.

IFRS 9 dramatically changes the approach to accounting for impairment. Instead of an approach based on incurred losses, IAS 39 introduces a forward-looking approach requiring reflection of expected credit losses. The Group will be required to recognize the estimated reserve for expected credit losses on all financial assets carried at amortized cost and other debt financial assets that are not measured at fair value through profit or loss. The provision should be estimated at an amount equal to the expected credit losses due to the probability of default over the next 12 months. In cases where the credit risk of an instrument has increased significantly since its initial recognition, the provision is estimated based on the probability of default over the life of the asset.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Early application is allowed. Retrospective application is mandatory, but recalculation of comparative information is not required. The impact of the application of the standard at the date of transition (January 1, 2018) is reflected in retained earnings.

The Group's business model was assessed at the date of initial application, January 1, 2018. Analysis of whether contractual cash flows on debt instruments are solely payments in respect of the principal amount and interest were based on facts and circumstances that existed at the time of initial recognition data assets.

The application of IFRS 9 has not had a significant impact on the classification and measurement of the Group's financial assets.

The Group continued to measure at fair value all financial assets that were measured at fair value in accordance with IAS 39. The following are changes in the classification of financial assets of the Group:

• Accounts receivable and other non-current financial assets that were classified as loans and receivables as of December 31, 2017 are held within the business model, the purpose of which is to obtain contractual cash flows that are solely payments to the principal amount of the debt and percent. From January 1, 2018, such instruments are classified and measured as Debt instruments valued at amortized cost.

• Quoted debt instruments, which as of December 31, 2017 were classified as financial assets held to maturity, from January 1, 2018, are classified and estimated as Debt instruments valued at amortized cost. The Group holds these assets in order to obtain contractual cash flows. The Group's quoted debt instruments include ordinary government and corporate bonds, the cash flows of which are exclusively payments on the principal amount of the debt and interest.

2. BASIS FOR PREPAPING FINANCIAL STATEMENTS (continued)

Application of new and revised IFRS (continued)

New and revised standards and interpretations (continued)

• Investments in equity instruments of organizations whose shares are not listed on the stock exchange, which as of December 31, 2017 were classified as financial assets available-for-sale, since January 1, 2018 are classified and valued as equity instruments classified at discretion Groups as measured at fair value through other comprehensive income. The Group decided, without the right to cancel it, to include its investments in unquoted equity instruments in this category, as it intends to hold such investments in the foreseeable future. In previous periods, there were no impairment losses recognized in profit or loss on such investments. The Group, in its sole discretion, did not classify any financial liabilities at fair value through profit or loss. The classification and measurement of the Group's financial liabilities has not changed.

Adjustments relating to the application of IFRS 9 were recognized on January 1, 2018 in the relevant articles of the statement of changes in equity. In the transition to IFRS 9, a new valuation technique was applied: the allowance for impairment was calculated using the expected loss model.

Below is a reconciliation of estimated provisions for impairment in accordance with IAS 39 at the end of the period with estimated reserves for losses at the beginning of the period, determined in accordance with IFRS 9:

	Estimated allowance for impairment in accordance with IAS 39 as at December 31, 2017 (in thousands)	*Revaluation*	*ECL according to IFRS 9 as of January 1, 2018 (thous. Tenge)*
Accounts receivable according to IAS 39 / Financial assets measured at amortized cost under IFRS 9 and contractual assets	6.598	(4.161)	2.437
Investments held to maturity in accordance with IAS 39 / Financial assets measured at amortized cost in accordance with IFRS 9	3.892	(3.361)	531
Cash and cash equivalents	-	256	256
Funds in banks	-	10.383	10.383
Available-for-sale financial assets in accordance with IAS 39 / Equity instruments valued at fair value through OCI, in accordance with IFRS 9	-	-	-
	10.490	**3.117**	**13.607**

2. BASIS FOR PREPAPING FINANCIAL STATEMENTS (continued)

Application of new and revised IFRS (continued)

New and revised standards and interpretations (continued)

IFRS 15 "Revenue from contracts with customers"

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which entered into force for annual reporting periods beginning January 1, 2018 or after this date. Early application is allowed. IFRS 15 defines the principles for recognizing revenue and should apply to all contracts with customers. However, interest and commission income directly related to financial instruments and leases remain outside the scope of IFRS 15 and will be subject to other applicable standards (for example, IFRS 9 and IFRS 16 Leases).

According to IFRS 15, revenue should be recognized upon the transfer of goods or services in the amount of compensation that the company expects to receive the right to in exchange for the transfer of these goods or services. The standard also contains requirements for disclosing detailed information about the nature, size, timing and uncertainty of revenue and cash flow arising from contracts with customers. The application of IFRS 15 did not affect the Group's revenue and profit or loss.

- *Service rendering*

According to IFRS 15, the Group concluded that it will continue to apply the previous accounting policies and will recognize revenue related to the services provided by the Group during the period, as customers simultaneously receive and consume the benefits provided by the Group. Upon transition to IFRS 15, the Group did not need to reclassify amounts from trade receivables to contractual assets.

- *Advance payments received from customers*

When adopting IFRS 15 for short-term advance payments, the Group used a practical simplification. According to this simplification, the Group will not adjust the promised reimbursement amount, taking into account the impact of a significant financing component in the contracts, if at the time of entering into the contract the Group expects that the period between the transfer of the promised services to the client and the customer's payment of this service is not more than one year.

Amendments to IFRS 2 Share-based Payment

The IASB issued amendments to IFRS 2 Share-based Payments related to the classification and valuation of share-based payment transactions. The amendments are intended to eliminate discrepancies in the practice of the standard, but consider a limited range of issues related only to classification and evaluation. The amendments clarify the requirements in three main areas:

- the impact of the conditions for the transfer of rights to the valuation of share-based payment transactions with settlements in cash;
- a classification of a share-based payment transaction, the terms of which allow a company to withhold part of the equity instruments to be transferred to an employee in order to fulfill the obligation to pay the corresponding tax for that employee;
- accounting treatment in cases when modification of the terms of a share-based payment transaction requires its reclassification from the category of transactions with cash settlements to the category of transactions with equity instruments.

These amendments are effective for annual periods beginning on or after January 1, 2018. The application of the amendments will not require the Group to recalculate data for previous periods; retrospective application is permitted, provided that the Panel decides to apply all three amendments at once and fulfills some other criteria. Early use is also permitted. These amendments did not have any material impact on the Group.

2. BASIS FOR PREPAPING FINANCIAL STATEMENTS (continued)

Application of new and revised IFRS (continued)

New and revised standards and interpretations (continued)

Amendments to IFRS 4, Application of IFRS 9 Financial Instruments at the same time as IFRS 4 Insurance Contracts

The amendments are intended to eliminate the problems arising from the application of the new standard for financial instruments IFRS 9 until companies start applying the new standard for accounting for insurance contracts, which is now being developed by the IFRS Board instead of IFRS 4. According to the amendments, insurance companies may choose one of two options: temporary exemption from applying IFRS 9 or using the overlay method. Temporary exemptions from the application of IFRS 9 can be used by companies whose activities are primarily related to insurance. Such companies will be able to continue to apply IAS 39 Financial Instruments: Recognition and Measurement, deferring the application of IFRS 9 to January 1, 2021, but no later than that date. The compensating approach provides for the obligatory correction of profit or loss in order to exclude their additional volatility, which may arise when IFRS 9 and IFRS 4 are applied simultaneously.

Temporary exemption is permitted for the first time for reporting periods beginning on or after January 1, 2018. The offsetting approach may be selected by the company when first adopting IFRS 9 and should be applied retrospectively for financial assets categorized during the transition to IFRS 9. These amendments did not have any impact on the Group.

IFRS (IFRS) 16 "Leases

IFRS 16 introduces a single model for defining lease agreements and accounting by both the lessor and the lessee. After entry into force, the new standard will replace IAS 17 “Leases” and all related clarifications.

IFRS 16 distinguishes between leases and service contracts based on whether the buyer controls the identified asset. There is no longer a separation between operating leases (off-balance sheet accounting) and financial leasing (accounting on the balance sheet) for the tenant, instead, the model is used, according to which the tenant reporting must recognize the asset in the form of right to use and the corresponding liability for all lease agreements (accounting on the balance of all contracts), except for short-term lease and lease of assets with low cost.

The right-of-use asset is initially recognized at cost and after initial recognition is carried at cost (with a few exceptions) less accumulated depreciation and accumulated impairment losses, adjusted for revaluation of the lease liability. The lease liability is initially measured at the present value of the remaining lease payments. After initial recognition, the lease liability is adjusted for interest on the liability and rental payments, as well as, among other things, for the effect of modifications to the lease agreement. In addition, the cash flow classification will also change as payments under operating lease agreements in accordance with IAS 17 are classified as cash flows from operating activities, whereas in accordance with IFRS 16 lease payments will be divided into repayment of the principal amount liabilities and interest, which will be presented as cash flows from financial and operating activities, respectively.

Unlike accounting by a tenant, accounting by a lessor in accordance with IFRS 16 has remained almost unchanged compared to IAS 17 and requires the separation of lease agreements for operating or financial leases. Among other things, the disclosure requirements in accordance with IFRS 16 have significantly increased.

IFRS 16, effective for annual periods beginning on or after 1 January 2019, requires more disclosures from lessors and tenants than IAS 17.

2. BASIS FOR PREPAPING FINANCIAL STATEMENTS (continued)

Application of new and revised IFRS (continued)

The group intends to apply the standard from the date of its entry into force. A preliminary analysis shows that in case of lease agreements that will meet the definition of a lease in accordance with IFRS 16, respectively, the Group will reflect the rights to use and lease obligations in respect of these contracts, except for those that meet the criteria of short-term lease or lease of low-value assets in IFRS 16.

Annual improvements to IFRS (2015-2017 cycle) (effective from January 1, 2019, early application is allowed).

