Kazakhstan Stock Exchange JSC
Separate Financial Statements
for the year ended 31 December 2018
and Independent Auditor's report

CONTENTS

INDEPENDENT AUDITOR'S REPORT

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

Management [1] of Kazakhstan Stock Exchange JSC (hereinafter the "Company") is responsible for the preparation of the separate financial statements that present fairly the financial position of the Company as at 31 December 2018, as well as its financial performance, cash flows and changes in equity for the year ended 31 December 2018, in accordance with the International Financial Reporting Standards (hereinafter "IFRS").

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

- selecting appropriate accounting policies and applying them consistently;
- providing information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- disclosing additional information in cases where compliance with the requirements of IFRS is not enough for users of the information to understand effects of certain transactions and other events or conditions on the financial position or financial performance of the Company;
- evaluating the Company's ability to continue as a going concern.

Company management is also responsible for:

- designing, implementing and maintaining reliable internal control within the Company;
- maintaining the accounting records in the manner, which allows disclosing and explaining Company's transactions, and presenting as at any date the information on the financial position of the Company with a sufficient degree of accuracy, and ensuring that the financial statements comply with IFRS;
- maintaining accounting records in compliance with the laws of the Republic of Kazakhstan;
- taking such steps as are reasonably available to safeguard the assets of the Company;
- detecting and preventing financial fraud and other irregularities.

Separate financial statements for the year ended 31 December 2018 were approved by the Company's management on 28 March 2019.

On behalf of Company management

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

28 March 2019
Almaty, Kazakhstan

[1] The Management means the Board of Kazakhstan Stock Exchange JSC subject to paragraph 2 of item 4 of article 6 of the Law of the Republic of Kazakhstan On Accounting and Financial Reporting.

Тел.: +7 727 331 31 34
Факс: +7 727 331 31 35
info@bdokz.com
www.bdokz.com

ТОО "BDO Kazakhstan"
ул. Габдуллина, 6
Алматы, Казахстан
A15H4E3

Tel: +7 727 331 31 34
Fax: +7 727 331 31 35
info@bdokz.com
www.bdokz.com

BDO Kazakhstan LLP
6 Gabdullin Street
Almaty, Kazakhstan
A15H4E3

INDEPENDENT AUDITOR'S REPORT

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

Audit conclusion

Opinion

We have audited the attached separate financial statements of Kazakhstan Stock Exchange JSC (hereinafter the "Company"), consisting of the statement of financial position as at the end of the day on 31 December 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on the specified date, as well as notes to the financial statements, including a brief overview of key accounting policies.

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

Basis for opinion

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

Other information

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

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

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

Management and Corporate Governance Responsibility for the Separate Financial Statements

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

In preparing the separate financial statements the management is responsible for assessing the Company's ability to continue as a going concern, for disclosing the going concern information, when appropriate, and for reporting on the basis of the going concern assumption, unless management intends to liquidate the Company, stop its operations or when it has no other realistic alternative than liquidation or termination.

The persons responsible for corporate governance are responsible for the oversight of the preparation of the Company's separate financial statements.

Auditor's responsibility for auditing separate financial statements

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

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

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

The risk of non-detecting material misstatement as a result of fraud is higher than the risk of non-detecting material misstatement as a result of an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

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

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

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

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

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

BDO Kazakhstan LLP

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

28 March 2019

Director T.A. Omarov ____________

Auditor Irina Litvinchik ____________

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

6 Gabdullin Street, Almaty, A15H4E3,

Republic of Kazakhstan

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018
(IN THOUSAND OF KZT EXCEPT FOR THE EARNING PER SHARE DENOMINATED IN KZT)

		The year ended	
	Note	*31 December 2018*	*31 December 2017*
Income from service and commissions	4	**2.330.291**	1.858.884
Interest income	5	**671.598**	553.909
Formation of provision for impairment of assets on which interest is accrued and other operations	6	**(4.535)**	(1.369)
Net profit / (loss) on foreign currency transactions	7	**7.906**	2.288
Dividends received	24	**9.189**	2.753
Other expenses	8	**62.384**	20.120
OPERATING INCOME		**3.076.833**	2.436.585
OPERATING EXPENSES	9	**(1.913.257)**	(1.559.538)
PROFIT BEFORE TAX		**1.163.576**	877.047
Corporate Income Tax Expenses	10	**(175.011)**	(106.618)
Net profit		**988.565**	770.429
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in the current or subsequent periods			
Net unrealized loss from revaluation of investments recorded at its fair value in other comprehensive income		**(44)**	(44)
Other comprehensive income not reclassified to profit or loss in the current or subsequent periods			
Revaluation of fixed assets:		-	**(25.663)**
Revaluation of fixed assets	17	-	(29.682)
Income tax impact	10	-	4.019
Other comprehensive income		**(44)**	(25.707)
Total comprehensive income		**988.521**	744.722
Earnings per share			
Basic and diluted (tenge)	11	**1.049,42**	817,85

On behalf of Management[2]

A.O. Aldambergen
Chairman of the Board

I.B. Kapanova
Chief Accountant

28 March 2019
Almaty, Kazakhstan

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

Notes on pages 6 to 43 are an integral part of these separate financial statements

SEPARATE STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2018
(In thousand KZT)

	Note	31 December 2018[3]	31 December 2017
ASSETS			
Cash and cash equivalents	13	**26.695.041**	55.097
Restricted cash		**–**	1.859.408
Funds in banks	14	**1.145.303**	1.926.341
Financial assets recorded at its fair value in other comprehensive income / Available-for-sale investments	15	**21.053**	21.053
Financial assets recorded at its amortized cost / Investments held to maturity	16	**18.593.240**	4.156.119
Investment in associate	1	**–**	135.000
Investment in affiliated subsidiaries	1	**12.852**	21.782
Financial assets of the central counterparty	12	**3.341.113**	–
Advances issued		**4.894**	6.031
Fixed assets	17	**1.333.020**	1.377.510
Intangible assets	18	**146.143**	169.004
Assets held for sale		**100.325**	–
Prepaid current corporate income tax		**–**	120.520
Other assets	19	**166.153**	112.751
Total assets		**51.559.137**	9.960.616
LIABILITIES AND EQUITY			
LIABILITIES			
Funds of clearing participants	21	**39.141.386**	1.859.408
Central counterparty financial liabilities	12	**3.341.113**	–
Advances received		**65.690**	51.286
Current income tax liabilities		**18.919**	–
Deferred corporate income tax liabilities	10	**24.360**	23.546
Other liabilities	20	**73.455**	55.490
Total liabilities		**42.664.923**	1.989.730
EQUITY			
Authorized capital	20	**2.366.256**	2.366.256
Repurchased own equity instruments		**(62.076)**	–
Investment revaluation reserve recorded at its fair value in other comprehensive income		**57**	101
Reserve for revaluation of fixed assets	17	**179.893**	180.296
Other funds		**1.750.000**	240.000
Retained earnings		**4.660.084**	5.184.233
Total equity		**8.894.214**	7.970.886
Total liabilities and equity		**51.559.137**	9.960.616

On behalf of Company management

A.O. Aldambergen
Chairman of the Board

I.B. Kapanova
Chief Accountant

28 March 2019
Almaty, Kazakhstan

[3]Hereinafter, in the separate financial statements of the Company and in the notes thereto, December 31 of any year is understood as December 31 of that year until 24.00 of Almaty time.

Notes on pages 6 to 43 are an integral part of these separate financial statements

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018
(IN THOUSAND KZT)

	Authorized capital	*Repurchased own equity instruments*	Investment revaluation reserve recorded at its fair value in other comprehensive income	*Reserve for revaluation of fixed assets*	*Other funds*	*Retained earnings*	*Total equity*
31 December 2016	2.366.256	-	145	212.771	225.000	4.421.992	7 226.164
Other comprehensive loss	-	-	(44)	-	-	-	(44)
Revaluation of fixed assets net of income tax	-	-	-	(25.663)	-	-	(25.663)
Revaluation reserve deprecation	-	-	-	(1.049)	-	1.049	-
Revaluation of fixed assets carried forward at disposal	-	-	-	(5.763)	-	5.763	-
Increase of capital reserve	-	-	-	-	15.000	(15.000)	
Net profit for the year	-		-	-	-	770.429	770.429
Total comprehensive income	**-**	**-**	**(44)**	**(32.475)**	**15.000**	**762.241**	**744.722**
31 December 2017	**2.366.256**	**-**	**101**	**180.296**	**240.000**	**5.184.233**	**7.970.886**
Provisions for expected credit losses due to the application of IFRS 9	-	-	-	-	-	**(3.117)**	**(3.117)**
Repurchase of own stock	-	**(62.076)**	-	-	-	-	**(62.076)**
Other comprehensive loss	-	-	**(44)**	-	-	-	**(44)**
Revaluation of fixed assets carried forward at deprecation	-	-	-	**(403)**	-	**403**	-
Increase of capital reserve	-	-	-	-	**1.510.000**	**(1.510.000)**	-
Net profit for the year	-	-	-	-	-	**988.565**	**988.565**
Total comprehensive income	-	**(62.076)**	**(44)**	**(403)**	**1.510.000**	**(524.149)**	**923.328**
31 December 2018	**2.366.256**	**(62.076)**	**57**	**179.893**	**1.750.000**	**4.660.084**	**8.894.214**

On behalf of Company management

A.O. Aldambergen
Chairman of the Board

I.B. Kapanova
Chief Accountant

28 March 2019
Almaty, Kazakhstan

Notes on pages 6 to 43 are an integral part of these separate financial statements

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018
(IN THOUSAND KZT)

	Note	*The year ended 31 December 2018*	*The year ended 31 December 2017*
Cash flow from operating activities			
Profit before tax		**1.163.576**	877.047
Non-cash adjustments			
Provision for impairment of assets	6	**(885)**	1.369
Loss from revaluation of fixed assets		**–**	54.410
Net change in fair value of investments recorded at its fair value in other comprehensive income		**(44)**	(44)
Loss from disposal of fixed assets		**443**	14.129
Impairment loss on investment in associate		**37.473**	–
Income from dividends		**(4.391)**	–
Accrued interest income	5	**(671.554)**	(553.909)
Depreciation and amortization	17.18	**129.684**	130.903
Cash flow from operating activities before operating assets and liabilities changes		**654.302**	523.905
Changes in operating assets and liabilities			
Increase / (decrease) in operating assets			
Funds of clearing participants		**1.859.408**	(1.432.772)
Funds in banks		**772.495**	640.614
Advances issued		**1.137**	(2.226)
Other assets		**(53.049)**	(34.407)
Increase/(decrease) in operating liabilities			
Liabilities to Funds of clearing participants		**37.281.978**	1.432.772
Advances received		**14.404**	16.086
Other liabilities		**17.965**	5.732
Cash inflow/(outflow) from operating activities before tax		**40.548.640**	1.149.704
Interest received		**674.150**	628.347
Corporate income tax paid		**(34.758)**	(80.882)
Net earnings from / (use in) operating activities		**41.188.032**	1.697.169

SEPARATE STATEMENT OF CASH FLOWS (continued)

	Note	*The year ended 31 December 2018*	*The year ended 31 December 2017*
Cash flow from investing activities			
Acquisition of fixed assets	17	**(35.950)**	(86.959)
Acquisition of intangible assets		**(12.388)**	(11.637)
Wages and other costs capitalized in intangible assets		**(13.880)**	(11.635)
Proceeds from sale of fixed assets		**-**	-
Acquisition of investments recorded at amortized cost		**(14.433.760)**	(1.615.322)
Affiliated subsidiary liquidation		**8.930**	-
Dividends received		**1.036**	-
Net use of cash in investing activities		**(14.486.012)**	(1.725.553)
Cash flow from financial activities			
Outflow at own equity instruments repurchase		**(62.076)**	-
Net use of cash in financial activities		(62.076)	-
Net increase / (decrease) in cash and cash equivalents		**26.639.944**	(28.384)
Cash and cash equivalents at the beginning of the year	13	**55.097**	83.481
Cash and cash equivalents at the end of the year	13	**26.695.041**	55.097

Dividends received by the Company during the years ended 31 December 2018 and 31 December 2017 were equal to 9.189 thous. tenge and 2.753 thous. tenge respectively.

