Kazakhstan Stock Exchange JSC

Separate Financial Statements

for 2023
and Independent Auditor's Report

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Statement of the management of responsibility for preparation and approval of the separate financial statements for the year ended 31 December 2023

The following statement, which must be considered together with the description of responsibilities of the auditors contained in presented auditor's opinion is made for division of responsibilities of the management[1] and the auditors regarding the separate financial statements of Kazakhstan Stock Exchange JSC (hereinafter – the Company, the Exchange).

The management of Kazakhstan Stock Exchange JSC (hereinafter – the Company, the Exchange) shall be liable for preparation of the separate financial statements presenting fairly the Company's financial position at the close of business on 31 December 2023, and its financial performance, cash flows and changes in the equity for the year ended 31 December 2023, under International Financial Reporting Standards (IFRS).

When preparing the separate financial statements, the management shall be liable for:

- selecting and applying an appropriate accounting policy;
- presentation of relevant, reliable, comparable, and understandable information, including information about the accounting policy;
- providing additional disclosures when compliance with IFRS requirements is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- assessing the Company's ability to continue as a going concern in the foreseeable future.

The Company's management shall be liable for:

- development, implementation and ensuring a reliable internal control in the Company;
- keeping records in a form allowing disclosing and explaining the Company's transactions, and disclosing at any date sufficiently and accurately the financial position of the Company and ensuring compliance of the financial statements with IFRS requirements;
- keeping accounting records in line with the legislation of the Republic of Kazakhstan;
- taking all reasonably possible actions to safeguard the Company's assets; and
- detecting and preventing fraud and other abusive practices.

The separate financial statements for the year ended 31 December 2023 have been approved for issue by the Company's management on 26 April 2024.

On behalf of the Management

A.O. Aldambergen
Chairman of the Management Board

26 April 2024

Almaty, Kazakhstan

S.U. Akybbekova
Chief Accountant

[1] The Management shall mean here the Management Board of Kazakhstan Stock Exchange JSC, subject to paragraph 2 of clause 4 of Article 6 of the Law of the Republic of Kazakhstan *"On business accounting and financial reporting"*.

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INDEPENDENT AUDITOR'S REPORT

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

Auditor's Report

Opinion

We have audited the accompanying separate financial statements of Kazakhstan Stock Exchange JSC (hereinafter - the Company), which comprise the statement of financial position as at the close of business on 31 December 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at the close of business on 31 December 2023, and its financial performance and its cash flows for the year then ended 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 those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) and ethical requirements that are relevant to our audit of the financial statements in Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

Management is responsible for other matter. The other matter represents the information in the annual report, excluding the financial statements and our auditor's report thereon. We expect that the approved annual report will be provided to us after the date of this auditor's report. Our opinion on the separate financial statements does not apply to the other matter, and we would not express any form of assurance on that matter.

In connection with our audit of the separate financial statements, we are required to review the other information when it is provided to us. During our review, we review other information for material inconsistencies with the financial statements, our knowledge obtained during the audit, and other potential material misstatements.

If, upon reviewing the annual report, we conclude that the other information therein is materially misstated, we are required to inform those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with corporate governance are responsible for overseeing the Company's separate financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As a part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with corporate governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor

R.K. Taipova
Qualified Auditor of the Republic of Kazakhstan
Auditor's Qualification Certificate No. МФ - 0000497 issued on 18 January 2000 by the Qualification Commission of the Auditors' Bar for certification of candidate auditors of the Republic of Kazakhstan

BDO Qazaqstan LLP
State License of the Committee of financial control of the Ministry of Finance of the Republic of Kazakhstan No. 21012748 dated 19 March 2021 to carry out auditing activities.

R. Rakhimbayev
Director of BDO Qazaqstan LLP

26 April 2024

IBDO QAZAQSTAN Для отчётов

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

(thousand Kazakhstan tenge)

	Notes	*2023*	*2022*
Fee income	5	**7.332.202**	5.682.437
Interest income and expenses	6	**18.620.577**	6.417.788
Provision for credit losses		**197.723**	(282.753)
Net profit /(loss) on foreign currency transactions		**(35.797)**	22.606
Dividend income		**36**	8.323
Other income	5	**140.063**	3.814
Income from investments accounted for in equity method		**(17.794)**	34.546
Operating income		**26.237.010**	11.886.761
Operating expenses	7	**(5.867.867)**	(3.938.533)
Profit before corporate income tax expenses		**20.369.143**	7.948.228
Corporate income tax expenses	8	**(2.620.025)**	(1.127.546)
Profit for the year		**17.749.118**	6.820.682
Other comprehensive income			
Other comprehensive income not subject to reclassification in profit or loss in subsequent periods			
Revalued property, plant and equipment less tax	16	**80.844**	101.698
Other comprehensive income for the year less taxes		**80.844**	101.698
Total comprehensive income for the year		**17.829.962**	6.922.380
Earnings per share			
Basic and diluted (tenge)	9	**16.507,26**	6.343,46

Signed and approved for issue on behalf of the Management of Kazakhstan Stock Exchange JSC:

A.O. Aldambergen
Chairman of the Management Board

26 April 2024

Almaty, Kazakhstan

S.U. Akylbekova
Chief Accountant

Notes on pages 5-42 shall be an integral part of these separate financial statements.

IBDO QAZAQSTAN Для отчётов

SEPARATE STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2023

(thousand Kazakhstan tenge)

	Notes	*31 December 2023*	*31 December 2022*
Assets			
Cash and cash equivalents	10	**134.081.674**	267.828.608
Reverse REPO	11	**60.440.647**	35.551.435
Central counterparty financial assets	12	**377.827**	11.769.454.576
Investment securities	13	**64.196.150**	31.889.236
Equity securities at fair value through other comprehensive income	14	**21.053**	21.053
Investments in subsidiaries	1	**1.712.109**	164.057
Investments in the associate	15	**107.289**	125.083
Current corporate income tax assets		**446.142**	117.314
Property, plant and equipment	16	**2.539.949**	1.738.661
Intangible assets	17	**1.638.054**	1.616.085
Right-of-use assets	18	**150.890**	-
Prepayments	19	**450.031**	362.003
Other assets	20	**775.626**	815.098
Total assets		**266.937.441**	12.109.683.209
Liabilities			
Amounts due to clearing participants	21	**220.946.867**	312.809.343
Central counterparty financial liabilities	12	**377.827**	11.769.454.576
Lease liabilities	22	**192.426**	-
Deferred corporate income tax liabilities	8	**365.726**	345.302
Received advances		**112.660**	88.579
Other liabilities	20	**497.884**	371.320
Total liabilities		**222.493.390**	12.083.069.120
Equity			
Authorized capital	23	**4.189.030**	4.189.030
Provision for revalued property, plant and equipment	23	**246.700**	183.658
Reserve fund	23	**3.878.000**	3.170.000
Retained earnings		**36.130.321**	19.071.401
Total equity		**44.444.051**	26.614.089
Total liabilities and equity		**266.937.441**	12.109.683.209

Signed and approved for issue on behalf of the Management of Kazakhstan Stock Exchange JSC:

A.O. Aldambergen
Chairman of the Management Board

26 April 2024

Almaty, Kazakhstan

S.U. Akybbekova
Chief Accountant

Notes on pages 5-42 shall be an integral part of these separate financial statements.

IBDO QAZAQSTAN Для отчётов

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

(thousand Kazakhstan tenge)

	Notes	*Authorized capital*	*Bought-out treasury stock*	*Provision for fair value*	*Provision for revalued property, plant and equipment*	*Reserve fund*	*Retained earnings*	*Total equity*
1 January 2022		4.189.030	–	–	90.986	3.170.000	12.241.693	19.691.709
Profit for the year		–	–	–	–	–	6.820.682	6.820.682
Total comprehensive income for the year		–	–	–	–	–	6.820.682	6.820.682
Revalued property, plant and equipment					101.698			101.698
Revaluation reserve depreciation	21	–	–	–	(9.026)	–	9.026	–
31 December 2022		**4.189.030**	**–**	**–**	**183.658**	**3.170.000**	**19.071.401**	**26.614.089**
Profit for the year		–	–	–	–	–	**17.749.118**	**17.749.118**
Total comprehensive income for the year		–	–	–	–	–	**17.749.118**	**17.749.118**
Revalued property, plant and equipment		–	–	–	**80.844**	–	–	**80.844**
Revaluation reserve depreciation		–	–	–	**(17.802)**	–	**17.802**	–
Increase in reserve fund	21	–	–	–	–	**708.000**	**(708.000)**	–
31 December 2023		**4.189.030**	**–**	**–**	**246.700**	**3.878.000**	**36.130.321**	**44.444.051**

Signed and approved for issue on behalf of the Management of Kazakhstan Stock Exchange JSC:

A.O. Aldambergen
Chairman of the Management Board

26 April 2024

Almaty, Kazakhstan

S.U. Akybbekova
Chief Accountant

Notes on pages 5-42 shall be an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

(thousand Kazakhstan tenge)

	Notes	*2023*	*2022*
Cash flows from operating activities			
Profit before corporate income tax expenses		**20.369.143**	7.948.228
Adjustments to reconcile profit before corporate income tax expenses and net cash flows:			
Provision for credit losses		**(197.723)**	282.753
Dividend income		**(36)**	(8.323)
Accrued interest income		**(18.620.577)**	(6.417.788)
Depreciation of property, plant and equipment and amortization of intangible assets	7	**561.660**	419.788
Amortization on finance lease		**60.021**	-
Income from interest in the associate		**17.794**	(34.546)
Changes in operating assets and liabilities			
Net decrease / (increase) in operating assets			
Reverse REPO		**(24.889.213)**	31.337.166
Prepayments		**(88.028)**	212.516
Other assets		**39.472**	(393.025)
Net increase / (decrease) in operating liabilities			
Amounts due to clearing participants		**(91.862.476)**	190.422.317
Advances received		**24.081**	38.155
Other liabilities		**127.356**	175.800
Obtained interest		**2.223.794**	656.126
Paid interest on lease		**(25.244)**	-
Paid corporate income tax		**(2.945.184)**	(1.033.083)
Net cash receipts / (payments) in operating activities		**(115.205.160)**	223.606.084
Cash flows from investing activities			
Acquisition of property, plant and equipment	16	**(967.245)**	(376.189)
Revenue from property, plant and equipment sold		**6.892**	-
Acquisition of intangible assets	17	**(191.131)**	(214.539)
Capitalized costs in intangible assets	17	**(121.908)**	(82.880)
Investments in subsidiaries		**(1.548.052)**	(151.205)
Acquisition of investment securities less receipts from redemption of investment securities		**(10.123.911)**	(23.341.159)
Received dividend		**36**	8.323
Net cash outflows from investing activities		**(12.945.319)**	(24.157.649)
Cash flows from financing activities			
Settlement of lease liabilities		**(40.033)**	-
Net cash outflows from financing activities		**(40.033)**	-
Effect of changes in foreign exchange rates on cash and cash equivalents		**(5.797.019)**	4.239.159
Effect of expected credit losses on cash and cash equivalents	10	**240.597**	(285.145)
Net changes in cash and cash equivalents		**(133.746.934)**	203.402.449
Cash and cash equivalents at the beginning of the year		**267.828.608**	64.426.159
Cash and cash equivalents at the end of the year	10	**134.081.674**	267.828.608

Signed and approved for issue on behalf of the Management of Kazakhstan Stock Exchange JSC:

A.O. Aldambergen
Chairman of the Management Board

S.U. Akybbekova
Chief Accountant

26 April 2024

Almaty, Kazakhstan

Notes on pages 5-42 shall be an integral part of these separate financial statements.

(thousand Kazakhstan tenge unless otherwise stated)

BDO QAZAQSTAN Для отчётов

1. Corporate Information

Kazakhstan Stock Exchange Joint-Stock Company (the Company, the Exchange) was established on 17 November 1993 under the legislation of the Republic of Kazakhstan.