Improvements relate to the following standards:

IFRS 3 Business Combinations. It clarifies that the organization revaluates its former share in a joint operation after it gains control of the business;

IFRS 11 Joint Activity. An organization should not overestimate its former share in a joint operation after it gains joint control over the business;

IAS 12 Income Taxes. An entity must equally consider all tax consequences of dividend payments;

IAS 23 Borrowing Costs. Any borrowings that the company initially attracts to develop an asset are recorded as part of general borrowing after the asset is ready for its intended use or sale;

Amendments to IFRS (IAS) 19 “Revaluation as a result of changing the plan, reducing or eliminating the deficit” (effective as of January 1, 2019);

Interpretation of IFRIC 23 “Uncertainty in accounting for income tax” (effective for annual periods beginning on or after January 1, 2019);

Amendments to IAS 28 Long-Term Investments in Associates and Joint Ventures (effective from January 1, 2019);

Amendments to IFRS 9, “Early repayment conditions with potential negative reimbursement” (effective from January 1, 2019);

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021);

Amendments to IFRS 10 / IAS 28 “Sale or contribution of assets in transactions between an investor and its associate or joint venture” (the effective date is postponed for indefinite period until the completion of the research project regarding the equity method).

The Group did not prematurely apply the standards, amendments and interpretations indicated earlier and currently has not completed an assessment of their impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (and its subsidiaries). Control is exercised only if the following conditions are met:

- the group has authority over the investee (i.e., existing rights that provide the current ability to manage the significant activities of the investee);
- the Group's exposure to the risk of changes in income from participation in the investee, or the right to receive such income;
- the ability of the Group to use its authority to influence income.

The group re-examines whether there is control over the investee if the facts and circumstances indicate a change in one or more of the three control components.

The financial statements of subsidiaries are consolidated into the financial statements of the Group, starting from the date of acquisition of this organization (the date from which effective control of the Group over these organizations begins) to the time of sale (the date from which the Group effectively exercises control over these organizations). The total comprehensive income of subsidiaries is attributed to the owners of the Group.

The financial statements of subsidiaries of the Group are prepared for the same reporting period as the Company's accounts, and using the same accounting policy.

All balances, incomes and expenses arising as a result of operations within the Group are eliminated upon consolidation.

Investments in associates

An associate is an organization whose activities are under the Group's significant influence. Significant influence is the power to participate in making decisions on the financial and operational policies of an investee, but not to control or jointly control this policy.

The factors taken into account when determining whether there is significant influence or joint control are similar to those taken into account when determining whether there is control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

In accordance with the equity method, an investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is subsequently adjusted by recognizing changes in the Group's share of the net assets of the associate or joint venture arising after the acquisition date. Goodwill related to an associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The Group's share in profit or loss of the associate and joint venture is presented directly in the statement of profit or loss. It represents profit or loss after taxation and accounting for non-controlling interests in subsidiaries of an associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the financial statements of the Group. If necessary, adjustments are made to it in order to bring the accounting policies in line with the accounting policies of the Group.

Following the application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in an associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that an investment in an associate or joint venture has been impaired. If there is such evidence, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate or joint venture and its book value and recognizes a loss in the statement of profit or loss in the item

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

"Share in profits of an associate and joint venture".

In the event of a loss of significant influence over the associate or joint control of the joint venture, the Group estimates and recognizes the remaining investment at fair value. The difference between the carrying amount of the associate or joint venture at the time of the loss of significant influence or joint control and the fair value of the remaining investments and the proceeds of disposal is recognized in profit or loss.

Recognition of service fees and commissions

Revenues from services and commissions are recognized as related services are provided. Revenues from admission fees and listing fees are recognized on the basis of decisions on the admission of organizations to members of the Stock Exchange and the inclusion of securities in the official list of the Stock Exchange. Income received by the Group from any organization as a monthly membership fee is recognized monthly on an ongoing basis as long as the organization is a member of the Exchange. Revenues from annual listing fees are recognized over the 12-month period to which they relate.

Recognition of interest income

Interest income is recognized on an accrual basis and is calculated using the effective interest method. The effective interest method consists in calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities), and also in referring interest income or interest expense to the relevant period.

The effective interest rate is the interest rate by which expected future payments or receipts of money are reduced to the net present value of a financial asset or financial liability. In doing so, cash flows are discounted for the period when the financial asset or financial liability is expected to exist, or, if applicable, for a shorter period.

Interest income includes interest income from investments in securities, accrued interest on deposits and cash balances using the effective interest method.

If a financial asset or a group of homogeneous financial assets has been written off (partially written off) as a result of impairment, interest income is determined by reference to the initial effective interest rate used to discount future cash flows for the purpose of calculating impairment losses.

IFRS 9 “Financial Instruments” replaces IAS 39 “Financial Instruments: Recognition and Measurement” and applies to annual reporting periods beginning January 1, 2018 or after this date. IFRS 9 brings together three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Classification and measurement of financial assets

According to IFRS 9, the Group initially measures financial assets at fair value, increased in the case of financial assets not at fair value through profit or loss, in the amount of transaction costs.

Debt instruments held as part of a business model aimed at obtaining contractual cash flows that include only the principal amount and interest on it are generally valued at amortized cost. Debt instruments held in the framework of a business model whose goal is achieved both by obtaining contractual cash flows and selling a financial asset, as well as having contractual terms that result in cash flows that are exclusively repaying the principal amount and interest on the outstanding part of the principal. Debt amounts are usually recorded at fair value through the OCI. All other debt and equity instruments are measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The analysis of whether contractual cash flows on debt instruments are solely payments on the principal amount of the debt and interest is based on the factors and circumstances that existed at the time of the initial recognition of these assets.

Classification and valuation of financial liabilities

The treatment of the Group's financial liabilities remained almost unchanged compared to the procedure applied under IAS 39. As in accordance with IAS 39, IFRS 9 requires to consider liabilities of contingent consideration as financial instruments measured at fair value, recognizing changes in fair value in the statement of profit or loss.

Financial liabilities are recorded at fair value less transaction costs. Further, other financial liabilities are measured at amortized cost. Interest expense is calculated using the effective interest method.

The Group derecognizes financial liabilities only if they are settled, canceled, or the expiration of due date for them. When an existing financial obligation is replaced by another obligation to the same creditor, on significantly different conditions, or the conditions of the existing obligation change substantially, such exchanges or changes are recorded as write-off of the original obligation and recognition of a new obligation. The difference between the carrying amount of a derecognised financial liability and the paid or payable remuneration is recognized in profit or loss.

Impairment

The application of IFRS 9 has changed the accounting treatment used by the Group for impairment losses on financial assets. The method used in IAS 39 and based on incurred losses was replaced by a model of projected expected credit losses (hereinafter referred to as ECL). Expected credit losses are calculated as the difference between the cash flows due to the Group in accordance with the contract and all cash flows that the Group expects to receive. The shortfall is then discounted at a rate approximately equal to the initial effective interest rate for the asset.

In respect of receivables, the Group applied the simplified approach provided for in the standard and calculated the ECL for the entire term. The Group used a matrix of estimated reserves based on its past experience in incurring credit losses, adjusted for forecast factors specific to borrowers and general economic conditions.

In the case of other debt financial assets, ECLs are calculated for 12 months. However, in the event of a significant increase in the credit risk of a financial instrument since its initial recognition, the estimated loss allowance is estimated at an amount equal to the expected credit losses over the entire term.

The management of the Group assessed the credit risk in relation to deposits with the National Bank of Kazakhstan and short-term government securities as low, and given their stable external credit ratings, did not recognize the expected credit losses on these assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, funds with the NBRK, free balances on current and correspondent accounts with banks of the Republic of Kazakhstan and abroad with an initial maturity of up to three months, balances on brokerage accounts, and balances on clearing accounts.

Funds of clearing participants

Most of the funds of clearing participants are money of members of the foreign exchange market, placed on the correspondent accounts of the Exchange at the reporting date for the purposes of operations on the next trading day. In accordance with the internal document of the Group - "Rules for conducting clearing activities for transactions with financial instruments" (hereinafter referred to as the Rules), each clearing participant must maintain a certain level of collateral and guarantee deposit on the Group's correspondent account. Also, some of the clearing participants leave amounts at the end of the trading day on the Group's correspondent account for trading on the next trading day. The group recognizes them as obligations to the clearing participants.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds in banks

In the course of its business, the Group opens current accounts and deposits with banks for a period of more than three months. Funds in banks with certain maturities are carried at amortized cost using the effective interest method. Funds in banks are carried net of any allowance for impairment, if any.

Assets and liabilities of the central counterparty

The Stock Exchange acts as a central counterparty (hereinafter - CC) on the foreign exchange market and the derivatives market, being a party for each participant in all transactions concluded at the exchange trades and guarantees their execution on a net basis. Assets and liabilities on such transactions are recorded in the statement of financial position at net fair value calculated on the basis of daily estimated prices determined by the Stock Exchange in accordance with the approved internal documents. Financial liabilities at fair value through profit or loss include liabilities of the central counterparty for transactions in the foreign exchange market that were not completed at the end of the reporting period. These financial liabilities are recorded at fair value with a revaluation reflected in profit or loss.

Central counterparty collateral

The Stock Exchange guarantees the fulfillment of net obligations to participants in the foreign exchange and derivatives markets using an individual and collective collateral system. The individual collateral of the participant can be either full or partial, depending on the category assigned to the clearing participant, determined on the basis of his financial condition.

The CC's requirements for the amount of partial collateral are calculated on the basis of the Stock Exchange's internal methods and must cover the market risk of the net obligations of the clearing participant before CC in all financial instruments. Financial instruments accepted for partial collateral in the foreign exchange and derivatives markets are tenge and US dollars, transferred by participants to the correspondent accounts of the Exchange.

Collective collateral to execute trades before clearing participants with partial collateral are clearing reserve and guarantee funds. Reserve funds are formed at the expense of the Stock Exchange’s own funds for each exchange market. Guarantee funds are formed on the basis of the guarantee fees of clearing participants.

Fixed assets

Fixed assets are initially recognized at cost of acquisition (initial value), which includes direct costs and non-refundable taxes that are directly related to the acquisition of fixed assets.

After initial recognition, fixed assets are taken into account:

1) by accounting model at revalued cost - buildings and structures, housing, land and vehicles;
2) by accounting model for actual costs - all other groups of fixed assets.

When applying the revaluation model, property, plant and equipment is recorded at fair value at the date of the revaluation less accumulated depreciation and impairment losses.

The Group capitalizes the costs incurred to upgrade and repair units of fixed assets, which extend the useful life of this unit or increase the future economic benefits from its use. Costs for repairs and maintenance of property, plant and equipment that do not meet this capitalization criterion are reflected in the Group's consolidated statement of comprehensive income in the period in which they were incurred.