On behalf of Company management

KASE

A.O. Aldambergen
Chairman of the Board

I.B. Kapanova
Chief Accountant

28 March 2019
Almaty, Kazakhstan

Notes on pages 6 to 43 are an integral part of these separate financial statements

(in thousands of KZT unless stated otherwise)

1. ORGANISATION

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

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

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

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

Legal address of the Company: 8th floor, 280 Baizakov Street, Northern Tower of the Almaty Towers Multifunctional Complex, 050040, Almaty, Republic of Kazakhstan.

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

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

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

	31 December 2018, %	*31 December 2017, %*
Shareholders		
National Bank of the Republic of Kazakhstan State-owned Institution	**50.10**	50.10
Halyk Savings Bank of Kazakhstan JCS	**7.75**	–
Kazkommertsbank JSC	**–**	6.33
CENTRICA LLP	**6.88**	6.88
Others (individually owning less than 5%)	**35.27**	36.69
Total	**100.00**	100.00

In accordance with paragraph 2 of Article 84 of the Law of the Republic of Kazakhstan *On the Securities Market* (hereinafter the “Law”), the share of each shareholder of the Exchange together with its affiliates may not exceed 20% of the total number of outstanding shares, unless the shareholder is an authorized body, that is, the National Bank of the Republic of Kazakhstan.

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

(in thousands of KZT unless stated otherwise)

1. ORGANIZATION (continued)

For the year ended 31 December 2017 the Company had the following subsidiaries:

Name	*County of business*	*Percentage of voting shares, (%)*	*Contribution to the authorized capital (thous. KZT)*	*Type of activity*
IRBIS Financial Markets Information Agency LLP	Kazakhstan	100	8.930	Information services
eTrade.kz LLP	Kazakhstan	100	12.852	Information technology
			21.782	

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

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

Name	*County of business*	*Percentage of voting shares, (%)*	*Contribution to the authorized capital (thous. KZT)*	*Type of activity*
eTrade.kz LLP	Kazakhstan	100	12.852	Information technology
			12.852	

Associate

RTRS LLP, the Associate, operates in the Republic of Kazakhstan and functions as a backup trade and financial settlements centre. Investments in the Associate are recorded at historical cost net of impairment loss (if available).

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

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

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Accounting basis

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter the “IFRS”). Separate financial statements were prepared on the basis of the principle of accounting at historical cost, with an exception of the principle in the Key accounting policies section, for example, financial assets recorded at its fair value in other comprehensive income, fixed assets of the groups - buildings, land and vehicles have been measured at fair value.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENT (continued)

These separate financial statements have been issued additionally to the consolidated financial statements of the Company. Consolidated financial statements of the Company have been approved by the Company's management on 28 March 2019.

These separate financial statements have been prepared on the basis of the going concern assumption that the Company is currently operating and will continue in operational existence for the foreseeable future.

These separate financial statements are presented in thousands of Kazakhstan tenge (hereinafter the "tenge") except for earning per share, unless stated otherwise.

Functional currency

The functional currency of the Company's separate financial statements is tenge which best of all is reflecting the substance behind the events and circumstances relevant to the Company.

New and revised IFRSs application

New and revised standards and interpretations

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IAS 40 Investment Property

Amendments to IFRS 2 Share-based Payment

Amendments to IFRS 4 Application of IFRS 9 Financial Instruments instead of IFRS 4 Insurance Contracts

Amendments to IAS 28 Investments in Associates and Joint Ventures - clarification that the decision to evaluate investees at fair value in profit or loss should be made separately for each investment

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

The Stock Exchange applied the following revised IFRSs, which became effective for annual reporting periods beginning on or after January 1, 2018. The Stock Exchange did not prematurely apply the standards, clarifications or amendments that have been issued but were not put into effect.

IFRS 9 Financial Instruments

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

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENT (continued)

New and revised IFRSs application (continued)

New and revised standards and interpretations (continued)

IFRS 9 critically changes the approach to accounting for the impairment. According to IAS 39 the approach based on incurred losses is changed into a forecasting approach requiring recording of expected credit losses. The Stock Exchange shall have to recognize the estimated reserve for expected credit losses on all financial assets recorded at amortized cost and other debt financial assets not evaluated at fair value in profit or loss. The reserve should be evaluated at the amount equal to the expected credit losses due to the probability of default over the next 12 months. In cases where the credit risk of an instrument has increased significantly since its initial recognition, the reserve is evaluated based on the probability of default over the life of the asset.

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

The business model of the Stock Exchange was evaluated on January 1, 2018, the date of initial application. Analysis of whether contractual cash flows on debt instruments are solely payments on the principal amount of the debt and interest is based on the facts and circumstances existing at the time of initial recognition of these assets.

The application of IFRS 9 has not had a significant impact on the classification and measurement of the financial assets of the Stock Exchange.

The Stock Exchange continued to evaluate at fair value all the financial assets which have been previously evaluated at fair value in accordance with IAS 39. The changes in the classification of the Stock Exchange financial assets are as follows:

• Receivables and other financial fixed assets that were classified as loans and receivables as of December 31, 2017, are held within the business model. The purpose of the business model is to obtain the contractual cash flows that are solely intended as payments on the principal amount of the debt and interest. From January 1, 2018, such instruments are classified and evaluated as Debt instruments evaluated at amortized cost.

• Quoted debt instruments, which as of December 31, 2017 were classified as financial assets held to maturity, from January 1, 2018 are classified and evaluated as Debt instruments evaluated at amortized cost. The Stock Exchange holds these assets to obtain the contractual cash flows. The quoted debt instruments of the Stock Exchange include ordinary government and corporate bonds, the cash flows of which are intended exclusively for payments offset against the principal amount of the debt and interest.

• Investments in equity instruments of organizations whose shares are not listed on the stock exchange and which as of December 31, 2017 were classified as available-for-sale financial assets from January 1, 2018 are classified and evaluated as equity instruments classified at the discretion of the Stock Exchange as being evaluated at fair value in the other comprehensive income. The Stock Exchange made an irrevocable decision to include the available investments in unquoted equity instruments in this category, since the Stock Exchange intends to hold such investments in the foreseeable future. In previous periods, there was no impairment losses recognized in profit or loss on such investments. The Stock Exchange, in its sole discretion, did not classify any financial liabilities as evaluated at fair value in profit or loss. The classification and evaluation of the Stock Exchange financial liabilities has not changed.

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

(in thousands of KZT unless stated otherwise)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENT (continued)

New and revised IFRSs application (continued)

New and revised standards and interpretations (continued)

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

	Allowance for impairment according to IAS 39 as of December 31, 2017 (thous. tenge)	*Revaluation*	*ECL according to IFRS 9 as of January 01, 2018 (thous. tenge)*
Receivables according to IAS 39 / Financial Assets evaluated at amortized cost according to IFRS 9 and contractual assets	6.288	(4.161)	2.127
Investments held to maturity according to IAS 39 / Financial Assets evaluated at amortized cost according to IFRS 9	3.892	(3.361)	531
Cash and cash equivalents	-	256	256
Funds in banks	-	10.383	10.383
Available-for-sale financial assets according to IAS 39 / Equity Instruments evaluated at fair value in the OCI according to IFRS 9	-	-	-
	10.180	**3.117**	**13.297**

IFRS 15 Revenue from Contracts with Customers

On May 2014 the IFRS Board has issued IFRS 15 Revenue from Contracts with Customers which became effective for the annual reporting periods beginning from January 01, 2018 or after that date. Early application is allowed. IFRS 15 defines revenue recognition principles and has to be applied to all contracts with customers. However, interest and fee and commission income directly related to financial instruments and lease contracts are not covered by IFRS 15 and are subject to other applicable standards (for example, IFRS 9 and IFRS 16 Leases).

According to IFRS 15, revenue should be recognized upon the transfer of goods or services in the amount of compensation, the right to which the Stock Exchange is expecting to receive in exchange for the transfer of these goods or services. The standard also has the requirements for disclosing detailed information about the nature, size, timing and uncertainty of revenue and cash flow arising from contracts with customers. The application of IFRS 15 did not affect the Stock Exchange revenue and profit or loss.

Services

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

Advance payments received from customers

When adopting IFRS 15 for short-term advance payments, the Stock Exchange used a practical simplification.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENT (continued)

New and revised IFRSs application (continued)

New and revised standards and interpretations (continued)

According to this simplification, the Stock Exchange will not adjust the promised compensation amount, taking into account the influence of a significant financing component in the contracts, if at the time of contract execution the Stock Exchange expects that the period between the transfer of the promised services to the customer and the customer's payment for such service shall not exceed one year.

Amendments to IFRS 2 Share-based Payment

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

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

These amendments are effective for annual reporting periods beginning on or after January 1, 2018. The application of these amendments will not require the Stock Exchange to recalculate data for previous periods; retrospective application is permitted provided that the Stock Exchange will decide to apply all three amendments at once and fulfil some other criteria. Early application is also permitted. These amendments did not have any significant effect on the Stock Exchange.

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

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

Temporary exemption is permitted for the first time for reporting periods beginning on or after January 1, 2018. The compensatory approach may be selected by the company at first application of IFRS 9 and must be applied retrospectively for financial assets classified in a certain category upon transition to IFRS 9. These amendments did not have any significant effect on the Stock Exchange.

IFRS 16 Lease

IFRS 16 presents a single model for defining lease contracts and accounting by both the lessor and the lessee. Following the entry into force the new standard will replace IAS 17 Leases and all related clarifications.

