

# Kazakhstan Stock Exchange (KASE)

Annual report 2015





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# Overview of the stock market and KASE's financial highlights

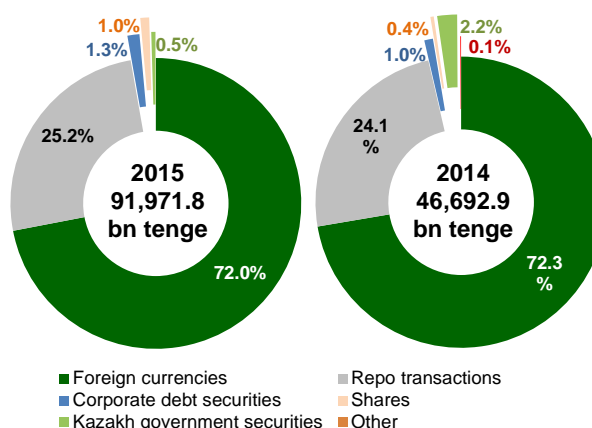
## KASE market in 2015

The volume of trading on KASE in 2015 reached its highest level ever, measured both in Kazakh tenge and US dollar – KZT92 trln, equivalent to USD429.6 bn, i.e. up 97 % on 2014. The previous record high in KZT terms was set in 2014 – KZT46.7 trln, in US dollars – in 2008: USD263.2 bn.

In the period under review Kazakhstan's financial market was shaped by four major interconnected factors: dropping oil prices; the Russian ruble weakening against the dollar; shifts in the monetary policy; shortage of tenge-denominated liquidity on the market.

Substantial growth on the exchange in 2015 was seen in the shares sector (+416.6 %), corporate bonds sector (+173.9 %), repo sector (+106.7 %) and foreign exchange sector (+106.7 %). Despite the significant increase in share and bond trading volumes, their percentage in the overall exchange trading remained low – at 1 % and 1.3 %, respectively. The largest chunk of the exchange turnover was as usual represented by the foreign exchange market and repo transactions market – 72 % and 25 %, respectively. Not a single transaction in bonds of international financial organizations or derivatives was concluded during the period under review. Just a few transactions were made with investment funds securities.

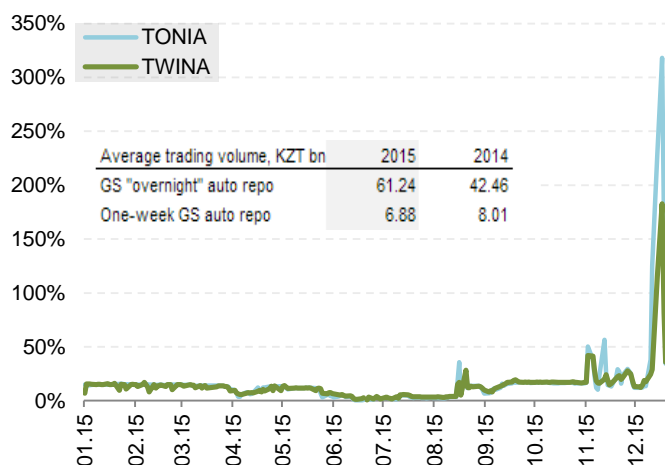
Volume of trading in 2015 by stock market sector, %



## Money market

Falling oil prices and the weakening ruble, both of them being key factors for Kazakhstan's economy, together with internal economic factors stirred by the volatile national currency, affected investors' behavior as well as the needs of the money market players. In times of high devaluation expectations brought about by the above factors there was a significant increase in repo transactions – from KZT11.2 trln to KZT23.2 trln, or 2.1 times. The term of repo transactions was as long as 28 days on the auto repo market and 64 days on the nego repo market. "Overnight" repos backed by government securities represent the largest share of transactions. Auto repos with government securities increased to 99.6 %, of which 83.7 % came from "overnight" repos.

Money market indicators in 2015



Since the transition to the floating tenge exchange rate the most activity on the repo market was seen in October 2015, when the volume of trading in that sector exceeded KZT4.0 trln. However, that period is associated with relatively low and stable rates of the TONIA (16.78 % p.a.) and TWINA (16.86 % p.a.), with the market being propped up by the Single Accumulative Pension Fund (SAPF). In the months that

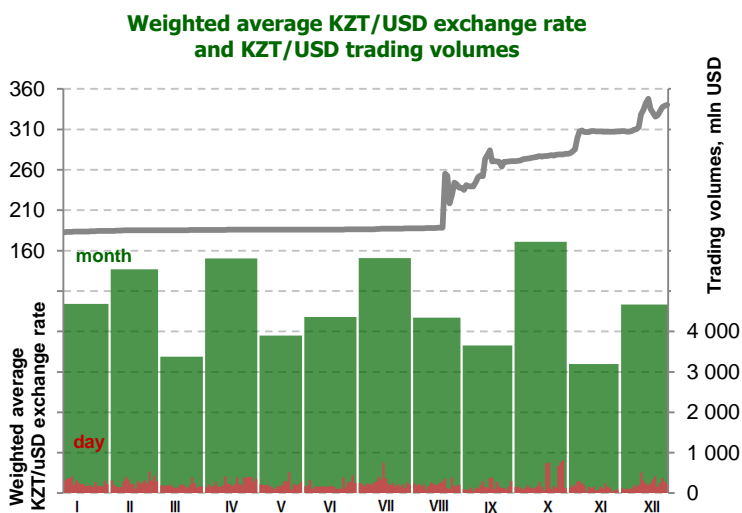
followed, with the diminishing support from the SAPF, the TONIA and TWINA were becoming rather volatile, peaking on December 21, 2015 (317.95 % p.a. and 182.75 % p.a., respectively).

Another segment of the money market – currency swap transactions – rose more than threefold in 2015 – from KZT17.7 trln (2014) to KZT53.8 trln. The yield on one-day swaps soared to a record 389.8 % p.a. in the year under review. These indicators clearly show that both segments of the money market – repo and currency swap – were operating in the midst of a shortage of tenge being handled by the National Bank and the SAPF that provided liquidity to banks for repo and swap transactions, respectively.

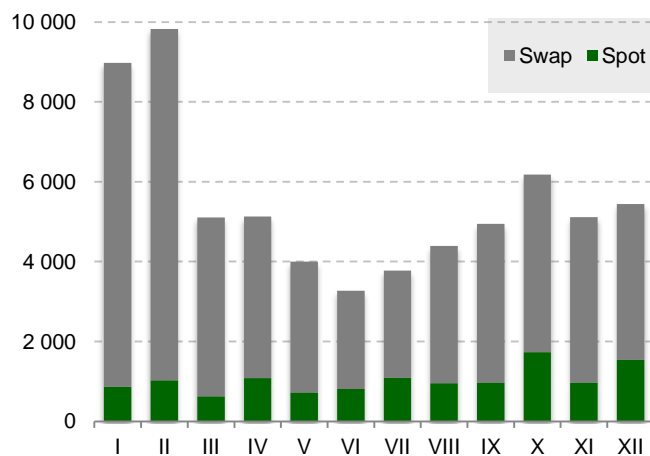
### Foreign exchange market

Contrary to the currency swap market, the currency spot market was experiencing a decline in the year under review. The amount of forex transactions fell by 22.4 % from KZT16.0 trln in 2014 to KZT12.4 trln, with the dollar accounting as before for over 99 % of the volume.

On August 20, 2015 the Kazakh government let the national currency float freely. The KZT/USD weighted average rate soared from 182.40 to 340.30 over the year. The tenge devalued against the euro, Russian ruble and Chinese yuan at a slower pace on account of the weakening of those currencies against the US dollar in 2015.