Depreciation of property, plant and equipment is included in the Group's consolidated statement of comprehensive income as operating expenses over the estimated useful life of these funds using the straight-line method. If the components of a unit of fixed assets have different useful lives, they are treated as separate units of fixed assets. The estimated useful lives of the Group's fixed assets are given beow.

	Dates in years used in 2018
Buildings	40
Machinery and equipment	3-15
Vehicles	6,7
Other	6-10

The Land and Construction in progress are not depreciated.

The carrying value of fixed assets, useful life and depreciation method are reviewed at each reporting date.

Intangible assets

Intangible assets include software and licenses.

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value at the acquisition date. After initial recognition, intangible assets are accounted for using the cost model. When applying the cost model, intangible assets are carried at cost less accumulated depreciation and accumulated impairment losses.

If the Group creates an intangible asset, then the cost of developing the intangible asset is included in the cost of the intangible asset and is recorded as construction in progress until the intangible asset is fully available for its intended use in accordance with the terms of the contract.

The cost of an internally generated intangible asset is the sum of the following costs incurred from the date when the intangible asset first becomes eligible for recognition and includes all costs that can be directly allocated or allocated on a reasonable and consistent basis to the development, creation, production and preparation of the asset for its intended use:

1) the cost of materials and services used or consumed when creating an intangible asset;

2) salary and other costs associated with employees who are directly involved in creating an asset (the Group capitalizes the remuneration of employees who are directly involved in the refinement of software products, based on reports on the work done, in case such works meet all the above requirements);

3) any costs that are directly attributable to the asset being created, such as fees for registration of legal rights, patents, and licenses used to create the asset.

Intangible assets may have a limited or indefinite useful life. Intangible assets with indefinite useful lives are not depreciated, but are tested annually for impairment.

The estimated useful lives of intangible assets are as follows:

	Dates in years used in 2018
Internally developed software	3-9
Other software and licenses	5
Other IA	5

Provisions

Provisions are recorded when the Group has liabilities (legal or implied) arising from past events, and there is a high probability that the Group will have to settle these liabilities, and the amount of such liabilities can be estimated with a reasonable degree of accuracy.

The amount of the provision of forthcoming expenses reflected in the statements is the best estimate of the amount required to settle the liabilities, determined at the reporting date, taking into account the risks and uncertainties typical of such liabilities. If the amount of the provision is calculated based on the estimated cash flows to settle the liabilities, and the effect of the change in the value of cash over time is material, the provision is determined as the discounted value of such cash flows.

If the payments required to settle the liabilities are expected to be partially or fully reimbursed by a third party, the corresponding receivables are recorded as an asset provided that they are fully sure that the compensation will be received and that the amount of these receivables can be reliably estimated.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their book value is refundable, mainly through their sale, and not due to continuing use. Non-current assets and disposal groups classified as held for sale are valued at the lower of two values - book value and fair value less costs to sell. Selling costs are incremental costs that are directly attributable to the disposal of an asset (or a disposal group) and do not include financing costs or income tax expense.

(in thousands of Kazakhstan tenge, unless otherwise specified)

The criterion for classifying an object as held for sale is deemed to be met only if the sale is highly probable and the asset or disposal group can be immediately sold in its current condition. Actions required to complete a sale should indicate a low probability of significant changes in sales actions, as well as cancellation of the sale. Management must assume responsibility for the implementation of the asset sale plan, and there must be an expectation that the sale will be completed within one year from the date of classification.

Fixed assets and intangible assets classified as held for sale are not subject to depreciation.

Foreign currency

When preparing the financial statements of each individual company of the Group and the consolidated statements of the Group, transactions that are carried out in currencies other than the functional currency (hereinafter referred to as foreign currencies) are recorded at the market exchange rate at the date of the transaction. Monetary items denominated in foreign currencies are translated at the respective exchange rates at the end of each reporting period. Non-monetary items carried at fair value in a foreign currency are subject to recalculation at market exchange rates effective at the date when the fair value was determined. Non-monetary items recorded at historical cost expressed in a foreign currency are not recalculated.

The market exchange rates at the end of the year used by the Group when preparing consolidated financial statements are given below:

	December 31, 2018	*December 31, 2017*
KZT/1 USD	**384,20**	**332,33**
KZT/1 EUR	**439,37**	**398,23**
KZT/1 RUR	**5,52**	**5,77**
KZT/1 GBP	**488,13**	**448,61**

Authorized capital

Share capital carried at historical cost.

Dividends on ordinary shares are recorded as a decrease in equity in the period in which they were declared. Dividends declared after the reporting date are treated as events after the reporting date in accordance with IAS 10 “Events after the reporting date”, and they are disclosed accordingly.

Reserves and funds in equity

The reserves and funds reflected in equity in the statement of financial position of the Group include:

- the investment revaluation reserve, which includes changes in the fair value of investments classified as at fair value through other comprehensive income;
- reserve for revaluation of fixed assets;
- other funds that are formed to cover a possible default of market participants.

In 2018, the reserve fund was increased to 1,750,000 thousand tenge.

	December 31, 2018	*December 31, 2018*
Fund for trading currency futures contracts	**70.000**	70.000
Fund for Trading with Index Futures Contracts	**100.000**	100.000
Clearing reserve fund for the stock market sector	**80.000**	70.000
Clearing reserve fund of the foreign exchange market	**1.500.000**	-

The reserve fund is included in other funds in the consolidated statement of capital flows.

Taxation

Corporate income tax expenses consist of current and deferred taxes and are recorded in the Group's income statement, except for cases when deferred tax relates to transactions that are carried directly in other comprehensive income or capital.

The amount of the current corporate tax expense is the expected amount of tax assessed for payment for the period and calculated on the basis of tax rates applicable in accordance with the legislation of the Republic of Kazakhstan at the reporting date, taking into account all adjustments for the tax debt of previous years.

Deferred corporate income tax liabilities and assets are calculated in respect of all temporary differences using the balance sheet liability method. Deferred taxes are determined for all temporary differences between the tax base of assets and liabilities and their balance sheet in the financial statements, except for the occurrence of deferred income tax as a result of the initial recognition of goodwill, an asset or a liability under a transaction that is not a business combination and which at the time of its conclusion does not affect accounting income or taxable income and loss.

A deferred tax asset is recognized only to the extent that there is a significant likelihood of taxable profit, against which deductible temporary differences can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that achieving sufficient taxable income allowing the use of all or part of the assets is assessed as unlikely.

Deferred tax assets and liabilities are valued at tax rates that will be applied during the period the asset is sold or the liability is settled based on legislation that entered into or was actually effectively at the reporting date.

The Group offsets deferred tax assets and liabilities and reflects the total difference in the consolidated statement of financial position if:

- The Group has a legally enforceable right to offset current tax claims against current tax liabilities; and
- deferred tax assets and liabilities relate to income tax collected by the same tax authority from the same tax entity.

Leases

Determining whether the agreement is a lease or whether it contains signs of a lease is based on an analysis of the content of the agreement at the date of the commencement of the lease. The agreement is a lease or contains signs of a lease if the implementation of the agreement depends on the use of a particular asset (or assets), and the right to use the asset or assets as a result of this agreement is transferred from one party to the other, even if this asset (or these assets) is (are) not indicated in the agreement explicitly.

Group as a tenant

Leases are classified as financial or operating at the commencement date of the lease. Leases that transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases.

Finance leases are capitalized at the commencement date of the lease term at the fair value of the leased property, or, if this amount is less, at the present value of the minimum lease payments. Rental payments are allocated between the cost of financing and the reduction of the principal amount of the lease liability in such a way that a constant interest rate on the outstanding amount of the obligation is obtained. Financing costs are recorded directly in the statement of profit or loss.

The leased asset is depreciated over the useful life of the asset. However, if there is no reasonable assurance that the Group will transfer ownership of the asset at the end of the lease term, the asset is amortized over the shorter of the following periods: the estimated useful life of the asset and the lease term.

An operating lease is defined as a lease other than a financial lease. Operating lease payments are recognized as operating expenses in the statement of profit or loss on a straight-line basis over the term of the lease.

Fair value measurement

The Group assesses financial instruments such as equity instruments and non-financial assets such as fixed assets at fair value.

Fair value is the price that would have been received when the asset was sold or paid when the liability was transferred in the course of a normal transaction between market participants at the measurement date. The fair value measurement assumes that the transaction for the purpose of selling an asset or transferring a liability is made:

- in a market that is major for the asset or liability; or
- in the absence of a major market, in a market that is most beneficial for the asset or liability.

The Group must have access to the main or most profitable market.

The fair value of an asset or a liability is estimated using assumptions that market participants would use when pricing the asset or liability, provided that market participants act in their best economic interests.

The assessment of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits, either through the best and most efficient use of the asset, or by selling it to another market participant who would use the asset in the best and most efficient way.

The group uses valuation models that are relevant in the circumstances and have access to data sufficient to estimate fair value, while maximizing the use of relevant observable inputs and minimizing the use of unobserved inputs.

All assets and liabilities measured at fair value in the financial statements or the fair value of which is disclosed in the financial statements are classified within the fair value hierarchy described below based on the lowest level of inputs that are significant for measuring fair value in general:

- Level 1 - Price quotes (unregulated) of active markets for identical assets or liabilities;
- Level 2 - Valuation models in which the material-for-fiar-value-measurement inputs related to the lowest level of the hierarchy are directly or indirectly observed in the market;
- Level 3 – Valuation models in which the material-for-fiar-value-measurement inputs related to the lowest level of the hierarchy are not observed in the market;

In the case of assets and liabilities that are revalued in the financial statements on a recurring basis, the Group determines the need to transfer them between levels of the hierarchy, re-analyzing the classification (based on the lowest level data that are significant for measuring fair value in general) at the end of each reporting period.

The Group's management determines policies and procedures for both recurring estimates of the fair value of fixed assets and unquoted financial assets, as well as non-recurring estimates of the fair value of assets, such as assets held for sale. For measurement of significant assets, such as fixed assets and unquoted financial assets, as well as significant liabilities, such as contingent consideration, the external appraisers are involved.

At each reporting date, the Management reviews changes in the value of assets and liabilities that need to be re-analyzed or re-assessed in accordance with the accounting policies of the Group.

The management and external appraisers of the Group periodically provide the results of the assessment to the independent auditors of the Group, which implies a discussion of the main assumptions used in the assessment.