IFRS 16 distinguishes between lease contracts and service contracts based on whether the customer controls the identified asset. There is no longer a separation between operating lease (off-balance sheet accounting) and financial lease (on the balance sheet accounting) for the lessee. Instead the model is used, according to which the right-of-use asset and the corresponding liability for all lease contracts (on the balance sheet accounting for all contracts) must be recognized, except for short-term lease and lease of low-cost assets

2. BASIS OF PREPARATION OF FINANCIAL STATEMENT (continued)

New and revised IFRSs application (continued)

New and revised standards and interpretations (continued)

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

Compared to the accounting by the lessee, accounting by the lessor in accordance with IFRS 16 has remained almost unchanged compared to IAS 17 and requires to distinguish lease contracts for operating or financial leases. Moreover, the disclosure requirements in accordance with IFRS 16 have significantly increased.

IFRS 16 effective for annual periods beginning on or after 1 January 2019 requires more disclosures from lessors and lessees compared to IAS 17.

The Stock Exchange intends to apply this standard since its becomes effective. Preliminary analysis demonstrates that in case of lease contracts meeting the definition of a lease in accordance with IFRS 16, respectively, the Stock Exchange will reflect right-of-use assets and lease liabilities for these contracts, except for those that meet the short-term lease criteria or lease of low-value assets criteria in IFRS 16.

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

Improvements refer to the following standards:

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

IFRS 11 Joint Arrangements An entity should not overestimate its former share in a joint operation after it gains joint control of the business;

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

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

Amendments to IAS 19 Remeasurement on a Plan Amendment, Curtailment or Settlement (effective from January 1, 2019);

Interpretation (IFRIC) 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after January 1, 2019);

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

Amendments to IFRS 9, Prepayment Features with Negative Compensation (effective from January 1, 2019);

IFRS 17 Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2021);
Amendments to IFRS 10 / IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely until the research project on the equity method has been concluded).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENT (continued)

New and revised IFRSs application (continued)

The Stock Exchange did not prematurely apply the standards, amendments and interpretations and is currently evaluating their impact on the financial statements.

3. KEY ACCOUNTING POLICIES

Service and Commission Revenues Recognition

Service and commission revenues are recognised upon rendering of the corresponding services. Revenues from membership and listing fees are recognized on the basis of decisions on the admission of the entities to the Stock Exchange members and quoting of securities on the Stock Exchange official list. Revenues received by the Stock Exchange from any entity as a monthly membership fee is recognized monthly on permanent basis as long as the entity is the Stock Exchange member. Revenues from annual listing fees are recognized within 12-month period to which they relate.

Interest Income Recognition

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

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

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

If a financial asset or a group of homogeneous financial assets was written off (partially written off) as a result of impairment, interest income is determined based on the initial effective interest rate used to discount future cash flows in order to calculate impairment loss.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after January 1, 2018. IFRS 9 combines three aspects of financial instruments accounting: classification and measurement, impairment and hedge accounting.

Classification and measurement of financial assets

According to IFRS 9, the Stock Exchange initially measures financial assets at fair value, which is increased if the financial assets are not measured at fair value in profit or loss, in the amount of transaction costs.

Debt instruments held as part of a business model aimed at obtaining contractual cash flows that include only the principal amount and interest thereon are generally evaluated at amortized cost. Debt instruments held as part of a business model with the purpose of obtaining both contractual cash flows and financial asset sale, as well as having contractual terms that stipulate cash flows that exclusively are the repayment of the principal of loan and interest for the outstanding principal of loan are usually recorded at fair value in the OCI. All other debt and equity instruments are measured at fair value.

The analysis of whether contractual cash flows on debt instruments are solely payments on the principal of loan and interest was based on the factors and circumstances existing at the time of these assets initial recognition.

3. KEY ACCOUNTING POLICIES (continued)

Classification and measurement of financial liabilities

The accounting treatment of financial liabilities remained unchanged compared to the treatment according to IAS 39. Additionally in accordance with IAS 39 and IFRS 9 it is required to consider liabilities in terms of contingent consideration as financial instruments measured at fair value while recognizing changes in fair value in the statement of profit or loss.

Financial liabilities are recorded at fair value net of transaction costs.

Further, other financial liabilities are measured at amortized cost. Interest expense is calculated using the effective interest method.

The Stock Exchange derecognizes financial liabilities only if they are repaid, cancelled, or in case of the expiration of the claim on them. When an existing financial liability is replaced by another liability to the same creditor on significantly different conditions, or when the conditions of the existing liability change significantly, such replacement or change is recorded as write-off of the initial liability and recognition of a new one. The difference between the balance book value of a derecognised financial liability which is paid or payable as remuneration is recognized in profit or loss.

Impairment

Application of IFRS 9 has changed the accounting treatment used by the Stock Exchange for impairment loss on financial assets. Method used in IAS 39 and based on incurred losses was replaced by a projected expected credit loss model (hereinafter the “ECL”).

Expected credit loss is calculated as the difference between the cash flows due to the Stock Exchange in accordance with the contract and all cash flows that the Stock Exchange is expecting to receive. Underpayment is then discounted at a rate approximately equal to the initial effective interest rate for the asset.

With respect to receivables, the Stock Exchange applied the simplified approach provided for by the standard, and calculated the ECL for the entire period. The Stock Exchange applied the valuation reserve matrix based on its experience of incurring credit loss adjusted for the prospective factors specific to borrowers and general economic conditions.

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

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

Cash and cash equivalents

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

Funds of clearing participants

Most of the clearing participants’ funds are money of the foreign exchange market members placed on the Stock Exchange correspondent accounts at the reporting date for the operations on the next trading day.

According to the Stock Exchange internal documentation The Clearing Rules on Financial Instruments Transactions (hereinafter the “Rules”) each clearing participant must maintain a certain level of collateral and guarantee fee on the Stock Exchange correspondent account. Additionally at the end of the trading day some of the clearing participants leave money on the Stock Exchange correspondent account for trading on the next trading day. The Stock Exchange recognizes theses money as liabilities to the clearing participants.

3. KEY ACCOUNTING POLICIES (continued)

Funds in banks

During operations the Stock Exchange opens current accounts and deposits with banks for a period exceeding three months. Funds in banks with certain maturities are recorded at amortized cost using the effective interest method. Funds in banks are recorded net of provision for impairment, if there is any.

Central counterparty assets and liabilities

The Stock Exchange acts as a central counterparty (hereinafter the “CC”) on the foreign exchange market and the derivative market, being a party for each participant in all transactions concluded at the exchange trades and guarantees their settlement on a net basis. Assets and liabilities on such transactions are recorded in the statement of financial position at net fair value calculated based on daily estimated prices established by the Stock Exchange in accordance with the approved internal documents. Financial liabilities measured at fair value in profit or loss include liabilities of the central counterparty for pending transactions in the foreign exchange market at the end of the reporting period. These financial liabilities are recorded at fair value with a revaluation reflected in profit or loss.

Central counterparty collateral

The Stock Exchange guarantees settlement of net liabilities with participants in the foreign exchange market and the derivative market using individual and collective collateral systems. The individual collateral of the participant can be either full or partial depending on the category assigned to the clearing participant determined by the participant's financial standing.

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

Clearing reserve and guarantee funds serve as collective collateral of transactions execution for clearing participants with partial collateral. Reserve funds are formed at the expense of the Stock Exchange internal funds for each exchange market. Guarantee funds are formed from the clearing participants guarantee fees.

Fixed assets

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

After initial recognition fixed assets are recorded according to:

1) Revaluation model − buildings and constructions, housing, land plots and vehicles;

2) Cost model − all other groups of fixed assets.

When applying the revaluation model fixed assets are recorded at fair value on the revaluation date net of accumulated depreciation and impairment loss.

The Stock Exchange capitalizes the costs incurred for the modernization and repair of fixed assets units for extending the unit useful life or increase the future economic benefits from the unit use. Repair and maintenance expenses for the fixed assets non-meeting this capitalization criterion are recorded in the Stock Exchange separate statement of comprehensive income for the period when such expenses have been incurred.

Fixed assets depreciation is covered in the Stock Exchange separate statement of comprehensive income as operating expenses over the estimated useful life of these funds using the straight-line method of depreciation. If any component of the fixed assets unit has different useful live, this component is treated as separate fixed asset unit.

3. KEY ACCOUNTING POLICIES (continued)

The estimated useful lives of the Stock Exchange fixed assets are as follows.

	Useful life for 2018, years
Buildings	40
Machinery and equipment	3-15
Vehicles	6-7
Others	6-10

Land and construction-in-progress are not subject to deprecation.

Balance book value of the fixed assets, useful life and deprecation basis are reviewed on each reporting date.

Intangible assets

Intangible assets include software and licenses.

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value at the acquisition date. After initial recognition, intangible assets are recorded according to cost model. When applying the cost model, intangible assets are recorded cost less accumulated depreciation and accumulated impairment loss.

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

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

1) The cost of materials and services used or consumed when creating an intangible asset;
2) Wages and other costs associated with employees who are directly involved in creating an asset (the Stock Exchange capitalizes on remuneration of employees who are directly involved in the increment of software based on progress reports, in the case of compliance of such work with all the above requirements);
3) Any costs that are directly attributable to the created asset such as registration charges for legal rights registration, patents and licenses used for the asset creation.

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

The estimated useful lives of the Stock Exchange intangible assets are as follows:

	Useful life for 2018, years
Internally developed software	3-9
Other software and licenses	5
Other intangible assets	5

Reserves

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

The amount of the recorded provisions for future costs is the best estimate of the liabilities settlement amount determined at the reporting date taking into account the risks and uncertainties characteristic of these liabilities. If the reserve amount is calculated based on the estimated cash flows to settle the liabilities and the effect of the time value of money is significant, then the provision is determined as the discounted value of such cash flows.

(in thousands of KZT unless stated otherwise)

3. KEY ACCOUNTING POLICIES (continued)

If it is expected that the payments necessary for liabilities settlement are partially or fully reimbursed by a third party, the corresponding receivables are recorded as an asset provided that they are fully reimbursed and that a reliable estimate of the amount of these receivables is obtained.

Non-current assets held for sale and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale if their balance book value is refundable mainly through their sale and not as a result of continued use. Non-current assets and disposal groups classified as held for sale are measured at the lower of two values - balance book value and fair value less costs to sell. Costs to sell are incremental costs that are directly attributable to the asset disposal (or a disposal group) and exclude financing costs or income tax expense.

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

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

Foreign currencies

When preparing the Stock Exchange financial statements exchange transactions in the currencies other that the functional currency (hereinafter the "foreign currencies") are recorded at the market exchange rate at the transaction date. Monetary items denominated in foreign currencies are converted at the respective exchange rates at the end of each reporting period. Non-monetary items carried at fair value in a foreign currency are subject to recalculation at market exchange rates effective at the date of determining the fair value. Non-monetary items recorded at historical cost in a foreign currency are not recalculated.