The Company is currently operating based on a Certificate of the State Re-registration of a Legal Entity No. 1952-1910-01-AO dated 7 January 2004 issued by the Office of Justice of Bostandyk District of the Department of Justice of the city of Almaty.

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

1) license to carry out activities in the securities market No. 4.2.3/1 dated 19 July 2012 issued by the Committee for control and surveillance of the financial market and financial organizations of the National Bank of the Republic of Kazakhstan. The license entitles to carry out the following types of activity in the securities market:
   - arranging trade in securities and other financial instruments;
   - clearing of transactions with financial instruments in the securities market;
2) license to carry out banking operations in national and foreign currency No. 4.3.8 dated 30 January 2020 issued by the Agency of the Republic of Kazakhstan for regulation and development of financial market. The license entitles the holder to carry out the following banking operations:
   - to open and manage correspondent accounts of the banks and organizations settling specific types of banking operations;
   - to transfer: to execute orders of individuals and legal entities to pay and transfer money;
   - to open and manage bank accounts of legal entities;
   - to arrange for foreign currency exchange operations, except the arrangement of exchange operations with foreign currency in cash.

The legal address of the Company is 280 Baizakov St., North Tower of Almaty Tower Multifunction Complex, Floor 8, city of Almaty, A15E2Y0, Republic of Kazakhstan.

The primary activity of the Exchange is to organize trade in securities and other financial instruments under the legislation of the Republic of Kazakhstan.

The related activities of the Exchange include clearing of transactions with financial instruments, settlement of specific types of banking operations, provision of information and other services not prohibited by the legislation of the Republic of Kazakhstan.

As of the close of business on 31 December 2023 and 31 December 2022, the shareholders each of which holds ordinary shares in the Company comprising more than 5 % of its total issued shares are stated as follows:

	31 December 2023, %	*31 December 2022, %*
Shareholders		
RSE National Bank of the Republic of Kazakhstan	**46,99**	46,99
Moscow Stock Exchange MICEX-RTS Public Joint-Stock Company	**13,1**	13,10
Kommesk-Omir Insurance Company JSC	**7,64**	7,64
Halyk Bank of Kazakhstan JSC	**6,79**	6,79
Roza Sharipbayevna Shuatayeva	**5,02**	5,02
Others (individually holding less than 5 %)	**20,46**	20,46
Total	**100,00**	100,00

Under clause 2 of Article 84 of the law of the Republic of Kazakhstan *"On the securities market"* (the Law), an interest of each shareholder being an organizer of trades together with its affiliates cannot exceed 20 % of the total issued shares, except where a shareholder is the National Bank of the Republic of Kazakhstan (the NBRK).

(thousand Kazakhstan tenge unless otherwise stated)

IBDO QAZAQSTAN Для отчётов

1. Corporate Information (continued)

During the years ended 31 December 2023 and 31 December 2022, the controlling party of the Company is the NBRK.

The information about subsidiary as of 31 December 2023 and 31 December 2022 is given below:

			31 December 2023		*31 December 2022*	
Name	*Country of business*	*Type of activity*	*Interest/votes, %*	*Contribution to authorized capital*	*Interest/votes, %*	*Contribution to authorized capital*
KASE Clearing Centre JSC	Republic of Kazakhstan	Other auxiliary activities in the field of financial services other than insurance and pension provision	**100**	**1.712.109**	100	164.057
				1.712.109		164.057

On 21 June 2022, KASE Clearing Centre JSC (hereinafter referred to as the Company) was registered, following the transformation of eTrade.kz LLP into a joint-stock company. On 19 October 2022, the state registration of the issue prospectus of the Company's ordinary shares was effected. As of 31 December 2022, the Exchange paid up 55 ordinary shares of the Company, with a par value of 3,252,210 tenge per share. During 2023, the Exchange paid up 476 ordinary shares of the Company, with a par value of 3,252,210 tenge per share. As of 31 December 2023, the Company owns 531 shares (100 % of ordinary shares) in KASE Clearing Centre JSC.

KASE Clearing Centre JSC was established in accordance with the Exchange Development Strategy for 2022-2024 in order to develop the institution of the central counterparty as a key infrastructural element. In accordance with the Cooperation Agreement between the Exchange and the Company, from September 2023, KASE Clearing Centre JSC carries out clearing, settlements and performs functions as a central counterparty for transactions with individual financial instruments in individual exchange markets (today, these functions are performed by the Company in the stock market).

The information about the associate as of 31 December 2023 and 31 December 2022 is given below:

			31 December 2023		*31 December 2022*	
Name	*Country of business*	*Type of activity*	*Interest/votes, %*	*Contribution to authorized capital*	*Interest/votes, %*	*Contribution to authorized capital*
RTRS LLP	Kazakhstan	Lease services	50	**135.000**	50	135.000
				135.000		135.000

In 2023, the total loss of RTRS LLP amounted to (35.588) thousand tenge (2022: total profit of 69.092 thousand tenge). The carrying amount of investment in the associate as of 31 December 2023 totalled 107.289 thousand tenge (as of 31 December 2022: 125.083 thousand tenge).

2. Basis of Preparation of the Financial Statements

General Part

These separate financial statements have been prepared under International Financial Reporting Standards (IFRS). These separate financial statements have been prepared on the actual cost accounting basis, except for the principle specified in *Significant Accounting Policies* section. For instance, the financial assets at fair value through other comprehensive income and property, plant and equipment (groups: building, land, transport vehicles) were measured at fair value. These separate financial statements have been issued in addition to the consolidated financial statements of the Company and its subsidiary. The consolidated financial statements of the Company have been approved for issue by the Company's management on 16 April 2024. These separate financial statements are presented in a thousand Kazakhstan tenge (tenge), except earnings per share, unless otherwise stated. These separate financial statements have been prepared based on the assumption that the Company is a going concern and will continue as a going concern in the foreseeable future.

(thousand Kazakhstan tenge unless otherwise stated)

IBDO QAZAQSTAN Для отчётов

2. Basis of Preparation of the Financial Statements (continued)

Effect of foreign economic factors

In 2023, markets were impacted by various geopolitical and economic factors that limited the global economic recovery. In the second half of 2023, many countries experienced a decrease in inflation rates. As a result, it became possible for central banks in a number of countries to lower interest rates. At the same time, given the positive pace of the economy, central banks of the world's leading economies did not dare to reduce interest rates considering the current inflation levels to be high enough to end restrictive monetary policy. According to the consensus, the transition of the world's economies from the stage of recession to the stage of growth is expected in the second half of 2024, and inflation rates will continue to decline throughout 2024.

In 2023, Kazakhstan demonstrated GDP growth of 5.1 %. The leading industries were construction (13.3 %), trade (11.3 %) and communications (7.15 %). At the same time, the US GDP growth was 3.1 %, China's GDP – 5.2 %, and the Russian Federation's GDP – 3.6 %.

Annual inflation in Kazakhstan in 2023 decreased and at the end of the year amounted to 9.8 % compared to the 2022 indicator of 20.3 %.

At the beginning of 2023, the NBRK base rate was at 16.75 % per annum. During the year, the base rate was reduced three times and by the end of 2023 it amounted to 15.75 % per annum.

At the end of 2023, the Kazakhstan Tenge strengthened by 1.7 % against the US dollar and the rate was 454.56 tenge per US dollar by the end of the year.

At the end of 2023, the current account of the balance of payments was in deficit and amounted to 3.3 billion US dollars due to the deterioration of the trade balance and balance of services. Exports of goods decreased by 7.0 % to 78.7 billion US dollars. Imports of goods increased by 20.0 % to 61.2 billion US dollars. In this regard, the trade balance surplus decreased by 52.0 % compared to 2022 and amounted to 17.5 billion US dollars. This decrease was caused by the fall in oil prices in the first half of 2023.

The year 2023 turned out to be favourable for Kazakhstan's stock market due to a decrease in the annual inflation rate, stabilization of markets after the levelling of external economic shocks, and improvement in macroeconomic indicators.

At the end of 2023, the total trading volume in all markets of the Exchange increased by 57 % compared to 2022 to 410.7 trillion tenge and became a record in the history of the Exchange. The KASE index updated its historical maximum by breaking the mark of 4 thousand points and in 2023 grew by 29 % to 4,187.38 points.

The Company's management believes that the events and external factors described above will not have a material impact on the Company's going concern. The Company's management monitors both current changes in the economic and political situation in the international arena and any sanctions risks, and takes measures necessary to maintain the sustainability and development of the Company's business in the near future.

Estimation uncertainty

To the extent that information has been available as of 31 December 2023, the Company has reflected revised estimates of expected future cash flows when estimating ECLs, measuring the fair value of financial instruments.

IBDO QAZAQSTAN Для отчётов

3. Significant Accounting Policies

Adoption of new IFRS, IFRS interpretations and amendments to IFRS

The accounting principles adopted in the preparation of these financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2022, except for the principles established by new IFRS and IFRS interpretations effective from 1 January 2023. The Group has not early adopted any other IFRS, amendments and interpretations to IFRS that have been issued but are not yet effective.

The Company applied the following amendments to IFRS for the first time in 2023, which did not affect its separate financial statements.

Amendment to IFRS 17 – Insurance Contracts

The amendment to IFRS 17 *Insurance Contracts* are published in December 2021 and effective for the reporting periods beginning on or after 1 January 2023.

This standard replaces IFRS 4 *Insurance Contracts*, which currently allows for a wide range of accounting practices for insurance contracts. IFRS 17 *Insurance Contracts* will fundamentally change the way in which insurance companies and groups operating in the insurance business treat insurance and investment contracts with discretionary participation features.

The requirements of IFRS 17 include elements of the European Solvency II standard offering a conceptually new approach to assessing solvency, taking into account the individual risks inherent in a particular insurance company.

In 2023, the statements under IFRS 17 will be provided in parallel with IFRS 4.

To exclude manipulation and the impact of unreasonable changes in insurance liabilities on the prudential standards of insurance organizations, regulatory statements remain unchanged.

This amendment had no impact on the separate financial statements of the Company.

Amendment to IAS 8 – Definition of Accounting Estimates (illustrations of changes in accounting policies and accounting estimates)

The IAS Board amends IAS 8 to define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty".

The accounting policies may require items in the financial statements to be measured in a manner that involves estimation uncertainty. That is, the accounting policies may require measuring such items in monetary amounts that cannot be directly observable but must be measured.

In this case, the entity makes an accounting estimate to achieve the goal set in the accounting policy. Making accounting estimates involves the use of judgments or assumptions based on the latest reliable information available.

Amendment to IAS 12 – Income Tax - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Amendments to IAS 12 *Income Tax* published in May 2021 and effective for the reporting periods beginning on or after 1 January 2023.

The Board introduced these Amendments to reduce discrepancies in how entities account for deferred tax on transactions and events, such as leases and decommissioning liabilities, that result in initial recognition of both assets and liabilities.

The amendments narrow the scope of the exceptions to initial recognition under IAS 12 so that the exception no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that the deduction for tax purposes of payments to settle liabilities is a matter of judgment (in accordance with applicable tax laws) as to whether such deductions are consistent with tax purposes for liabilities recognized in the financial statements (and interest expense) or related asset (and interest expense).

This judgment is important in determining whether any temporary differences exist at the initial recognition of an asset and liability.

This amendment had no impact on the separate financial statements of the Company.

(thousand Kazakhstan tenge unless otherwise stated)

IBDO QAZAQSTAN Для отчётов

3. Significant Accounting Policies (continued)

Adoption of new IFRS, IFRS interpretations and amendments to IFRS (continued)

Amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement No. 2 *Making Materiality Judgements*

The IAS Board issued amendments to IAS 1 determining that an entity should disclose material information about accounting policies: The information about accounting policies is material if this information, considered in conjunction with other information included in the entity's financial statements, can reasonably be expected to influence the decisions made by primary users of general purpose financial statements based on those financial statements.

