

JSC Kazakhstan stock exchange

Consolidated Financial Statements

For the year ended 31 December 2013

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013**

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of Management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Group Kazakhstan Stock Exchange ("the Group") and its subsidiaries (collectively – "the Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at 31 December 2013, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:


- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with Kazakhstani legislation;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2013 were authorized for issue on 14 April 2014 by the Management.

On behalf of the Management:


Sabitov I.M.
Acting President

14 April 2014
Almaty, Kazakhstan


Kaplanova I.B.
Chief Accountant

14 April 2014
Almaty, Kazakhstan



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Independent auditors' report

To the Board of Directors and the Shareholders of JSC Kazakhstan Stock Exchange

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of JSC Kazakhstan Stock Exchange and its subsidiaries (collectively – “the Group”), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP



Dmitry Wejstein
Audit Partner



Evgeny Zhemaletdinov
Auditor / General Director
Ernst and Young LLP



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

Auditor Qualification Certificate No. 0000553 dated 24 December 2003

14 April 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)*


	Notes	Year ended 31 December 2013	Year ended 31 December 2012
Fee and commission income	4, 21	1,337,866	1,084,621
Interest income	6	87,516	40,631
Allowance/(reversal) of allowances for impairment losses	5	3,702	(10,285)
Net gain/(loss) on foreign exchange operations		44	(151)
Share of losses of associate	14	(89)	(1,522)
Other income		10,284	33,681
OPERATING INCOME		1,439,323	1,146,975
OPERATING EXPENSES	7, 21	(993,018)	(873,733)
PROFIT BEFORE INCOME TAX		446,305	273,242
Income tax expense	8	(93,360)	(63,208)
NET PROFIT		352,945	210,034
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net gain/(loss) resulting on revaluation of investments available-for-sale		854	(855)
OTHER COMPREHENSIVE INCOME		854	(855)
TOTAL COMPREHENSIVE INCOME		353,799	209,179
EARNINGS PER SHARE			
Basic and diluted (KZT)	9	465.15	385.38

On behalf of the Management:



Sabitov I.M.
Acting President

14 April 2014
Almaty, Kazakhstan



Kapanova I.B.
Chief Accountant

14 April 2014
Almaty, Kazakhstan

The notes on pages 9-44 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)*

	Notes	31 December 2013	31 December 2012
ASSETS:			
Cash and cash equivalents	10, 21	55,813	101,756
Restricted cash		353,982	295,790
Due from banks	11	3,029,762	788,784
Investments available-for-sale	12	21,205	21,277
Investments held to maturity	13	72,231	71,249
Investments in an associate	14	138,724	138,813
Advances paid		3,157	1,421
Property and equipment	15	1,347,806	1,384,872
Intangible assets	16	112,268	45,184
Current income tax assets		577	25,687
Deferred income tax assets	8	132	-
Other assets	17, 21	89,169	93,075
TOTAL ASSETS		5,224,826	2,967,908
LIABILITIES AND EQUITY			
LIABILITIES:			
Payables to trade members on restricted cash		353,982	295,790
Advances received		52,094	66,529
Current income tax liabilities		10,452	4,409
Deferred income tax liabilities	8	21,567	24,005
Other liabilities	18, 21	45,809	39,017
Total liabilities		483,904	429,750
EQUITY:			
Share capital	19	2,366,256	517,291
Investments available-for-sale revaluation reserve		(5,390)	(6,244)
Other reserve		170,000	170,000
Retained earnings		2,210,056	1,857,111
Total equity		4,740,922	2,538,158
TOTAL LIABILITIES AND EQUITY		5,224,826	2,967,908

On behalf of the Management:



Sabitov I.M.
Acting President

14 April 2014
Almaty, Kazakhstan



Kapanova I.B.
Chief Accountant

14 April 2014
Almaty, Kazakhstan

The notes on pages 9-44 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)

	Share capital	Investments available-for-sale revaluation reserve	Other reserve	Retained earnings	Total equity
As at 31 December 2011	517,291	(5,389)	170,000	1,647,077	2,328,979
Net loss resulting on revaluation of investments available-for-sale	-	(855)	-	-	(855)
Net profit	-	-	-	210,034	210,034
Total comprehensive income	-	(855)	-	210,034	209,179
As at 31 December 2012	517,291	(6,244)	170,000	1,857,111	2,538,158
Net gain resulting on revaluation of investments available-for-sale	-	854	-	-	854
Net profit	-	-	-	352,945	352,945
Total comprehensive income	-	854	-	352,945	353,799
Issue of ordinary shares	1,848,965	-	-	-	1,848,965
As at 31 December 2013	2,366,256	(5,390)	170,000	2,210,056	4,740,922

On behalf of the Management:



Sabitov I.M.
Acting President

14 April 2014
Almaty, Kazakhstan

Kapanova I.B.
Chief Accountant

14 April 2014
Almaty, Kazakhstan

The notes on pages 9-44 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)*

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		446,305	273,242
Adjustments:			
Allowance for impairment losses		(3,702)	10,285
Loss from disposal of investment held to maturity		(510)	-
Share of losses of associate		89	1,522
Net change in fair value of investments available-for-sale		72	-
Loss from disposal of property and equipment		1,883	2,129
Impairment loss on investments available-for-sale		(648)	-
Net change in accrued interest		(21,221)	(6,330)
Depreciation and amortization	7	62,708	58,350
Cash inflow from operating activities before changes in operating assets and liabilities		484,976	339,198
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Restricted cash		(58,192)	(71,010)
Due from banks		(2,219,710)	(198,000)
Advances paid		(1,736)	10,774
Other assets		16,989	(34,928)
Increase/(decrease) in operating liabilities:			
Payables to trade members on restricted cash		58,192	71,010
Advances received		(14,435)	14,319
Other liabilities		6,792	5,088
Cash (outflow)/inflow from operating activities before taxation		(1,727,124)	136,451
Income tax paid		(64,777)	(25,312)
Net cash used in operating activities		(1,791,901)	111,139

CONSOLIDATED STATEMENT OF CASH FLOWS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)*

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	15	(36,225)	(49,350)
Purchase of intangible assets		(30,282)	(19,303)
Salaries and other costs, capitalized to intangible assets		(36,629)	(22,909)
Proceeds on redemption of investments held to maturity		129	32,922
Net cash outflow from investing activities		<u>(103,007)</u>	<u>(58,640)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of ordinary share capital		<u>1,848,965</u>	<u>–</u>
Net cash inflow from financing activities		<u>1,848,965</u>	<u>–</u>
NET (DECREASE)/INCREASE/IN CASH AND CASH EQUIVALENTS		(45,943)	52,499
CASH AND CASH EQUIVALENTS, beginning of period	10	<u>101,756</u>	<u>49,257</u>
CASH AND CASH EQUIVALENTS, end of period	10	<u><u>55,813</u></u>	<u><u>101,756</u></u>

Interest and dividends received by the Group during the years ended 31 December 2013 and 2012, amounted to KZT 66,295 thousand and KZT 34,301 thousand respectively.