The market exchange rates at the end of the year used by the Stock Exchange in the preparation of separate financial statements are as follows:

	31 December 2018	***31 December 2017***
KZT/1 USD	**384.20**	**332.33**
KZT/1 EUR	**439.37**	**398.23**
KZT/1 RUR	**5.52**	**5.77**
KZT/1 GBP	**488.13**	**448.61**

Authorized capital

Authorized capital is recorded at historical cost.

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

Reserves and funds in authorised capital

Reserves and funds reflected in the authorised capital in the statement of financial position of the Stock Exchange are as follows:

- Investments revaluation reserve covering changes in the investments fair value are classified at fair value in the other comprehensive income;
- reserve for revaluation of fixed assets;
- other funds formed to cover a possible default of market participants.

(in thousands of KZT unless stated otherwise)

3. KEY ACCOUNTING POLICIES (continued)

In 2018, the reserve fund was increased to 1.750.000 thousand tenge.

	31 December 2018	*31 December 2017*
Fund for trading in foreign exchange futures	**70.000**	70.000
Fund for trading in index futures	**100.000**	100.000
Clearing reserve fund in “stock” market sector	**80.000**	70.000
Clearing reserve fund of foreign exchange market	**1.500.000**	-

Reserve fund is included in the other funds in the separate statement of equity.

Investment in affiliated subsidiaries

A subsidiary is an entity including a non-united entity such as a partnership which is managed by the Company. Investments in affiliated subsidiaries are recorded in the separate financial statements at historical cost less impairment loss (if any).

Investment in associates

An associate is a company significantly influenced by the Company in terms of financial and operating activities and which is neither a subsidiary nor a joint venture. Significant influence involves the right to participate in decisions making regarding the financial and economic activities of the entity, but does not imply control or joint control over such activities. Investments in associates are recorded in the separate financial statements at historical cost less impairment loss (if any).

Requirements of IAS 36 Impairment of Assets are applied to determine whether it is necessary to recognize an impairment loss on the Company's investments in an associate.

If necessary, the balance book value of the investment (including goodwill) is tested for impairment under IAS 36 by comparing its recoverable amount (the highest value from the value of use and fair value less costs to sell) with its balance book value. The recognized impairment loss is included in the balance book value of the investment. Reversal of such impairment loss is recognized in accordance with IAS 36 in cases the recoverable amount of the investment subsequently increases.

Taxation

Corporate income tax expenses consist of current and deferred taxes and are recorded in the Company's statement of profit and loss except for cases when deferred tax relates to transactions directly accounted for in other comprehensive income or equity.

Current corporate tax expense amount is the expected tax amount incurred for payment for the period and calculated based on tax rates applicable in accordance with the laws of the Republic of Kazakhstan at the reporting date taking into account all adjustments for the previous years’ tax debt.

Deferred corporate income tax liabilities and assets are calculated in respect of all temporary differences using the liability method.

Deferred taxes are determined for all temporary differences between the tax base of assets and liabilities and book amount in the financial statements, except for the occurrence of deferred income tax due to initial recognition of a goodwill, an asset or a liability under a transaction that is not a business combination and does not affect accounting income or tax income and loss during its execution.

A deferred tax asset is recognized only to the extent that there is a significant likelihood of taxable profit against which deductible temporary differences can be applied. The balance book value of deferred tax assets is reviewed at each reporting date and is reduced to the extent that achieving sufficient taxable income allowing the use of all or part of the assets is rated as remote.

The deferred tax assets and liabilities are measured at tax rates that will be applied during the period of the asset sale or settlement of the liability based on the law effective or effective retrospectively at the reporting date.

3. KEY ACCOUNTING POLICIES (continued)

The Company offsets deferred tax assets and liabilities and records the total difference in a separate statement of financial position if:

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

Lease

A definition of whether the contract is a lease contract or whether it contains indications of a lease is based on an analysis of the contract content at the date of lease commencement. The contract is a lease contract or contains signs of a lease if the contract implementation depends on the use of a particular asset (or assets) and the right to use the asset or assets as a result of this contract transfers from one party to another, even if this asset (assets) is not explicitly stated in the contract.

The Stock Exchange as a lessor

Lease is classified as financial or operating at the commencement date of the rental relationship. Lease that transfers almost all the risks and rewards of ownership to the Stock Exchange is classified as finance lease.

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

The leased asset is depreciated during its useful life. However, if there is no reasonable certainty that ownership of the asset at the end of the lease term will pass to the Stock Exchange, the asset is depreciated within the shorter of the following periods: the estimated useful life of the asset and the lease term.

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

Fair value measurement

The Stock Exchange measures such financial instruments as equity instruments and such non-financial assets as fixed assets at fair value.

Fair value is the price that would be received when the asset had been sold or would be paid when the liability had been transferred in the ordinary-course-of-business transaction between market participants at the measurement date. Fair value measurement assumes that the asset selling or liability transferring transaction is conducted:

- in a main market for the asset or liability; or
- in case of main market absence, in the most profitable market for this asset or liability.

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

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

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

The Stock Exchange applies such valuation models that are appropriate in the circumstances and for which data are available that are sufficient to fair value measurement, while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. KEY ACCOUNTING POLICIES (continued)

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

- Level 1 - Price quotations (non-adjustable) of active markets for identical assets or liabilities;
- Level 2 - Valuation models in which inputs critical for the fair value measurement and referring to the lowest level of the hierarchy are directly or indirectly observable in the market;
- Level 3 - Valuation models in which inputs critical for the fair value measurement and referring to the lowest level of the hierarchy are unobservable in the market.

If there are assets and liabilities that are revalued in the financial statements on a recurring basis, the Stock Exchange determines the need of their transfer between hierarchy levels and at the same time reanalyses the classification (based on the lowest level input that are critical for measuring fair value as a whole) at the end of each reporting period.

The Stock Exchange management determines policies and procedures for both recurring fair value measurements of fixed assets and unquoted financial assets as well as for non-recurring fair value measurements of assets, such as, for example, assets held for sale.

External appraisers are engaged for the measurement of significant assets such as fixed assets and unquoted financial assets and significant liabilities such as contingent consideration.

At each reporting date, the management analyses changes in the value of assets and liabilities that need to be reanalysed or revaluated in accordance with the Stock Exchange accounting policies.

The management and external appraisers of the Stock Exchange periodically provide evaluation findings to the independent auditors of the Stock Exchange, which implies a discussion of the main assumptions used in the evaluation.

For the purpose of fair value information disclosure the Stock Exchange has classified assets and liabilities based on their nature, characteristics and risks and the applicable level in the fair value hierarchy, as described above.

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

- Disclosure of valuation methods, significant estimates and assumptions (Notes 3, 13, 15);
- Disclosure of quantitative information about the fair value hierarchy (Note 25);
- Investment in non-traded equity (Note 15);
- Fixed assets recorded by revaluation model (Note 17);
- Financial instruments (including those carried at amortized cost) (Note 16);

Significant accounting assumptions and sources of estimation uncertainty

When applying the Company's accounting policies, the management makes assumptions and estimates about the balance book value of assets and liabilities that are non-obvious from other sources.

Estimates and the underlying assumptions are based on past experience and other factors that are considered relevant in specific circumstances. Actual results may differ from these estimates.

Estimates and underlying judgements are constantly reviewed. Changes in estimates are recognised in the current period, if the change affects only this period, or in the current and future periods, if the change affects both the current and future periods.

Key sources of estimation uncertainty

Key assumptions about the future and other key sources of estimation uncertainty at the end of the reporting period which are likely to result in significant adjustments to the balance book value of assets and liabilities during the next fiscal year are as follows.

3. KEY ACCOUNTING POLICIES (continued)

Assets held for sale

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

- Participation share is available for immediate sale and can be sold to the customer in its current state.
- Sales activities have been initiated and it is assumed that the sale will be completed within one year from the initial classification date.
- Potential customer had been identified and negotiations with such customer were rounded out at the reporting date.

Impairment of receivables

Receivables are included in other assets in a separate statement of financial position.

The Stock Exchange applies a simplified approach at evaluation of the expected credit risks and creating provisions for impairment of receivables and contractual assets arising from transactions related to the scope of IFRS 15 and lease receivables.

A simplified approach is as follows.

For receivables and assets under a contract without a significant financing component according to IFRS 15 and under contracts with a maturity not exceeding one year, credit losses expected during the asset life are recognized, since the asset term is usually 12 months or less.

Accordingly, the credit loss for 12 months and the credit loss for the entire asset life are as follows:

1) For trade receivables, the Stock Exchange applies calculation of expected credit loss using allowances matrix (breakdown of receivables as incurred) adjusted according to reasonable and supported information on current and predicted future economic conditions.

No later than March 1 of the year following the analysed period the Stock Exchange annually analyses accounts receivable ageing for determining default rate over the past year and the allowances rate. The calculated rates of the allowance are applied during the reporting year to the receivables at the end of the quarter, depending on the number of days overdue, in order to calculate the allowance for expected credit loss.

It should also be noted that 100% allowance rate is applied to the overdue receivables with a maturity including and exceeding 361 days.

Significant accounting assumptions and sources of estimation uncertainty (continued)

2) for receivables, contractual assets, lease receivables with a substantial financing component the Stock Exchange applies a simplified approach to recognizing expected credit loss over the entire life of the financial asset.

The Stock Exchange does not consider revision of the periods and the date of debt repayment on the provided assets as the overdue receivables.

The Stock Exchange derecognizes the asset in accounting only for a debt with a 100% reserves (provisions) in case of the expected credit loss and for taking all measures to recover overdue receivables that did not result in the debt repayment by the debtor.

As of the end of December 31, 2018 and December 31, 2017, the total receivables were 146.175 thous. tenge and 93.218 thous. tenge, respectively, and the allowance for impairment was 6.153 thous. tenge and 6.598 thousand tenge, respectively, Note 19.

Taxation

Kazakhstan tax, currency and customs legislation is subject to varying interpretations and frequent changes. The management interpretation of these laws in terms of Company transactions and operations may be challenged by the relevant regional or state authorities. Tax periods are available for review by the tax authorities within five calendar years preceeding the years in which the tax inspection is conducted.

3. KEY ACCOUNTING POLICIES (continued)

Significant accounting assumptions and sources of estimation uncertainty (continued)

The management believes that during the years ended December 31, 2018 and December 31, 2017 is has appropriately interpreted the applicable laws and it is likely that tax authorities will confirm appropriate application of tax, currency and customs laws by the Company. After inspections by the relevant authorities, additional taxes, penalties and interest may be charged. This may affect the Company net profit.