The information about accounting policies that relates to immaterial transactions, other events or conditions is immaterial and is not required to be disclosed. However, information about accounting policies may be material because of the nature of the transactions or other events or conditions, even if the amounts are immaterial. However, not all information about accounting policies that relates to material transactions, other events or conditions is material.

An entity shall disclose, with material information about its accounting policies or as part of other notes, the information about judgments, other than those related to estimates, that were made by management in applying the entity's accounting policies and that had the most significant impact on the amounts recognized in the financial statements.

This amendment allows the Company disclosing in its separate financial statements material information about accounting policies rather than significant accounting policies as required prior to the amendment.

Amendment to IAS 12 – International Tax Reform – Pillar Two Model Rules

In December 2021, the OECD published its Pillar 2 Model Rules according to which the large multinational companies will be taxed at a minimum rate of 15 %.

More than 135 countries and jurisdictions representing more than 90 % of global GDP have agreed to the Pillar 2 Model Rules.

The IAS Board took immediate action to respond to stakeholder concerns about the uncertainty surrounding deferred tax accounting arising from the application of the rules.

Amendments to IAS 12 will introduce:

- temporary exception for accounting for deferred taxes arising in jurisdictions applying global tax rules. This will help to ensure comparability of the financial statements and simplify compliance with regulations;
- targeted disclosure requirements to help investors to understand better the impact on an entity of new income tax requirements, particularly before legislation imposing such requirements comes into force.

This amendment had no impact on the separate financial statements of the Company.

For the annual periods beginning on or after 1 January 2024, the following will apply:

- **Lease liabilities in a Sale and Leaseback (Amendments to IFRS 16 *Leases*);**
- **Classification of Liabilities as Current and Non-current (Amendments to IAS 1 *Presentation of Financial Statements*);**
- Non-current Liabilities with Covenants (Amendments to IAS 1 *Presentation of Financial Statements*);
- Supplier Finance Arrangements (Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*);
- **Lack of Exchangeability (Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*).**

The Company did not apply early new IFRS, IFRS interpretations and amendments to IFRS specified above.

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3. Significant Accounting Policies (continued)

Fair value measurement

The Company measures financial instruments at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI), and such non-financial assets as property, plant and equipment (groups: building, land, transport vehicles) at fair value at each reporting date.

Fair value is a price, which would be received at the sale of an asset or paid at the transfer of a liability in the course of the ordinary transaction between the market participants at the measurement date. Measurement of a fair value assumes that a transaction is carried out to sell an asset or to transfer a liability:

- in the market, which is principal for that asset or liability; or
- in the absence of the principal market, in the market that is the most advantageous for that asset or liability.

The Company must have access to the principal or the most advantageous market. The fair value of an asset or liability is measured using assumptions, which would be used by the market participants when fixing a price for an asset or liability provided that the market participants act in their best economic interests. Measurement of a non-financial asset at fair value considers an ability of a market participant to generate economic benefits either by using an asset in the best and the most effective manner or as a result of its sale to another market participant, which will use that asset in the best and the most effective manner.

The Company uses such valuation models, which are acceptable in the existing circumstances and for which the data sufficient for measurement at fair value is available, and using as much as possible appropriate observable inputs and using minimally non-observable inputs. All assets and liabilities measured in the financial statements at fair value or the fair value of which is disclosed in the separate financial statements are classified under the fair value hierarchy described below based on inputs of the lowest level, which are significant for measurement at fair value in general:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2 – valuation models in which inputs significant for measurement at fair value relating to the lower level of the hierarchy are directly or indirectly observable in the market;
- Level 3 – valuation models in which inputs significant for measurement at fair value relating to the lower level of the hierarchy are not observable in the market.

In case of assets and liabilities, which are revalued in the separate financial statements from time to time, the Company determines whether they are required to be transferred between the hierarchy levels with analysing again the classification (based on inputs of the lowest level, which are significant for measurement at fair value in general) at the end of each reporting period.

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3. Significant Accounting Policies (continued)

Financial assets and liabilities

Initial recognition

Recognition date

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

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to.

Financial assets and financial liabilities measurement categories

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- amortised cost;
- FVOCI; or
- FVPL.

The Company classifies and measures its derivative and trading portfolio at FVPL. The Company may designate at its discretion the financial instruments at FVPL if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or FVPL when they are held for trading and derivative instruments or the fair value designation is applied at discretion of the entity.

Amounts due from credit institutions, investment securities at amortized cost

The Company only measures amounts due from credit institutions and other financial investments at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The details of these conditions are outlined below.

3. Significant Accounting Policies (continued)

Financial assets and liabilities (continued)

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- the expected frequency, value and timing of sales are also important aspects of the Company's business model assessment.

If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Solely payment of principal and interest test (SPPI test)

As the second step of its classification process, the Company assesses the contractual terms of financial asset to identify whether the contractual cash flows from an asset meet the SPPI test.

'Principal' for this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To carry out the SPPI test, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than negligible exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

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3. Significant Accounting Policies (continued)

Financial assets and liabilities (continued)

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company changes the business model for managing financial assets. Financial liabilities are never reclassified. In 2023, the Company did not reclassify any of its financial assets and liabilities.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash at NBRK and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Repurchase and reverse repurchase agreements and securities lending

Securities sale and repurchase agreements ("REPOs") are treated as secured financing transactions. Securities sold under REPO agreements are retained in the separate statement of financial position and, in case the transferee has the right by contract or custom to sell or surcharge them, reclassified as securities pledged under REPO agreements. The corresponding liability is presented as REPO transactions in the separate statement of financial position. Securities purchased under agreements to resell ("reverse REPO") are recorded as reverse REPO in the separate statement of financial position. The difference between sale and repurchase price is treated as interest revenue and accrued over the life of REPO agreements using the effective interest method.

Securities lent to counterparties are retained in the separate statement of financial position. Securities borrowed are not recorded in the separate statement of financial position, unless these are sold to third parties. In this case the purchase and sale transaction is recorded in the separate statement of comprehensive income. The obligation to return them is recorded at fair value as a trading liability.

Financial derivatives

In the normal course of business, the Company enters into various financial derivatives (including futures, forwards, swaps and options) in the foreign exchange and capital markets. These financial instruments are held for trading and are initially recorded at fair value. Fair value is determined based on market quotations or valuation models based on the current market and contract value of the relevant underlying instruments and other factors. Financial derivatives with a positive fair value are recorded as assets, while those with a negative fair value are recorded as liabilities. Gains and losses on these instruments are recognized in the separate statement of comprehensive income as net gains/(losses) on trading securities or net gains/(losses) on foreign exchange operations (trading operations), depending on the type of financial instrument.

3. Significant Accounting Policies (continued)

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the separate statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to dispose of the asset and settle the liability simultaneously. An offsetting right must not be preconditioned by a future event and must have a legal force at all circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the separate statement of financial position.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a company of similar financial assets) is primarily derecognised in the statement of financial position when:

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar instrument) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar instrument) on an asset measured at fair value. In this case, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated provision for impairment, the difference is first treated as an addition to the provision that is then applied against the gross carrying amount. Any subsequent recoveries are credited to Provision for credit losses. A write-off constitutes a derecognition event.

Financial liabilities

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

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

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3. Significant Accounting Policies (continued)

Lease

The Company applies IFRS 16 *Leases* to account for leases.

At the time of entering into a contract, the Company assesses whether the contract is a lease or whether it contains elements of a lease. That is to say, the Company determines whether a contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration.

Company as a lessee

The Company applies a uniform approach to the recognition and measurement of all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities in relation to lease payments and right-of-use assets, which represent the right to use the underlying assets. The Company has an office premise lease contract and, having considered the terms of the lease, the Company has concluded that it is necessary to recognize lease assets and liabilities in accordance with IFRS 16. The Company's weighted average incremental borrowing rate applied to lease liabilities was 15.5 %.

The Company recognizes right-of-use assets at the inception date of the lease (i.e. the date on which the underlying asset becomes available for use). Right-of-use assets are measured at original cost less accumulated amortization and accumulated impairment losses, adjusted for revaluation of lease liabilities. The original cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made on or before the inception date of the lease. If the lease transfers ownership of the underlying asset to the Company before the end of the lease term, or if the original cost of the right-of-use asset reflects the Company's intention to exercise the call option, the Company amortizes the right-of-use asset from the inception date of the lease to the end of the useful life of the underlying asset. Otherwise, the Company amortizes the right-of-use asset from the lease inception date to the earlier of the end of the useful life of the right-of-use asset or the expiration date of the lease term.

Right-of-use assets are also tested for impairment.

For short-term leases or leases in which the underlying asset is of low value, the Company recognizes lease payments as an expense either on a straight-line basis over the lease term or using another systematic approach. The Company uses a different systematic approach if that approach better reflects the benefit structure.

Company as a lessor

The Company classifies each of its leases as operating leases or finance leases.

A lease is classified as a finance lease if it involves the transfer of substantially all the risks and rewards of ownership of the underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards of ownership of the underlying asset.

Lease classification is made at the date of commencement of the lease relationship and is re-evaluated only in the event of a modification of the lease contract. Changes in estimates (for example, changes in the estimated economic life or liquidation value of the underlying asset) or changes in circumstances (for example, default by the lessee) do not result in a need to reclassify the lease for accounting purposes.

Finance lease

Recognition and measurement
At the inception date of the lease, the Company recognizes assets under a finance lease in its statement of financial position and presents them as receivables in an amount equal to the net investment in the lease.

Subsequent measurement
The Company recognizes finance income over the lease term based on a schedule that reflects a constant periodic rate of return on the lessor's net investment in the lease.

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3. Significant Accounting Policies (continued)

Lease (continued)

Operating lease

Recognition and measurement

The Company recognizes lease payments under operating leases as income using the straight-line or other systematic method. The Company may use a different systematic method if that method more adequately reflects the pattern of decline in benefits from the use of the underlying asset.

Taxation

The current income tax expense is calculated following the legislation of the Republic of Kazakhstan.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Besides, various operating taxes applied to operations of the Company are in effect in the Republic of Kazakhstan. These taxes are reported in operating expenses.

Property, plant and equipment

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

After initial recognition at original cost, buildings, land and vehicles are carried at revalued amounts, which are fair value at the revaluation date less subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed frequently enough to avoid material discrepancies between the fair value of the revalued asset and its carrying amount.

Accumulated depreciation at the revaluation date is excluded with simultaneously reducing the gross carrying amount of the asset, and the resulting amount is restated based on the revalued amount of the asset. The revaluation surplus is recognized in the property, plant and equipment revaluation reserve as part of other comprehensive income, except for the reversal of the previous decrease in the value of this asset previously recognized in profit or loss. In this case, the amount of the increase in the value of the asset is recognized in profit or loss. A revaluation write-down is recognized in profit or loss, unless such a decrease is offset directly against a previous surplus on the same asset in the property, plant and equipment revaluation reserve.

The annual transfer of amounts from the property, plant and equipment revaluation reserve to retained earnings is carried out to the extent of the difference between the amount of depreciation calculated based on the revalued carrying amount of assets and the amount of depreciation calculated based on the original cost of assets. At disposal of the asset, the corresponding amount included in the revaluation reserve is transferred to retained earnings.

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the asset estimated useful lives:

	Years
Buildings	40
Machinery and equipment	3-15
Vehicles	6,7
Other	6-10

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

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

Intangible assets

Intangible assets comprise software and licenses.