On behalf of the Management:



Sabitov I.M.
Acting President

14 April 2014
Almaty, Kazakhstan



Kapanova I.B.
Chief Accountant

14 April 2014
Almaty, Kazakhstan

The notes on pages 9-44 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***1. ORGANIZATION**

JSC Kazakhstan Stock Exchange ("the Company") was incorporated on 17 November 1993 as a Closed Joint Stock Company. The license of government registration #3980 was issued on 30 December 1993 by Alatau district administration as pre-existing at the National Bank of the Republic of Kazakhstan Center of the interbank foreign exchange transactions (Currency Exchange).

Currently the Company conducts its business under a government license on re-registration #54214-1910-AO dated 7 January 2004 issued by department of Justice of Almaty.

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

License to operate in the securities market dated 19 July 2012 № 4.2.3 / 1, issued by the Committee for the Control and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan. License entitles to conduct the following activities on the securities market:

- organizing trade in securities and other financial instruments;
- clearing activities on transactions with financial instruments in the securities market.

A license to conduct banking operations in national and foreign currency dated 29 June 2012 № 5.3.3, issued by the Committee for the Control and Supervision of Financial Market and Financial Organizations of 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 banking operations;
- transfer operations: Responding to requests of individuals and entities on payments and money transfers;
- opening and maintaining bank accounts of legal entities.

The registered address of the Company is 280, Bayzakov Str., MFC Almaty Towers, North tower, 8th floor, Almaty 050040, Republic of Kazakhstan.

The Company's and its subsidiaries' (collectively – "the Group") primary business includes providing financial services including organizational support and maintenance of the trade in securities and other financial instruments through direct trading using the Group's trade systems.

As at 31 December 2013 and 2012, the Company was owned by the following shareholders, which own more than 5% of the issued shares of the Company:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)*

	31 December 2013, %	31 December 2012, %
Shareholders		
National Bank of the Republic of Kazakhstan	50.10	13.75
LLP Centras Invest	-	16.79
JSC Bank CenterCredit	-	6.08
JSC Kaspi Bank	-	5.22
Others (individually own less than 5%)	49.90	58.16
Total	100.00	100.00

In accordance with the introduced amendments to the Act of the Republic of Kazakhstan on the securities market (subparagraph 3) of paragraph 2 of Article 84), the proportion of the authorized body in the capital of the auction organizer shall be more than fifty percent of the total voting shares of the trade organizer. As a result, the Company was obliged to bring the structure of its equity capital in accordance to the Act within six months from the date the Act came into force.

As at 31 December 2013 the Company is under the ultimate control of the Government of the Republic of Kazakhstan represented by National Bank of the Republic of Kazakhstan.

The Company is a parent of the Group, which consists of the enterprises consolidated in the financial statements. As at 31 December 2013 and 2012, the proportion of ownership interest/voting rights and investment in share capital are as follows:

Name	Country of operation	Proportion of ownership interest / voting rights (%)	Investment in share capital (thousand KZT)	Type of operation
LLP Information agency on financial markets IRBIS	Kazakhstan	100	8,930	Information services
LLP eTrade.kz	Kazakhstan	100	12,852	Information technologies

Associates

The associate LLP RTRS carries out the function of trade reserve and settlement center of the Group. It is classified as investments in associate and accounted for under the equity method.

Name	Country of operation	Proportion of ownership interest / voting rights (%)		Share in net assets (thousand KZT)		Type of operation
		31 December 2013	31 December 2012	31 December 2013	31 December 2012	
LLP RTRS	Kazakhstan	50	50	138,724	138,813	Function of trade reserve and settlement center

The consolidated financial statements were authorised for issue by the Management of the Company on 14 April 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***2. BASIS OF PRESENTATION****Accounting basis**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

These consolidated financial statements are presented in thousands of Kazakhstani Tenge ("KZT" or "Tenge"), except for earnings per share amounts and unless otherwise indicated.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The presentation currency of the consolidated financial statements is KZT.

Application of new and revised International Financial Reporting Standards (IFRSs)**Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous reporting year, except for the new and amended IFRS and IFRIC interpretations effective as of 1 January 2013.

New and amended standards and interpretations

The Group applies, for the first time, certain new standards and amendments to existing standards. They include IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 19 *Employee Benefits (amended in 2011)*, IFRS 13 *Fair Value Measurement and Amendments to IAS 1 Presentation of Financial Statements*, IFRS 12 *Disclosure of Interest in Other Entities*.

Application of these standards did not require restatement of information disclosed in prior financial statements.

Below are the standards that were accepted by the Group in 2013:

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces that part of IAS 27 *Consolidated and Separate Financial Statements* which covered the accounting in the consolidated financial statements. The standard also covers the aspects from described in the interpretations of SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 proposes a single control model, which is applied to all companies inclusive of special purpose entities. Changes applied by IFRS 10 require making considerable judgments when defining the entities under control, and consequently should be consolidated by the Parent entity, unlike under the application of IAS 27 requirements. The application of IFRS 10 did not influence investments that the Group currently holds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)**Amendments to IAS 19 Employee Benefits*

The IASB has published amendments to IAS 19 *Employee Benefits*, effective for annual periods beginning on or after 1 January 2013, which involve major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. These amendments had no impact on the Group's financial position.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and interpretation of SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 excludes the possibility of joint venture accounting by using proportionate consolidation method. Instead the Group's interest in the joint venture is accounted for in consolidated financial statements using the equity method. The application of IFRS 11 did not influence presentation of financial statements of the Group.

*Application of new and revised International Financial Reporting Standards (IFRSs) (continued)***New and amended standards and interpretations (continued)***IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures which previously were covered by that part of IAS 27 which covered the accounting of the consolidated financial statements and also all the disclosure requirements which were previously covered by IAS 31 and IAS 28. The requirements of IFRS 12 are related to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. In addition new disclosure requirements were introduced by IFRS 12, however their application did not influence on the financial position or financial results of the Group's activities.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when entities must use fair value and provides guidance regarding measurement of fair value as per IFRS, when use of fair value is required or permitted in accordance with other standards within IFRS. IFRS 13 determines the fair value as the output price. According to IFRS 13 guidance, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures to be made. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. Where necessary, additional information is disclosed in separate notes on assets and liabilities for which fair value as determined. Hierarchy of fair value sources is presented in Note 22.