Revaluation of fixed assets

The Stock Exchange evaluates buildings and vehicles at a revalued cost, and changes in their fair value are recognized as part of the OCI. Buildings were evaluated based on operations with real estate having similar facilities nature, location and state. In 2017, the Stock Exchange engaged an independent appraiser to determine the fair value of the above assets as of December 31, 2017.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recognized in the statement of financial position cannot be determined on the basis of quoted prices in active markets, it is determined using valuation models, including the discounted cash flow model.

As an input for these models the observable markets information is used where possible, but where this does not seem practical, a certain amount of judgement is required for fair value establishing.

Judgements include consideration of such input as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors may affect the fair value of financial instruments reflected in the financial statements.

Impairment of non-financial assets

The asset or cash generating unit is impaired when the balance book value of an asset or a cash generating unit exceeds its recoverable amount, which is the largest of the following: fair value net of disposal costs or value in use.

Fair value calculation net of costs of disposal is based on the available information on binding transactions to sell similar assets between independent parties or on observable market values net of additional costs that would have been incurred due to asset disposal.

Judicial proceedings

In accordance with IFRS, the Stock Exchange recognizes the need to form provisions only if there are current liabilities arising from past events that can be reliably estimated. A contingent liability that does not meet the specified criteria may be disclosed in the notes to the financial statements. Application of this principle in relation to judicial proceedings requires the Stock Exchange to take decisions on various operational and legal issues out of the Stock Exchange scope of control. In case of legal proceedings as well as at each reporting date the Stock Exchange will abide by the policy of reviewing pending judicial proceedings in order to assess the necessity for provisions generation. There are factors taken into account by the Stock Exchange when making decisions on the provisions generation: the nature of the lawsuit, claim or fine; the amount of potential damage that may be incurred by the Stock Exchange as a result of an unfavourable outcome of the judicial proceedings; the judicial proceedings process (including after the financial statements date but prior to its issue); legal advice; experience of similar legal proceedings; any decisions of the Stock Exchange on responding to the legal proceedings, claims or fines. The Stock Exchange has no judicial proceedings as of the date of this separate financial statements issue.

(in thousands of KZT unless stated otherwise)

4. INCOME FROM SERVICES AND COMMISSIONS

	2018	*2017*
Service and commissions revenues		
Listing fees	**718.150**	654.159
Stock Exchange membership fees	**340.488**	360.034
Commission for the Stock Exchange transactions	**993.712**	687.838
Information services income	**173.341**	132.111
Income from remote access	**31.240**	22.793
Clearing fees	**73.360**	1.949
Total Service and Commission Revenues	**2.330.291**	1.858.884

5. INTEREST INCOME

	2018	*2017*
Interest income includes:		
Interest income on non-impaired financial assets	**669.557**	551.868
Interest income on impaired financial assets	**2.041**	2.041
Total comprehensive income	**671.598**	553.909
Interest income on financial assets recorded at amortised cost includes:		
Interest income on funds in banks	**155.584**	165.866
Interest income on investments recorded at amortised cost includes:	**425.550**	372.516
Interest income related to receipt of interest on reverse repo transactions with stocks	**83.600**	3.623
Interest income on cash and cash equivalents	**6.864**	11.904
Total interest income on financial assets	**671.598**	553.909

6. PROVISION FOR IMPAIRMENT OF ASSETS ON WHICH INTEREST IS ACCRUED AND OTHER OPERATIONS

Information on changes in provisions for impairment of assets on which interest income is accrued and other provisions is as follows:

	Cash and cash equivalents	*Funds in banks*	*Investments held to maturity/ Financial assets incurred at amortised cost*	*Other assets*	*Total*
As at the end of December 31, 2016	–		39.858	10.023	49.881
Creation of provisions	–	–	–	1.369	1.369
Write off	–	–	(35.966)	(5.104)	(41.070)
As at the end of December 31, 2017	–	–	**3.892**	**6.288**	**10.180**
Creation of provisions	5.420	5.946	(3.361)	(353)	7.652
As at the end of December 31, 2018	**5.420**	**5.946**	**531**	**5.935**	**17.832**

7. NET PROFIT (LOSS) ON FOREIGN CURRENCY TRANSACTIONS

Net profit on foreign currency transactions for the year ended December 31, 2018 was 7.906 thous. tenge. For 2017 net loss on foreign currency transactions was 2.288 thous. tenge.

(in thousands of KZT unless stated otherwise)

8. OTHER INCOME

	2018	2017
Income on interest incurred for overnight	**55.804**	12.216
Received fees, penalties	**4.892**	533
Income on purchases collateral recognition	**705**	-
Operating lease income	**907**	998
Accounts payable write off	**75**	4
Reimbursement of expenses (digital entry badge loss)	**1**	1
Income from inventory recognition	**-**	201
Income from fixed assets disposal	**-**	6.107
Reimbursement of training costs	**-**	60
Total other income	**62.384**	20.120

9. OPERATING EXPENSES

	2018	2017
Staff costs	**1.207.245**	940.017
Depreciation and amortization	**129.684**	130.902
Social tax	**112.785**	94.252
Loss from revaluation of fixed assets	**–**	54.410
Impairment loss (investment recorded by equity method)	**37.473**	–
Bank services	**42.292**	46.200
Taxes excluding income tax	**38.909**	43.083
Fixed and intangible assets maintenance	**48.724**	45.821
Business development expenses	**67.272**	24.543
Communications and SWIFT series	**32.945**	30.312
Business travel expenses	**35.241**	23.458
General occupancy and operating lease expenses	**17.589**	17.656
Professional services	**33.317**	13.340
Information services	**14.379**	13.651
Membership fees	**13.833**	12.554
Training of personnel	**4.344**	8.066
Insurance expenses	**1.340**	1.319
Mail and courier services expenses	**673**	1.190
-	**75.212**	58.764
Total operating expenses	**1.913.257**	1.559.538

The personnel expense does not take into account the remuneration of employees directly engaged in the increment of software products capitalized in the intangible assets of the Stock Exchange. Information on the above remuneration is disclosed in Note 18 to these statements.

Impairment loss recorded by equity method (RTRS LLP) in 2018 was recognized at the investment transfer in assets held for sale and was equal to 37.473 thous. tenge.

10. CORPORATE INCOME TAX

Corporate income tax expenses consist of the following items:

	2018	2017
Current corporate income tax expenses	**174 .197**	115 .491
Deferred corporate income tax expenses	**814**	(8.873)
Corporate income tax expenses	**175.011**	106.618

The Company performs income tax payments for the current period according to the tax base in line with the requirements of the tax laws of the Republic of Kazakhstan, which may differ from IFRS.

As some types of expenses are not accounted for tax purposes, as well as due to the presence of non-taxable income, the Company has certain permanent tax differences.

(in thousands of KZT unless stated otherwise)

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

Net deferred tax liability

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

10. CORPORATE INCOME TAX (continued)

	31 December 2018	*As a part of other comprehensive income*	*In the profit and loss statement*	*31 December 2017*
Tax effect of deductible temporary differences				
Provision for unused vacations	**8.416**	–	**2.694**	5.722
Provision for impairment of assets	**1.650**	–	**(1.823)**	3.473
Reserve for doubtful claims	**891**	–	**214**	677
Deferred income tax assets	**10.957**	–	**1.086**	9.871
Tax effect of taxable temporary differences				
Fixed assets	**(35.317)**	–	(1.900)	**(33.417)**
Deferred tax liabilities	**(35.317)**	–	(1.900)	**(33.417)**
Total deferred income tax liabilities	**(24.360)**	–	(814)	**(23.546)**

	31 December 2018	*As a part of other comprehensive income*	*In the profit and loss statement*	*31 December 2017*
Net deferred tax liability at the year beginning	**23.546**	–	(12.892)	36.438
Deferred tax in the equity for revaluation of fixed assets	**–**	–	4.019	(4.019)
Deferred income tax expenses	**814**	–	9.687	(8.873)
Net deferred tax liability at year end	**24.360**		814	23.546

The tax rate used for reconciliations below is the corporate tax rate of 20% in accordance with the tax laws of the Republic of Kazakhstan which is applied to a taxable income.

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

(in thousands of KZT unless stated otherwise)

10. CORPORATE INCOME TAX (CONTINUED)

	The year ended 31 December 2018	*The year ended 31 December 2018*
Profit before tax	**1.163.576**	877.047
Statuary corporate income tax rate	**20 %**	20 %
Statuary income tax rate	**232.715**	175.409
Taxable interest income and other income on government securities and other securities	**(85.109)**	(74.503)
Other non-taxable income	**(1.838)**	(551)
Non-deductible expenses		
General & administrative expenditures	**7.016**	2.118
Membership fees	**2.623**	2.379
Provision for other assets impairment	**10.403**	138
Other	**9.201**	1.628
Total corporate income tax permanent differences	**(57.704)**	(68.791)
Corporate income tax expenses	**175.011**	106.618

11. EARNING PER SHARE

Earning and average weighted number of ordinary shares used to calculate the basic earning per share is as follows.

	The year ended 31 December 2018	*The year ended 31 December 2018*
Net profit for the year related to the Company shareholders	**988.565**	770.429
Average weighted number of ordinary shares for determining base earning per share	**942.013**	942.013
Base and diluted earning per share (tenge)	**1.049,42**	817.85

12. FINANCIAL ASSETS / (LIABILITIES) OF CENTRAL COUNTERPARTY

CC financial assets and liabilities on foreign exchange trading are foreign exchange trading fair value. Separate counterparties' claims and liabilities off-setting is made according to IAS 32.

	31 December 2018	*31 December 2017*
CC financial assets on currency market	**3.341.113**	-
CC financial liabilities on currency market	**3.341.113**	-

(in thousands of KZT unless stated otherwise)

13. CASH AND CASH EQUIVALENTS

In cash and cash equivalents in 2018 the Company recorded cash classified as own resources in accordance with accounting policies and clearing rules.

	31 December 2018	*31 December 2017*
Money in cash	**125**	181
Correspondent account in the NBRK	**19.845.570**	
Correspondent and current accounts in other banks	**6.854.766**	54.916
Net of reserve (provision) for expected credit loss according to IFRS 9	**(5.420)**	–
Total cash and cash equivalents	**26.695.041**	55.097

14. FUNDS IN BANKS

	31 December 2018			*31 December 2017*		
	%	***Maturity***	*Amount*	*%*	*Maturity*	*Amount*
Term deposits	**2.5-10.0**	**2019**	**1.151.249**	2.5-10.0	2018-2019	1.926.341
Net of reserve (provision) for expected credit loss according to IFRS 9			**(5.946)**			-
Total amounts due from banks			**1.145.303**			1.926.341

As of the end December 31, 2018 and December 31, 2017, amounts due from banks included accrued interest in the amount of 1.249 thous. tenge and 3.846 thous. tenge, respectively.