Intangible assets purchased separately from the business are initially measured at the initial cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

Estimated useful lives of intangible assets are specified below:

	Lives in years used in 2023
In-house software	3-9
Other software and licenses	5-8
Other	2-5

If the Company creates an intangible asset, the cost of intangible asset development is included in the cost of the intangible asset and accounted for as construction in progress until the intangible asset is ready for its intended use in accordance with the terms of the contract. The cost of an internally generated intangible asset is the sum of the following costs incurred from the date the intangible asset first becomes eligible for recognition and includes all costs that can be directly attributed or allocated on a reasonable and consistent basis to the development, creation, production and preparation of the asset for its intended use:

1) the cost of materials and services used or consumed in the creation of an intangible asset;

2) salaries and other costs associated with employees directly involved in the creation of the asset (the Company capitalizes the remuneration of employees directly involved in the development of software products based on progress reports, if such work meets all of the above requirements); and

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

Assets classified as held for sale

The Company classifies a non-current asset (or a disposal company) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal company) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. The sale qualifies as highly probable if the Company's management is committed to a plan to sell the non-current asset (or a disposal company). An active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or company of disposal) must have been actively marketed for a sale at a price that is reasonable concerning its current fair value. Also, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or company of disposal) as held for sale.

3. Significant Accounting Policies (continued)

Investments in subsidiaries

Subsidiary means an entity, including an unincorporated entity such as a partnership, that is controlled by the Company. Investments in subsidiaries are accounted for in the separate financial statements at initial cost less any impairment loss.

Investments in associates

An associate is an entity on whose operations the Company has significant influence. Under the equity method, the investment in an associate is initially recognised at cost, and their carrying amount is subsequently increased or decreased due to recognition of an investor's share in profit or loss of an investee since the acquisition date. An investor's share in profit or loss of an investee is reported in profit or loss of the Company. Receipts from an investee as a result of income distribution reduce the carrying amount of investments.

Amounts due to clearing participants

The most of the amounts due to the clearing participants are the money of the clearing participants placed on the correspondent accounts of the Exchange at the reporting date in order to carry out operations on the next trading day. Additionally, in accordance with the Exchange's internal document – "Rules for carrying out clearing activities for financial instrument transactions" – each clearing participant must maintain a certain level of collateral and security deposit on the Exchange's correspondent account. Also, some of the clearing participants leave amounts of money at the end of the trading day on the correspondent account of the Exchange in order to trade on the next trading day. The Exchange recognizes them as liabilities to clearing participants.

Central counterparty assets and liabilities

As of 1 January 2024, the Exchange acts as a central counterparty in the foreign exchange and derivatives markets, being a party to each participant in all transactions concluded at exchange trading, and guarantees their execution on a net basis. Assets and liabilities for such transactions are reflected in the statement of financial position at net fair value calculated on the basis of daily settlement prices determined by the Exchange in accordance with approved internal documents. Financial assets and liabilities measured at fair value through profit or loss include the assets and liabilities of the central counterparty for pending transactions in the stock and foreign stock markets as of the end of the reporting period.

From 25 September 2023, KASE Clearing Centre JSC performs clearing, settlements and functions as a central counterparty for transactions with individual financial instruments in the stock market.

Central counterparty collateral

The Exchange guarantees the fulfilment of net obligations to participants in the foreign exchange and derivatives markets using an individual and collective collateral system. The individual collateral of a participant may be either full or partial, depending on the category assigned to the clearing participant, which is determined on the basis of its financial condition.

As collateral for the fulfilment of obligations by a clearing participant with partial collateral for trades concluded on the terms of partial collateral, the Exchange establishes requirements for partial collateralization of net obligations for transactions recorded on clearing accounts and submitted orders of such clearing participants and calculated taking into account the specifics established by the Exchange's internal methods for certain stock markets, as well as sets the requirements for providing a security deposit in the relevant stock market. As security for the fulfilment of obligations by a clearing participant with partial collateral for trades concluded on full coverage terms, the Exchange establishes requirements for full coverage of net liabilities in those financial instruments in which they arise as a result of their conclusion of such trades. As security for the fulfilment of obligations of clearing participants with full coverage, the Exchange establishes requirements for full coverage of net obligations on all clearing accounts of such a clearing participant.

The requirements of the central counterparty to the amount of partial collateral are calculated based on the Exchange's internal methods and must cover the amount of credit and market risk of the clearing participant's net obligations in all financial instruments to the central counterparty.

As a partial collateral in the foreign exchange market and derivatives market, money in the tenge and the US dollars transferred by participants to correspondent accounts of the Exchange are accepted.

In addition to money, the clearing participants deposit securities traded on Kazakhstan Stock Exchange as a collateral in the stock market. These securities are accounted as collateral on sub-accounts (client and own) of the personal account of each depositor-clearing participant of the stock market in the CD, are not the Company's assets and are not reported in the statement of financial position.

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3. Significant Accounting Policies (continued)

Central counterparty collateral (continued)

If there is a lack of collateral and/or margin collateral of a clearing participant to secure its open positions, the clearing participant is obliged to satisfy the demand of the Exchange by depositing additional collateral or concluding transactions that lead to a decrease in the value of open positions.

A clearing participant without collateral does not provide collateral and does not pay guarantee fees.

Clearing reserve and guarantee funds serve as collective collateral for the trades to clearing participants. Reserve funds are formed at the expense of the Exchange's own funds for each stock market. Guarantee funds are formed on the basis of security deposits of clearing participants credited by clearing participants to the correspondent accounts of the Exchange. In a certain stock market, separate guarantee funds may be formed, which are used to cover outstanding liabilities under transactions with financial instruments concluded in trading modes with the participation of the central counterparty. Reserve funds are used exclusively to cover outstanding liabilities under transactions with financial instruments of a certain stock market for which this reserve fund was formed. Guarantee funds cannot be used as collateral for the settlement of any other liabilities of the Exchange and/or its clearing participants, except for liabilities under transactions concluded in the stock market as part of default settlement.

Collective collateral is used only in case individual collateral is insufficient. The procedure for using collective collateral is provided for by the Company's internal documents.

The Exchange is gradually transferring the functions of the central counterparty from the Exchange to the subsidiary in order to differentiate the risk profile of the trading organizer and the central counterparty.

On 25 September 2023, the Exchange transferred clearing and settlement functions, as well as the functions of the central counterparty in the stock market to the subsidiary. By the end of 2024, the Exchange plans to transfer clearing and settlement functions, as well as the functions of the central counterparty in the foreign exchange and derivatives markets, to the subsidiary.

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3. Significant Accounting Policies (continued)

Estimated liabilities

The estimated liabilities are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, an outflow of resources embodying economic benefits will probably be required to settle the liability and the amount of the obligation can be estimated reliably.

Retirement and other employee benefit obligations liabilities

The Company does not have additional pension arrangements other than participation in the state pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. Besides, the Company has no significant post-employment benefits.

Equity

Authorized capital

Ordinary shares are classified as equity. Costs to pay for services of third parties directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional capital.

Bought-out treasury stock

In the event that the Company purchases the Company's shares, the consideration paid, including related transaction costs, net of income tax, is deducted from total equity as bought-out treasury shares until cancelled or reissued. When such shares are subsequently sold or reissued, the consideration received is included in equity. Bought-out treasury stock is accounted for at their weighted average cost.

Dividend

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

Contingent assets and liabilities

Contingent liabilities are recognised in the separate statement of financial position and disclosed except when the disposal of resources due to their repayment is unlikely. Contingent assets are not recognised in the separate statement of financial position but disclosed in the forms of the annual separate financial statements in case the economic benefits are likely.

Revenue and expense recognition

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

Interest and similar revenue and expense

The Company calculates interest revenue on debt financial assets measured at amortised cost or FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

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3. Significant Accounting Policies (continued)

Fee and commission income

The Company earns fee and commission income from various types of services it provides to its customers. Fee and commission income can be divided into the following two categories:

- *Fee income earned for the provision of services over a specified period*

Commissions earned for the provision of services over a period of time are accrued over that period as the related performance obligations are satisfied. Such items include commission income, listing and clearing fees, information services, remote access services and membership fees.

- *Fee and commission income from the provision of transaction services*

Commission fees received for conducting or participating in negotiations on a transaction on behalf of a third party, (for instance, where the Company's performance obligation is to enter into an agreement while purchasing shares or other securities, or to purchase or sell businesses) are recognized upon completion of such transaction. Commission fees (or a portion of commission fees) associated with specific performance obligations are recognized when the relevant criteria are met. If the contract provides for variable consideration, commission income is recognized only to the extent that it is highly probable that, if the uncertainty inherent in the variable consideration is subsequently resolved, there will not be a significant decrease in the amount recognized in cumulative revenue.

Dividend income

Revenue is recognized when the Company's right to receive payment is established.

Foreign currency translation

The separate financial statements are presented in the Kazakhstan Tenge, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the separate statement of comprehensive income as 'Net losses from foreign currencies'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the Kazakhstan Stock Exchange official exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. As of 31 December 2023 and 2022, the official exchange rates were as follows:

	31 December 2023	*31 December 2022*
KZT/USD	**454,56**	462,62
KZT/EUR	**502,24**	492,86
KZT/RUR	**5,06**	6,43
KZT/GBP	**577,47**	556,57

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4. Critical Assumptions and Estimates

Estimation uncertainty

While applying the Company's accounting policies, management has used its judgment and made estimates in determining the amounts recognized in the separate financial statements. Below are the most significant uses of judgments and estimates:

Fair value of financial instruments

If the fair value of financial assets and financial liabilities as reflected in the separate statement of financial position cannot be determined based on prices in an active market, they are determined using various valuation models that include mathematical models. The inputs for such models are determined based on the observable market, if possible; otherwise, judgment must be applied to determine a fair value. Additional information is provided in *Note 26*.

Measurement of expected credit losses

The Company forms allowances (provisions) for expected credit losses on financial assets and receivables. The amount of such losses is determined by the Company based on the credit losses assigned to financial assets or their issuers, and the timing and amount of receivables.

Impairment of property, plant and equipment and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that such assets may be impaired. Based on an analysis of internal and external factors, management determines whether there is any indication of possible impairment at the reporting date.
If there is an indication of impairment, the Company estimates the recoverable amount. The recoverable amount is determined as the higher of fair value less selling expenses and value in use.
Determining the recoverable amount of a cash-generating unit involves the use of management's estimates. The methods used to determine value in use include, but are not limited to, discounted cash flow methods. These estimates, including the methods used, can have a significant impact on the fair value and, ultimately, the amount of any impairment or recovery of non-financial assets in future periods.

In 2023, the Company revalued the property, plant and equipment with the involvement of an independent appraiser. Following that revaluation, the book value of property, plant and equipment was reduced to fair value (Note 16). Based on the results of the analysis of external and internal indicators as of 31 December 2023, the Company did not find any indications of impairment of property, plant and equipment and intangible assets.

Litigations

Under IFRS, the Company recognizes provisions only when there is a present obligation due to past events, the economic benefits can be transferred and the cost of the transfer can be measured reliably. If these criteria are not met, no provision is accrued, and such contingent liability is disclosed in the notes to the separate financial statements. The emergence of any liabilities not currently recognized or disclosed in the separate financial statements could have a significant impact on the financial position of the Company. The application of this accounting principle to litigation requires the management of the Company to make decisions on various matters of fact and law that are beyond management's control. The Company reviews unsettled litigation each time there is a change in the course of its development, and at each reporting date, to assess the need for provisioning in the separate financial statements. Among the factors considered in making decisions to form the provisions are the nature of the suit, claim or penalty, the legal process and the amount of potential damages in the jurisdiction where the litigation occurs, the claim or penalty was filed, the course of the litigation (including after the date of separate financial statements but prior to their publication), opinions or views of legal advisers, previous experience of similar proceedings and any decisions of the Company's management as to how to respond to a claim, claim or penalty.