**Structure of trading volume on KASE currency market in 2015, bn KZT**



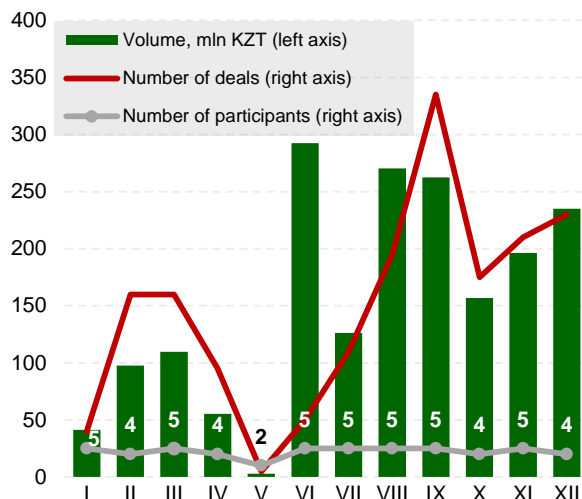
The Chinese yuan was second after the dollar in terms of appreciating against the tenge. The yuan gained 21.6 tenge, or 72.6 %, reaching the exchange rate of KZT50.9 per yuan by the end of the year.

Trading in the Chinese yuan was launched on September 25, 2014. This instrument gained increasing popularity on KASE in 2015 with the trading volume reaching CNY51.2 mln

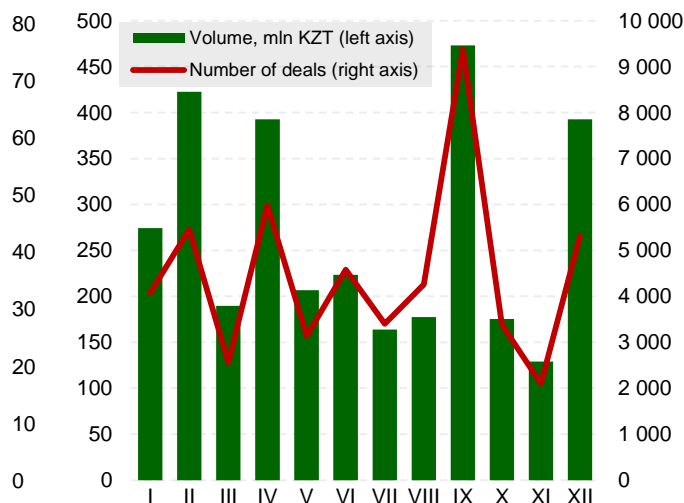
As far as the euro is concerned, the opposite dynamic was seen. Volumes of trading in this currency fell by 35.5 % from EUR53.2 mln in 2014 to EUR34.3 mln in 2015, with the exchange rate surging by 148.3 tenge (66.5%) to KZT371.1 per euro.

The Russian ruble appreciated against the tenge not as strong – 41.8 % to KZT4.6 per tenge. However, the trading volume grew significantly in 2015 – by 6.6 bn rubles (56.5 %) to RUR18.2 bn.

**CNY\_KZT 2015 trading volume timeline**



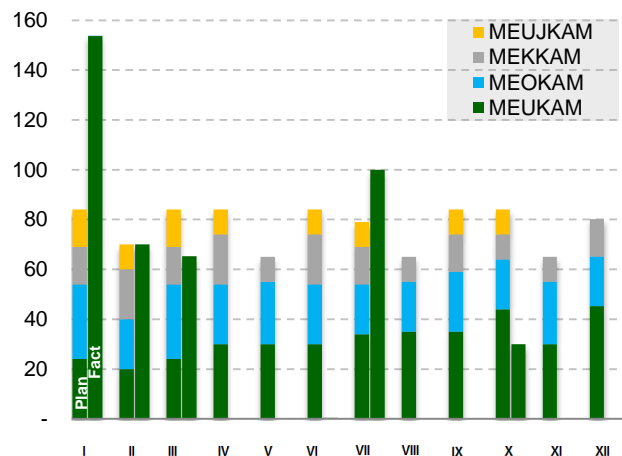
**RUB\_KZT 2015 trading volume timeline**



### Government securities market

The government securities market was the only segment of the exchange that slipped into negative territory in 2015. The total amount of trading in government securities shrunk 58.4 % – from KZT1,027.9 bn in the year before to KZT427.7 bn. The secondary market of government securities was desperately short of liquidity, plummeting 95.9 % to a volume of KZT8.2 bn.

**Government securities. 2015 proposed issuing volume and the actual volume, bn KZT**

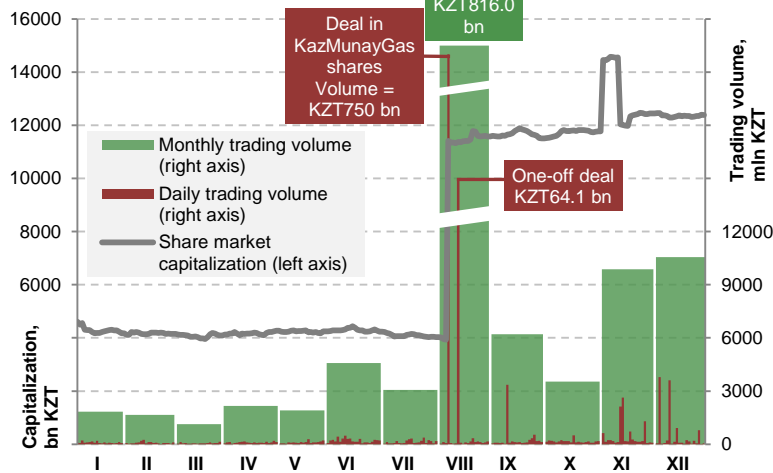


Kazakhstan's Ministry of Finance proposed to borrow as much as KZT928.2 bn through KASE trading venue in 2015 by issuing government treasury bonds. In the year under review there were 5 offerings of government securities amounting to KZT419.6 bn, with 10-year MEUKAMs constituting 99.9 %. 5-year MEOKAMs worth a total of KZT100 mln were also offered. Consequently, the actual volume of GS offerings amounted to 45.2 % of what was planned.

### Stock market

With KZT899.6 bn worth of stocks traded in the period under review the stock market more than four times exceeded the 2014 figure of KZT174.1 bn. The main driving force were the listing of KazMunayGas on KASE and a single transaction involving the transfer of a 10% shareholding from Samuryk-Kazyna to the National Bank. As a result of the deal the stock market capitalization immediately rose threefold and the annual trading volume increased to KZT750 bn in 2015. Without that deal the trading volume equaled to KZT149.6 bn, which is 14 % less than in 2014.

### Share market capitalization, share trading volumes in 2015



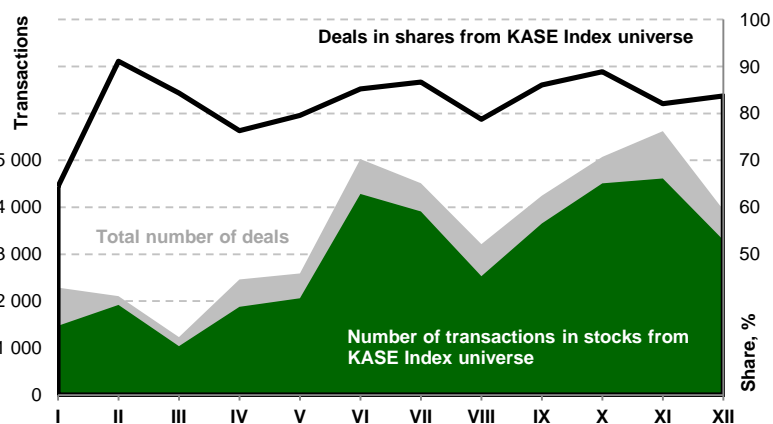
The volume of special trading sessions in shares (IPOs, selling, acquiring and buyback of own shares by issuers) was on the rise reaching KZT36.6 bn against KZT14.5 bn in 2014. That increase was triggered by the IPO of BAST (KZT359.6 mln), the selling of shares by Maikuben West Holding (KZT12.1 bn) and buyback of own shares by Halyk Savings Bank of Kazakhstan (KZT24.2 bn). Virtually all of the activity in special trading sessions (97 %) was seen in the first half of 2015.