15. FINANCIAL ASSETS RECORDED AT ITS FAIR VALUE IN OTHER COMPREHENSIVE INCOME

	31 December 2018		*31 December 2017*	
	Interest, %	*Amount*	*Interest, %*	*Amount*
Equity securities				
Central Securities Depository JSC	**29,28**	**18.800**	34,69	18.800
Kyrgyz Stock Exchange CJSC	**7,05**	**2.253**	10.58	2.253
Total equity securities	**–**	**21.053**	–	21.053
Total financial assets recorded at its fair value in the OCI	**–**	**21.053**	–	21.053

The Stock Exchange classified investments in equity instruments that have previously been classified as available-for-sale investments as measured at fair value in other comprehensive income on the grounds that they are not intended for trading. Such equity instruments measured at fair value in other comprehensive income are not subject to impairment measurement.

Due to the absence of an active market and similar financial instruments and insufficiency of the available new information for fair value estimation, the Stock Exchange came to the conclusion that the historical cost is the best estimate of the fair value.

(in thousands of KZT unless stated otherwise)

16. FINANCIAL ASSETS CARRIED AT AMORTIZED COST

	31 December 2018	*31 December 2017*
Corporate bonds	**25.944**	25.944
Short-term government securities		
Notes of the National Bank of RK	**18.567.827**	4.134.067
Total financial assets carried at amortized cost	**18.593.771**	4.156.119
Net of reserve (provision) for expected credit loss according to IFRS 9	**(531)**	(3.892)
Total financial assets carried at amortized cost	**18.593.240**	4.156.119

Information on allowance dynamics for impairment loss as at December 31, 2018 and December 31, 2017 is presented in Note 6 to these financial statements.

As of the days ended on December 31, 2018 and December 31, 2017, investments recorded at amortized cost included accrued interest in the amount of 436 thous. tenge and 436 thous. tenge, respectively.

17. FIXED ASSETS

	Buildings	*Land*	*Machinery and equipment*	*Vehicles*	*Other*	*Total*
At historical cost						
31 December 2016	1.109.276	195.755	285.067	33.337	121.503	1.744.938
Proceeds	–	–	66.086	20.000	873	86.959
Revaluation	(13.602)	(16.080)	–	–	–	(29.682)
Revaluation deficit	(54.410)	–	–	–	–	(54.410)
Offset of accumulated depreciation and historical cost of forwarded assets	–	–	(6.984)	(680)	(744)	(8.408)
Offset of accumulated depreciation and historical cost of revaluated assets	(23.110)	–	–	–	–	(23.110)
Disposal	–	–	(476)	(5.910)	(7.576)	(13.962)
31 December 2017	**1.018.154**	**179.675**	**343.693**	**46.747**	**114.056**	**1.702.325**
Proceeds	**–**	**–**	**23.343**	**–**	**12.607**	**35.950**
Other proceeds (Irbis dividends)	**–**	**–**	**226**	**2.798**	**149**	**3.173**
Offset of accumulated depreciation and historical cost of forwarded assets	**–**	**–**	**(15.857)**	**–**	**(458)**	**(16.315)**
Disposal	**–**	**–**	**(397)**	**2.798**	**(46)**	**(3.241)**
31 December 2018	**1.018.154**	**179.675**	**351.008**	**46.747**	**126.308**	**1.721.892**

(in thousands of KZT unless stated otherwise)

17. FIXED ASSETS (continued)

	Buildings	*Land*	*Machinery and equipment*	*Vehicles*	*Other*	*Total*
Accumulated deprecation						
31 December 2016	(2.311)	–	(193.751)	(416)	(78.385)	(274.863)
Accumulated deprecation	(27.298)	–	(38.637)	(5.110)	(10.425)	(81.470)
Offset of accumulated depreciation and historical cost of forwarded assets	–	–	6.984	680	744	8.408
Offset of accumulated depreciation and historical cost of revaluated assets	23.110	–	–	–	–	23.110
31 December 2017	**(6.499)**	**–**	**(225.404)**	**(4.846)**	**(88.066)**	**(324.815)**
Accumulated deprecation	**(25.995)**	**–**	**(38.535)**	**(7.012)**	**(8.830)**	**(80.372)**
Offset of accumulated depreciation and historical cost of forwarded assets	**–**	**–**	**15.857**	**–**	**458**	**16.315**
31 December 2018	**(32.494)**	**–**	**(248.082)**	**(11.858)**	**(96.438)**	**(388.872)**
Depreciated cost						
As at the end of December 31, 2018	**985.660**	**179.675**	**102.926**	**34.889**	**29.870**	**1.333.020**
As at the end of December 31, 2017	1.011.655	179.675	118.289	41.901	25.990	1.377.510
As at the end of December 31, 2016	1.106.965	195.755	91.316	32.921	43.118	1.470.075

In accordance with Accounting Policy amended on December 1, 2016, the Stock Exchange recognized loss on revaluation of real estate as at the year ended December 31, 2017 located at the following address: 280 Baizakov street, Almaty, valuation date - October 1, 2017, based on the evaluation report with respect of the property market value provided by TiM Consulting LLP independent appraiser.

As of December 31, 2018, the historical cost of fully depreciated fixed assets is 233.501 thous. tenge (December 31, 2017: 170.295 thous. tenge)

Interpretation of fixed assets accounted for at revalued cost:

	The year ended 31 December 2018			**The year ended 31 December 2017**		
Group of fixed assets accounted for at revalued cost	**Balance book value without revaluation**	**Balance book value with revaluation**	**Difference**	**Balance book value without revaluation**	**Balance book value with revaluation**	**Difference**
Buildings	1.035.441	985.660	(49.781)	1.064.242	1.011.655	-52.587
Land	1.628	179.675	178.047	1.628	179.675	178.047
Vehicles	34.456	34.889	433	42 .706	41 .901	-805
Total:	1.071.525	1.200.224	128.699	1.108.576	1.233.231	124.655

(in thousands of KZT unless stated otherwise)

18. INTANGIBLE ASSETS

	Internally developed software	*Other software and licenses*	*Other intangible assets*	*Total*
At historical cost				
31 December 2016	156.266	74.766	5.573	236.605
Proceeds	–	11.637	–	11.637
Wages and other costs capitalized in intangible assets	11.635	–	–	11.635
Offset of accumulated depreciation and historical cost of forwarded assets	–	(167)	–	(167)
Disposal	–	(833)	–	(833)
31 December 2017	**167.901**	**85.403**	**5.573**	**258.877**
Proceeds	**–**	**12.388**	**–**	**12.388**
Other proceeds (Irbis dividends)	**–**	**183**	**–**	**183**
Wages and other costs capitalized in intangible assets	**13.880**	**–**	**–**	**13.880**
Offset of accumulated depreciation and historical cost of forwarded assets	**–**	**(23)**	**–**	**(23)**
31 December 2018	**181.781**	**97.951**	**5.573**	**285.305**
Accumulated deprecation				
31 December 2016	**(2.440)**	**(38.833)**	**–**	**(41.273)**
Accumulated deprecation	(30.689)	(14.100)	(4.644)	(49.433)
Offset of accumulated depreciation and historical cost of forwarded assets	–	833	–	833
31 December 2017	**(33.129)**	**(52.100)**	**(4.644)**	**(89.873)**
Accumulated deprecation	**(31.936)**	**(16.447)**	**(929)**	**(49.312)**
Offset of accumulated depreciation and historical cost of forwarded assets	**–**	**23**	**–**	**23**
31 December 2018	**(65.065)**	**(68.524)**	**(5.573)**	**(139.162)**
Depreciated cost				
As at the end of December 31, 2018	**116.716**	**29.427**	**–**	**146.143**
As at the end of December 31, 2017	134.772	33.303	929	169.004
As at the end of December 31, 2016	153.826	35.933	5.573	195.332

(in thousands of KZT unless stated otherwise)

19. OTHER ASSETS

	31 December 2018	*31 December 2017*
Other financial assets		
Commissions receivable	**76.278**	51.452
Information services income receivable	**37.073**	33.104
Listing remuneration receivable	**10.237**	6.723
Membership fees receivable	**120**	937
Receivable income from remote access	**144**	36
Clearing transactions services income	**21.733**	133
Total other financial assets	**145.585**	92.385
Receivables reserve *(Note 6 to these financial statements)*	**(5.935)**	(6.288)
	139.650	86.097
Other non-financial assets		
Taxes excluding corporate income tax	**10.764**	8.223
Prepayments	**6.892**	4.453
Inventories	**6.805**	10.369
Annual leave advances	**2.003**	3.605
Other	**39**	4
Total other non-financial assets	**26.503**	26.654
Total other assets	**166.153**	112.751

Information on dynamics of provisions for impairment for other assets as at December 31, 2018 and December 31, 2017 is presented in Note 6 to these financial statements.

20. OTHER LIABILITIES

	31 December 2018	*31 December 2017*
Other financial liabilities		
Accounts payable to suppliers and contractors	**17.576**	21.605
Dividends payable	**2.203**	2.203
Total other financial liabilities	**19.779**	23.808
Other non-financial liabilities		
Provision for unused vacations	**42.082**	28.606
Taxes excluding corporate income tax	**4**	1.338
Other	**1.585**	1.738
Other short-term liabilities	**10.005**	-
Total other non-financial liabilities	**53.676**	31.682
Total other assets	**73.455**	55.490

21. FUNDS OF CLEARING PARTICIPANTS

As of the days ended December 31, 2018 and December 31, 2017 finds of clearing participants are represented as clearing participants' guarantee fees and collaterals which are placed for operations with foreign currency. Funds were placed by the following clearing participants.

	31 December 2018	*31 December 2017*
Kazakhstan second-tier banks	**37.073.663**	1.820.960
Other financial organizations	**67.763**	38.448
International banking clearing and credit institution	**1.999.960**	-
Total funds of clearing participants	**39.141.386**	1.859.408

(in thousands of KZT unless stated otherwise)

21. FUNDS OF CLEARING PARTICIPANTS (CONTINUED)

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

22. AUTHORISED CAPITAL

Authorised capital of the Company is represented by the following quantity of ordinary shares.

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

As of the days ended December 31, 2018 and December 31, 2017 issued and paid-up authorised equity consisting of ordinary shares was equal to 2.366.256 thous. tenge.

In 2018 the Stock Exchange repurchased of own stock for 62.076 thous. tenge in total

Shares value date	*Repurchased shares quantity*	*Repurchase price (tenge)*	*Amount (thous. tenge)*	*Counterparty*
Abstract of the minutes No. 26 of Board of Directors meeting dated September 07, 2018, Share Purchase Agreement dated September 26	6.063	4.657,18	28.237	Unified Accumulative Pension Fund JSC
Abstract of the minutes No. 34 of Board of Directors meeting dated November 20, 2018, Share Purchase Agreement No. 75 dated December 19 , 2018	7.266	4.657,18	33.839	Kauzhar LLP
	13.329		**62.076**	

23. COMMITMENTS AND CONTINGENCIES

Judicial proceedings

In the course of business, customers and counterparties may claim against the Company. The management believes that as a result of possible judicial proceedings on such claims, the Company will not incur significant loss; therefore, no relevant provisions were made in separate financial statements.