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5. Commission and Other Income

Commission and fee income include the following items:

	2023	*2022*
Commission fees	**3.011.171**	2.094.270
Listing fees	**917.908**	785.374
Clearing fees	**2.561.689**	2.115.913
Membership fees	**346.695**	309.976
Income from providing information services	**253.307**	218.873
Income from providing remote access services	**241.432**	158.031
Proceeds from service provision	**7.332.202**	5.682.437

Revenue from contracts with customers

The Company's revenue from contracts with customers is primarily represented by revenue from the provision of services. Revenue from contracts with customers recognized in the separate statement of comprehensive income for the years ended 31 December 2023 and 31 December 2022 amounted to:

	2023	*2022*
Fee and commission income	**6.837.463**	5.305.533
Other revenue from contracts with customers	**494.739**	376.904
Total revenue from contracts with customers	**7.332.202**	5.682.437

The Company recognized in the separate statement of financial position the following contractual assets and liabilities related to contracts with customers:

	2023	*2022*
Contractual assets (as part of other assets)	**539.522**	684.862
Contractual liabilities (as part of received advances)	**112.660**	88.579

The Company generally collects commissions before the completion of the transaction for which they are due, or immediately after its completion (in the case of contracts for which a performance obligation is satisfied at a certain point in time, for example, commissions for transactions on the Exchange). In the case of services performed during a period (such as listing fees), the Company will generally charge monthly, quarterly or annually collect in advance the amounts in respect of an appropriate portion of the overall contract term.

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose remaining performance obligations for contracts with an original expected term of one year or less.

Other income includes the following items:

	2023	*2022*
Income from lease	**128.972**	-
Imposed penalties, fines	**3.780**	2.588
Other income	**7.311**	1.226
Revenue for services provided	**140.063**	3.814

Income from lease is recognized on a straight-line basis under IFRS 16 *(Note 3)*.

6. Interest Income and Expenses

	2023	*2022*
Financial assets at amortized cost		
Investment securities	**6.708.524**	3.103.289
Reverse REPO	**9.710.856**	2.656.353
Cash equivalents	**2.226.441**	658.146
Charged interest on lease	**(25.244)**	-
Total interest income on financial assets	**18.620.577**	6.417.788

(thousand Kazakhstan tenge unless otherwise stated)

7. Operating Expenses

	2023	*2022*
Expenses for personnel	**3.339.357**	2.268.879
Depreciation and amortization *(Notes 16, 17)*	**561.660**	419.788
Social tax	**237.608**	152.117
Taxes other than income tax	**260.753**	238.376
Technical maintenance of property, plant and equipment and intangible assets	**431.811**	230.373
Bank services	**10.402**	31.564
Communication and SWIFT services	**42.589**	48.057
Information services	**71.264**	38.669
Business development expenses	**344.022**	117.175
Membership fees	**34.953**	23.104
Professional services	**209.171**	164.572
Operating lease	**29.948**	36.146
Personnel training	**18.797**	23.422
Travel expenses	**59.495**	47.184
Insurance indemnities	**22.406**	1.169
Expenses for mailing and courier services	**995**	1.105
Expenses on depreciation of property, plant and equipment and amortization of right-of-use assets	**60.021**	-
Other expenses	**132.615**	96.833
Total operating expenses	**5.867.867**	3.938.533

8. Taxation

Corporate income tax expense includes the following items:

	2023	*2022*
Assessed corporate income tax – current part	**2.638.536**	999.668
Adjustment to corporate income tax of prior years	**(7.015)**	(3.429)
Assessed deferred tax – origination and reduction of temporary differences	**20.424**	153.796
Minus deferred tax recognized in other comprehensive income (property, plant and equipment revaluation)	**(31.920)**	(22.489)
Corporate income tax expense	**2.620.025**	1.127.546

The Company's income is taxed only in the Republic of Kazakhstan. In accordance with tax laws, the applicable corporate income tax rate in 2023 and 2022 is 20 %.

The reconciliation between the corporate income tax expense recognized in these separate financial statements and earnings before corporate income tax expenses multiplied by the statutory tax rate for the years ended 31 December is as follows:

	2023	*2022*
Profit before corporate income tax expenses	**20.369.143**	7.948.228
Statutory tax rate	**20 %**	20 %
Tax at statutory rate	**4.073.829**	1.589.646
Adjustment to corporate income tax of prior years	**(7.015)**	(3.429)
Non-taxable income		
Non-taxable interest income on government and other securities	**(1.434.131)**	(548.244)
Other non-taxable income	**(7)**	(1.665)
Non-deductible expenses:		
Provision for credit losses	**(39.889)**	56.555
Membership fees	**-**	97
General and administrative expenses	**27.238**	19.506
Other	**-**	15.080
Corporate income tax expense	**2.620.025**	1.127.546

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8. Taxation (continued)

Deferred tax assets and liabilities as of 31 December, as well as their movements for relevant years, include the following items:

		Origination and reduction of temporary differences			*Origination and reduction of temporary differences*		
	31 December 2021	*In profit or loss*	*In other comprehensive income*	*31 December 2022*	*In profit or loss*	*In other comprehensive income*	*31 December 2023*
Tax effect of deductible temporary differences							
Accruals for unused leaves	**14.223**	555	–	**14.778**	(4.265)	–	**10.513**
Lease liabilities	**–**	–	–	-	38.485	–	**38.485**
Other	**–**	(6.909)	–	**(6.909)**	6.909	–	**-**
Deferred tax asset	**14.223**	(6.354)	–	**7.869**	41.129	–	**48.998**
Tax effect of taxable temporary differences							
Property, plant and equipment, intangible assets and right-of-use assets	**(205.729)**	(124.953)	(22.489)	**(353.171)**	(29.633)	(31.920)	**(414.724)**
Deferred tax liability	**(205.729)**	(124.953)	(22.489)	**(353.171)**	(29.633)	(31.920)	**(414.724)**
Total deferred corporate income tax liabilities, net	**(191.506)**	(131.307)	(22.489)	**(345.302)**	11.496	(31.920)	**(365.726)**

9. Earnings per Share

The earnings per share and weighted average number of ordinary shares used to calculate basic earnings per share are as follows:

	2023	*2022*
Net earnings for the year attributed to the Company shareholders	**17.749.118**	6.820.682
Weighted average number of ordinary shares to determine basic earnings per share	**1.075.231**	1.075.231
Basic and diluted earnings per share (tenge)	**16.507,26**	6.343,46

10. Cash and Cash Equivalents

Cash and cash equivalents include the following items:

	31 December 2023	*31 December 2022*
Cash on hand		–
Correspondent accounts at credit institutions	**58.309.223**	226.036.197
Correspondent account at NBRK	**75.917.226**	42.177.783
Minus allowance for ECLs	**(144.775)**	(385.372)
Cash and cash equivalents	**134.081.674**	267.828.608

Correspondent accounts at banks include the following items:

	31 December 2023	*31 December 2022*
The Bank of New York Mellon	**46.149.528**	159.032.252
Central Securities Depository JSC	**383.859**	59.609.332
Citibank N.A.	**7.720.251**	4.098.555
Altyn Bank JSC	**465.647**	68.705
JPMorgan Chase Bank, N.A.	**1.319.252**	1.431.129
Other credit institutions	**2.270.686**	1.796.224
	58.309.223	226.036.197
Minus allowance for ECLs	**(144.775)**	(385.372)
Correspondent accounts at credit institutions	**58.164.448**	225.650.825

Cash and cash equivalent balances do not indicate a significant increase in credit risk or impairment as of 31 December 2023 and 31 December 2022. An analysis of changes in ECL allowances for the year is shown below:

(thousand Kazakhstan tenge unless otherwise stated)

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10. Cash and Cash Equivalents (continued)

	2023	*2022*
Allowance for ECLs as of 1 January	**(385.372)**	(100.227)
Net change in allowance	**240.597**	(285.145)
As of 31 December	**(144.775)**	(385.372)

11. Amounts Due from Credit Institutions and Reverse REPO

In 2023, the Company's amounts due from credit institutions were not placed.

Reverse REPO is presented as follows:

	31 December 2023	*31 December 2022*
Tenge	**60.440.647**	35.551.435
Total reverse REPO	**60.440.647**	35.551.435

12. Central Counterparty Financial Assets and Liabilities

	31 December 2023	*31 December 2022*
REPO and reverse REPO	-	11.424.940.071
Foreign exchange transactions	**377.827**	344.514.505
Total central counterparty financial assets and liabilities	**377.827**	11.769.454.576

The central counterparty financial assets represent receivables from foreign exchange and REPO transactions, the central counterparty financial liabilities represent accounts payable under relevant transactions that the Company entered into with market participants in its role as a central counterparty.

The counterclaims and liabilities of individual counterparties are set off in accordance with IAS 32.

The Exchange is gradually transferring the functions of the central counterparty from the Exchange to the subsidiary in order to differentiate the risk profile of the trading organizer and the CCP.

On 25 September 2023, the Exchange transferred clearing and settlement functions, as well as the functions of the CCP in the stock market to the subsidiary. By the end of 2024, the Exchange plans to transfer clearing and settlement functions, as well as the functions of the central counterparty in the foreign exchange and derivatives markets, to the subsidiary.

13. Investment Securities

Investment securities include the following items:

	31 December 2023	*31 December 2022*
Debt securities at amortized cost		
Notes of the National Bank of the Republic of Kazakhstan	**31.087.753**	12.056.569
Bonds of the Ministry of Finance of the Republic of Kazakhstan	**14.434.420**	19.647.548
Bonds of the US Treasury Department	**18.533.295**	
Bonds of international organizations	**228.559**	232.441
Minus allowance for ECLs	**(87.877)**	(47.322)
Investment securities	**64.196.150**	31.889.236

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14. Equity Securities at Fair Value Through Other Comprehensive Income

Equity securities at FVOCI include the following items:

	31 December 2023		*31 December 2022*	
	Interest, %	*Amount*	*Interest, %*	*Amount*
Central Securities Depository JSC	**29,28**	**18.800**	29,28	18.800
Kyrgyz Stock Exchange CJSC	**7,05**	**2.253**	9,07	2.253
Equity securities at FVOCI	**-**	**21.053**	–	21.053

The Company has classified, in its sole discretion, certain equity investments as FVOCI equity investments on the basis that they are not held for trading. Such investments include mandatory investments in the capital of stock exchanges and clearing organizations. The CD is a non-profit organization. The controlling shareholder of the CD is the NBRK, whose interest is 64.03 %. The Company's management believes that the Company does not have a significant impact on the activities of the CD.

15. Investments in the Associate

As of 31 December 2023 and 2022, investments in the associate are reported as follows:

	31 December 2023		*31 December 2022*	
	Interest, %	*Amount*	*Interest, %*	*Amount*
RTRS LLP	**50**	**107.289**	50	125.083

Details are given in Note 2.