In April 2015 BAST, a mid-capitalization company, held an IPO. The total offering volume amounted to KZT359.6 mln with the price of KZT21,827 per share. The total demand reached KZT427.1 mln, thus exceeding the supply by 6 %. Shares of BAST started to trade on KASE's secondary market on April 9, 2015. The price of BAST shares was moving upwards, ending the year under review at KZT36,900 per share, which was 45.5 % higher than the offering price. The yield for those who bought those shares during the IPO made 94.4 %.

The volume of trading on the stock market in 2015 was shaped predominantly by major irregular transactions, while shares from KASE Index universe had the most liquidity. The percentage of the number of transactions with shares from KASE Index universe in the total number of stock market transactions was 83.4 %, with the transactions volume accounting for just 20.3 %.

KEGOC shares were the most liquid ones on the stock market in 2015, with more than 17 th. transactions, which exceeds the figure of Kaz-TransOil shares, the second most liquid, more than twofold.

### Share market liquidity indicators in 2015

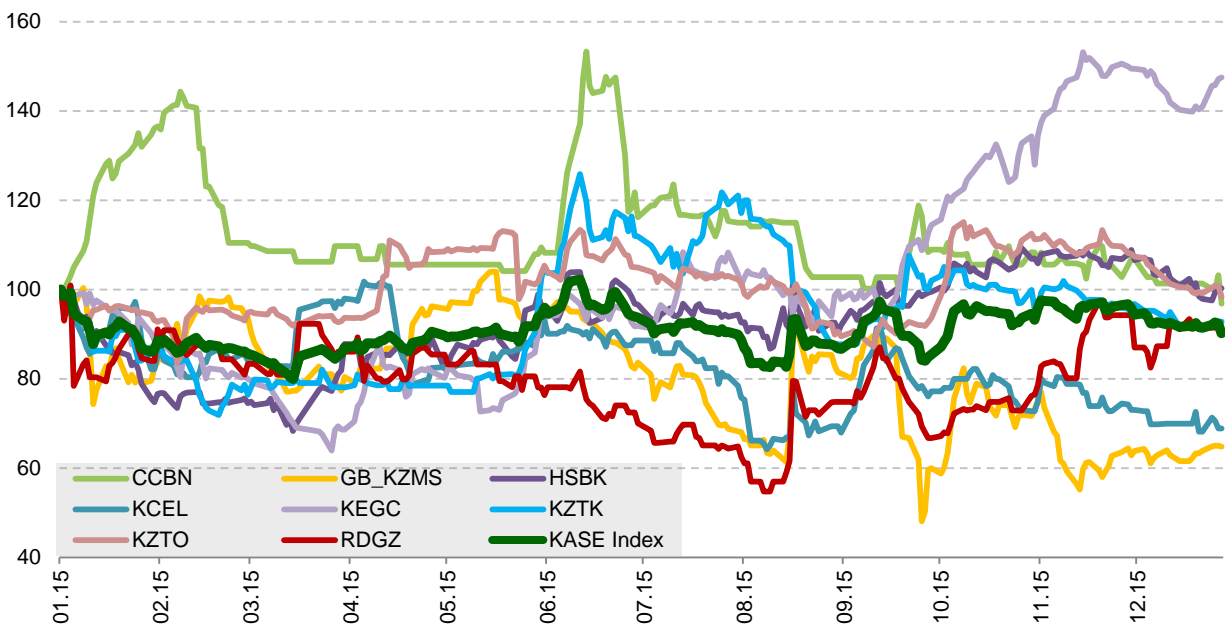


During 2015 KASE Index fluctuated within the range from 760.95 to 973.23 points. As of January 1, 2016 KASE Index was at 858.8 points, which is by 9.8 % less than at the end of 2015 – 951.6. KASE Index in 2015 was largely influenced by the high volatility of the national currency against the dollar and devaluation expectations of investors which was very clear to see in the second half-year. Relative stabilization of the tenge in the last two months of the year under review also helped to narrow the fluctuation bandwidth for KASE index.

KASE Index universe saw a "substitution of players", with KEGOC shares added to the list in February, and Kazkommertsbank stocks removed therefrom in November 2015. Both decisions were consequences of a change in the financial instruments' liquidity. Among shares of KASE Index universe, those of KEGOC performed the best, gaining 47.5 % in the period under review. Such confident growth was due to dividend payouts for 2014 (KZT33.13 per share) and for the first half of 2015 (KZT9.4 per share), as well as thanks to energetic efforts of the market-maker. The sharpest fall in 2015 was seen on the part of KAZ Minerals PLC, whose shares plunged 35.2 % to KZT473.25. The main reason for that fall was the

24.8 % decrease in copper prices. According to KAZ Minerals PLC, the enterprise faced rising production costs – the common issue for companies from various industries today, including the mining sector.

**Performance of stocks from KASE Index universe, %**



### Corporate bond market

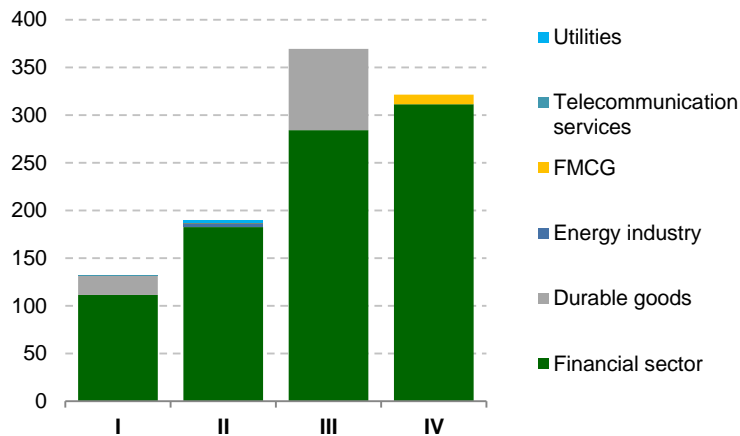
The amount of trading on the corporate bond market reached KZT1,228.6 bn in 2015, surging 174 % on the 2014 figures. Volumes of IPOs broke all-time records here in 2015, with the secondary sector also showing significant growth. The amount of IPOs rose 180.4 % on the year before, to KZT1,012.0 bn; secondary trading soared 147 % to KZT216.6 bn.

The capitalization of the corporate bond market went up 36.9 % since the beginning of the year to KZT9,142.9 bn by the year-end. That growth was driven by record IPOs as well as by the tenge’s devaluation causing the KZT-denominated capitalization figures to grow significantly in the second-half year on account of USD-denominated bonds.

The share of tenge-denominated bonds sold in the corporate debt market was as high as 97 % in 2015. During the year second-tier banks placed bonds worth KZT889.8 bn – 88 % of total offerings in the corporate bond market, meaning that bonds of financial institutions continued to dominate in the primary market. Most of the demand here was coming from the Single Accumulative Pension Fund that purchased 72 % of the amount offered during the year.