For the purpose of disclosing fair value information, the Group classified assets and liabilities based on their nature, inherent characteristics and risks, and applicable level in the fair value hierarchy, as described above.

Disclosures about the fair value of financial instruments and non-financial assets that are measured at fair value or the fair value of which should be disclosed in the financial statements are presented in the following notes:

- Disclosure of assessment methods, significant estimates and assumptions (Notes 3, 15, 17);
- Disclosure of quantitative information about the fair value hierarchy (Note 25);
- Investment in unquoted shares (Note 15);
- Fixed assets carried via revaluation model (Note 17);

- Financial instruments (including carried at amortized cost) (Note 16).

Significant accounting assumptions and sources of uncertainty in estimates

In the process of applying the Group's accounting policies, management makes expectations, estimates and assumptions about the carrying value of assets and liabilities that are not apparent from other sources. Estimates and the underlying assumptions are based on past experience and other factors that are considered relevant in specific circumstances. Actual results may differ from these estimates.

Estimates and underlying judgments are constantly reviewed. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period, or in the change period and future periods, if the change affects both the current and future periods.

Main sources of uncertainty in estimates

The following are key assumptions about the future and other major sources of uncertainty in estimates at the end of the reporting period, which are likely to lead to significant adjustments to the carrying amount of assets and liabilities during the next fiscal year.

Assets held for sale

On December 25, 2018, the Board of Directors announced its decision to sell the Stock Exchange share in the authorized capital of RTRS LLP. The Board of Directors considered that this investment met the criteria for classification as intended for sale on this date, guided by the following:

- A share is available for immediate sale and can be sold to the buyer in its current condition.
- sales activities have been initiated and it is assumed that the sale will be completed within one year from the date of initial classification.
- a potential buyer was identified and negotiations with it were completed at the reporting date.

Impairment of receivables

Accounts receivable are included in other assets in the consolidated statement of financial position. A simplified approach is taken when assessing expected credit risks and creating a reserve for impairment of receivables, contractual assets arising from transactions related to the scope of IFRS 15 and lease receivables by the Group.

A simplified approach is as follows.

The credit losses expected during the lifetime of the asset are recognized for receivables and assets under a contract without a significant component of financing under IFRS 15 and under contracts with a maturity of not more than one year, since the asset is usually valid 12 months or less. Accordingly, the credit loss for 12 months and the credit loss for the entire life of the asset are equal to:

1) regarding the trade receivables, the Group applies expected credit losses using the matrix of estimated reserves (breakdown of accounts receivable by maturity), adjusted for reasonable and supported information on current and projected future economic conditions.

Every year, no later than March 1 following the previous year, the Group analyzes the timing of payments for receivables to determine the level of defaults over the past year and determine the rate of estimated reserves. The calculated rates of the allowance are applied during the reporting year to accounts receivable at the end of the quarter, depending on the number of days of delay, in order to calculate the allowance for expected credit losses.

It should also be noted that for overdue receivables with a maturity of over 361 days inclusive, an assessment reserve rate of 100% is applied.

2) regarding the receivables, contractual assets, lease receivables, with a significant financing component, the Group applies a simplified approach to recognizing expected credit losses over the entire life of the financial asset.

The Group does not consider a review of the periods and dates of repayment of debts on the assets provided as overdue debt.

The Group derecognizes the asset in accounting only for debt, for which reserves (provisions) are created for expected credit losses of 100%, and for taking all measures to collect overdue receivables that did not result in the debtor paying off the amount of the debt.

As of the end of December 31, 2018 and December 31, 2017, the total value of accounts receivable was 146.175 thousand tenge and 93.218 thousand tenge, respectively, and the amount of allowance for impairment was 6,153 thousand tenge and 6.598 thousand tenge, respectively (Note 19).

Taxation

Kazakhstan tax, currency and customs legislation are subject to varying interpretations and frequent changes. Management's interpretation of such legislation applied to the transactions and activities of the Group may be challenged by the relevant regional or state authorities. Tax periods remain open for review by the tax authorities for five calendar years preceding the years in which the tax audit is conducted.

Management believes that during the years ended December 31, 2018 and December 31, 2017, its interpretation of the applicable law is appropriate and it is likely that the Group’s position on taxes, currency and customs will be confirmed. After inspections by the relevant authorities, additional taxes, penalties and interest may be charged, which may affect the Group's net profit.

Revaluation of fixed assets

The Group assesses buildings, vehicles at a revalued cost, and the changes in their fair value are recognized in OCI. The buildings were evaluated on the basis of real estate transactions of a similar nature, location and condition of the objects. In 2017, the Group engaged an independent appraiser to determine the fair value of investment property as at December 31, 2017.

Valuation of financial instruments at fair value

In cases where the fair value of financial assets and financial liabilities recognized in the statement of financial position cannot be determined based on quoted prices in active markets, it is determined using valuation models, including the discounted cash flow model. As far as possible, data from observable markets are used as input data for these models, but in cases where this does not seem practical, a certain amount of judgment is required to establish a fair value. Judgments include consideration of such source data as liquidity risk, credit risk and volatility. Changes in assumptions about these factors may affect the fair value of financial instruments reflected in the financial statements.

Impairment of non-financial assets

Impairment occurs when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the largest of the following: fair value minus disposal costs or value in use. The calculation of fair value less costs of disposal is based on the available information on binding transactions to sell similar assets between independent parties or on observable market prices minus additional costs that would have been incurred due to the disposal of the asset.

Litigation

In accordance with IFRS, the Group recognizes the need to form provisions only if there are current liabilities arising from past events that can be reliably measured. A contingent liability that does not meet the specified criteria may be disclosed in the notes to the financial statements. The application of this principle to legal proceedings requires the Group to make decisions on various operational and legal issues outside its sphere of control. In the event of litigation, the Group will adhere to the policy of reviewing pending litigation, as well as at each reporting date, in order to assess the need for the formation of provisions. There are the following factors taken into account by the Group when making decisions on the formation of provisions: the nature of the claim, complaint or fine; the amount of potential damage that may be incurred by the Group as a result of an unfavorable outcome of the proceedings; the course of the trial (including after the date of the financial statements, but before its publication); legal advice; previous experience with similar litigation; any decisions by the Group’s management on how to respond to a claim, complaint or fines. As of the date of issue of these consolidated financial statements, there were no legal proceedings against the Group.

(in thousands of Kazakhstan tenge, unless otherwise specified)

4. INCOME FROM SERVICES AND COMMISSIONS

	2018	*2017*
Income from services and commissions		
Commission fee for operations on the Stock Exchange	**993.712**	687.838
Listing fees	**718.150**	654.159
Stock Exchange Membership Fees	**340.488**	360.034
Income from information services	**203.844**	212.687
Clearing fees	**73.360**	1.949
Income from remote access services	**31.240**	22.793
Total income from services and commissions	**2.360.794**	1.939.460

5. INTEREST INCOME

	2018 год	*2017 год*
Interest income includes:		
interest income from financial assets that were not impaired	**507.109**	552.119
interest income from financial assets that were impaired	**164.489**	2.041
Total interest income	**671.598**	554.160

	2018 год	*2017 год*
Interest income from financial assets at amortized cost includes:		
interest income from funds in banks	**155.584**	166.117
interest income on investments carried at amortized cost	**425.550**	372.516
interest income related to receipt of interest on reverse repo transactions with securities	**83.600**	3.623
interest income from cash and cash equivalents	**6.864**	11.904
Total interest income from financial assets	**671.598**	554.160

6. PROVISION FOR IMPAIRMENT OF ASSETS ACCRUED WITH INTEREST, AND FOR OTHER OPERATIONS

Information about changes in impairment reserves for assets accrued with interest income and other reserves is as follows:

	Cash and cash equivalents	*Funds in banks*	*Held-to-maturity investments / Financial assets carried at amortized cost*	*Other assets*	*Total*
As of the end of the day, December 31, 2016	–	–	39.858	14.542	54.400
Formation of reserves	–	–	–	(656)	(656)
Write-off of assets	–	–	(35.966)	(7.288)	(43.254)
As of the end of the day, December 31, 2017	–	–	3.892	6.598	10.490
Formation of a reserve (provisions) to cover expected credit losses in accordance with IFRS 9	**5.420**	**5.946**	**(3.361)**	**(444)**	**7.561**
Write-off of assets	–	–	–	–	–
As of the end of the day, December 31, 2018	**5.420**	**5.946**	**531**	**6.154**	**18.051**

(in thousands of Kazakhstan tenge, unless otherwise specified)

7. NET PROFIT (LOSS) FROM FOREIGN CURRENCY OPERATIONS

Net profit on operations with foreign currency for the year ended December 31, 2018 amounted to 10,135 thousand tenge, for 2017 - a net loss on operations with foreign currency amounted to 2.927 thousand tenge.

8. OTHER INCOME

	2018	*2017*
Overnight interest income accrued	**55.804**	12.216
Fines received, penalties	**4.892**	533
Income from recognition of collateral for purchases	**705**	-
Operating lease income	**426**	-
Income from the reflection of inventory results	**118**	201
Write-off of payables	**75**	4.501
Reimbursement of expenses (for loss of electronic pass)	**1**	1
Income from disposal of fixed assets	**-**	6.107
Reimbursement of training costs	**-**	60
Total other income	**62.021**	23.619

9. OPERATING COSTS

	2018	*2017*
Personnel costs	**1,224.875**	980.570
Depreciation and amortization	**132.515**	134.795
Social tax	**114.455**	98.081
Business Development Costs	**67.272**	26.237
Maintenance of fixed assets and IA	**49.390**	47.842
Bank services	**42.540**	46.698
Taxes excluding income tax	**38.909**	43.122
Impairment loss (equity-accounted investments)	**37.473**	-
Travel expenses	**35.241**	23.458
Professional Services	**33.317**	14.101
SWIFT communications and service	**32.926**	30.339
Maintenance and operating lease costs	**17.589**	17.741
Information Services	**14.379**	13.651
Membership fee	**13.833**	12.554
Personnel Training	**4.344**	8.066
Postal and courier services costs	**2.034**	2.443
Insurance costs	**1.366**	1.519
Loss from revaluation of fixed assets	**-**	54.410
Other costs	**76.220**	60.345
Total operating costs	**1.938.678**	1.615.972

Personnel costs do not take into account the remuneration of employees directly involved in the development of software products capitalized into intangible assets of the Group. Information on the above rewards is disclosed in Note 18 to these statements.