16. Property, Plant and Equipment

	Building	*Land*	*Machinery and equipment*	*Transport vehicles*	*Other*	*Total*
Revalued amount						
31 December 2021	934.333	77.270	758.028	58.926	146.703	1.975.260
Receipts	–	–	332.286	–	40.402	372.688
Disposal	–	–	–	–	(1.971)	(1.971)
Effect of revaluation	11.705	11.741	–	12.307		35.753
Transfers	–	–	390	–	(390)	–
31 December 2022	**946.038**	**89.011**	**1.090.704**	**71.233**	**184.744**	**2.381.730**
Receipts	–	–	**856.778**	**29.541**	**81.148**	**967.467**
Disposal			**(124.415)**	**(6.410)**	**(30.995)**	**(161.820)**
Effect of revaluation	**118.390**	**(40.174)**	–	**(8.396)**	–	**69.820**
31 December 2023	**1.064.428**	**48.837**	**1.823.067**	**85.968**	**234.897**	**3 257.197**
Accumulated depreciation						
31 December 2021	(26.074)	–	(402.157)	(17.778)	(121.936)	(567.945)
Disposal	–	–	–	–	12.494	12.494
Charged depreciation	(26 074)	–	(120.246)	(18.506)	(11.224)	(176.050)
Effect of revaluation	52.148	–	–	36.284	–	88.432
31 December 2022	**–**	**–**	**(522.403)**	**–**	**(120.666)**	**(643.069)**
Disposal	–	–	**124.415**	–	**30.775**	**155.190**
Charged depreciation	**(27.893)**	**–**	**(210.769)**	**(13.328)**	**(18.600)**	**(270.590)**
Effect of revaluation	**27.893**	**–**	**–**	**13.328**	**–**	**41.221**
31 December 2023	**–**	**–**	**(608.757)**	**–**	**(108.491)**	**(717.248)**
Net carrying amount						
As of 31 December 2021	**908.259**	**77.270**	**355.871**	**41.148**	**24.767**	**1.407.315**
As of 31 December 2022	**946.038**	**89.011**	**568.301**	**71.233**	**64.078**	**1.738.661**
As of 31 December 2023	**1.064.428**	**48.837**	**1.214.310**	**85.968**	**126.406**	**2.539.949**

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16. Property, Plant and Equipment (continued)

In 2023, the Company reduced the useful lives of property, plant and equipment (server, computer and telecommunications equipment). As part of the group of property, plant and equipment – 'machinery and equipment', the subject of an operating lease is the property, plant and equipment with a carrying amount of 11,197 thousand tenge; accordingly, the property, plant and equipment with a carrying amount of 1,203,113 thousand tenge are not the subject of a lease.

The Company engaged the services of an independent appraiser – Independent Appraisal and Legal Centre LLP – to determine the fair value of land, buildings and transport vehicles owned by the Company. Fair value is determined based on the value of similar properties offered in the market, as well as using the discounted cash flow method. The revaluation date is 28 December 2023. Details of the fair value of land, buildings and transport vehicles is disclosed in *Note 26*.

If the land, buildings and transport vehicles would be measured using the cost accounting model, then the carrying amount figures would look like this:

	31 December 2023			*31 December 2022*		
	Land	*Building*	*Transport vehicles*	*Land*	*Building*	*Transport vehicles*
Original cost	**1.628**	**1.023.223**	**90.924**	1.628	1.023.223	61.424
Accumulated depreciation	**-**	**(181 196)**	**59.325**	–	(155.615)	(48.500)
Net carrying amount	**1.628**	**842.027**	**31599**	1.628	867.608	12.924

As of 31 December 2023, the original cost of fully depreciated property, plant and equipment amounted to 268.256 thousand tenge (31 December 2022: 359.057 thousand tenge).

17. Intangible Assets

Movements of intangible asset items are presented below:

	In-house software	*Other software and licenses*	*Other*	*Construction in process*	*Total*
Original cost					
31 December 2021	**267.530**	**1.509.410**	**6.583**	**15.763**	**1.799.286**
Receipts	–	460.445	26.782	8.207	495.434
Salary and other costs capitalization	82.879	–	–	–	82.879
Transfers	–	15.324	2.778	(18.102)	-
31 December 2022	**350.409**	**1.985.179**	**36.143**	**5.868**	**2.377.599**
Receipts	–	184.131	7.000	–	**191.131**
Salary and other costs capitalization	**121.908**	–	–	–	**121.908**
31 December 2023	**472.317**	**2.169.310**	**43.143**	**5.868**	**2 690.638**
Accumulated amortization					
31 December 2021	**(173.507)**	**(325.197)**	**(6.583)**	**–**	**(505.287)**
Charged amortization	(42.787)	(211.482)	(1.958)	–	(256.227)
31 December 2022	**(216.294)**	**(536.679)**	**(8.541)**	**–**	**(761.514)**
Charged amortization	**–**	(286.766)	**(4.304)**	**–**	**(291.070)**
31 December 2023	**(216.294)**	**(823.445)**	**(12.845)**	**–**	**(1.052 584)**
Net carrying amount					
As of 31 December 2021	**94.023**	**1.184.213**	**–**	**15.763**	**1.293.999**
As of 31 December 2022	**134.115**	**1.448.500**	**27.602**	**5.868**	**1.616.085**
As of 31 December 2023	**256.023**	**1.345.865**	**30.298**	**5.868**	**1.638.054**

As of 31 December 2023, the original cost of fully amortized intangible assets amounted to 325.880 thousand tenge (31 December 2022: 315.815 thousand tenge).

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18. Right-of-Use Assets

	Office premises
Original cost	
31 December 2022	–
Receipts	210.911
31 December 2023	**210.911**
Accumulated depreciation	
31 December 2022	–
Charges for the year	(60.021)
31 December 2023	**(60.021)**
Net carrying amount	
As of 31 December 2022	–
As of 31 December 2023	**150.890**

The Company leases office premises for an average term of lease of 3 years.

	31 December 2023	*31 December 2022*
Amounts recognized in profit and losses		
Expenses on depreciation of right-of-use assets	**(60.021)**	–
Interest expenses on lease liabilities	**(25.244)**	–

19. Prepayments

As of 31 December 2023, prepayments amounted to 450.031 thousand, including prepayment to Moscow Stock Exchange MICEX-RTS PJSC (hereinafter – MOEX) in the amount of 344.035 thousand tenge, under the license agreement to use software to hold exchange auctions and to clear and perform contracts to provide technical services in relevant markets dated 10 October 2018.

20. Other Assets and Liabilities

The other assets include the following items:

	31 December 2023	*31 December 2022*
Other financial assets		
Commission fees receivable	**226.645**	271.018
Income on clearing transaction services	**129.792**	279.396
Income from information services receivable	**166.819**	75.936
Listing fees receivable	**-**	50.110
Membership fees receivable	**7.554**	5.926
Income on remote access services receivable	**992**	13.442
Penalties and fines receivable	**20.051**	768
Total other financial assets	**551.853**	696.596
Minus allowance for ECLs	**(12.331)**	(11.734)
Total other financial assets	**539.522**	684.862
Other non-financial assets		
Taxes other than corporate income tax	**68.793**	20.624
Deferrals	**121.536**	89.280
Inventories	**39.263**	16.391
Prepaid leaves	**-**	3.910
Other	**6.512**	31
Total other non-financial assets	**236.104**	130.236
Total other assets	**775.626**	815.098

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20. Other Assets and Liabilities (continued)

The other liabilities include the following items:

	31 December 2023	*31 December 2022*
Other financial liabilities		
Payables	**151.831**	129.232
Dividends payable	**2.203**	2.203
Total other financial liabilities	**154.034**	131.435
Other non-financial liabilities		
Accrued unused leaves	**52.567**	72.258
Current income tax liabilities	**29.871**	14.486
Taxes other than corporate income tax	**205.157**	128.705
Other	**56.255**	24.436
Total other non-financial liabilities	**343.850**	239.885
Total other assets	**497.884**	371.320

21. Amounts Due to Clearing Participants

As of 31 December 2023 and 31 December 2022, the amounts due to clearing participants were presented with security deposits and margin deposits that are collateral for discharging net liabilities of clearing participants of the derivatives market, stock and foreign exchange markets transactions.

	31 December 2023	*31 December 2022*
Collaterals for foreign exchange and stock markets	**-**	308.443.419
Security deposits for foreign exchange market	**656.000**	629.000
Security deposits for stock market	**33.000**	620.000
Security deposits for derivatives market	**57.000**	48.000
Collateral for derivatives market	**220.200.867**	3.068.924
Total amounts due to clearing participants	**220.946.867**	312.809.343

The amounts were placed by the following clearing participants:

	31 December 2023	*31 December 2022*
Kazakhstan second-tier banks	**210.182.758**	238.476.019
Other financial institutions	**7.423.309**	61.186.074
International bank settlement and credit institution	**3.340.800**	13.147.250
Total amounts due to clearing participants	**220.946.867**	312.809.343

22. Lease Liabilities

	31 December 2023	*31 December 2022*
Type of liability maturity		
Current	**105.512**	–
Non-current	**86.914**	–
Total lease liabilities	**192.426**	

Lease liability	
31 December 2022	–
Receipts	210.911
Paid principal on lease	(40.033)
Paid interest	(25.244)
Interests	25.244
Increase in short-term lease payables	21.548
31 December 2023	**192.426**

The Company does not face liquidity risk in relation to its lease liabilities.

(thousand Kazakhstan tenge unless otherwise stated)

23. Authorized Capital

The Company's authorized capital is presented with the following number of ordinary shares:

	Quantity of issued shares	*Quantity of bought-out shares*	*Quantity of outstanding shares*	*Authorized capital*	*Bought-out treasury stock*
1 January 2022	1.075.231	–	1.075.231	4.189.030	–
31 December 2022	1.075.231	–	1.075.231	4.189.030	–
31 December 2023	**1.075.231**	–	**1.075.231**	**4.189.030**	**–**

As of 31 December 2023, there are 5.000.000 authorized ordinary shares in total (31 December 2022: 5.000.000), 1.075.231 authorized shares were issued and fully paid.

Nature and purpose of other provisions

Property, plant and equipment revaluation reserve

The revaluation reserve of property, plant and equipment is used to reflect increases and decreases in the fair value of land, buildings and transport vehicles, but only to the extent that such decrease is due to a previous increase in the value of the same asset previously recognized in equity.

Provision for fair value

This provision presents changes in the fair value of financial assets at FVOCI.

Reserve fund

The reserve fund is formed under the requirements of the Law of the Republic of Kazakhstan *On the Securities Market* to minimize the operating risks of a clearing organization (central counterparty). At the meeting of the Board of Directors of the Company dated 26 April 2023, it was decided to increase the reserve fund of the stock market by 708.000 thousand tenge. The assessment of the adequacy of clearing guarantee and reserve funds for 2023 was considered. According to the results of the assessment of the adequacy of clearing funds for 2023, it was established that there is no need to replenish the clearing reserve funds of the stock and foreign exchange markets, as well as the derivatives market.

Movements of items of other provisions

Movements of items of other provisions are presented below:

	Provision for fair value	*Property, plant and equipment revaluation reserve*	*Reserve fund*
As of 1 January 2022		**90.986**	**3.170.000**
Depreciation of revaluation reserve, less taxes	–	(9.026)	–
Increase in reserve fund	–	**101.698**	–
As of 31 December 2022	–	183.658	3.170.000
Depreciation of revaluation reserve, less taxes	–	(17.802)	
Increase in reserve fund	–	80.844	**708.000**
As of 31 December 2023	–	**246.700**	**3.878.000**

(thousand Kazakhstan tenge unless otherwise stated)

24. Commitments and Contingencies

Operating environment

Kazakhstan continues economic reforms and development of legal, tax and administrative infrastructure that would meet the requirements of a market economy. The stability of Kazakhstan's economy in the future will largely depend on the progress of these reforms, as well as on the effectiveness of the measures taken by the Government of the Republic of Kazakhstan in the field of economy, financial and monetary policy.

The economy of Kazakhstan is negatively affected by the decline in oil prices and the tenge volatility against major foreign currencies. Interest rates in tenge remain high. The aggregate of these factors has led to a decrease in the availability of capital and an increase in its cost, as well as increased uncertainty about further economic growth, which could adversely affect the financial position, performance and economic prospects of the Company. The management of the Company believes that it is taking appropriate measures to maintain the economic sustainability of the Company in the current environment.

Taxation

Tax conditions in the Republic of Kazakhstan are subject to change and inconsistent application and interpretation. Discrepancies in the interpretation of Kazakhstan's laws and regulations of the Company and Kazakhstan's competent authorities may result in additional taxes, fines and penalties.