IAS 1 Presentation of Items of Other Comprehensive Income (Amendment)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, revaluation of land and buildings). The amendments affect information presentation in the consolidated financial statements only and do not change the Group's financial position or performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)**IAS 1 Clarification of the Requirement for Comparative Information (Amendment)*

This amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendment clarifies that it is not necessary to present the corresponding notes to the opening statement of financial position presented in cases when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements. This amendment did not affect disclosures in the Group's consolidated financial statements

*Application of new and revised International Financial Reporting Standards (IFRSs) (continued)***New and amended standards and interpretations (continued)***Amendments to IAS 36 Assets Impairment – Disclosures on Recoverable Amount for Non-financial Assets*

These amendments remove unintended consequences for disclosures in accordance with IAS 36, associated with IFRS 13 coming into effect. Besides, these amendments require disclosing the recoverable value of assets or CGU on which the impairment loss was recognized or recovered during the reporting period. These amendments did not have any impact on consolidated financial statements of the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries and associates.

New and revised IFRSs in issue but not yet effective

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

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects two of the three phases of the IASB project on replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities and hedge accounting. The standard has no mandatory effective date and may be applied voluntarily. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect when the remaining part of the standard containing guidance on impairment of financial assets is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***2. BASIS OF PRESENTATION (Continued)***Application of new and revised International Financial Reporting Standards (IFRSs) (continued)***New and revised IFRSs in issue but not yet effective (continued)***IFRIC 21 Levies*

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have a material financial impact on its future financial statements.

Amendments to IAS 39 Novation of Derivative Instruments and Continuation of Hedging Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

3. SIGNIFICANT ACCOUNTING POLICIES**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Financial statements of subsidiaries are consolidated with the financial statements of the Group from the effective date of acquisition (the date at which implementation of effective control from the Group begins) and up to the effective date of disposal (the date at which implementation of effective control from the Group ends). Total comprehensive income of subsidiaries is attributed to the owners of the Group.

The financial statements of the Group's subsidiaries are prepared for the same reporting year as the financial statements of the Company, using consistent accounting policies.

All intra Group transactions, balances, income and expenses are eliminated in full on consolidation.

Recognition of fee and commission income

Fee and commission income is recognized when services are provided. Membership and listing fees are recognized based on the decision on acceptance of the organization as a member of JSC Kazakhstan Stock Exchange and inclusion of securities in the official listing of JSC Kazakhstan Stock Exchange. Monthly membership fees are recognized constantly on a monthly basis whilst the organization is a member of JSC Kazakhstan Stock Exchange. Commission income on annual listing fees are recognized during the twelve month period to which they are related

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Recognition of interest income**

Interest income is recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fair value measurement

The Company measures financial instruments, such as available-for-sale securities at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 22.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Fair value measurement (continued)**

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are classified into the following specified categories: 'investments held to maturity' ("HTM"), investments available-for-sale ("AFS") and 'receivables'.

Investments held to maturity

Investments held to maturity are the listed debt securities, non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity.

Investments held to maturity are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method less any impairment.

If the Group were to sell or reclassify more than an insignificant amount of investments held to maturity before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years. Amortization of investments held to maturity is recognised in the consolidated statement of comprehensive income

Investments available-for-sale

Investments are classified as investments available-for-sale, if it is held for an indefinite period of time and is realized when favorable market conditions are met, or liquidation requirements to be met on investments.

Investments available-for-sale are stated at cost which is approximately equals to the fair value, changes in fair value are recognized directly in equity as a revaluation fund of the Company's investments. After the disposal of such investments, attributable to them amount of revaluation reserve is removed from equity and recognized in the Company's consolidated statement of comprehensive income. Interest on debt securities classified as AFS calculated using the effective interest method, which is recognised in the consolidated statement of comprehensive income as interest income

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Investments available-for-sale (continued)**

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Accounts receivable

Accounts receivable are stated at their nominal value, reduced by any allowances for impairment losses.

Restricted cash and payables to trade members on restricted cash

In accordance with the Company's Rules of Clearing Activities on Deals in Financial Instruments (hereinafter – the Rules) each clearing participant should maintain certain margin and guarantee fees on Company's correspondents accounts. Moreover, some of the clearing participants leave some amounts of money at the end of the day on Company's correspondents account for the next day trading. The Company treats such funds as restricted cash recognizing the resulted liability in front of market participants.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired are, in addition, assessed for impairment as a whole. Objective evidence of impairment for a portfolio of accounts receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Impairment of financial assets (continued)**

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such an impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

If an available-for-sale asset is impaired, amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of profit or loss is transferred from other comprehensive income to profit or loss.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments available-for-sale revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

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

- rights to receive cash flows from the asset has expired;
- the Group has transferred substantially all the risks and rewards of the asset,
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the consolidated statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether of not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Any gains or losses arising from derecognition of financial assets are recognized in the Group's consolidated statement of comprehensive income as other income/(loss) from operating activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Financial liabilities**

Financial liabilities are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest rate method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash balances on current accounts and correspondent accounts with banks in the Republic of Kazakhstan and abroad with original maturities within three months except of restricted cash on correspondent accounts with the National Bank of the Republic of Kazakhstan.

Amounts due from banks

In the normal course of business, the Group maintains current accounts or deposits for period of not more than one year with the banks. Amounts due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Amounts due from banks are carried net of any allowance for impairment.

Property and equipment

Property and equipment are initially recognized at cost (initial cost), which includes direct costs and non-refundable taxes, which are directly related to the acquisition of fixed assets. Further, property and equipment are recorded at historical cost less accumulated depreciation and recognized impairment losses if any.

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

Depreciation is included in the consolidated statement of comprehensive income of the Group as operating expenses during the periods of assessed useful life using a linear method of depreciation. If the components of any units of property and equipment have different useful lives, they are treated as separate units and equipment.

The Group estimates the following useful lives of property and equipment:

	Years
Buildings	100.0
Machinery and equipment	8.0-10.0
Vehicles	10.0
Other	8.0-16.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Property and equipment (continued)**

The carrying amounts of property and equipment, useful life and method of amortization are reviewed at each reporting date.

Intangible assets

Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 8 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development;
- The ability to use the intangible asset generated.

The Company regards an intangible asset as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

Intangible asset are constantly being improved and are the main assets of the Company, the intangible assets are the main income generating means of the Company. Therefore, at the moment, the Company treats them as intangible assets with an indefinite useful life.

Company tests intangible assets with indefinite useful lives for impairment by comparing their recoverable amount to the carrying amount

- (a) annually, and
- (b) whenever there are indications of a possible impairment of the intangible asset

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Provisions (continued)**

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Foreign currencies

In preparing the financial statements of each individual entity of the Group, transactions in currencies other than the functional currency ("foreign currencies") are recognised at the exchange rates prevailing at the transactions date. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The exchange rates used by the Group in the preparation of the consolidated financial statements as at year-end are as follows:

	31 December 2013	31 December 2012
KZT/1 USD	153.61	150.74
KZT/1 EUR	211.17	199.22
KZT/1 RUR	4.69	4.96
KZT/1 GBP	253.29	243.72

Share capital

Share capital is recognized at historical cost.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a non-adjusting event under IAS 10 *Events after the Reporting Period* and disclosed accordingly.