The secondary corporate bond market was rather active in the first half of the year under review. Around 12 % of the total trading were associated with two issuers buying back their bonds from a

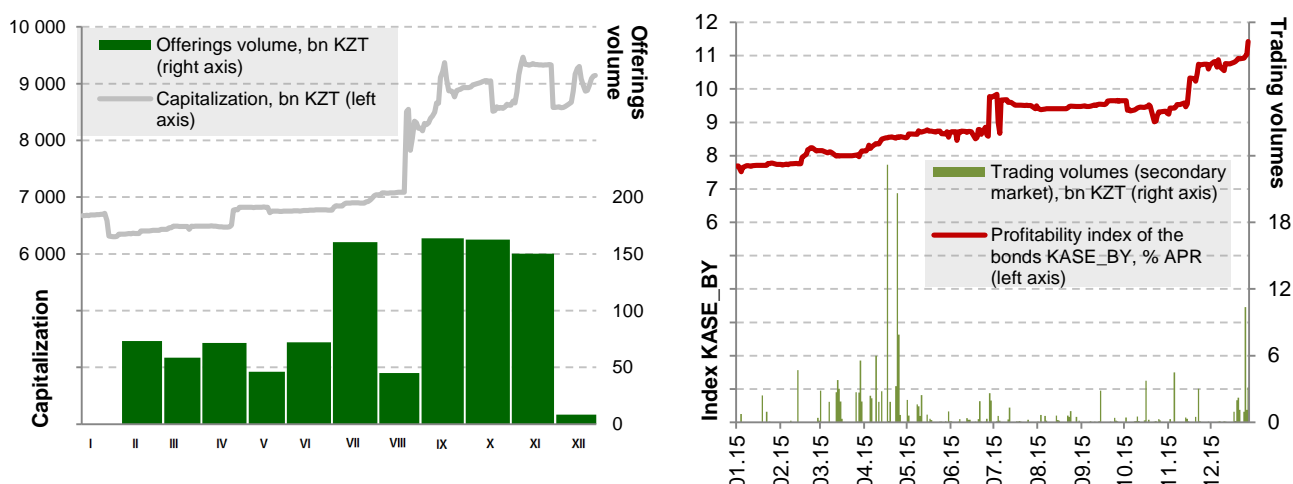
**The volume of corporate bond offerings on KASE in 2015 by main economic sector, KZT bn**





market player. The share of the three most active players in the demand was 63.3 %, in the supply – 64.8 %. Tenge-denominated bonds' yield was rising as opposed to the weakening tenge, thus causing KASE Index to rise notably in the second half of 2015. It was at 7.69 % p.a. at the beginning of the year, eventually climbing to 11.42 % p.a. by December 31, 2015.

### Main indicators of KASE corporate bond market



### Performance of listed securities

KASE trading lists featured 568 securities of 140 issuers as of December 31, 2015. The number of securities rose 0.9 % (2.6 % in 2014), that of issuers – by 4 % (2.2 %).

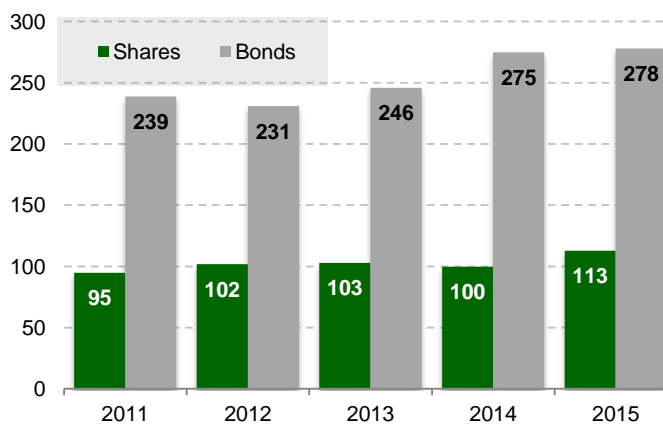
There were 12 listings in the shares sector last year, with 10 of them being new ones. All those securities were listed on KASE as second category shares.

Three securities were delisted in the year under review, one of them – following a conversion of preferred shares into ordinary ones.

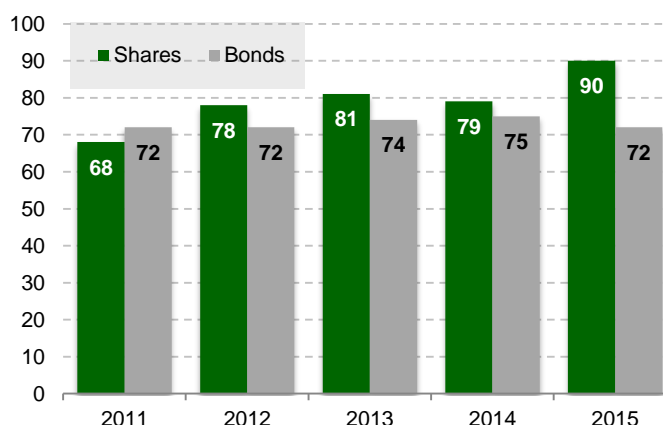
53 debt securities underwent listing in KASE's corporate bond sector. 13 bond issues were listed as "debt securities of quasi-public entities", the rest – as "other debt securities". At that, bonds of 17 issues were removed from KASE official list's category "debt securities of quasi-public entities", 11 of them – due to redemption, and 6 issues – following a request from the issuer, Sovereign Wealth Fund Samuryk-Kazyna.

One bond issue of Eurasian Development Bank was listed in sector "securities of international financial institutions". As of the beginning of 2016 there were five bond issues of that issuer there, with a total registered face value of KZT120.0 bn.

### Securities



### Listed companies

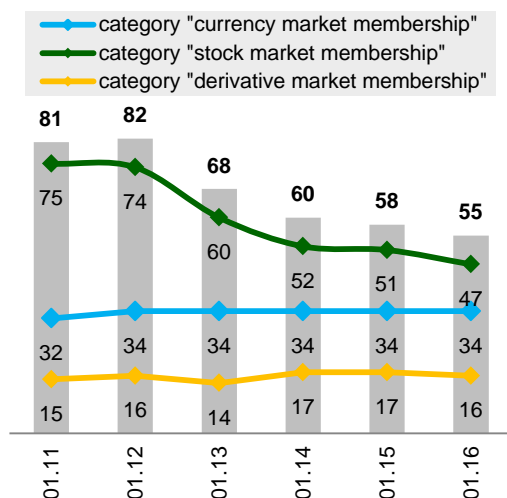


As of January 1, 2016 three new securities of investment funds were listed in the year under review – units of two interval equity unit investment trusts managed by Centras Securities and units of SPDR S&P 500 ETF TRUST managed by State Street Global Advisors.

The number of government securities quoted on KASE slipped from 188 to 177 during 2015. The total face value of government bonds listed on KASE dropped 66 % to KZT555.1 bn (or 37 % to an equivalent of USD16.3 bn) during the period under review.

## KASE members

Number of KASE member accounts



As of December 31, 2015 KASE had 55 members, including 34 banks – currency market members, 47 stock market members and 16 derivative market members.

Five companies were stripped of KASE stock market membership in 2015 – following their voluntary liquidation or reorganization, and still there was a new member – Bank RBK (formerly, a member KASE currency market).

Four banks lost their membership in KASE currency market, three of them because of restructuring. Another four were granted KASE membership: Trading and Industrial Bank of China in Almaty, Tengri Bank, Bank Kassa Nova and Capital Bank Kazakhstan.

Temirbank was stripped of membership in the derivative market.

Consequently, the total number of KASE members was three less than the year before.

## KASE's financial performance

### Assets

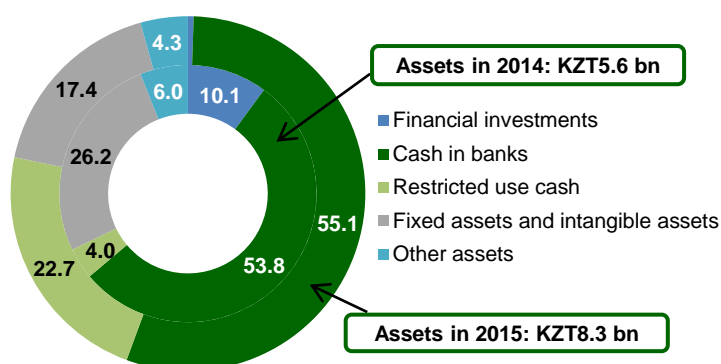
KASE's assets as of December 31, 2015 grew 47.9 % (KZT2.7 bn) on the year before reaching KZT8.3 bn. That increase was mainly due to:

- a KZT1.7 bn increase in cash balances in KASE members' accounts at the Exchange (changes in this item are not reflecting KASE's performance, but are merely associated with the Exchange's role as a trading venue);
- KASE deposits at second-tier banks rising by KZT1.6 bn (51.6%) to KZT4.6 bn, as a result of investing own funds, with account taken of revenues from exchange rate differences and increment in cash from operations.