Kazakhstan's legislation and taxation practices are in a state of continuous development and are therefore subject to varying interpretations and frequent changes, which may be retroactive. In some cases, in order to determine the taxable base, tax legislation refers to the provisions of IFRS, while the interpretation of the relevant provisions of IFRS by Kazakhstan's taxation authorities may differ from the accounting policies, judgments and estimates applied by management in the preparation of these separate financial statements, which may lead to additional tax liabilities of the Company. The taxation authorities may conduct a retrospective check within three years after the end of the tax year. The Company's management believes that its interpretations of the relevant legislation are appropriate and the Company's tax position is reasonable.

Litigations

In the normal course of business, the Company is subject to lawsuits and claims. Management believes that the probable liabilities (if any) arising from such lawsuits or claims will not have a material adverse effect on the future financial position or performance of the Company.

25. Risk Management Policy

Introduction

The risk management is an integral part of the Exchange's activities. The basic risks inherent in the Exchange's activities are:

- credit risk;
- liquidity risk;
- market risk;
- foreign exchange risk; and
- operating risk.

The Exchange recognizes the significance of the existence of the effective and efficient risk management process. To ensure efficient and effective risk management policy, the Exchange determined the basic risk management principles with the basic goal to protect the Exchange against existing risks and to enable it to achieve targeted performance. The basic tasks of the risk management system are detection of risk sources, determination of risk levels, development of policies and rules in the field of risk management and implementation of control mechanisms, including fixing limits and subsequent adherence thereto.

The risk management policy, procedure for identification, assessment, monitoring and response to risk events, as well as the procedure for managing financial and operating risks of the Exchange are regulated by respective internal documents of the Exchange.

Description of basic risks of the Exchange is given hereafter.

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25. Risk Management Policy (continued)

Introduction (continued)

Risk management structure

The Board of Directors has overall responsibility for identifying and controlling risks, but there are also separate independent bodies that are responsible for managing and controlling risks.

Board of Directors

The Board of Directors is liable for the development of the risk management strategy, approval of the principles of a concept of policy and limits broken down by types of risks. Besides, the Board of Directors is liable for material matters of risk management and controls the execution of respective decisions adopted concerning risks and controls them.

Management Board

The Management Board is liable for ensuring arrangements for an effective risk management system of the Exchange.

Committee for market risks

The collegial consulting body of the Exchange, the minimum required composition of which is determined by the Management Board, the personal composition is approved by order of the Chairperson of the Management Board. The basic functions of the Committee for Market Risks are analysis, monitoring, identification and management of risks associated with the situation in the financial markets, operations of the Exchange, its counterparties – the Exchange members, clearing participants, issuers and investors, as well as preparing recommendations to the Exchange's Management Board.

Investment Committee

The collegial body of the Exchange the structure of which is approved by the Management Board. The basic functions of the Investment Committee include the adoption of investment decisions on settlement of transactions with financial instruments at the expense of assets of the Exchange and ensuring minimization of the level of financial risks incidental to investment.

Risk minimization

As part of risk management, the Company uses derivatives and other instruments to manage items arising from changes in interest rates, exchange rates, share price risk, credit risk, and expected transaction positions. The Company actively uses collateral to mitigate its credit risk.

Excessive risk concentrations

Risk concentrations arise when a number of counterparties engage in similar activities or activities in the same geographic area, or counterparties have similar economic characteristics, and, as a result of changes in economic, political and other conditions, have a similar effect on the ability of these counterparties to meet contractual obligations. Risk concentrations reflect the relative sensitivity of the Company's performance to changes in conditions that affect a particular industry or geographic region.

To avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines aimed at maintaining a diversified portfolio. Established risk concentrations are managed.

Credit risk

Credit risk is the risk that the Company will incur losses because its customers or counterparties fail to meet their contractual obligations. The Company manages credit risk by setting limits on the amount of risk the Bank is willing to accept on individual counterparties and by monitoring compliance with established risk limits.

Under the asset investment policy approved by the resolution of the Board of Directors, the portfolios of financial instruments diversified by types of assets, degree of liquidity, rate of return, and term are formed with balancing return and risk.

Under the asset investment policy, the Exchange monthly analyses investment portfolios of the Exchange, and the Risk Management Division analyses quarterly the state of investment portfolios and their exposure to risks, including determination of the probability of default under financial instruments, as well as stress and back-test of investment portfolios of the Exchange.

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25. Risk Management Policy (continued)

Credit risk (continued)

Transactions with the central counterparty

Acting as a central counterparty, the Exchange is also exposed to credit risks due to the fact that it assumes the risk of default of clearing participants in their obligations and at the same time guarantees the fulfilment of their obligations to each bona fide clearing participant.

To manage the credit risk when performing functions of the central counterparty, the Exchange establishes requirements for the financial condition of clearing participants, for the types and quality of accepted collateral, which includes money and liquid securities of issuers with a high level of reliability, determined in accordance with the Exchange's internal methods. The Exchange has developed and constantly improves an internal rating system that provides a balanced assessment of its counterparties and the level of risk taken. Counterparties are evaluated on the basis of a comprehensive in-depth assessment of the financial conditions of counterparties, the level of information transparency, business reputation and other financial and non-financial factors.

To mitigate the credit risk associated with transactions where the Exchange acts as a central counterparty, the Exchange has introduced a multi-level cascading risk management structure that complies with the international standards and consists of various lines of protection.

Credit risk of the Exchange is minimized by a trading participant by payments made by the Exchange in trades based on a "delivery versus payment" principle.

Financial derivatives

Credit risk associated with financial derivatives is at all times limited to positive fair value derivatives that are recognized in the separate statement of financial position.

Impairment

The Company calculates expected credit losses (ECL) to measure the expected cash shortfalls, discounted using effective interest rate or an approximation to it. A cash shortfall is a difference between the cash flows that are due to an entity following the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD)	The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the asset has not been previously derecognised and is still in the portfolio.
Exposure at Default (EAD)	The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
Loss Given Default (LGD)	The *Loss Given Default* is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

For receivables, the Exchange applies the simplified approach provided by the standard and calculates allowance for ECLs based on credit losses that are expected to occur over the lifecycle of the asset (lifetime expected credit losses or lifetime ECLs). The Exchange has used a provisioning matrix based on its past credit loss experience adjusted for debtor-specific forward-looking factors and general economic conditions. For other debt financial assets, ECLs are calculated over 12 months. However, if there has been a significant increase in credit risk on a financial instrument since initial recognition, the loss allowance is measured at an amount equal to lifetime expected credit losses.

(thousand Kazakhstan tenge unless otherwise stated)

25. Risk Management Policy (continued)

Credit risk (continued)

Definition of default

The Company considers that a default has occurred in relation to amounts due from banks, and takes immediate measures to eliminate it if, at the close of the business day, the necessary intraday payments specified in separate agreements have not been made.

Treasury and interbank relationships

The Company's treasury relationships comprise relationships with counterparties, such as financial services institutions, banks, broker-dealers, exchanges and clearing-houses. To assess such relationships, the Company Credit Risk Department analyses public information such as financial statements and details of other external sources, for example, external ratings.

The Company uses the following credit rating levels:

Rating of external international rating agency (Fitch)	*Rating level description*	*Lifetime PD*
AA+ to AAA		
AA		
A+ to AA-	High rating	0-2 %
A-		
BBB+		
BBB		
BBB-		
BB+	Standard rating	2-14 %
BB- to BB		
B- to B+		
CCC		
CCC-	Below standard rating	14-100 %
D	Impaired	100 %

Maximal credit risk exposure

The carrying amounts of items in the separate statement of financial position, including derivative instruments, excluding the impact of risk mitigation from the use of master netting agreements and collateral arrangements, most accurately represent the maximum exposure to credit risk for those items.

For financial instruments carried at fair value, their carrying amount represents the current exposure to credit risk, not the maximum exposure that may arise in the future as a result of changes in value.

The following is a classification of the Exchange's financial assets by credit ratings.

	AA	*AA-/A+*	*BBB*	*BBB-*	*<BBB-*	*Credit rating not assigned*	*Total*
31 December 2023							
Cash and cash equivalents other than cash on hand	–	55.144.583	25.738	78.911.353	–	–	134.081.674
Reverse REPO	–	–	–	60.440.647	–	–	60.440.647
Investment securities	18.673.977	–	–	45.522.173	–	–	64.196.150
Other financial assets	–	–	–	-	–	539.522	539.522
Total	**18.673.977**	**55.144.583**	**25.738**	**184.874.173**	**–**	**539.522**	**259.257.993**
31 December 2022							
Cash and cash equivalents other than cash on hand	158.912.580	5.526.216	–	103.389.812	–	–	267.828.608
Reverse REPO	–	–	–	35.551.435	–	–	35.551.435
Investment securities	–	–	–	31.889.236	–	–	31.889.236
Other financial assets	–	–	–	–	–	684.862	684.862
Total	158.912.580	5.526.216	–	170.830.483	–	684.862	335.954.141

(thousand Kazakhstan tenge unless otherwise stated)

25. Risk Management Policy (continued)

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. To limit this risk, the management has set out the requirements for minimum cash on respective accounts of the Exchange. Management also controls assets with liquidity in mind and monitors current and future cash flows. This incorporates an assessment of expected cash flows and the availability of high liquid collateral which could be used to secure liquidity if required.

Liquidity risk management

As part of liquidity risk management, when performing the functions of a central counterparty, the Company uses the instruments and processes prescribed by the Rules for Clearing under Transactions with Financial Instruments.

Temporarily free own assets of the Exchange were placed into short-term financial instruments in accordance with the limits set by the Asset Investment Policy (hereinafter – the Investment Policy). The Investment Policy also provides for the diversification of investees that form the investment portfolio in order to exclude the risks of losses arising from the concentration of financial assets with the same maturity in the Exchange's investment portfolio.

At the same time, the investees that make up the investment portfolio are diversified to eliminate the risks of losses arising from the concentration of financial assets with the same maturity in the Exchange's investment portfolio.

According to the Exchange's policy, a part of the amounts due to trading participants are allocated to highly liquid financial instruments, and a part is kept on correspondent accounts of the Exchange. Liquidity risk occurring in the course of stock trading in the foreign exchange market is minimized by payments made by the Exchange to pay net claims of trading participants on a "supply against payment" principle where cash is not transferred to a trading participant violating the rules for making settlements, but it remains on correspondent accounts of the Exchange. Moreover, to minimize the risk of default in obligations under term transactions, the participants of the futures and options market have formed guarantee funds, and the Exchange has formed the reserve fund the amounts of which are calculated under the internal methods.

The table below presents the Company's financial liabilities as of 31 December by maturity, based on contractual non-discounted repayment obligations.

31 December 2023	*Less than 1 month*	*1-3 months*	*3-12 months*	*1-5 years*	*Total*
Financial liabilities					
Amounts due to clearing participants	220.946.867	–	–	–	220.946.867
Lease liabilities	-	25.398	80.114	101.595	207.107
Other financial liabilities	151.831	–	2.203		154.034
Total financial liabilities	221.098.698	25.398	82.317	101.595	221.308.008

31 December 2022	*Less than 1 month*	*1-3 months*	*3-12 months*	*1-5 years*	*Total*
Financial liabilities					
Amounts due to clearing participants	312.809.343	–	–	–	312.809.343
Other financial liabilities	129.232	–	2.203	–	131.435
Total financial liabilities	312.938.575	–	2.203	–	312.940.778

Market risk

Market risk means risks of losses incurred due to changes in market parameters, including change of interest rates, foreign exchange rates, prices for financial instruments that the Exchange is exposed to, as well as low market liquidity due to cost of item liquidation, including open positions of clearing participants in transactions settled with the central counterparty.

To manage the market risk, the central counterparty uses such elements of the risk management system as a system for determining the risk parameters of financial instruments, limits for opening positions of clearing participants in certain stock markets, control of collateral adequacy / margin collateral for clearing participants with partial collateral, control of full coverage of emerging obligations for clearing participants with full coverage, revaluation of the cost of collateral / margin collateral and net positions of clearing participants with partial collateral, setting requirements for a financial instrument for admission to transactions with partial collateral.