Equity reserves

The reserves recorded in equity on the Group's consolidated statement of financial position include:

- "Available-for-sale" reserve which comprises changes in fair value of investments AFS;
- "Other reserve" which is formed for covering the possible default of derivative market members.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Equity reserves (continued)**

In 2010 the Board of directors decided to create a reserve fund amounting to KZT 170,000 thousand in order to cover the risk of an insolvent participant in the market of derivative contracts. The reserve fund comprise of KZT 70,000 thousand reserve fund for trading with currency futures contracts, and KZT 100,000 thousand reserve fund for trading with Company index futures contracts. The reserve fund was recognized in December 2010, as the trading for these contracts was opened. As the market stayed inactive as at the reporting date, there were no changes in the level of the reserve fund. The reserve fund was created as an appropriation of retained earnings.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

The requirements of *IAS 36 Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Taxation

Income tax expense comprises of current income tax expense and deferred taxes, and it is recognized in the Group's consolidated statement of comprehensive income. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity.

The amount of current income tax expense is the expected amount of the tax to be paid for the period, which is estimated based on the current legislation of Kazakhstan as of reporting date taking into account all the adjustments on the tax in arrears of previous years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Taxation (continued)**

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset and reported net in the consolidated statement of financial position if:

- the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies the Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Impairment of accounts receivable

Accounts receivable are included in the consolidated statement of financial position within other assets. The Group regularly reviews its accounts receivables to assess for impairment. The Group's impairment provisions are established to recognize incurred impairment losses in its portfolio of accounts receivables. The Group considers accounting estimates related to allowance for impairment of accounts receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its financial statements in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Critical accounting judgments and key sources of estimation uncertainty (continued)***Impairment of accounts receivable (continued)*

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Republic of Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2013 and 2012, gross accounts receivable amounted to KZT 64,685 thousand and KZT 74,349 thousand, respectively, and allowance for impairment losses amounted to KZT 2,892 thousand and KZT 6,862 thousand, respectively.

Taxation

Kazakhstani tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years proceeding the year of review.

As at 31 December 2013 and 2012, Management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group's reported net profit.

Litigations

In accordance with IFRS the Group recognizes the need to create provisions only if the current liabilities that have arisen as a result of past events that can be reasonably estimated. A contingent liability that does not match the specified criteria may be disclosed in the notes to financial statements. The application of this principle in relation to litigations requires the Group to decide on the various operational and legal issues outside the scope of its control. In the event of litigation the Group will constantly review pending litigations, as well as at each reporting date in order to assess the need for the recognition of provisions. The following factors are taken into account by the Group in making decisions about the creation of provisions: the nature of action, claim or penalty, the sum of the potential damage that may be incurred by the Group as a result of its unfavorable outcome, stage of trial (including the date of performing financial statements, but before its issue); opinion of legal advisers, the previous experience of such proceedings, any decision of the Management of the Group as to how to respond to the lawsuit, claim or fine. As of the date of the issue of these consolidated financial statements the Group was not involved in any litigation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***4. FEE AND COMMISSION INCOME**

	Year ended 31 December 2013	Year ended 31 December 2012
Fee and commission income:		
Listing fees	488,534	391,719
Commission income	390,566	253,412
Membership fees	289,726	276,152
Income from information services	152,449	145,005
Income from remote access services	16,530	18,318
Clearing fees	61	15
Total fee and commission income	1,337,866	1,084,621

5. ALLOWANCE FOR IMPAIRMENT LOSSES

The movements in allowance for impairment losses on interest bearing assets and other provisions were as follows:

	Investments held to maturity	Other assets	Total
As at 31 December 2011	35,967	19,121	55,088
Additional allowance recognized	3,891	6,394	10,285
Write-off of assets	-	(18,653)	(18,653)
As at 31 December 2012	39,858	6,862	46,720
Reversal of allowance	-	(3,702)	(3,702)
Write-off of assets	-	(268)	(268)
As at 31 December 2013	39,858	2,892	42,750

6. INTEREST INCOME

	Year ended 31 December 2013	Year ended 31 December 2012
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
- interest income on unimpaired financial assets	85,475	38,590
- interest income on impaired financial assets	2,041	2,041
Total interest income	87,516	40,631
Interest income on financial assets recorded at amortized cost comprises:		
- interest on cash and cash equivalents	1,154	371
- interest on due from banks	80,343	30,423
- interest on investments held to maturity	6,019	9,837
Total interest income on financial assets recorded at amortized cost	87,516	40,631

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***7. OPERATING EXPENSES**

	Year ended 31 December 2013	Year ended 31 December 2012
Staff costs	660,208	566,704
Depreciation and amortization	62,708	58,350
Social taxes	60,149	55,407
Taxes, other than income tax	28,339	29,713
Property and equipment maintenance	27,391	33,550
Communication and SWIFT maintenance	25,299	25,636
Operating leases	23,928	29,711
Business trip expenses	12,560	7,208
Information services	9,819	5,973
Professional services	8,401	11,666
Business development expenses	8,141	1,633
Bank services	7,600	7,693
Membership fees	3,685	2,553
Training	1,745	1,674
Insurance payments	1,593	1,790
Mail and courier expenses	976	588
Other expenses	50,476	33,884
Total operating expenses	993,018	873,733

8. INCOME TAXES

The Group calculates its corporate income tax return for the current period based on tax bases in accordance with the tax regulations of the Republic of Kazakhstan, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2013 and 2012, relate mostly to different methods / timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the Republic of Kazakhstan on taxable profits (as defined) under tax law in that jurisdiction.

Tax effect of temporary differences as at 31 December 2013 and 2012 comprise:

	31 December 2013	31 December 2012
Tax effect of deductible temporary differences:		
Unused vacation reserve	5,531	2,531
Property and equipment, accumulated depreciation	156	-
Deferred income tax asset	5,687	2,531
Tax effect of taxable temporary differences:		
Property and equipment, accrued depreciation	(27,122)	(26,536)
Unused vacation reserve	-	-
Deferred income tax liability	(27,122)	(26,536)
Net deferred income tax assets	-	-
Net deferred income tax liabilities	(21,435)	(24,005)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***10. CASH AND CASH EQUIVALENTS**

	31 December 2013	31 December 2012
Cash on hand	417	364
Correspondent and current accounts with other banks	<u>55,396</u>	<u>101,392</u>
Total cash and cash equivalents	<u>55,813</u>	<u>101,756</u>

11. DUE FROM BANKS

	31 December 2013			31 December 2012		
	%	Maturity	Amount	%	Maturity	Amount
Time deposits						
JSC ATF Bank	5.25	Jan-14	132,503	3.70-5.25	Oct-13	558,972
JSC Bank CenterCredit	5.00	Feb-14	467,639	5.00	Jan-13	209,507
JSC Kazkommertsbank	4.20	Sep-14	20,236	4.20	Jan-13	20,305
JSC "Eurasian Bank"	5.0-8.50	Aug-15	880,490	-	-	-
JSC "Halyk Bank of Kazakhstan"	4.20-6.0	Dec-14	510,051	-	-	-
JSC "Sberbank"	8.00	Jul-15	<u>1,018,843</u>	-	-	-
Total due from banks			<u>3,029,762</u>			<u>788,784</u>

As at 31 December 2013 and 2012, due from banks included accrued interest of KZT 47,052 thousand and KZT 25,784 thousand, respectively.

12. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2013		31 December 2012	
	Ownership interest %	Amount	Ownership interest %	Amount
Equity securities				
JSC Central securities depository	34.69	18,800	34.69	18,800
CJSC Kyrgyz stock exchange	11.00	2,253	11.00	2,253
JSC BTA Bank	0.00	<u>152</u>	0.14	<u>224</u>
Total investments available-for-sale		<u>21,205</u>		<u>21,277</u>

The equity investment in JSC Central Securities Depository and CJSC Kyrgyz Stock Exchange are held at cost due to the lack of an active market or similar financial instruments and because their fair value could not be estimated reliably by other techniques. Management reviews the investment for impairment on a regular basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***13. INVESTMENTS HELD TO MATURITY**

	31 Decembe r 2013 Amount	31 December 2012 Amount
Corporate bonds	112,089	111,107
Less: allowance for impairment losses (Note 5)	112,089 (39,858)	111,107 (39,858)
Total investments held to maturity	72,231	71,249

Movements in the allowance for impairment losses for the years ended 31 December 2013 and 2012 are disclosed in Note 5.

	31 December 2013		31 December 2012	
	Nominal interest rate %	Amount	Nominal interest rate %	Amount
Debt securities:				
JSC Ornek XXI	i + 2.50	35,967	i + 2.50	35,967
JSC Temirbank	8	25,945	8	25,944
JSC Kazkommertsbank	i + 2.00	25,432	i + 2.00	24,748
JSC ATF Bank	i + 1.00	23,450	i + 1.00	22,976
JSC Mortgage organization Kazakhstan Mortgage Group	i + 1.00	1,295	i + 1.80	1,472
JSC Delta Bank		-		-
		112,089		111,107
Less: allowances for impairment		(39,858)		(39,858)
Total investments held to maturity		72,231		71,249

i inflation rate

As at 31 December 2013 and 2012, investments held to maturity included accrued interest of KZT 7,846 thousand and KZT 7,893 thousand, respectively.

14. INVESTMENTS IN AN ASSOCIATE

LLP RTRS was registered as a legal entity on 5 April 2005. The Company was a founder of the organization. This organization was created to carry out the function of trade reserve and settlement center in accordance with the laws of the Republic of Kazakhstan.

On 4 August 2005, the Board of directors of the Company authorized a 50% participation of JSC Central Securities Depository in the organization by increasing the share capital. The Group has classified this investment as investments in associate and accounted under equity method. The Group currently owns 50% of equity.

Legal address of LLP RTRS – 101 Saukele street, Karasayskiy district, Almaty region, the Republic of Kazakhstan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***14. INVESTMENTS IN AN ASSOCIATE (Continued)**

The reserve center started its operations on 6 June 2011.

	2013	2012
At the beginning of the year	138,813	140,335
Purchase of additional share capital	-	-
Share of operating activities of associate	(89)	(1,522)
At the end of the year	<u>138,724</u>	<u>138,813</u>

As at 31 December 2013 and 2012, LLP RTRS was accounted at equity method:

The summarized financial information of LLP RTRS is presented below:

	31 December 2013	31 December 2012
Cash and cash equivalents	10,789	3,080
Property and equipment	266,024	272,531
Other assets	1,353	2,735
Total assets	<u>278,166</u>	<u>278,346</u>
Other liabilities	718	721
Total Liabilities	<u>718</u>	<u>721</u>
Equity	<u>277,448</u>	<u>277,625</u>
Group's share in net assets	50%	50%
Carrying value of the investment in the associate	<u>138,724</u>	<u>138,813</u>

	For the year ended 31 Decemb er 2013	For the year ended 31 Decemb er 2012
Revenue from rendering of services	35,539	33,543
Administrative expenses	(35,633)	(36,875)
Other	(84)	-
Loss for the year	<u>(178)</u>	<u>(3,331)</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>(178)</u>	<u>(3,331)</u>

As at 31 December 2013 the Group there were no significant restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group (2012 nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***15. PROPERTY AND EQUIPMENT**

	Buildings	Land	Machinery and equipment	Vehicles	Other	Total
At initial cost						
31 December 2011	1,131,160	1,628	256,653	59,451	98,469	1,547,361
Additions	20,797	-	10,447	7,132	10,974	49,350
Disposals	-	-	(4,597)	(2,791)	(2,708)	(10,096)
31 December 2012	<u>1,151,957</u>	<u>1,628</u>	<u>262,503</u>	<u>63,792</u>	<u>106,735</u>	<u>1,586,615</u>
Additions	44	-	32,940	-	3,241	36,225
Reclassification between property, plant and equipment and intangible assets	-	-	3,028	-	(8,386)	(5,358)
Reclassified to inventory	-	-	(1,437)	-	(7,090)	(8,527)
Internal movement	-	-	1,714	-	(1,714)	-
Netting of accumulated depreciation and initial cost of transferred assets	-	-	(4,472)	(4,903)	(8,718)	(18,093)
Disposal	-	-	(1,317)	-	(446)	(1,763)
31 December 2013	<u>1,152,001</u>	<u>1,628</u>	<u>292,959</u>	<u>58,889</u>	<u>83,622</u>	<u>1,589,099</u>
Accumulated depreciation						
31 December 2011	-	-	(87,778)	(34,383)	(29,558)	(151,719)
Depreciation charge Eliminated on disposals	(11,495)	-	(32,923)	(5,918)	(7,655)	(57,991)
	-	-	3,733	2,791	1,443	7,967
31 December 2012	<u>(11,495)</u>	<u>-</u>	<u>(116,968)</u>	<u>(37,510)</u>	<u>(35,770)</u>	<u>(201,743)</u>
Depreciation charge	(11,520)	-	(33,457)	(6,004)	(6,740)	(57,721)
Reclassification between property, plant and equipment and intangible assets	-	-	-	-	78	78
Internal movement	-	-	957	-	(957)	-
Netting of accumulated depreciation and initial cost of transferred assets	-	-	4,472	4,903	8,718	18,093
31 December 2013	<u>(23,015)</u>	<u>-</u>	<u>(144,996)</u>	<u>(38,611)</u>	<u>(34,671)</u>	<u>(241,293)</u>
Net book value						
As at 31 December 2013	<u>1,128,986</u>	<u>1,628</u>	<u>147,963</u>	<u>20,278</u>	<u>48,951</u>	<u>1,347,806</u>
As at 31 December 2012	<u>1,140,462</u>	<u>1,628</u>	<u>145,535</u>	<u>26,282</u>	<u>70,965</u>	<u>1,384,872</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***16. INTANGIBLE ASSETS**