The impairment loss on investments carried by equity method (RTRS LLP) in 2018 was recognized at the time of transfer to assets held for sale and amounted to 37,473 thousand tenge.

10. CORPORATE INCOME TAX

Corporate income tax expense consists of the following items:

	2018	***2017***
Current Corporate Income Tax Expenses	**176.164**	121.442
Deferred Corporate Income Tax Expenses	**737**	(8.609)
Corporate Income Tax expenses	**176.901**	112.833

(in thousands of Kazakhstan tenge, unless otherwise specified)

The Group calculates income tax for the current period on the basis of the tax base in accordance with the requirements of the tax legislation of the Republic of Kazakhstan, which may differ from IFRS.

Due to the fact that some types of expenses are not taken into account for tax purposes, as well as due to the presence of non-taxable income, the Group has certain permanent tax differences.

Deferred tax reflects the net tax effect of temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amount determined for tax purposes. The temporary differences that are available at the end of days of December 31, 2018 and December 31, 2017 are mainly related to different methods / terms of income and expense accounting, as well as temporary differences arising from various approaches to the accounting and tax value of some assets.

The tax effect of temporary differences at the end of days of December 31, 2018 and December 31, 2017 is as follows:

	December 31, 2018	*As part of other comprehensive income*	*In the profit and loss statement*	*December 31, 2017*
Tax effect of deductible temporary differences				
Unused vacation reserve	**9.069**	-	**2.869**	**6.200**
Fixed assets	**14**	-	**(77)**	**91**
Asset impairment reserve	**1.650**	-	**(1.823)**	**3.473**
Reserve for doubtful claims	**934**	-	**194**	**740**
Deferred Income Tax Assets	**11.667**	-	**1.163**	**10.504**
Tax effect of taxable temporary differences				
Fixed assets	**(35.317)**	-	**(1.900)**	**(33.417)**
Deferred tax liabilities	**(35.317)**	-	**(1.900)**	**(33.417)**
Total deferred income tax liabilities	**(23.650)**	-	**(737)**	**(22.913)**

Net deferred tax liability

	December 31, 2018	*As part of other comprehensive income*	*In the profit and loss statement*	*December 31, 2017*
Net deferred tax liability at the beginning of the year	**22.913**	-	**(12.628)**	**35.541**
Deferred tax through capital for revaluation of fixed assets	–	-	**4.019**	**(4.019)**
Deferred income tax expense	**737**	-	**9.346**	**(8.609)**
Net deferred tax liability at the end of the year	**23.650**	-	**737**	**22.913**

As of December 31, 2018, a deferred tax asset was recognized in respect of a subsidiary company "eTrade.kz" in the amount of 710 thousand tenge (December 31, 2016: 633 thousand tenge).

The tax rate used for reconciliations further below is the corporate tax rate of 20% in accordance with the tax legislation of the Republic of Kazakhstan on taxable income.

The reconciliation between the corporate income tax expenses reflected in these consolidated financial statements and the profit before accounting for corporate income tax expenses multiplied by the statutory tax rate for the years ended December 31 is as follows.

(in thousands of Kazakhstan tenge, unless otherwise specified)

10. CORPORATE INCOME TAX (CONTINUED)

	Year ended December 31, 2018	*Year ended December 31, 2017*
Profit before tax	**1.142.213**	905.642
Regulatory rate of corporate income tax	**20 %**	20 %
Tax at screen rate	**228.443**	181.128
Non-taxable interest income and other income on government securities and other securities	**(85.109)**	(74.503)
Expenses that do not reduce taxable base		
General and administrative expenses	**7.320**	2.672
Membership fee	**2.623**	2.379
Impairment allowance for other assets	**10.415**	158
Share in profit of associate	**-**	(159)
Other	**8.485**	1.158
Total Permanent Corporate Income Tax Differences	**(56.266)**	(68.295)
Corporate Income Tax Expenses	**176.901**	112.833

11. PROFIT PER SHARE

The earnings and weighted average number of ordinary shares used to calculate basic and diluted earnings per share are shown below.

	Year ended December 31, 2018	*Year ended December 31, 2017*
Net profit for the year attributable to shareholders of the Company	**965.312**	792.809
Weighted average number of ordinary shares for the purpose of determining the basic earnings per share	**942.013**	942.013
Basic and diluted earnings per share (KZT)	**1.024,73**	841,61

12. FINANCIAL ASSETS / (LIABILITIES) OF THE CENTRAL COUNTERPARTY

	December 31, 2018	*December 31, 2017*
Financial assets of the Central Committee in the foreign exchange market	**3.341.113**	-
Financial liabilities of the Central Committee in the foreign exchange market	**3.341.113**	-

Financial assets and liabilities of the Central Committee for foreign exchange transactions represent the fair value of foreign exchange transactions. The offsetting of counterclaims and liabilities of individual counterparties is made in accordance with IAS 32.

(in thousands of Kazakhstan tenge, unless otherwise specified)

13. CASH AND CASH EQUIVALENTS

In 2018, the Group reflected the cash classified as own in the cash and cash equivalents in accordance with the accounting policies and clearing rules.

	December 31, 2018	***December 31, 2017***
Cash on hand	**528**	381
Correspondent Account in NBRK	**19.845.570**	-
Correspondent and current accounts in other banks	**6.879.784**	102.378
Less provisions for expected credit losses in accordance with IFRS 9	**(5.420)**	-
Total cash and cash equivalents	**26.720.462**	102.759

14. FUNDS IN BANKS

	December 31, 2018			*December 31, 2017*		
	%	***Maturity***	***Sum***	*%*	*Maturity*	*Sum*
Term deposits	**2,5-10,0**	**2019г.**	**1.151.249**	2,5-10,0	2018-2019 гг.	1.926.341
Less: provisions for expected credit losses in accordance with IFRS 9			**(5.946)**			-
Total funds in banks			**1.145.303**			1.926.341

As of the end of days on December 31, 2018 and December 31, 2017, funds in banks included accrued interest in the amount of 1,249 thousand tenge and 3,846 thousand tenge, respectively.

15. FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2018		*December 31, 2017*	
	Ownership share %	***Sum***	*Ownership share %*	*Sum*
Equity securities				
Central Securities Depository JSC	**29,28**	**18.800**	34,69	18.800
Kyrgyz Stock Exchange CJSC	**7,05**	**2.253**	10,58	2.253
Total equity securities	**–**	**21.053**	–	21.053
Total investment available for sale	**–**	**21.053**	–	21.053

The Group classified investments in equity instruments that were previously classified as available for sale, as measured at fair value through other comprehensive income on the basis that they are not intended for trading. Such equity instruments measured at fair value through other comprehensive income are not subject to impairment assessment.

Due to the absence of an active market and similar financial instruments, and the available new information was not enough to estimate the fair value, the Group concluded that the cost is the best estimate of fair value.

16. FINANCIAL ASSETS CARRIED AT AMORTIZED COST

	December 31, 2018	*December 31, 2017*
Corporate Bonds	**25.944**	25.944
Short Term Government securities		
Notes of National Bank of RK	**18.567.827**	4.134.067
Total financial assets carried at amortized cost	**18.593.771**	4.156.119
Less provisions for expected credit losses in accordance with IFRS 9	**(531)**	(3.892)
Total financial assets carried at amortized cost	**18.593.240**	4.156.119

(in thousands of Kazakhstan tenge, unless otherwise specified)

Information about the movement of the provisions for impairment for the years ended December 31, 2018 and December 31, 2017 is presented in Note 6 to this report.

As of the end of days of December 31, 2018 and December 31, 2017, investments carried at amortized cost included accrued interest of 436 thousand tenge and 436 thousand tenge, respectively.

17. FIXED ASSETS

	Building	*Land*	*Machinery and equipment*	*Vehicles*	*Other*	*Total*
At initial cost						
December 31, 2016	**1.109.276**	**195.755**	**286.152**	**37.264**	**123.751**	**1.752.198**
Proceeds	-	-	66.415	20.000	873	87.288
Revaluation	(13.602)	(16.080)	-	-	-	(29.682)
Revaluation loss	(54.410)	-	-	-	-	(54.410)
Offsetting accumulated depreciation and initial cost of assets transferred	-	-	(7.270)	(680)	(928)	(8.878)
Offsetting accumulated depreciation and initial cost of revalued assets	(23.110)	-	-	-	-	(23.110)
Disposal	-	-	(478)	(5.910)	(7.590)	(13.978)
December 31, 2017	**1.018.154**	**179.675**	**344.819**	**50.674**	**116.106**	**1.709.428**
Proceeds	**-**	**-**	**23.685**	**-**	**12.669**	**36.354**
Other proceeds (dividends IRBIS)	**-**	**-**	**226**	**2.798**	**149**	**3.173**
Regrouped from Inventory into Fixed assets	**-**	**-**	**-**	**-**	**118**	**118**
Offsetting accumulated depreciation and initial cost of assets transferred	**-**	**-**	**(16.275)**	**(638)**	**(1.567)**	**(18.480)**
Disposal	**-**	**-**	**(776)**	**(6.087)**	**(347)**	**(7.210)**
December 31, 2018	**1.018.154**	**179.675**	**351.679**	**46.747**	**127.128**	**1.723.383**

(in thousands of Kazakhstan tenge, unless otherwise specified)

17. FIXED ASSETS (continued)

	Building	*Land*	*Machinery and equipment*	*Vehicles*	*Other*	*Total*
Accumulated depreciation						
December 31, 2016	**(2.311)**	**-**	**(194.228)**	**(465)**	**(80.003)**	**(277.007)**
Accrued depreciation	(27.298)	-	(38.864)	(5.699)	(10.702)	(82.563)
Offsetting accumulated depreciation and initial cost of assets transferred	-	-	7.270	680	928	8.878
Offsetting accumulated depreciation and initial cost of revalued fixed assets	23.110	-	-	-	-	23.110
December 31, 2017	**(6.499)**	**-**	**(225.822)**	**(5.484)**	**(89.777)**	**(327.582)**
Accrued depreciation	**(25.995)**	**-**	**(38.667)**	**(7.012)**	**(8.891)**	**(80.565)**
Offsetting accumulated depreciation and initial cost of assets transferred	**-**	**-**	**16.725**	**638**	**1.567**	**18.480**
December 31, 2018	**(32.494)**	**-**	**(248.214)**	**(11.858)**	**(97.101)**	**(389.667)**
Residual value						
As of the end of the day, December 31, 2018	**985.660**	**179.675**	**103.465**	**24.889**	**30.027**	**1.333.716**
As of the end of the day, December 31, 2017	1.011.655	179.675	118.997	45.190	26.329	1.381.846
As of the end of the day, December 31, 2016	1.106.965	195.755	91.924	36.799	43.748	1.475.191