Taxation

The provisions of the commercial and, in particular, tax legislation of the Republic of Kazakhstan may have multiple interpretations. Besides tax authorities usually make discretionary judgement on taxpayers operations, and if any specific actions based on the laws interpretation by the management regarding the

(in thousands of KZT unless stated otherwise)

23. COMMITMENTS AND CONTINGENCIES (continued)

activities of the Company are challenged by tax authorities, this may result in additional taxes, fines and penalties.

Such uncertainty may, in particular, relate to the financial instruments measurement, formation of provisions for impairment and the determination of the market level of transactions price indices. The Company's management is confident that all necessary tax accruals have been made, and therefore no provisions in the separate financial statements were accrued. Tax authorities may inspect the correctness of tax deductions within five years after the tax period closure.

Operating environment

Emerging countries markets, including Kazakhstan, are subject to economic, political, social, judicial and legislative risks other than those of advanced markets. Laws and regulations governing business in Kazakhstan are still amended very rapidly; there is the possibility of laws and regulations multiple and ambiguous interpretation. The future growth of Kazakhstan largely depends on the adopted governmental economic, tax and monetary policies, laws and regulations as well as changes in the political, regulatory and legal situation in the country. Due to the fact that Kazakhstan produces and exports large volumes of oil and gas, the economy of Kazakhstan is particularly sensitive to changes in world prices for oil and gas.

Commitments

As of December 31, 2018 the Company does not have long-term operating non-cancellable lease contracts.

On October 10, 2018 the Kazakhstan Stock Exchange (KASE) and the Moscow Exchange (MOEX) signed the Strategic Cooperation Agreement. The Agreement stipulates acquisition of maximum 20% of KASE authorized capital by the Moscow Exchange, acquisition by KASE of the right to use MOEX software (for servicing operations on the KASE exchange markets and other Kazakhstan financial markets), and for MOEX strategic consulting services for KASE.

24. RELATED PARTY TRANSACTIONS

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

	31 December 2018	*31 December 2017*
Cash and cash equivalents		
Other related parties	**777**	307
Traders cash (margin collateral and guarantee fees) on correspondent accounts and in investments		
Parent company	**19.845.570**	1.859.408
Available-for-sale investments		
Other related parties	**–**	21.053
Financial assets recorded at its fair Value in other comprehensive income		
Other related parties	**21.053**	–
Investments held to maturity		
Parent company	**–**	4.134.067
Financial assets carried at amortized cost		
Parent company	**18.567.828**	–

(in thousands of KZT unless stated otherwise)

24. RELATED PARTY TRANSACTIONS (continued)	*31 December 2018*	*31 December 2017*
Financial assets of the central counterparty		
Parent company	**162.296**	–
Other related parties	**153.042**	
Long-term assets held for sale		
Other related parties	**97.527**	–
Other assets		
Parent company	**8.639**	8.752
Company's key executives	**146**	1.395
Other related parties	**29.154**	12.772
Restricted cash liabilities to the Stock Exchange members		
Other related parties	**1.588.600**	644.902
Advances received		
Other related parties	**809**	1.482
Other liabilities		
Company's key executives	**9.461**	6.888
Other related parties	**3.675**	3.484

The statement of comprehensive income for the years ended December 31, 2018 and December 31, 2017 reflected the following amounts arising from related parties' transactions.

	The year ended 31 December 2018	*The year ended 31 December 2017*
Service and commissions revenues		
Parent company	**113.833**	93.941
Other related parties	**354.767**	376.037
Interest income		
Parent company	**423.465**	370.431
Formation of provision for impairment of assets on which interest is accrued and other operations		
Parent company	**1**	-
Other related parties	**12**	1.321
Operating expenses		
Affiliated subsidiaries	**(236)**	(283)
Associate	**–**	(20.986)
Other related parties	**(60.962)**	(45.151)
Income from dividends		
Affiliated subsidiaries	**9.189**	2.753
Other expenses		
Other related parties	**241**	113
Affiliated subsidiaries	**907**	998

(in thousands of KZT unless stated otherwise)

24. RELATED PARTY TRANSACTIONS (CONTINUED)

13 key executives remuneration (2017: 17 key executives) is as follows.

	The year ended 31 December 2018	*The year ended 31 December 2017*
Company key executives short-term remuneration		
Corporate body remunerations	**50.657**	52.661
Executive body remunerations	**198.748**	133.536
Other authorised officers	**16.183**	14.733
Total	**265.588**	200.930

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Measured fair value disclosures are made in accordance with IFRS 13 Fair Value Measurement, IFRS 7 Financial Instruments: Disclosure and IFRS (IAS) 39 Financial Instruments: Recognition and Measurement for determining fair or approximate fair value of such instruments.

The balance book value of cash and cash equivalents, restricted cash, amounts due from banks, receivables, customer deposits and payables is approximately equal to their fair value due to the short-term nature of these financial instruments.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

With the exception of the following items, in the opinion of the Company's management, the fair value of other financial assets and liabilities approximates their balance book value.

	31 December 2018		***31 December 2017***	
	Balance Book Value	***Fair Value***	***Balance Book Value***	***Fair Value***
Financial assets carried at amortized cost(level 1)	**18.593.241**	**18.574.485**	4.156.119	4.147.997
Non-recognized income/(loss)		**(18.756)**		(8.122)

The purpose of fair value measurement is to determine the most accurate value at which financial instruments can be presently exchanged for when making a transaction between the independent knowledgeable parties willing to make such a transaction. However, due to the existing uncertainties and measurement biased interpretation, the fair value should not be considered as the value at which the immediate realization of assets or the fulfilment of liabilities can be made.

Fair value means the amount for which a financial instrument could be exchanged for on commercial terms excluding constrained sale or sale at liquidation.

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

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

- Valuation methods that use market data (level 2) are measurements that are more directly or indirectly based on market data, and measurements based on one or several observable market prices for normal operations in the markets that are considered languid;

- Valuation methods based on information that does not contain market data (level 3) are measurements based on a non-market data and play a considerable part in determining fair value.

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

26. RISK MANAGEMENT POLICY

Risk management is an integral part of The Stock Exchange operations. The Stock Exchange operations are subject to the following risks:

- Credit risk
- Operating risk
- Market and system risks
- Liquidity risk
- Legal risk
- Reputation risk.

The Stock Exchange realises the importance of efficient and effective risk management process availability. To ensure an effective and efficient risk management policy, the Stock Exchange determined the basic risk management principles with the main purpose of the Stock Exchange protection from the existing risks and allowing the Stock Exchange to achieve the scheduled goals. The main objectives of the risk management system are risk sources identification, risk levels measurement, risk management policies and rules designing and control mechanisms introduction, including limits establishing and subsequent compliance to them.

Risk management policy, risk identification, evaluation, monitoring and response, as well as the financial

26. RISK MANAGEMENT POLICY (continued)

and operating risks management of the Stock Exchange are governed by the Stock Exchange relevant internal documents.

The Stock Exchange main risks are described below.

Risk management structure

Board of Directors

The Board of Directors is responsible for risk management strategy development and for approval of policy concepts and limits on each type of risk. Additionally the Board of Directors is responsible for substantive risk management issues, monitoring the relevant risk decisions and overseeing them.

Management

The Management is responsible for ensuring the Stock Exchange effective risk management system arrangement.

Market Risk Committee

Market Risk Committee is a collegial advisory body of the Stock Exchange which is composed of the members approved by the Management. Market Risk Committee is responsible for analysis, monitoring and identification of the risks related to the financial markets situation as well as for operations of the Stock Exchange and its counterparts − issuers and investors.

Investment Committee

Investment Committee is a collegial body of the Stock Exchange which is composed of the members approved by the Management. Investment Committee is responsible for making investment decisions on transactions with financial instruments at the expense of the Stock Exchange internal funds and ensuring minimization of investing activities financial risks.

Credit risk

The Stock Exchange is exposed to credit risk, i.e., the risk of non-performance of obligations by correspondent banks, debtors or other counterparties and, consequently, to cost exposure.

In line with the Asset Investment Policy (hereinafter the “Policy”) approved by a decision of the Board of Directors, the Stock Exchange forms performance-and-risk balanced portfolios of financial instruments diversified by types of assets, degree of liquidity, level of return and urgency.

(in thousands of KZT unless stated otherwise)

26. RISK MANAGEMENT POLICY (continued)

Investment portfolios are divided into the following types:

1) the Stock Exchange own portfolio excluding reserve funds;
2) clearing funds' portfolio (guarantee and reserve funds);
3) clearing participants collaterals portfolio.

The investment policy defines the investees and the Stock Exchange investment portfolios structure.

The restrictions established by the Investment Policy in terms of investees and structures of the Stock Exchange portfolios do not apply to corporate securities acquired prior to the Investment Policy implementation that can be sold by the Investment Committee decision. If the sale of these corporate securities results into loss, such a decision will be taken by the Investment Committee with the Stock Exchange Board of Directors approval.

In accordance with the Investment Policy, the Stock Exchange analyses the Stock Exchange investment portfolios on a monthly basis, and the Risk Management Department analyses the investment portfolios status and their risk exposure on the quarterly basis, including default probability determining of the financial instruments, as well as stresstesting and backtesting of the Stock Exchange investment portfolios.

The Stock Exchange credit risk on the part of the trading participant is minimized by the Stock Exchange execution of trading payments on the Delivery Versus Payment principle.

Maximum credit exposure

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

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

	31 December 2018	*31 December 2017*
Cash and cash equivalents excluding money in hand	**26.694.916**	54.916
Restricted cash	-	1.859.408
Funds in banks	**1.145.303**	1.926.341
Investments held to maturity	–	4.156.119
Financial assets carried at amortized cost	**18.593.240**	–
Other financial assets	**139.650**	86 .097
Total	**46.573.109**	8.082.881

Financial assets of the Stock Exchange are classified according to a number of criteria, such as credit rating, financial standing, delay in payments and other criteria. The information on the current credit ratings of the Stock Exchange financial assets assigned by international rating agencies is provided below. The highest possible rating is AAA, the investment level rating from AAA to BBB-, the rating below BBB- refers is a speculative grade.

As of the days ended December 31, 2018 and 2017 the financial assets excluding impaired assets are classified as standard in line with the provided criteria.

(in thousands of KZT unless stated otherwise)

26. RISK MANAGEMENT POLICY (continued)

The Stock Exchange financial assets classification according to credit risks is provided below.