	Internally generated assets	Other program Product	Total
At initial cost			
31 December 2011	2,935	5,613	8,548
Addition	-	19,303	19,303
Salaries and other costs capitalized to intangible assets	22,909	-	22,909
31 December 2012	<u>25,844</u>	<u>24,916</u>	<u>50,760</u>
Additions	-	30,282	30,282
Disposals	-	(120)	(120)
Reclassification between property, plant and equipment and intangible assets	-	5,358	5,358
Salaries and other costs, capitalized to intangible assets	36,629	-	36,629
Netting of accumulated depreciation and initial cost of transferred assets	-	(9)	(9)
31 December 2013	<u>62,473</u>	<u>60,427</u>	<u>122,900</u>
Accumulated depreciation			
31 December 2011	-	(5,217)	(5,217)
Depreciation charge	-	(359)	(359)
31 December 2012	<u>-</u>	<u>(5,576)</u>	<u>(5,576)</u>
Depreciation charge	-	(4,987)	(4,987)
Netting of accumulated depreciation and initial cost of transferred assets	-	9	9
Reclassification between property, plant and equipment and intangible assets	-	(78)	(78)
31 December 2013	<u>-</u>	<u>(10,632)</u>	<u>(10,632)</u>
Net book value			
As at 31 December 2013	<u>62,473</u>	<u>49,795</u>	<u>112,268</u>
As at 31 December 2012	<u>25,844</u>	<u>19,340</u>	<u>45,184</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***17. OTHER ASSETS**

	31 December 2013	31 December 2012
Other financial assets:		
Commission fees receivable	44,896	51,448
Income from information services receivable	16,678	12,148
Fines and penalties receivable	1,627	6,918
Listing fees receivable	1,048	2,034
Membership fees receivable	246	996
Income from remote access services	190	805
	64,685	74,349
Provision on accounts receivable (Note 5)	<u>(2,892)</u>	<u>(6,862)</u>
	61,793	67,487
Other non-financial assets:		
Tax settlements, other than income tax	10,106	9,233
Inventory	15,144	8,205
Deferred expenses	2,122	8,061
Advances on vacation	-	74
Other	4	15
	<u>89,169</u>	<u>93,075</u>

Movements in the allowance for impairment losses on other assets for the years ended 31 December 2013 and 2012 are disclosed in Note 5.

18. OTHER LIABILITIES

	31 December 2013	31 December 2012
Other financial liabilities:		
Payables to suppliers	1,894	9,307
Dividends payable	2,203	3,764
	<u>4,097</u>	<u>13,071</u>
Other non-financial liabilities:		
Unused vacation reserve	35,230	15,000
Tax settlements, other than income tax	5,059	10,814
Other	1,423	132
	<u>45,809</u>	<u>39,017</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***19. SHARE CAPITAL**

The Group's share capital comprises of the following number of shares:

	Share capital authorized Number of shares	Share capital authorized but not issued Number of shares	Share capital issued Number of shares
Ordinary shares			
As at 31 December 2011	5,000,000	4,455,001	544,999
Issue of ordinary shares	—	—	—
As at 31 December 2012	5,000,000	4,455,001	544,999
Issue of ordinary shares	—	(397,014)	397,014
As at 31 December 2013	<u>5,000,000</u>	<u>4,057,987</u>	<u>942,013</u>

As at 31 December 2013, issued and fully paid, ordinary share capital amounted of KZT 2,366,256 thousand and KZT 517,291 thousand, respectively.

On 10 June 2013 the Company has issued 397,014 ordinary shares out of authorized ordinary shares that have been acquired by the National Bank of Kazakhstan for KZT 1,848,965.

20. COMMITMENTS AND CONTINGENCIES*Legal proceedings*

In the normal course of business, claims against the Group can be received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxation

Commercial legislation of the Republic of Kazakhstan, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on Management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Management of the Group believes that it has already made all tax payments, and therefore no allowance has been made in the consolidated financial statements. Tax years remain open to review by the tax authorities for five years.

Operating environment

Emerging markets such as the Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Republic of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because the Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***21. TRANSACTIONS WITH RELATED PARTIES**

Transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2013		31 December 2012	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
Cash and cash equivalents	10,905	55,813	530	101,756
- parent entity	-			
- associate	-			
- senior staff of the enterprise	-			
- other related parties	10,905		530	
Restricted cash			-	-
- parent entity			-	
- associate			-	
- senior staff of the enterprise			-	
- other related parties			-	
Due from banks	510,051	3,029,762	-	-
- parent entity	-		-	
- associate	-		-	
- senior staff of the enterprise	-		-	
- other related parties	510,051		-	
Investments available-for-sale			-	-
- parent entity			-	
- associate			-	
- senior staff of the enterprise			-	
- other related parties			-	
Investments held to maturity	22,053	72,231	-	-
- parent entity	-		-	
- associate	-		-	
- senior staff of the enterprise	-		-	
- other related parties	22,053		-	
Advances paid	-	-	-	-
- parent entity	-		-	
- associate	-		-	
- senior staff of the enterprise	-		-	
- other related parties	-		-	
Other assets	2,640	89,169	1,898	93,075
- parent entity	-		-	
- associate	-		-	
- senior staff of the enterprise	4		2	
- other related parties	2,636		1,896	
Payables to trade members on restricted cash			-	-
- parent entity			-	
- associate			-	
- senior staff of the enterprise			-	
- other related parties			-	
Advances received	1,795	52,094	-	-
- parent entity	-		-	
- associates	-		-	
- senior staff of the enterprise	-		-	
- other related parties	1,795		-	
Other liabilities:	182	45,809	1,436	39,017
- parent entity				

	31 December 2013		31 December 2012	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
- associate				
- senior staff of the enterprise	19		734	
- other related parties	163		702	

21. TRANSACTIONS WITH RELATED PARTIES (Continued)

The remuneration of directors and other members of key management were as follows:

	Year ended 31 December 2013		Year ended 31 December 2012	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
- short-term employee benefits	85,183	660,208	85,868	566,704
Total	85,183	660,208	85,868	566,704

Included in the the consolidated statement of comprehensive income for the years ended 31 December 2013 and 2012 are the following amounts which were recognized in transactions with related parties:

	Year ended 31 December 2013		Year ended 31 December 2012	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Fee and commission income	52,500	1,337,866	39,651	1,084,621
- parent entity	-		-	
- associate	-		-	
- senior staff of the enterprise or its	-		-	
- other related parties	52,500		39,651	
Interest income	170	87,280	-	-
- parent entity	-		-	
- associate	-		-	
- senior staff of the enterprise or its	-		-	
- other related parties	170		-	
Operating expenses	(21,259)	(993,017)	(20,182)	(873,733)
- parent entity	-		-	
- associate	(19,503)		-	
- senior staff of the enterprise or its	-		-	
- other related parties	(1,756)		(20,182)	
Dividend income	-	-	-	-
- parent entity	-		-	
- associate	-		-	
- senior staff of the enterprise or its	-		-	
- other related parties	-		-	
Other income	6,798	12,563	-	-
- parent entity	-		-	
- associate	-		-	
- senior staff of the enterprise or its	-		-	
- other related parties	6,798		-	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***22. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IFRS 13 *Fair Value Measurements*, IFRS 7 *Financial Instruments: Disclosures* and IAS 39 *Financial Instruments: Recognition and Measurement* regarding determining the fair or approximate fair value of such instruments.

Carrying amounts of cash and cash equivalents, restricted cash balances, due from banks, accounts receivable, clients funds and accounts payables is approximately equal to their fair value because of the short-term nature of such financial instruments.

Except as detailed below, Management of the Group considers that the fair value of financial assets and liabilities approximates their carrying amount:

	31 December 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Investments held to maturity	72,231	68,864	71,249	67,847

The fair value estimates are intended to approximate the amount at which the financial instruments could be exchanged in a current transaction between well informed, really willing to make a deal and mutually independent parties. However, given the uncertainties and subjective judgment, the fair value should not be treated as the price at which assets can be immediately sold or liabilities settled.

Fair value is defined as the price at which the financial instrument could be exchanged between knowledgeable parties on commercial terms, other than in forced or liquidation sale.

Financial instruments carried at fair value, are divided in a hierarchical order into three levels, depending on the availability of market data:

- quoted in an active market (Level 1) - Valuations based on quoted prices in active markets for identical assets and liabilities. Additional adjustments and discounting are not applied to these financial instruments. Since valuations are based on quoted market prices, which are easily and instantly available in an active market, these values do not carry a significant amount of judgment.
- assessment methods using observable market data (Level 2) - evaluation largely based directly or indirectly on market data and estimates based on one or more observable quoted prices for general transactions in markets that are not considered as active.
- assessment methods based on non-observable market data (Level 3) - Valuations based on inputs that are unobservable and which play a significant role in determining the fair value.

As disclosed in Note 12, as at 31 December 2013 and 2012, the fair value of unquoted equity securities with a carrying amount of KZT 21,205 thousand and KZT 21,277 thousand, respectively, could not be determined and the investments were carried at cost.

The Group does not hold any other financial assets recorded at fair value and as such an IFRS 7 fair value hierarchy is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***23. RISK MANAGEMENT POLICIES**

Management of risk is fundamental to the Group's business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives.

The risk management policy, procedures for identifying, evaluating, monitoring and responding to those risks, as well as managing financial and operational risks of the Group are governed by the relevant internal regulations of the Group.

Credit risk

The Group is exposed to credit risk, i.e. risk of default by correspondent banks, debtors, or other counterparties of the Group in meeting its obligations, which results in the Group's financial losses.

On 28 May 2012, the Board of directors approved a Regulation on investing of own funds to minimise credit risk related to the investment portfolio ("the Regulation on investing"). In accordance with the Regulation on investing, the Company shall invest only in government securities and deposits of second tier banks with long term credit rating not lower than B- under Standard & Poor's or comparable rating of other equivalent agencies like Fitch or Moody's Investors Service. The credit risk for the government securities is considered to be minimal.

Furthermore an Investment Committee consisting of the Management of the Company ("the Investment Committee") approved the list of second tier banks where temporarily available funds of the Group can be placed as deposits for not more than 1 year. According to the approved Regulation on investing, monitoring of the financial condition of second tier banks is carried out on a quarterly basis. As a result of monitoring, a list of second tier banks is regularly reviewed and approved by the Investment Committee of the Group. At the same time the maximum amount of deposit of the Group in each bank should not exceed the established limit amounting to KZT 500 million.

On 31 July 2013, the Board of Directors approved a new document that regulates investment process at KASE – the "Policy of investing of own funds" (hereafter – Policy). In accordance with the Policy, KASE splits all the assets into two portfolios. Portfolio of own funds "Sberogatelnyi" consist of the money received from National Bank of Kazakhstan as payment for newly issued outstanding shares and the reserve fund derivatives market. The assets of the "Sberogatelnyi" portfolio could be invested only in second tier Kazakhstani banks deposits and government securities. Portfolio of own funds "Nakopitelnyi" consist of all other assets and could be invested only in government securities and deposits of second tier banks with long term credit rating not lower than B- under Standard & Poor's or comparable rating of other equivalent agencies like Fitch or Moody's Investors Service.

According to the approved Regulation on investing and the Policy corporate securities purchased before the Regulation and the Policy on investing of own funds became effective can be realized in accordance with the decision of the Investment Committee. In case a sale of corporate securities would result in losses, the investment decisions of the Investment Committee have to be approved by the Board of Directors. Corporate securities of defaulted issuers are held in Group's investment portfolio until maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***23. RISK MANAGEMENT POLICIES (Continued)****Credit risk (continued)**

As required by the regulatory bodies, every six months the Group also carries out financial analysis of foreign correspondent banks of the Group.

The credit risk of the Group with trade members is minimized due to the execution of payments on trade by the delivery-against-payment principle.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral.

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	Net exposure
31 December 2013					
Cash and cash equivalents	55,813	-	55,813	-	55,813
Restricted cash	353,982	-	353,982	-	353,982
Due from banks	3,029,762	-	3,029,762	-	3,029,762
Investments available-for-sale	21,205	-	21,205	-	21,205
Investments held to maturity	72,231	-	72,231	-	72,231
Other financial assets	61,793	-	61,793	-	61,793
31 December 2012					
Cash and cash equivalents	101,756	-	101,756	-	101,756
Restricted cash	295,790	-	295,790	-	295,790
Due from banks	788,784	-	788,784	-	788,784
Investments available-for-sale	21,277	-	21,277	-	21,277
Investments held to maturity	71,249	-	71,249	-	71,249
Other financial assets	67,487	-	67,487	-	67,487

Financial assets are graded according to various criteria such as credit rating, financial position, overdue analysis and other criteria. Further analysis of financial assets of the Group is presented based on the current credit ratings that have been issued by international rating agencies. The highest possible rating is AAA; investment grade refers to ratings from AAA to BBB, rating lower than BBB are classed as speculative grade.