As of December 31, 2018, the initial cost of fully depreciated fixed assets is 233,501 thousand tenge (December 31, 2017: 170,295 thousand tenge)

Interpretation of fixed assets carried at revalued cost:

Group of fixed assets carried at revalued cost	**Year ended December 31, 2018**			**Year ended December 31, 2017**		
	Book value without revaluation	**Book value with revaluation**	**Differenc e**	**Book value without revaluation**	**Book value with revaluation**	**Difference**
Building	1.035.441	985.660	(49.781)	1.064.242	1.011.655	-52.587
Land	1.628	179.675	178.047	1.628	179.675	178.047
Vehicles	34.456	34.889	433	44.214	45.190	976
Total:	1.071.525	1.200.224	128.699	1.110.084	1.236.520	126.436

(in thousands of Kazakhstan tenge, unless otherwise specified)

18. INTANGIBLE ASSETS

	Internally developed software	*Other software and licenses*	*Other IA*	*Total*
At initial cost				
December 31, 2016	156.266	92.816	5.573	254.655
Proceeds	-	11.697	-	11.697
Wages and other costs capitalized in intangible assets	11.634	-	-	11.634
Offsetting accumulated depreciation and initial cost of assets transferred	-	(200)	-	(200)
Disposal	-	(862)	-	(862)
December 31, 2017	167.900	103.451	5.573	276.924
Proceeds	**-**	**12.436**	**-**	**12.436**
Other proceeds (Irbis dividends)	**-**	**183**	**-**	**183**
Wages and other costs capitalized in intangible assets	**16.776**	**-**	**-**	**16.776**
Internal movement	**1**	**(1)**	**-**	**-**
Offsetting accumulated depreciation and initial cost of assets transferred	**-**	**(471)**	**-**	**(471)**
Disposal	**-**	**(364)**	**-**	**(364)**
December 31, 2018	**184.677**	**115.234**	**5.573**	**305.484**
Accumulated depreciation				
December 31, 2016	(2.440)	(43.984)	-	(46.424)
Accrued depreciation	(30.689)	(16.900)	(4.644)	(52.233)
Offsetting accumulated depreciation and initial cost of assets transferred	-	867	-	867
December 31, 2017	(33.129)	(60.017)	(4.644)	(97.790)
Accrued depreciation	**(31.936)**	**(19.085)**	**(929)**	**(51.950)**
Offsetting accumulated depreciation and initial cost of assets transferred	**-**	**471**	**-**	**471**
December 31, 2018	**(65.065)**	**(78.631)**	**(5.573)**	**(149.269)**
Residual value				
As of the end of the day, December 31, 2018	**119.612**	**36.603**	**-**	**156.215**
As of the end of the day, December 31, 2017	134.771	43.434	929	179.134
As of the end of the day, December 31, 2016	153.826	48.832	5.573	208.231

(in thousands of Kazakhstan tenge, unless otherwise specified)

19. OTHER ASSETS

	December 31, 2018	*December 31, 2017*
Other financial assets		
Commissions receivable	**76.278**	51.452
Income receivable from information services	**37.664**	33.937
Listing awards receivable	**10.237**	6.723
Membership fees receivable	**120**	937
Income from remote access services	**144**	36
Income from clearing operations	**21.733**	133
Total other financial assets	**146.176**	93.218
Reserve for accounts receivable	**(6.154)**	(6.598)
	140.022	86.620
Other non-financial assets		
Taxes other than corporate income tax	**10.897**	9.156
Prepaid expenses	**6.916**	4.477
Inventory	**6.840**	10.383
Holiday Advances	**2.003**	3.604
Other	**39**	18
Total other non-financial assets	**26.695**	27.638
Total other assets	**166.717**	114.258

Information about the movement of provisions for impairment of other assets for the years ended December 31, 2018 and December 31, 2017 is presented in Note 6 to these financial statements.

20. FUNDS OF CLEARING PARTICIPANTS

As of the end of days of December 31, 2018 and December 31, 2017, the funds of clearing participants are represented by guarantee fees and collateral of clearing participants placed for the purpose of conducting operations in foreign currency. The funds were placed by the following clearing participants.

	December 31, 2018	*December 31, 2017*
Kazakhstan second-tier banks	**37.073.663**	1.820.960
Other financial organizations	**67.763**	38.448
International Banking Settlement and Credit Institute	**1.999.960**	-
Total funds of clearing participants	**39.141.386**	1.859.408

	December 31, 2018	*December 31, 2017*
Guarantee contributions for the currency derivatives sector (futures)	**28.000**	24.000
Guarantee contributions for the fund derivatives sector (futures)	**2.000**	3.000
Guarantee contributions for the foreign exchange market	**675.000**	1.605.000
Guarantee contributions for the stock market	**28.000**	27.000
Margin contributions to the foreign exchange market	**38.408.386**	-
Margin Account for Futures	**-**	200.408
Total funds of clearing participants	**39.141.386**	1.859.408

(in thousands of Kazakhstan tenge, unless otherwise specified)

21. OTHER LIABILITIES

	December 31, 2018	*December 31, 2017*
Other financial liabilities		
Payables to suppliers	**17.706**	21.765
Dividends payable	**2.203**	2.203
	19.909	23.968
Other non-financial liabilities		
Unused vacation reserve	**45.350**	31.400
Taxes other than corporate income tax	**1.107**	2.470
Other	**11.590**	1.738
Total other liabilities	**77.956**	59.576

22. AUTHORIZED CAPITAL

The authorized capital of the Group is represented by the following number of ordinary shares:

	Authorized share capital, shares	*Share capital authorized for issue, but not issued*	*Issued authorized share capital, shares*
Ordinary shares			
As of the end of the day, December 31, 2016	5.000.000	4.057.987	942.013
Issue of common shares	–	–	–
As of the end of the day, December 31, 2017	5.000.000	4.057.987	942.013
As of the end of the day, December 31, 2018	**5.000.000**	**4.057.987**	**942.013**

As of the end of days of December 31, 2018 and 2017, the issued and fully paid share capital consisting of ordinary shares amounted to 2,366,256 thousand tenge.

The Stock Exchange in 2018 bought out its own shares for a total amount of 62.076 thousand tenge

Date of transfer of shares to the account	*Number of shares repurchased*	*Repurchase Price (Tenge)*	*Amount (thousand tenge)*	*Counterparty*
Extract from the minutes of the meeting of the Board of Directors dated September 07, 2018 No. 26, Shares Purchase Agreement as of September 26	6.063	4.657,18	28.237	АО ЕНПФ
Extract from the minutes of the meeting of the Board of Directors dated November 20, 2018 No. 34, Shares Purchase Agreement as of December 19, 2018 No. 75	7.266	4.657,18	33.839	ТОО Каужар
	13.329		**62.076**	

23. CONTRACT AND CONTINGENT LIABILITIES

Litigation

In the course of business, customers and counterparties may make claims to the Group. Management believes that the Group will not incur significant losses as a result of possible significant investigations of such claims; therefore, no relevant provisions were made in the consolidated financial statements.

Taxation

Due to provisions in Kazakhstan commercial and particularly tax laws that may have more than one interpretation, as well as in connection with the practice of tax authorities to make arbitrary judgment on taxpayers' activities, and if any specific actions based on legislation interpretation regarding the Group's activities on the part of the Management will be challenged by the tax authorities, this may result in additional taxes, fines and penalties.

In particular, such uncertainty may relate to the assessment of financial instruments, the formation of the size of reserves for impairment and the identifying the market level of price indicators for transactions. The management of the Group is confident that all necessary tax accruals have been made and, therefore, no provisions have been made in the consolidated financial statements. Tax authorities may verify the correctness of tax deductions within five years after the close of the tax period.

Operating environment

The markets of developing countries, including Kazakhstan, are subject to economic, political, social, judicial and legislative risks other than those of more developed markets. Laws and regulations governing the conduct of business in Kazakhstan are still subject to rapid changes, there is a possibility of their arbitrary interpretation and ambiguous reading. The future direction of Kazakhstan's development largely depends on the state's economic, tax and monetary policies, laws and regulations adopted, and changes in the political, regulatory and legal situation in the country.

Due to the fact that Kazakhstan produces and exports large volumes of oil and gas, the economy of Kazakhstan is particularly sensitive to changes in world prices for oil and gas.

Contractual obligations

As at December 31, 2018, the Group does not have long-term operating lease agreements without the right of early termination.

On October 10, 2018, the Kazakhstan Stock Exchange (KASE) and the Moscow Exchange (MOEX) signed an agreement on strategic cooperation. The agreement provides for the acquisition by the Moscow Exchange of not more than 20% of KASE's authorized capital, the acquisition by KASE of the right to use MOEX software (for servicing operations on the KASE exchange markets and other financial markets of the Republic of Kazakhstan), providing strategic consulting services for KASE by MOEX.

(in thousands of Kazakhstan tenge, unless otherwise specified)

24. OPERATIONS WITH RELATED PARTIES

Details of transactions between the Group and other related parties are disclosed below.

	December 31, 2018	*December 31, 2017*
Cash and cash equivalents		
Other related parties	**777**	1.076
Parent company	**19.845.570**	1.859.408
Financial assets at fair value through other comprehensive income / Investments available for sale /		
Other related parties	**21.053**	21.053
Financial assets carried at amortized cost / Held-to-maturity investments /		
Parent company	**18.567.828**	4.134.067
Long-term assets held for sale		
Other related parties	**97.527**	–
Financial assets of the central counterparty		
Parent company	**162.296**	–
Other related parties	**153.042**	–
Other assets		
Parent company	**8.830**	8.943
Key management personnel of the Group	**146**	1.395
Other related parties	**29.154**	12.817
Funds of clearing participants		
Other related parties	**1.588.600**	644.902
Advances received		
Other related parties	**1.124**	1.797
Other liabilities		
Key management personnel of the Group	**9.461**	6.888
Other related parties	**3.713**	3.484

In the consolidated statement of comprehensive income for the years ended December 31, 2018 and December 31, 2017, the following amounts were recorded in transactions with related parties.