KASE's investments totaled KZT4.8 bn, 27.8 % up on the year before, on the back of revenues from own investments. As of the reporting date, 96.2 % of KASE's investments were placed in bank deposits, 2.9 % were shareholdings in subsidiaries, 0.9 % – in securities. KASE's rather conservative investing approach was aimed at safeguarding assets and improving their liquidity.

Changes in fixed assets, intangibles and other assets of KASE were insignificant, that leading to the share of those items in KASE assets structure going down against the

Assets structure, %



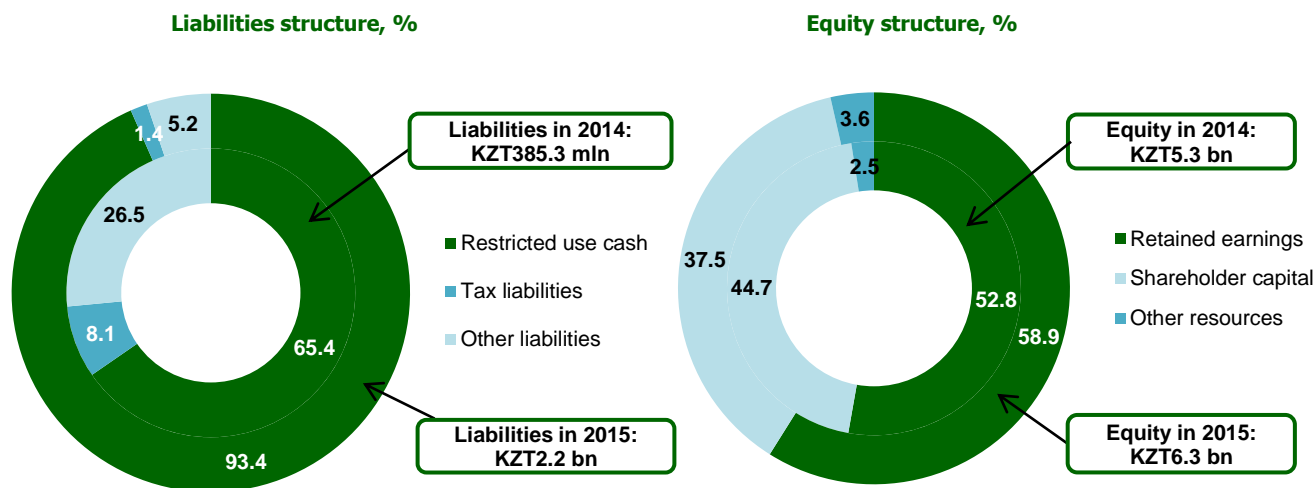
background of the above-mentioned increase in financial investments and restricted cash of KASE members.

## Liabilities and equity

KASE's equity rose by 19.3 % (KZT1.0 bn) to KZT6.3 bn in the year under review, on account of the net income earned. The authorized share capital remained unchanged. No dividends were paid.

KASE operates using no borrowings. Accordingly, there are no loans on the balance sheet. KASE liabilities are short term and arise mainly from main activities. Liabilities constitute 24.3 % of the right side of the balance sheet, with 22.7 % of them being KASE members' funds and restricted cash in correspondent accounts used for settlement of stock market transactions.

KASE shareholder structure did not change significantly in 2015. The major shareholder is the National Bank. There were changes among shareholders with stakes of less than 5 %. In particular, two shareholders with shares of more than 5 % – Venture fund Centras LLP, whose holding made up 6.7 % at the end of 2015, as well as Kazkommertsbank with 6.3 % of KASE's ordinary shares.



## Revenues

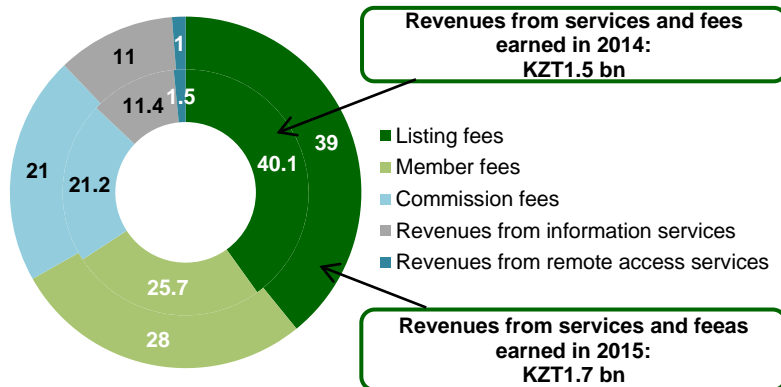
In the structure of KASE's operating revenues listing fees, commission fees and member fees are taking up the largest portions.

Revenues from membership fees were up by KZT36.0 mln (11.6 %) on 2014, reaching KZT347.6 mln. Revenues from membership entry fees rose remarkably: almost 10 times – to KZT50.5 mln. The reason was granting of the stock market membership to four banks and currency stock market membership – to another four banks. Meanwhile, the amount of monthly revenues from member fees decreased 3.0 % to KZT9.2 mln after three banks quit the currency market membership.

KASE collected KZT58.1 mln (9.9 %) more listing fees in 2015, with a total of KZT646.3 mln. This revenue item has the most share in the Exchange's operating revenue – 39.1 %. The most increase was seen in membership entry fees. This item went up 17.8 %, or KZT35.3 mln, reflecting the inclusion of 67 securities in KASE official list in the period under review.

The total amount of KASE commission fees was KZT457.2 mln, increasing by KZT80.0 mln, or 21.2 %, representing the largest growth, both in relative and absolute terms, of all revenue sources of KASE. That growth was brought about by a KZT673.2 mln (179.4 %) increase in the volume of special trading sessions involving corporate securities, with commissions in that segment surging by KZT177.2 mln, or 180.7 %.

### Revenues structure, %



Revenues from information services were up by KZT12.8 mln, or 7.7 %, on 2014, whereas revenues from remote access services went down by KZT2.2 mln, or 9.7 %. In the period under review KASE earned KZT180 mln and KZT20.5 mln, respectively, from those activities. The increased revenues from information services were based on the growing number of market data consumers subscribed through Reuters and Bloomberg, as well as on the tenge's weakening against the dollar that led to more revenues from foreign vendors. Since all members of the Exchange operate in the remote ac-

cess mode, the above-mentioned decrease in the number of members negatively affected this revenue source.

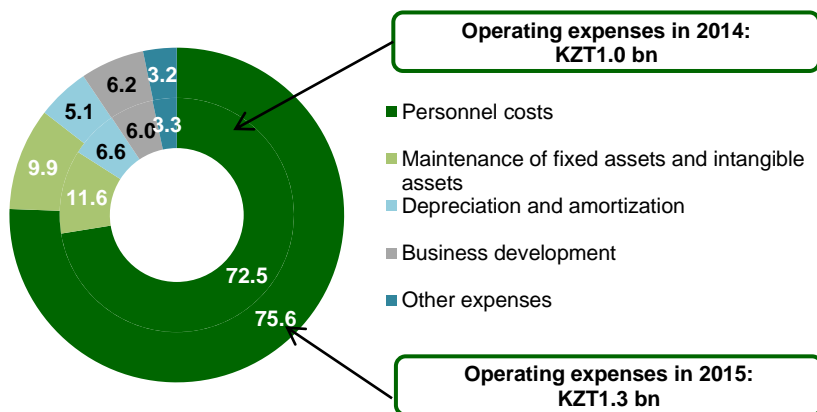
Total revenues in the year under review reached KZT2,546.9 mln, which is by KZT819.0 mln more than in the year before. Operating revenues accounted for 64.8 % of the total revenues, having increased by KZT184.8 mln, or 12.6 %. The bulk of non-operating income came from KASE's investment activities.