	AA+	*A+*	*BBB*	*BBB-*	*<BBB-*	*Credit rating is not assigned*	*Total*
31 December 2018							
Cash and cash equivalents excluding money in hand	4.893.091	1.861.789	19.845.570	93.680	786	–	**26.694.916**
Funds in banks	-	–	–		1.145.303	–	**1.145.303**
Financial assets carried at amortized cost	-	–	18.567.826		25.414	–	**18.593.240**
Other financial assets	-	–	–			139.650	**139.650**
Total	**4.893.091**	**1.861.789**	**38.413.396**	**93.680**	**1.171.503**	**139.650**	**46.573.109**

	AA+	*A*	*BBB*	*BBB-*	*<BBB-*	*No rating is assigned*	*Total*
31 December 2017							
Cash and cash equivalents excluding money in hand	3.138	1.080	-	-	50.698	-	**54.916**
Restricted cash			1.859.408				**1.859.408**
Funds in banks	-	–	–	-	1.926.341	–	**1.926.341**
Financial assets carried at amortized cost	-	–	4.134.067	-	22.052	–	**4.156.119**
Other financial assets	-	–	–	-	-	86.620	**86.620**
Total	**3.138**	**1.080**	**5.993.475**	**-**	**1.999.091**	**86.620**	**8.083.404**

Liquidity risk

During the years ended December 31, 2018 and December 31, 2017, there were no overdue unimpaired financial assets.

Liquidity risk management

The liquidity loss risk may arise if the active operations claims do not coincide with the maturities of the Stock Exchange liabilities. The Stock Exchange is also subject to the liquidity loss in case of trading participant credit risk.

Temporarily available assets of the Exchange, as well as funds of trading participants were placed in instruments according to the Investment Policy.

At the same time, the investees making up the investment portfolio are diversified for elimination of the loss risks arising from the concentration of financial assets with the same maturity in the The Stock

Exchange investment portfolio.

Moreover, according to the Stock Exchange Policy, the funds of trading participants are not placed in any instruments, but kept on the Stock Exchange correspondent accounts. Liquidity risk arising during trades is minimized as the Stock Exchange makes payments in return of net claims of the trading participants in line with Delivery Versus Payment principle which says that the money of the trading participant violating the settlement rules is not transferred, but remained on the Stock Exchange correspondent accounts.

In addition, for minimisation of default risk on forward deals the derivatives market participants has set up guarantee funds, and the Stock Exchange has set up a reserve fund; these funds levels are estimated using internal methodology.

The following table provides an analysis of financial assets and liabilities, calculated based on the remaining maturity under the contracts.

(in thousands of KZT unless stated otherwise)

26. RISK MANAGEMENT POLICY (continued)

The table is based on the information provided to the Stock Exchange management:

	Up to 1 month	*1 – 3 months*	*3 months – 1 year*	*1 year – 5 years*	*Over 5 years*	*Maturity is not established*	*31 December 2018, total*
Financial assets							
Cash and cash equivalents	26.694.916	–	–	–	–	–	26.694.916
Funds in banks	1.145.303	–	–	–	–	–	1.145.303
Financial assets recorded at its fair value in other comprehensive income	–	–	–	–	–	21.053	21.053
Financial assets carried at amortized cost	14.458.176	1.217.642	2.892.008	25.414	–	–	18.593.240
Other financial assets	139.650	–	–	–	–	–	139.650
Total financial assets	**42.438.045**	**1.217.642**	**2.892.008**	**25.414**	**–**	**21.053**	**46.594.162**

	Up to 1 month	*1-3 months*	*3 months – 1 year*	*1 year 5 years*	*Over 5 years*	*Maturity is not established*	*31 December 2018, total*
Financial liabilities							
Associate	39.141.386	–	–	–	–	–	39.141.386
Other financial liabilities	19.779	–	–	–	–	–	19.779
Total financial liabilities	39.161.165	–	–	–	–	–	39.161.165
Net position	3.276.879	1.217.642	2.892.008	25.414	–	21.053	7.432.996
Cumulative liquidity gap as at December 31, 2018 end of day	3.276.879	4.494.521	7.386.529	7.411.943	7.411.943	7.432.996	-

The table is based on the information provided to the Stock Exchange management.

	Up to 1 month	*1-3 months*	*3 months – 1 year*	*1 year 5 years*	*Over 5 years*	*Maturity is not established*	*31 December 2017, total*
Financial assets							
Cash and cash equivalents	54.916	–	–	–	–	–	54.916
Traders cash (margin collateral and guarantee fees)	1.859.408	–	–	–	–	–	1.859.408
Funds in banks	–	718.330	248.011	960.000	–	–	1.926.341
Available-for-sale investments	–	–	2.253	–	–	18.800	21.053
Investments held to maturity	617.681	1.058.101	2.458.285	22.052	–	–	4.156.119
Other financial assets	86.097	–	–	–	–	–	86.097
Total financial assets	**2.618.102**	**1.776.431**	**2.708.549**	**982.052**	**–**	**18.800**	**8.103.934**

(in thousands of KZT unless stated otherwise)

26. RISK MANAGEMENT POLICY (continued)

	Up to 1 month	1-3 months	3 months – 1 year	1 year 5 years	Over 5 years	Maturity is not established	31 December 2017, total
Financial liabilities							
Traders cash liabilities to the Stock Exchange members (margin collateral and guarantee fees)	1.859.408	–	–	–	–	–	1.859.408
Other financial liabilities	23.808	–	–	–	–	–	23.808
Total financial liabilities	**1.883.216**	–	–	–	–	–	**1.883.216**
Net position	**734.886**	**1.776.431**	**2.708.549**	**982.052**	–	**18.800**	**6.220.718**
Cumulative liquidity gap as at December 31, 2017 end of day	**734.886**	**2.511.317**	**5.219.866**	**6.201.918**	**6.201.918**	**6.220.718**	

The difference between undiscounted and discounted financial liabilities is insignificant due to their short terms.

Market risk

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

Interest rate risk

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

The Stock Exchange Management and the Investment Committee are responsible for managing the assets and liabilities of the Stock Exchange. To measure the interest rate risk impact on the fair market value of financial instruments, the Stock Exchange intermittently measures potential loss that may be caused by competitive business environment negative changes. The Risk Management Department intermittently monitors the investment portfolio current financial results.

In terms of interest rate risk exposure, the Stock Exchange investment portfolio is exposed to the risk of changes in coupon yield on bonds having a floating rate indexed to inflation; the interest rates changes also affect the market value of the sub-portfolio of the Stock Exchange bonds classified as fair value investments in other comprehensive income.

The table below presents a rate risk sensitivity analysis based on the reasonably possible interest rates changes.

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

The effect on equity is the effect of the allowed changes in the interest rate that has arisen due to changes in retained earnings, and the effect of revaluation of available-for-sale investment securities with fixed rates.

The effect on before-tax profit as of the end of December 31, 2018 and December 31, 2017 is as follows.

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

(in thousands of KZT unless stated otherwise)

26. RISK MANAGEMENT POLICY (continued)

Currency risk

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

The policy identifies investees and investment portfolios structure of the Stock Exchange.

	KZT	*USD*	*Euro*	*Other*	*31 December 2018, total*
Financial assets					
Cash and cash equivalents excluding money in hand	19.928.053	6.766.584	227	52	26.694.916
Funds in banks	1.145.303	–	–	–	1.145.303
Financial assets carried at amortized cost	18.593.241	–	–	–	18.593.241
Other financial assets	103.492	36.158	–	–	139.650
Total financial assets	**39.770.089**	**6.802.742**	**227**	**52**	**46.573.110**

	KZT	*USD*	*Euro*	*Other*	*31 December 2017, total*
Financial assets					
					54.916
Cash and cash equivalents excluding money in hand	43.854	10.593	372	97	
Traders cash (margin collateral and guarantee fees)	1.859.408	-	–	–	1.859.408
Funds in banks	1.678.330	248.011	–	–	1.926.341
Investments held to maturity	4.156.119	-	–	–	4.156.119
Other financial assets	56.231	29.866	-	–	86.097
Total financial assets	**7.793.942**	**288.470**	**372**	**97**	**8.082.881**

During the years ended December 31, 2018 and December 31, 2017, a significant part of financial assets (2018 - 85%, 2017 - 96%) were Kazakhstan tenge-denominated. Financial assets in foreign currency are provided for foreign currency liabilities which reduce the currency risk level.

Limitations of sensitivity analysis

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

The sensitivity analysis does not take into account that the Stock Exchange is actively manages assets and liabilities. Additionally, the financial position of the Stock Exchange may be subject to market changes.

For example, the financial risks management strategy of the Stock Exchange is aimed at managing the risk of securities market fluctuations. In the event of sudden negative securities market fluctuations, the Management may apply such methods as selling investments, changing the investment portfolio composition as well as other protection methods

26. RISK MANAGEMENT POLICY (continued)

Other limitations of the above sensitivity analyses are applying of hypothetical movements in the market aimed at potential risk disclose; such hypothetical movements are the Stock Exchange forecasts of the upcoming market changes that cannot be predicted with any level of confidence. In addition, the limitation is the assumption that all interest rates are subject to similar changes.

Price risk

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

Operating risk

Operating risk is the risk of direct or indirect loss resulting from a wide range of risk events associated with system failure, human error, technology and infrastructure, fraud, or external events. In case of a control system failure, operation risks can injure reputation, have legal consequences, or cause financial loss.

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

The control system provides for effective split of responsibilities, access privileges, approval and reconciliation procedures, human resources training and assessment procedures. Risk monitoring is performed by the Risk Management Department. To ensure that the Stock Exchange will be able to continue as a going concern, the Stock Exchange has prepared a geographically-distributed layout of its own computing equipment.

Legal risk

Legal risk management procedures include:

- Ongoing monitoring of laws and internal procedures for compliance;
- Ongoing monitoring of the proper compliance by the Stock Exchange employees with the applicable laws, the Charter and internal documents of the Stock Exchange;
- Ongoing monitoring of proposed changes in the applicable laws, measures development and implementation, including preventive measures, arising from proposed and/or effective amendments in the applicable laws;
- Total verification of drafts of all Stock Exchange internal documents and bodies and officials decisions for compliance with applicable laws, the Charter and internal documents of the Stock Exchange;
- Full standardization of all procedures, technologies and forms of documentation used in the Stock Exchange activities in order to exclude their arbitrary (uncontrolled, unprovided) application by the Stock Exchange employees;
- Mandatory preliminary legal examination of new business processes and services of the Stock Exchange.

27. SUBSEQUENT EVENTS

Significant subsequent events are:

The Kazakhstan Stock Exchange (KASE) and the Moscow Exchange (MOEX) closed a transaction for sale of 32.360 shares of KASE as part of the of the previously signed Strategic Cooperation Agreement implementation. As a result of this transaction, the share of MOEX in the capital of KASE amounted to 3.32% of the outstanding shares. The share of the National Bank of the Republic of Kazakhstan State-owned Institution decreased to 48.44%.

28. SEPARATE FINANCIAL STATEMENTS APPROVAL DATE

Separate financial statements for the year ended 31 December 2018 were approved by the Company's management on 28 March 2019.