	Year ended December 31, 2018	*Year ended December 31, 2017*
Income from services and commissions		
Parent company	**114.516**	94.623
Other related parties	**360.585**	393.372
Interest income		
Parent company	**423.465**	370.431
Formation of a reserve for impairment of assets accrued with interest and for other operations		
Parent company	**1**	–
Other related parties	**12**	1.321
Operating expenses		
Associated company	**–**	(20.986)
Other related parties	**(61.589)**	(45.246)
Other income		
Other related parties	**241**	113

The remuneration of 13 members of key management personnel (2017: 13 members of key management personnel) is presented as follows.

(in thousands of Kazakhstan tenge, unless otherwise specified)

	Year ended December 31, 2018	*Year ended December 31, 2017*
Short-term remuneration of key management personnel of the Group		
Remuneration of the management body	**50.657**	52.661
Remuneration of members of the executive body	**198.748**	133.536
Other officials	**16.183**	14.733
Total	**265.588**	200.930

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures are made in accordance with IFRS 13 “Fair Value Measurement”, IFRS 7 “Financial Instruments: Disclosure” and IAS 39 “Financial Instruments: Recognition and Measurement” in relation to the determination of fair or approximate fair value of such instruments.

The carrying value of cash and cash equivalents, funds in banks, receivables, customer funds and payables is approximately equal to their fair value due to the short-term nature of these financial instruments.

In the opinion of the Group's Management, with the exception of the items presented below, the fair value of other financial assets and liabilities approximates their carrying value.

	December 31, 2018		*December 31, 2017*	
	Book value	***Fair value***	***Book value***	***Fair value***
Financial assets carried at amortized cost (Level 1)	**18.593.241**	**18.574.485**	4.156.119	4.147.997
Unrecognized income / (expense)		**(18.756)**		(8.122)

The fair value measurement is aimed at determining the most accurate determination of the value at which financial instruments can be exchanged at the present time when making a transaction between the parties that are well-informed, truly willing to make such a transaction and independent of each other. However, due to existing uncertainties and subjectivity of estimates, fair value should not be considered as the cost at which immediate realization of assets or fulfillment of liabilities can be made. Fair value is defined as the cost at which a financial instrument can be exchanged between knowledgeable parties on commercial terms with the exception of situations with forced implementation or implementation at liquidation.

Financial instruments at fair value are hierarchically divided into three levels depending on the availability of market data:

quoted in an active market (level 1) - valuation is based on quotes obtained in an active market for identical assets and liabilities. Additional adjustments or general discounting do not apply to such financial instruments. Since revaluation is based on market quotes that are readily and permanently available in an active market, these values do not carry a significant amount of judgment;

valuation methods that use market data (level 2) are valuations that are more directly or indirectly based on market data, and valuations based on one or several observable market prices for normal operations in markets that are considered inactive;

valuation methods based on information that does not contain market data (level 3) - valuations are based on data that are not market data and play a significant role in determining fair value.

In 2018, transfers between fair value hierarchies of Level 1 and Level 2 were not implemented.

26. RISK MANAGEMENT POLICY

Risk management is an integral part of the Group operation. The main risks inherent in the activities of the Group are:

- Credit risk;
- Operational risk;
- Marker and system risks;
- liquidity risk;
- legal risk;
- reputational risk.

The Group recognizes the importance of having an efficient and effective risk management process. In order to ensure an efficient and effective risk management policy, the Group determined the basic principles of risk management, the main purpose of which is to protect the Group from existing risks and allow it to achieve the planned indicators. The main objectives of the risk management system are: identification of risk sources, measurement of risk levels, development of policies and rules in risk management and the introduction of control mechanisms, including the establishment of limits and their subsequent observance.

The risk management policy, the procedure for identification, assessment, monitoring and response to risk events, as well as the management of the financial and operational risks of the Group are governed by the relevant internal documents of the Group.

The following is a description of the Group's principal risks.

Risk management framework

Board of Directors

The Board of Directors is responsible for developing a risk management strategy, approving the principles of the policy concept and limits on the types of risks. Additionally, the Board of Directors is responsible for substantive risk management issues and oversees the implementation of relevant decisions taken on risks, and oversees them.

The Board

The Board is responsible for ensuring the organization has an efficient risk management system for the Group.

Market Risk Committee

A collegial advisory body of the Stock Exchange, whose composition is determined by the Regulation on the Market Risk Committee, approved by the Stock Exchange Board. The main functions of the Market Risk Committee are to analyze, monitor and identify risks associated with the situation in the financial markets, the Stock Exchange's activities, its counterparties - members of the Stock Exchange, issuers and investors.

Investment committee

A collegial body of the Stock Exchange, the composition of which is approved by the Stock Exchange Board. The main functions of the Investment Committee are making investment decisions on transactions with financial instruments at the expense of the assets of the Stock Exchange's investment portfolios and ensuring that the level of financial risks associated with investing is minimized.

Credit risk

The group is exposed to credit risk, i.e. the risk of failure of the correspondent banks, debtors or other counterparties to perform obligations in respect of the Group and, consequently, the risk of financial losses for the Group.

In accordance with the Asset Investment Policy (hereinafter referred to as the Investment Policy), approved by a decision of the Board of Directors, the financial instrument portfolios are formed that are balanced by return rate and risk, diversified by types of assets, liquidity, level of return, urgency.

(in thousands of Kazakhstan tenge, unless otherwise specified)

26. RISK MANAGEMENT POLICY (continued)

Maximum exposure to credit risk

Investment portfolios of the Stock Exchange according to the Investment Policy are divided into the following types:

1) the Stock Exchange's own portfolio, with the exception of reserve funds;
2) portfolio of clearing funds (guarantee and reserve funds);
3) security portfolio of clearing participants.

The investment policy defines the investment objects and the structure of the Stock Exchange's investment portfolios.

The restrictions established by the Investment Policy in terms of investment objects and structures of the Stock Exchange portfolios do not apply to corporate securities acquired prior to the implementation of the Investment Policy, and which can be implemented by the decision of the Investment Committee. If the sale of these corporate securities leads to losses, the Investment Committee will take such a decision with the approval of the Board of Directors of the Stock Exchange.

In accordance with the Investment Policy, the Group analyzes the investment portfolios of the Stock Exchange on a monthly basis, while the Risk Management Department conducts a quarterly analysis of the status of investment portfolios and their exposure to risks, including determining the likelihood of default of financial instruments, as well as stress- and back-testing of the Stock Exchange's investment portfolios.

The credit risk of the Stock Exchange by the bidder is minimized by the Stock Exchange executing the payments for trading on the "delivery-against-payment" principle.

The maximum credit risk exposure of the Group may vary significantly depending on the individual risks inherent in specific assets and general market risks.

The following table shows the maximum amount of credit risk for balance sheet and off-balance sheet financial assets. For financial assets reflected in balance sheet accounts, the maximum amount of credit risk is equal to the book value of these assets without taking into account offsets of assets and liabilities and collateral.

	December 31, 2018	*December 31, 2017*
Cash and cash equivalents, except cash on hand	**26.719.934**	102.306
Restricted cash	**-**	1.859.408
Funds in banks	**1.145.303**	1.926.341
Financial assets carried at amortized cost	**18.593.240**	4.156.119
Other financial assets	**140.022**	86.620
Total	**46.598.499**	8.130.866

(in thousands of Kazakhstan tenge, unless otherwise specified)

26. RISK MANAGEMENT POLICY (continued)

Credit Risk (continued)

The Group's financial assets are classified according to a number of criteria, such as credit rating, financial condition, late payment, and other criteria. The following is information on current credit ratings of the Group's financial assets assigned by international rating agencies. The highest possible rating is AAA, the investment level corresponds to ratings from AAA to BBB-, the rating below BBB- refers to the speculative degree.

Maximum exposure to credit risk (continued)

As of the end of December 31, 2018 and 2017, in accordance with the criteria presented, financial assets are classified as standard, with the exception of impaired assets.

The following is a classification of the Group's financial assets by credit rating.

	AA+	*A+*	*BBB*	*BBB-*	*<BBB-*	*No rating*	*Total*
December 31, 2018							
Cash and cash equivalents, except cash on hand	4.893.091	1.861.789	19.845.570	93.680	25.804	–	**26.719.934**
Funds in banks	-	–	–		1.145.303	–	**1.145.303**
Financial assets carried at amortized cost	-	–	18.567.826		25.414	–	**18.593.240**
Other financial assets	-	–	–			140.022	**140.022**
Total	**4.893.091**	**1.861.789**	**38.413.396**	**93.680**	**1.196.521**	**140.022**	**46.598.499**

	AA	*A*	*BBB*	*BBB-*	*<BBB-*	*No rating*	*Total*
31 декабря 2017 года							
Cash and cash equivalents, except cash on hand	3.138	1.080	-	-	98.160	-	**102.378**
Restricted cash			1.859.408				**1.859.408**
Funds in banks	-	–	–	-	1.926.341	–	**1.926.341**
Financial assets carried at amortized cost	-	–	4.134.067	-	22.052	–	**4.156.119**
Other financial assets	-	–	–	-	-	86.620	**86.620**
Total	**3.138**	**1.080**	**5.993.475**	**-**	**2.046.553**	**86.620**	**8.130.866**

(in thousands of Kazakhstan tenge, unless otherwise specified)

26. RISK MANAGEMENT POLICY (continued)

As of the end of December 31, 2018 and December 31, 2017, there were no financial assets past due, but not impaired.

Liquidity risk

Liquidity risk management

The risk of loss of liquidity may arise if the maturity of requirements for active operations does not coincide with the maturities of the Group's liabilities. The Group is exposed to the risk of loss of liquidity also in case of occurrence of the credit risk of the bidder.

Temporarily free own assets of the Group, as well as funds of bidders, were placed into instruments in accordance with the Investment Policy.

At the same time, the diversification of investment objects that make up the Stock Exchange's investment portfolios is carried out in order to eliminate the risks of losses resulting from the concentration of financial assets with the same maturity in the Stock Exchange investment portfolios.