As at 31 December 2013 and 2012, in compliance with the presented criteria financial assets are classified as standard, except for those assets which are impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***23. RISK MANAGEMENT POLICIES (Continued)****Maximum exposure to credit risk (continued)**

The following table details the credit ratings of financial assets held by the Group:

31 December 2013	AAA	AA	A	BBB	<BBB	Not rated	Total
Cash and cash equivalents		131	448	94	54,721	419	55,813
Restricted cash	-	-	-	353,982	-	-	353,982
Due from banks	-	-	-	1,018,843	2,010,919	-	3,029,762
Investments available-for-sale	-	-	-	-	224	20,981	21,205
Investments held to maturity	-	-	-	22,977	48,272	982	72,231
Other financial assets	-	-	-	30,291	5,041	26,461	61,793
31 December 2012							
Cash and cash equivalents	129	86	2,621	98,556	-	364	101,756
Restricted cash	-	-	-	295,790	-	-	295,790
Due from banks	-	-	-	788,784	-	-	788,784
Investments available-for-sale	-	-	-	-	224	21,053	21,277
Investments held to maturity	-	-	-	22,977	48,272	-	71,249
Other financial assets	-	-	32	5,990	8,526	52,939	67,487

As at 31 December 2013 and 2012, there were no financial assets past due but not impaired.

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet financial commitments associated with financial instruments as they actually fall due.

Liquidity risk management

Liquidity risk can occur in case of mismatching of asset maturities under current operations with maturities of the Group's liabilities. Also the Group is exposed to liquidity risk in case of the default of trade members.

In accordance with the Regulation on investing of own funds the Group invests temporarily available funds in deposits with a maturity of not more than one year. The list of second tier banks where deposits can be placed is reconsidered on a regular basis and approved by the Investment Committee of the Group.

Furthermore, according to the Group's policy, the funds of trade members are not placed in any instruments and are held on correspondent accounts of the Group. Liquidity risk of the trade activities is minimized through payment execution terms for the net requirements of trade members under the delivery-against-payment principle. According to this principle no cash is transferred to a trade member who violated the settlement regulations, and the cash remains on correspondent accounts of the Group. In addition, there are guarantee funds created by the members of the derivative market to minimize the risk of the non execution of liabilities under deals on the derivative market. The Group created a reserve fund which is calculated using an internal methodology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***23. RISK MANAGEMENT POLICIES (Continued)****Liquidity risk (continued)***Liquidity risk management (continued)*

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date. The presentation below is based upon the information provided internally to key management personnel of the Group.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	55,813	-	-	-	-	-	55,813
Restricted cash	-	-	-	-	-	353,982	353,982
Due from banks	132,503	467,639	904,048	1,525,572	-	-	3,029,762
Investments available-for-sale	-	-	-	-	-	21,205	21,205
Investments held to maturity	-	1,170	390	48,007	21,682	982	72,231
Other financial assets	49,086	5,052	2,806	-	-	4,849	61,793
Total financial assets	237,402	473,861	907,244	1,573,579	21,682	381,018	3,594,786
FINANCIAL LIABILITIES:							
Payables to trade members on restricted cash	-	-	-	-	-	353,982	353,982
Other financial liabilities	1,894	-	-	-	-	2,203	4,097
Total financial liabilities	1,894	-	-	-	-	356,185	358,079
Net position	235,508	473,861	907,244	1,573,579	21,682	24,833	
Accumulated gap	235,508	709,369	1,616,613	3,190,192	3,211,874	3,236,707	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***23. RISK MANAGEMENT POLICIES (Continued)****Liquidity risk (continued)***Liquidity risk management (continued)*

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2012 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	101,756	-	-	-	-	-	101,756
Restricted cash	-	-	-	-	-	295,790	295,790
Due from banks	375,437	171,977	241,370	-	-	-	788,784
Investments available-for-sale	-	-	-	-	-	21,277	21,277
Investments held to maturity	-	1,170	390	48,007	21,682	-	71,249
Other financial assets	61,520	5,497	470	-	-	-	67,487
Total financial assets	538,713	178,644	242,230	48,007	21,682	317,067	1,346,343
FINANCIAL LIABILITIES:							
Payables to trade members on restricted cash	-	-	-	-	-	295,790	295,790
Other financial liabilities	9,307	-	-	-	-	3,764	13,071
Total financial liabilities	9,307	-	-	-	-	299,554	308,861
Net position	529,406	178,644	242,230	48,007	21,682	17,513	
Accumulated gap	529,406	708,050	950,280	998,287	1,019,969	1,037,482	

The difference between undiscounted and discounted cash flows on financial liabilities is insignificant due to their short term nature.

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed.

Interest rate risk

Interest rate risk of investment portfolio of the Group is the risk of a change of coupon rates on bonds, which have variable interest rate, indexed to the inflation rate. There is no influence of interest rate on carrying amount of the bond portfolio as all bonds placed in own portfolio of the Group are classified as held-to-maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***23. RISK MANAGEMENT POLICIES (Continued)****Interest rate risk (continued)**

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The impact on profit before tax is the effect of the assumed changes in interest rate on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2013 and 2012, and the effect of revaluing instruments with fixed rates accounted at fair value. The impact on equity is the effect of the assumed changes in interest rate due to changes in retained earnings and the effect of revaluing investment available for sale with fixed rates.

Impact on profit before tax based on asset values as at 31 December 2013 and 2012:

	31 December 2013		31 December 2012	
	Interest rate	Interest rate	Interest rate	Interest rate
	+2%	-2%	+2%	-2%
Profit before tax and equity	1,527	(1,527)	2,124	(2,124)

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

In accordance with the Regulation on investing of own funds, the funds can be invested only in government securities and deposits of second tier banks. The list of banks is established by the Investment Committee. It is prohibited to invest in foreign currency instruments, which limits foreign currency risk of the Group.

As at 31 December 2013 and 2012, the majority of financial assets (2013: 99%, 2012: 99%) and financial liabilities (2013: 100%, 2012: 100%) are denominated in KZT, hence the Group is not significantly exposed to changes in foreign currency exchange rate.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty. Such limitation is represented by the assumption that all interest rates move in an identical fashion

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2013***(In thousands of Kazakhstani tenge, except for Earnings per share, which are in Tenge)***23. RISK MANAGEMENT POLICIES (Continued)****Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. Since the investment portfolio of the Group is represented by exclusively debt financial instruments classified as held to maturity and investments available-for-sale are represented with unquoted equity financial instruments, the Group is not exposed to price risk.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework, systematic inspections of internal audit department and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes. Risk monitoring is performed by the risk management department. In the purpose of decreasing of operational risk arising from system failure the Group has established reserve center.

24. EVENTS AFTER THE REPORTING DATE

Company's management is not aware of any significant events after the balance sheet date, the disclosures of which are required in this standalone financial statement.