(thousand Kazakhstan tenge unless otherwise stated)

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25. Risk Management Policy (continued)

Foreign exchange risk

Foreign exchange risk is a risk of change in the value of a financial instrument due to changes in foreign exchange rates. Financial position and cash flows of the Exchange are exposed to the effect of fluctuations of the foreign exchange rates.

The following table shows the currencies in which the Exchange has significant positions as of 31 December in monetary assets and liabilities. The analysis performed consists in assessing the impact of a possible change in exchange rates against the tenge on the separate statement of comprehensive income (due to the presence of non-trading monetary assets and liabilities the fair value of which is sensitive to changes in the exchange rate). The impact on equity does not differ from the impact on the separate statement of comprehensive income. Negative amounts in the table reflect a potential net decrease in the separate statement of comprehensive income or equity, while positive amounts reflect a potential net increase.

	2023		*2022*	
Currency	*Change of exchange rate, %*	*Effect on pre-tax income*	*Change of exchange rate, %*	*Effect on pre-tax income*
US dollar	14 %	**152.434**	14 %	76.609
	(12 %)	**(130.658)**	(-11 %)	(60.193)
Euro	14 %	**6.345**	14 %	306
	(12 %)	**(5.439)**	(-11 %)	(-283)

Operating risk

Operating risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operating risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Exchange cannot expect to eliminate all operating risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes. The risks monitored by the Risk Management Division. To enable the Exchange to continue as a going concern, business continuity and recovery policies and procedures have been developed.

26. Fair Value Measurement

Fair value hierarchy

The Company uses the following hierarchy to measure a fair value of financial instruments and disclose it subject to the valuation model:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2 – valuation models in which inputs significant for reported fair value are directly or indirectly observable in the market;
- Level 3 – valuation models in which inputs significant for reported fair value are not observable in the market.

(thousand Kazakhstan tenge unless otherwise stated)

26. Fair Value Measurement (continued)

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability, and the level in the fair value hierarchy.

		Fair value measurement using inputs					
31 December 2023	***Measurement date***	***Level 1***	***Level 2***	***Level 3***	***Total***	***Fair value***	***Retained earnings / (loss)***
Assets at fair value							
Equity securities at fair value through other comprehensive income	31 December 2023	–	–	**21.053**	**21.053**	**21.053**	–
Property, plant and equipment – land, building, transport vehicles	31 December 2023	–	–	**1.199.234**	**1.199.234**	**1.199.234**	–
Assets with disclosed fair value							
Investment securities	31 December 2023		**64.196.150**		**64.196.150**	**64.238.437**	**42.287**
Liabilities with disclosed fair value							
Lease liabilities	31 December 2023		**86.914**	–	**86.914**	**86.914**	–

		Fair value measurement using inputs					
31 December 2022	***Measurement date***	***Level 1***	***Level 2***	***Level 3***	***Total***	***Fair value***	***Retained earnings / (loss)***
Assets at fair value							
Equity securities at fair value through other comprehensive income	31 December 2022	–	–	21.053	21.053	21.053	–
Property, plant and equipment – land, building, transport vehicles	31 December 2022	–	–	1.106.282	1.106.282	1.106.282	–
Assets with disclosed fair value							
Amounts due from credit institutions	31 December 2022	31.889.236	–	–	31.889.236	31.916.099	26.863
Investment securities	31 December 2022	–	35.551.435	–	35.551.435	35.551.435	–

(thousand Kazakhstan tenge unless otherwise stated)

26. Fair Value Measurement (continued)

Valuation models and assumptions

The following describes the models and assumptions used to determine the fair value of assets and liabilities stated at fair value in the financial statements, as well as items that are not measured at fair value in the separate statement of financial position but whose fair value is disclosed.

Assets with fair value approximating their carrying amount

For financial assets and financial liabilities that are liquid or have a short maturity (less than three months), it is assumed that their fair value approximates their carrying amount. This assumption also applies to demand deposits and savings accounts without a specified maturity.

Financial assets and financial liabilities at amortized cost

The fair value of the listed bonds is based on the quotes at the reporting date. The fair value of unquoted instruments, amounts due from credit institutions, amounts due to clearing participants, other financial assets and liabilities is estimated by discounting future cash flows using rates currently prevailing for debt with similar conditions, credit risk and maturity.

Property, plant and equipment – buildings

The fair value of the properties was determined using the market matching method and the discounted cash flow method.

Under the market matching method, the appraiser's valuation is based on market transaction prices adjusted substantially for differences in the nature, location, or condition of the particular property.

Under the discounted cash flow method, fair value is measured using assumptions about the benefits and liabilities associated with ownership over the life of the asset. This method involves predicting the sequence of cash flows from the ownership interest in a property. This sequence of projected cash flows is subject to a discount rate derived from market data, which determines the present value of the income flows associated with the asset.

Property, plant and equipment – land

The fair value of properties was determined using the market matching method. The appraiser's valuation is based on market transaction prices adjusted substantially for differences in the nature, location or condition of the particular property.

(thousand Kazakhstan tenge unless otherwise stated)

27. Financial Instruments Netting

The tables below show financial assets offset against financial liabilities in the separate statement of financial position and the effects of enforceable master netting agreements and similar agreements (ISDA, RISDA and the like) that do not offset in the separate statement of financial position:

As of 31 December 2023	*Net financial assets stated in the separate statement of financial position*	*Net financial liabilities stated in the separate statement of financial position*	*Related amounts whose offset is not stated in the separate statement of financial position*		*Net amount*
			Financial instruments	*Received monetary collateral*	
Financial assets	377.827		(377.827)		
Central counterparty financial assets	377.827		(377.827)		
Total					
Financial liabilities					
Central counterparty financial liabilities		(377.827)	377.827		
Total		(377.827)	377.827		

As of 31 December 2022	*Net financial assets stated in the separate statement of financial position*	*Net financial liabilities stated in the separate statement of financial position*	*Related amounts whose offset is not stated in the separate statement of financial position*		*Net amount*
			Financial instruments	*Received monetary collateral*	
Financial assets					
Central counterparty financial assets	11.769.454.576	–	(11.769.454.576)	–	–
Total	11.769.454.576	–	(11.769.454.576)	–	–
Financial liabilities					
Central counterparty financial liabilities	–	(11.769.454.576)	11.769.454.576	–	–
Total	–	(11.769.454.576)	11.769.454.576	–	–

(thousand Kazakhstan tenge unless otherwise stated)

28. Assets and Liabilities Maturity Analysis

The table below presents assets and liabilities by expected maturity dates.

	31 December 2023			*31 December 2022*		
	Within a year	*More than a year*	*Total*	*Within a year*	*More than a year*	*Total*
Cash and cash equivalents	**134.081.674**	–	**134.081.674**	267.828.608	–	267.828.608
Amounts due from credit institutions				–	–	–
Reverse REPO	**60.440.647**	–	**60.440.647**	35.551.435	–	35.551.435
Central counterparty financial assets	**377.827**	–	**377.827**	11.769.454.576	–	11.769.454.576
Investment securities	**64.196.150**	–	**64.196.150**	31.889.236	–	31.889.236
Equity securities at fair value through other comprehensive income	–	**21.053**	**21.053**	–	21.053	21.053
Investments in subsidiaries	–	**1.712.109**	**1.712.109**	–	164.057	164.057
Investments in associates	–	**107.289**	**107.289**	–	125.083	125.083
Current corporate income tax assets	**446.142**		**446.142**	117.314	–	117.314
Property, plant and equipment	–	**2.539.949**	**2.539.949**	–	1.738.661	1.738.661
Intangible assets	–	**1.638.054**	**1.638.054**	–	1.616.085	1.616.085
Right-of-use assets		**150.890**	**150.890**			
Prepayments	**450.031**	–	**450.031**	4.891	357.112	362.003
Other assets	**775.626**	–	**775.626**	815.098	–	815.098
Total	**260.768.097**	**6.169.344**	**266.937.441**	12.105.661.158	4.022.051	12.109.683.209
Amounts due to clearing participants	**220.946.867**	–	**220.946.867**	312.809.343	–	312.809.343
Central counterparty financial liabilities	**377.827**	–	**377.827**	11.769.454.576	–	11.769.454.576
Lease liabilities	**105.512**	**86.914**	**192.426**			
Deferred corporate income tax liabilities	–	**365.726**	**365.726**	–	345.302	345.302
Advances received	**112.660**	–	**112.660**	88.579		88.579
Other liabilities	**497.884**	–	**497.884**	371.320	–	371.320
Total	**222.040.750**	**452.640**	**222.493.390**	12.087.723.818	345.302	12.083.069.120
Net position	**38.727.347**	**5.716.704**	**44.444.051**	**22.937.340**	**3.676.749**	**26.614.089**

(thousand Kazakhstan tenge unless otherwise stated)

29. Related Party Transactions

Under IAS 24 *Related Party Disclosures*, parties are considered to be related if one of them has the ability to control ~~or exercise~~ significant influence over the other party in the financial and operating decisions. When deciding whether the parties are related, the content of the relationship between the parties, and not just their legal form, is taken into account.

Related parties may enter into transactions that would not be entered into between unrelated parties. The prices and terms of such transactions may differ from the prices and terms of transactions between unrelated parties.

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

	31 December 2023			*31 December 2022*		
	Parent	*Other related parties*	*Key management personnel*	*Parent*	*Other related parties*	*Key management personnel*
Cash and cash equivalents	**75.917.226**			42.177.783	59.689.318	–
Investment securities	**31.050.897**			31.656.794	–	–
Prepayments		**345.247**		–	357.112	–
Advances received		**32.312**		–	11.994	–
Other liabilities		**30.909.366**		–	1.532.313	

The statement of comprehensive income for the years ended 31 December 2023 and 31 December 2021 included the following amounts arising from related party transactions.

	Year ended 31 December					
	2023			*2022*		
	Parent	*Other related parties*	*Key management personnel*	*Parent*	*Other related parties*	*Key management personnel*
Commission and fee income	**267.269**	**571.560**	**–**	148.699	239.988	–
Dividend income			**–**	–	8.323	–
Operating expenses	**(27)**	**(268.578)**	**–**	(22.668)	(242.784)	–

The remuneration of the members of key management personnel is reported as follows.

	2023	*2022*
Remuneration to executive body members	**318.230**	211.628
Remuneration to governing body	**54.858**	52.452
Other officials	**25.606**	18.368
Social tax	**33.378**	23.257
Total	**432.072**	305.705

30. Events After the Balance Sheet Date

In accordance with the Exchange Development Strategy for 2022-2024, in 2024 the Exchange continues to work on transferring clearing activities and central counterparty functions to KASE Clearing Centre JSC.

In 2024, it is planned to transfer the clearing services of the foreign exchange market and derivatives market of the Exchange to the Clearing Centre. In addition, work will continue to achieve compliance of clearing activities with the best global practices, obtaining industry and operational certificates and ratings.

Since January 2024, there has been a stable strengthening of the tenge. At the end of the first quarter of 2024, the Kazakhstan tenge strengthened against the US dollar by 1.7 % to 446.78 tenge per US dollar.

In April 2024, the NBRK set the base rate at 14.75 % per annum. In 2024, the base rate was reduced from 15.75 % to 14.75 % per annum by 100 basis points, it was reviewed in January and February.

Annual inflation slowed to 9.1 % in March 2024. In February and March 2024, annual inflation continued to decline, but at a slower pace. The reduction in inflation is facilitated by moderate monetary policy and lower world grain prices.

In January-February 2024, the economy of Kazakhstan grew by 4.2 %. Strong growth in economic activity is supported in almost all sectors by both domestic and external demand.