### Expenses

KASE's total operating expenses amounted to KZT1,299.7 mln in 2015, with personnel costs as the main item. Staff costs were as high as 75.6 % in the structure of operating expenses in the year under review, having increased by KZT263.3 mln, or 36.6 %.

The next largest items after the labour costs were tax expenditures, except for the income tax, as well as depreciation and amortization costs. Those types of expenses were up 24.2 % and 1.2 % respectively. Changes in the other costs were less significant.

### Structure of operating expenses, %



### Operating results

KASE's operating revenue rose 47.4 %, with operating expenses up 31 % on the year before. KASE's 2015 net income was KZT1,018.6 mln.

### Budget implementation

KASE's 2015<sup>1</sup> budget highlights: revenues – KZT1,434.6 mln, expenses – KZT1,226.4 mln, corporate income tax – KZT53.8 mln, net income – KZT170.9 mln.

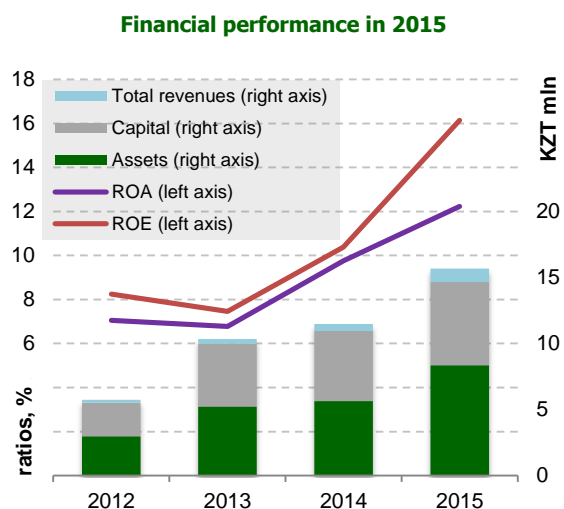
<sup>1</sup> Approved by the Exchange's Board of Directors (minutes No. 43 of the meeting on December 11, 2014)

As a matter of fact, the Exchange's budget for 2015 was implemented as follows (in brackets – as compared with target figures):

- revenues – KZT2,488.7 mln (KZT+1,054.1 mln; +73.5 %);
- expenses – KZT1,191.2 mln (KZT-35.2 mln; -2.9 %);
- expenditure on corporate income tax – KZT204.5 mln (KZT+150.6 mln; +279.8 %);
- net income – KZT1,092.9 mln (KZT+922.1 mln; +539.6 %).

Below are relations between KASE's revenues and expenses figures calculated for 2015:

- expenses growth rate vs. revenues growth rate – 0.33/0.53;
- personnel costs growth rate vs. total expenses growth rate – 0.43/0.33;
- share of personnel costs in the total expenses – 69 %;
- share of the operating revenue in the total revenues – 63 %;
- Cost-to-Income – 0.48;
- Net Profit Margin – 0.44.



## Progress of major activities, implementation of the work plan

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In 2015 KASE team kept working on projects aimed at the refinement of the settlement system, optimization of business processes, improvement of the exchange's liquidity, attracting new investors. The Main Work Plan defines major activities to be done over the year.

### Refinement of KASE's trading system

KASE's 2015 Main Work Plan included activities associated with trial testing of the trading system based on a new platform called NEXT with the focus on the forex market. The following activities were completed under the plan.

1. The server component of the trading system NEXT was put into operation. The core of the trading system allows accepting orders from trading participants, their matching and registration of deals. Functions of the system administrator, instruments parameters etc. were implemented.
2. The trading terminal NEXT for KASE currency market was put into operation. The terminal enables all main trading operations of the Exchange: submission and cancellation of orders, surveillance of a participant's positions, viewing of the trading, quotations and charts, orders submitted and executed deals of a participant. It also allows tracking day-time positions of the forex market participants – liabilities of a participant towards the Exchange on currency sold and claims of the Exchange to the participant – on currency bought. The terminal operates under the FIX-protocol of version 5.0 and above and enables connection to both transactional FIX-gateway and FIX Market Data.
3. A FIX-gateway developed on the basis of the FIX-protocol (version 5.2) was put into operation. The transactional FIX-gateway enables the terminal NEXT, as well as third party information systems:
  - to receive data on financial instruments;
  - to receive information on the trading progress in real time;
  - to receive information on orders submitted and deals executed.
4. The Exchange has commissioned the FIX Market Data (FIX MD) server based on the FIX-protocol of version 5.2, which enables users to:
  - to obtain the list of securities traded on KASE;
  - to receive information on the trading progress in real time;
  - to reconstruct the events of the trading in case of a broken connection.
5. Broadcasting of the NEXT-powered trading was implemented on KASE website.

The trial testing of the NEXT system began on April 2, 2015. From June 9, 2016 it has been fully operational in the currency trading sector.

### Implementing the T+2 settlement mode

The procedure governing the T+2 mode of execution of deals on the stock market (T+2 procedure) was put into effect in June 2015.

The trial testing of KASE information systems began on June 29, 2015. During the trial testing transactions in shares from KASE Index universe were regulated both by the T+2 procedure and regulations on the T+0 fully backed settlement of securities transactions (gross-settlements). KASE Management Board on November 10, 2015 fixed the completion dates of trial testing consecutively on all shares from KASE Index universe:

- from November 25, 2015 – on shares of KazMunaiGas Exploration Production and Kcell;
- from December 9, 2015 – on shares of Kazakhtelecom, Bank CenterCredit, KAZ Minerals PLC and Halyk Savings Bank of Kazakhstan";
- as of December 23, 2015 – on shares with trading codes of KazTransOil and KEGOC.

Since said dates transactions in shares from KASE Index universe are regulated only by the T+2 procedure.

## **Taking part in stock market laws improvement initiatives**

In the year under review KASE initiated setting up of the Working and Technical committees under the auspices of the Association of Financiers of Kazakhstan (AFK) for discussing a broad range of stock market development issues. Discussions resulted in the proposal of amendments to Kazakhstan's legislation and development of a package of measures which were included in the draft of "The Road Map for the Securities Market" and subsequently sent to the National Bank of Kazakhstan on behalf of the AFK.

The joint initiative of the European Bank for Reconstruction and Development and SJ BERWIN LLP "Kazakhstan: review and reform of the legislation on corporate government" went on in 2015. The scheme aims to encourage businesses in Kazakhstan to gradually switch to international corporate government methods. A successful implementation of this undertaking will contribute to a greater transparency and stability of Kazakhstan's stock market.

## **The Exchange's stimulus package for SME on the stock market**

Throughout 2015 the Exchange was closely collaborating with Kazakhstan's Ministry of National Economy, the Entrepreneurship Development Fund Damu, and National Chamber of Entrepreneurs on proposing a regulation allowing the government to subsidize the coupon interest rate and guarantee the payback of principal on SME bonds under the Integrated Program for Supporting Business "Business Road Map-2020" (BRM-2020). To support this move, the BRM-2020 authorities will develop own rules of such subsidizing and guaranteeing for KASE-listed issuers.

With the work done so far, 2016 is going to see said regulation become part of Kazakhstan's Entrepreneurial Code No. 375-V of October 29, 2015 (Chapter 8, articles 94 and 95), and the above-mentioned Rules being approved and implemented as an appendix to the Business Road Map. Regulations on subsidizing the coupon interest rate and guaranteeing the bonds' principal amount for KASE-listed issuers would allow Kazakhstan's business to use options of raising funds on the stock market. Should the move be successful, entrepreneurs will be able to choose alternative funding sources rather than bank loans.