Liquidity risk arising during exchange trading is minimized by executing payments by the Stock Exchange to pay net claims of trading participants according to the "delivery versus payment" principle, in which cash of the trading participant who violates the settlement rules is not transferred, but remains on the Stock Exchange correspondent accounts. In addition, in order to minimize the risk of default on fixed-term transactions, participants in the derivatives market formed guarantee funds, and the Stock Exchange set up a reserve fund, the amounts of which are calculated according to internal methods.

The following table presents an analysis of financial assets and liabilities, calculated on the basis of the remaining term to maturity under contracts.

	Up to 1 month	*1 – 3 months*	*3 months– 1 year*	*1 year – 5 years*	*More than 5 years*	*No Maturity date*	*December 31, 2018, total*
Financial assets							
Cash and cash equivalents	26.719.934	–	–	–	–	–	26.719.934
Funds in banks	1.145.303	–	–	–	–	–	1.145.303
Financial assets at fair value through other comprehensive income	–	–	–	–	–	21.053	21.053
Financial assets carried at amortized cost	14.458.175	1.217.642	2.892.009	25.414	–	–	18.593.240
Other financial assets	140.022	–	–	–	–	–	140.022
Total financial assets	42.463.434	1.217.642	2.892.009	25.414	–	21.053	46.619.552

(in thousands of Kazakhstan tenge, unless otherwise specified)

26. RISK MANAGEMENT POLICY (continued)

	Up to 1 month	*1 – 3 months*	*3 months– 1 year*	*1 year – 5 years*	*More than 5 years*	*No Maturity date*	*December 31, 2018, total*
Financial liabilities							
Funds of clearing participants	39.141.386	–	–	–	–	–	39.141.386
Other financial liabilities	19.909	–	–	–	–	–	19.909
Total financial liabilities	39.161.295	–	–	–	–	–	39.161.295
Net position	3.302.139	1.217.642	2.892.009	25.414	–	21.053	7.458.257
Cumulative liquidity gap at the end of the day, December 31, 2018	3.302.139	4.519.781	7.411.790	7.437.204	7.437.204	7.458.257	-

The table is presented on the basis of information provided to the management of the Group:

	Up to 1 month	*1 – 3 months*	*3 months– 1 year*	*1 year – 5 years*	*More than 5 years*	*No Maturity date*	*December 31, 2017, total*
Financial assets							
Cash and cash equivalents	102.378	–	–	–	–	–	102.378
Restricted cash	1.859.408	-	-	-	-	-	1.859.408
Funds in banks	–	718.330	248.011	960.000	–	–	1.926.341
Available for sale investments	–	–	2.253	–	–	18.800	21.053
Held-to-maturity investments	617.681	1.058.101	2.458.285	22.052	–	–	4.156.119
Other financial assets	86.620	–	–	–	–	–	86.620
Total financial assets	2.666.087	1.776.431	2.708.549	982.052	–	18.800	8.151.919
Financial liabilities							
Funds of clearing participants	1.859.408	–	–	–	–	–	1.859.408
Other financial liabilities	23.968	–	–	–	–	–	23.968
Total financial liabilities	1.883.376	–	–	–	–	–	1.883.376
Net position	782.711	1.776.431	2.708.549	982.052		18.800	6.268.543
Cumulative liquidity gap at the end of the day, December 31, 2017	**782.711**	**2.559.142**	**5.267.691**	**6.249.743**	**6.249.743**	**6.268.543**	**-**

The difference between undiscounted and discounted financial liabilities is insignificant due to their short-term periods.

Market risk

Market risk is the risk of incurring losses due to changes in market parameters, including changes in interest rates, foreign currency exchange rates, prices of financial instruments to which the Group is exposed.

(in thousands of Kazakhstan tenge, unless otherwise specified)

Interest rate risk

Interest risk is the risk of changes in interest income or the price of financial instruments due to changes in interest rates.

To measure the effect of interest rate risk on the fair market value of financial instruments, the Group periodically assesses potential losses that may be caused by adverse changes in market conditions. The risk management division conducts periodic monitoring of the current financial results of the investment portfolio.

Interest rate risk (continued)

In terms of exposure to changes in interest rates, the investment portfolio of the Stock Exchange is subject to the risk of changes in coupon yield on bonds that have a floating rate indexed to inflation, and the risk of changes in interest rates affects the market value of the sub-portfolio of Stock Exchange bonds classified as investments carried at fair value through other comprehensive income.

The table below presents an analysis of the sensitivity to interest rate risk, which was made on the basis of reasonably possible changes in interest rates.

The effect on earnings before tax is the effect of the allowed changes in the interest rate on the net interest income for one year based on the change in the floating rate on financial assets and liabilities with a floating rate at the end of days December 31, 2018 and December 31, 2017, and the effect of revaluation of instruments with fixed interest rates at fair value.

The effect on equity is the effect of the allowable changes in interest rate resulting from changes in retained earnings, and the effect of revaluation of investment securities available-for-sale with fixed rates.

The impact on earnings before tax on assets at the end of December 31, 2018 and December 31, 2017 is as follows.

	December 31, 2018		*December 31, 2017*	
	Interest rate +2 %	*Interest rate -2 %*	*Interest rate +2 %*	*Interest rate -2 %*
Profit before tax and equity	**109**	**(109)**	**123**	**(101)**
Impact on equity	**2**	**(2)**	**18**	**(15)**

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in currency exchange rates. The financial position and cash flows of the Group are subject to fluctuations in foreign currency exchange rates.

Assets of investment portfolios of the Stock Exchange may be invested in instruments in accordance with the Stock Exchange Investment Policy. At the same time, investment objects that make up the investment portfolios of the Stock Exchange may be denominated in tenge, US dollars and euros.

	KZT	*US dollar*	*Euro*	*Other*	*December 31, 2018, total*
Financial assets					
Cash and cash equivalents	**19.936.596**	**6.783.059**	**227**	**52**	**26.719.934**
Funds in banks	**1.145.303**	–	–	–	**1.145.303**
Financial assets carried at amortized cost	**18.593.240**	–	–	–	**18.593.240**
Other financial assets	**103.864**	36.158	–	–	**140.022**
Total financial assets	**39.779.003**	**6.819.217**	**227**	**52**	**46.598.499**

(in thousands of Kazakhstan tenge, unless otherwise specified)

	KZT	*US dollar*	*Euro*	*Other*	*December 31, 2017, total*
Financial assets					
Cash and cash equivalents	76.341	25.568	372	97	102.378
Restricted cash	1.859.408	-	-	-	1.859.408
Funds in banks	1.678.330	248.011	–	–	1.926.341
Investments carried at amortized cost	4.156.119	–	–	–	4.156.119
Other financial assets	56.754	29.866	–	–	86.620
Total financial assets	7.826.952	303.445	372	97	8.130.866

As of the end of December 31, 2018 and 2017, a significant part of financial assets (2018 - 85%, 2017 - 96%) are denominated in Kazakhstani tenge. At the same time, in 2018 there was an increase in financial assets denominated in US dollars, due to the beginning of the exchange performance of the functions of the central counterparty and, accordingly, an increase in the margin amount in US dollars. For liabilities in foreign currency, there are financial assets in foreign currency provided to reduce the level of currency risk.

Limitations of sensitivity analysis

The above tables show the effect of a change in the principal assumption, while the other assumptions remain unchanged. In fact, there is a relationship between assumptions and other factors. It should be noted that the sensitivity is non-linear, therefore, no interpolation or extrapolation of the results should be performed.

The sensitivity analysis does not take into account that the Group actively manages assets and liabilities. In addition, the financial position of the Group may be affected by changes in the market. For example, the Group's financial risk management strategy focuses on managing the risk of price fluctuations in the securities market. In the event of sharp negative price fluctuations in the securities market, the Management may turn to such methods as selling investments, changing the composition of the investment portfolio, as well as other methods of protection.

Other limitations in the above sensitivity analyzes include the use of hypothetical market movements to uncover potential risks, which are only the Group's prediction of upcoming market changes that cannot be predicted with any degree of confidence. In addition, the limitation is the assumption that all interest rates change in an identical way.

Price risk

The risk of changes in the price of equity instruments is the risk of changes in the value of a financial instrument as a result of changes in market prices, regardless of whether these changes are caused by factors specific to an individual security or its issuer, or factors affecting all securities traded in the market.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from a wide range of risk events associated with or arising from system failure, human error, technology and infrastructure, fraud or external events. When a control system ceases to function, operational risks can damage reputation, have legal consequences, or lead to financial losses.

It is assumed that the Group is not able to eliminate all operational risks, but it seeks to manage such risks through the application of a control system, systematic audits of the internal audit service, as well as through monitoring possible risks and responding to them.

The control system provides for effective segregation of duties, access rights, approval and reconciliation procedures, staff training, and assessment procedures. Risk monitoring is performed by a risk management unit. To ensure the continuity of the Stock Exchange's activities, the construction of a geographically-distributed layout of its own computing equipment was implemented.

Legal risk

Legal risk management procedures include:

- regular monitoring of legislation and internal procedures for compliance;
- constant control over the proper observance of the norms of applicable laws, the charter and internal documents of the Group by its employees;
- continuous monitoring of proposed changes in applicable legislation; also the development and implementation of measures, including preventive ones, arising from proposed and / or enforced changes to the applicable legislation;
- total verification of the drafts of all internal documents of the Group and decisions of the bodies and officials of the Group for their compliance with applicable laws, regulations and internal documents of the Group;
- maximum standardization of all procedures, technologies and forms of documentation used in the Group's activities in order to exclude their arbitrary (uncontrolled, unforeseen) use by the Group's employees;
- mandatory preliminary legal review of new business processes and services of the Group.

27. EVENTS AFTER REPORTING DATE

Significant event after the reporting date:

The Kazakhstan Stock Exchange (KASE) and the Moscow Exchange (MOEX) made a deal to sell 32,360 shares of KASE as part of the implementation of the previously signed agreement on strategic cooperation. As a result of this transaction, the share of MOEX in the capital of KASE amounted to 3.32% of the outstanding shares. The share of the RSE National Bank of the Republic of Kazakhstan decreased to 48.44%.

28. CONSOLIDATED FINANCIAL STATEMENTS APPROVAL DATE

The consolidated financial statements for the year ended December 31, 2018 were approved for issue by management of the Group on March 28, 2019.