## **Developing specialized listing requirements**

### **Sector "HiTec" for high-tech businesses**

A new sector of KASE official list – "HiTec" – appeared in early 2015. Its specific objectives include:

- setting up conditions for high-tech firms looking for investments;
- encouraging the growth of cutting-edge companies in Kazakhstan;
- providing a transparent mechanism of attracting investment by high-tech companies.

Sector "HiTec" was opened for stocks of issuers that were set up to develop or operate innovative technologies, or to implement high-tech projects in crucial sectors of the economy. Admission of shares to sector "HiTec" is governed by the specially designed "Rules of Admission of Shares to Sector HiTec of KASE Official List".

## **Special listing requirements for securities of subsoil users**

Throughout 2015 the Exchange was studying the possibility of introducing special listing requirements for securities of subsoil users based on experience of leading stock exchanges (project "Mining and Oil & Gas").

For these purposes the Exchange has conducted an analysis of listing rules and requirements set for subsoil users on stock exchanges in Australia, South Africa, Canada, UK, Hong Kong and Russia.

In December 2015 KASE listing rules were supplemented with requirements for subsoil users. The updated listing rules and general information on development of the subsoil user sector on KASE are available on the Exchange's website.

Based on data obtained in the course of the Project the Exchange prepared a Concept of the project "Mining and Oil & Gas" that was proposed to the Ministry of Investments and Development. This Concept also contained legislative changes taking into account the project's particulars.

In 2015 KASE was working inside the working group on Geological reporting standard KAZRC (according to the CRIRSCO template).

Members of the group together proposed an interim version of the draft KAZRC standard and draft Charter of the Committee of Public Records represented by Association CRIRSCO in Kazakhstan. Draft documents contain provisions necessary for implementing the project "Mining and Oil & Gas".

The project "Mining and Oil & Gas" is in progress.

## **Increasing public awareness of Kazakhstan's stock market**

### **Listed Partners Advisory Initiative**

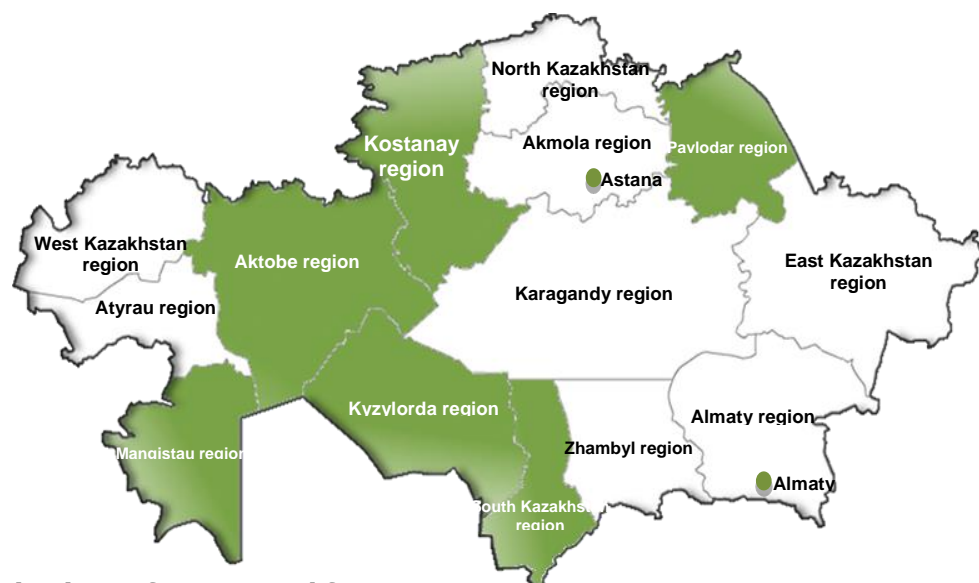
In the year under review KASE was working on several projects aimed at further improvement of the service quality, increasing the public's awareness of the stock market and its opportunities for business and the broader society. One of such projects is called Listed Partners Advisory Initiative (LPAI).

As part of this project together jointly with the RCE, regional mayor administrations, brokerage and consulting companies the stock market events were organized for the entrepreneurs and representatives of the business communities in the regions. At these meetings the businessmen and CEOs obtained information and advice on how to raise capital in the stock market, current legal standards and procedures.



The consultations for the business communities in six regions of Kazakhstan were offered in Almaty and Astana under the project.

Regions and cities of Kazakhstan participating in LPAI project in 2015



### Participation in conferences and forums

In February 2015, the Exchange organized the KASE Discussion Club on the Mechanisms of state privatization program implementation and private sector financing through the capital market. 65 companies participated in the KASE Discussion Club including the representatives of the national companies, NCE RK Atameken, National Bank of the Republic of Kazakhstan and brokerage firms.

On May 26, 2015 KASE in cooperation with the Shanghai Stock Exchange (SSE) organized the China-Central Asia Stock Markets Forum. The main purpose of the event was to discuss the financing of the infrastructure and other projects of the Republic of Kazakhstan through the instruments of the stock market and attract the foreign investments.

On the part of China, the forum was attended by about 60 representatives of the stock market, managers of the Shanghai Stock Exchange, China Securities Regulatory Commission, Industrial and Commercial Bank of China and others. The representatives of Kazakhstan were the CEOs of the professional participants of the securities market, KASE issuers, government and the National Bank of the Republic of Kazakhstan.

During 2015 KASE employees participated as speakers in a number of investment forums and conferences including:

- Annual London Stock Exchange Conference to review the capital markets and analyze IPO experience in the CIS countries as well as the Central and Eastern Europe;
- "Invest Show" investment projects expo;
- Moody's Fourth Credit Risk Conference;
- International Investment Forum "Ertys Invest – 2015".

### Interaction with the media and cooperation with higher educational institutions

2015 was also marked by an active interaction of KASE with the media. During the reporting period more than 20 interviews and responses to the information and analytical requests were given.

In 2015 KASE took measures to boost interest in the stock market of Kazakhstan and improve financial literacy of the higher educational institutions' students. More than 10 lectures, guided tours and presentations were held for students of the leading higher educational institutions of Kazakhstan: KIMEP University, International IT University, Almaty Management University, Nazarbayev University, Suleyman Demirel University and others.

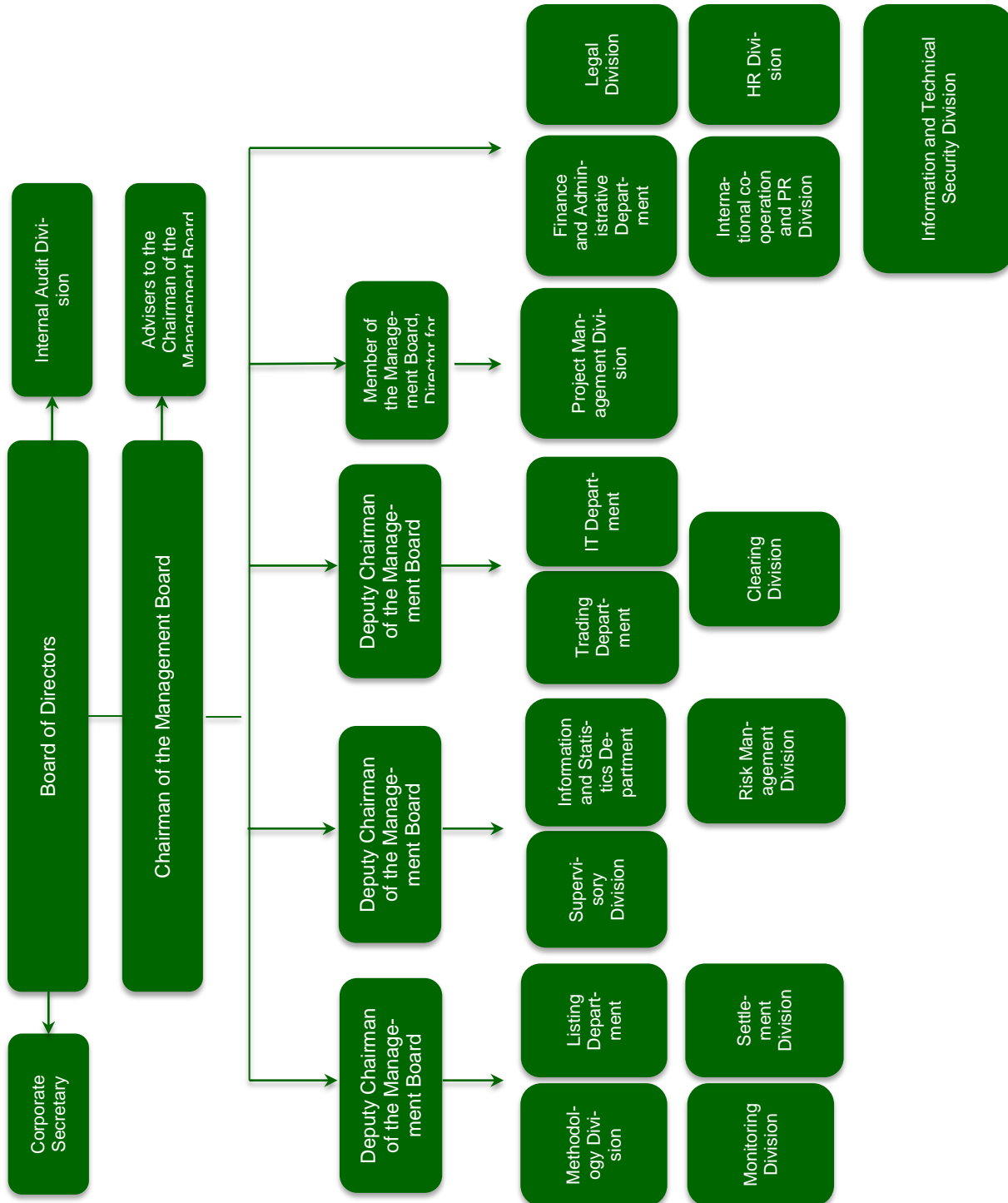
### **International cooperation**

KASE continues being at the forefront in the international arena. 2015 was a fruitful year as the memorandums of understanding and cooperation were signed and given other important initiatives. The signed documents include:

- Memorandum of Understanding with the Nasdaq Dubai stock exchange to exchange experiences and information between the exchanges;
- Accession to the United Nations Sustainable Stock Exchanges Initiative (SSE Initiative), enabling the KASE to learn from the international experience in the capital markets transparency and corporate governance improvement;
- Memorandum of Understanding in the field of the wind and solar energy financing development with Megawatt-X;
- Memorandum of Understanding with Thomson Reuters;
- Memorandum of Understanding with the London Stock Exchange (LSE). The KASE and LSE collaboration aims to ease the investors' and issuers' access to the capital markets of Kazakhstan and Great Britain, enhance the liquidity of shares of Kazakhstan companies both on the KASE and on the primary LSE market;
- Memorandum of Understanding with the Shanghai Stock Exchange (SSE).

# Corporate governance

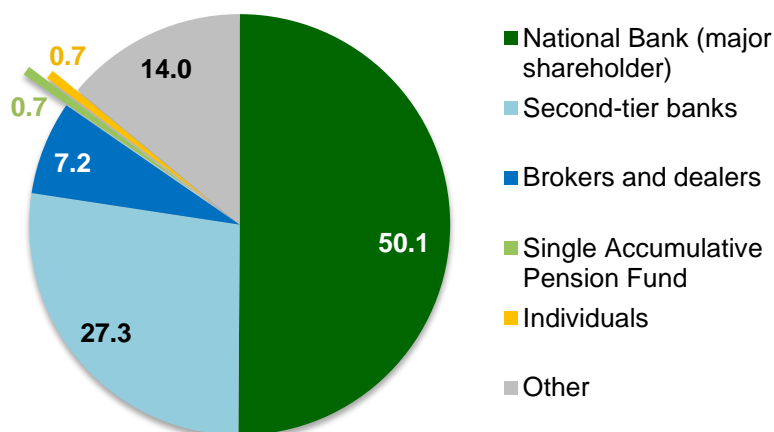
## Organizational chart of the Exchange as of the end of 2015



## Information on the Exchange Shareholders

As of the end of 2015 the total number of the Exchange's authorized shares made 5,000,000 pieces, including 942,013 shares being offered.

Shareholdings percentage of the total outstanding shares number, %



## Redrafted Charter of the Exchange

Following the Annual General Meeting of Shareholders (Minutes No.26 of May 15, 2015) the Exchange's redrafted Charter was approved.

The new version of the Charter is based on the previous Charter with all amendments made thereto as part of an update and alignment in accordance with the Act on Joint Stock Companies and Securities Market of the Republic of Kazakhstan, as well as the Exchange's operational practice.

In the new version of the Charter:

- the term "Exchange Council" was changed to "Board of Directors";
- the positions of the CEO of the Exchange and his/her deputies were changed from "President" to "Chairman of the Management Board", from "First Vice-President and Vice-President" to "Deputy Chairmen of the Management Board";
- the wording on the participation of members of the Board of Directors in meetings through the use of information and/or communications technology, providing simultaneous two-way transmission, processing, transformation and presentation of interactive information in real-time remotely (telephone, other types of communication) was clarified

## Board of Directors

The Board of Directors is a governing body of the Exchange responsible for general management of the activities of the Exchange, except for the issues referred by the Act on Joint Stock Companies of the Republic of Kazakhstan and/or the Charter of the Exchange to the exclusive competence of the general meeting of shareholders of the Exchange.

The main functions of the Board of Directors of the Exchange include monitoring and, if possible, elimination of potential conflicts of interest at the level of officials and shareholders of the Exchange,

including the misuse of the Exchange property and abuse in interested party transactions concluded. The Board of Directors also monitors the effectiveness of the Exchange corporate governance.

Between January 1 and December 31, 2015, 28 meetings of the Board of Directors of the Exchange were held, including the members' absentee voting.

During 2015 all the members of the Exchange's Board of Directors took an active part in the activities of the Board of Directors of the Exchange and Committees of the Exchange's Board of Directors (Committee of the Exchange's Board of Directors on Budget and Strategic Planning, Committee of the Exchange's Board of Directors on Internal Audit, Committee of the Exchange's Board of Directors on HR, Remuneration and Social Affairs), as well as other permanent committees and commissions of the Exchange (Listing Commission, Committee of the Exchange's Board of Directors on Issuer Financial Reporting and Audit, Expert Committee).

During the reporting period, the Exchange's Board of Directors meetings reviewed strategic and current operational issues within its competence. The list of agenda items and relevant decisions are reflected in the Exchange's Board of Directors' meetings minutes and members' absentee ballots, as well as in the Exchange's Board of Directors' Committee meetings minutes. In-person meetings of the Exchange's Board of Directors were held on a regular basis in accordance with the approved schedule.

During the reporting period, the Board of Directors of the Exchange in accordance with the Acts of the Republic of Kazakhstan on the Securities Market, Joint-Stock Companies and

Core work plan of the Exchange for 2015, considered 178 items and adopted 176 decisions, the Exchange considered and approved 38 documents of the Exchange regulating its internal operations.

In order to improve the performance of the Board of Directors of the Exchange, prepare the recommendations for the Board of Directors of the Exchange and improve the corporate governance structure of the Exchange over the reporting period the Committees of the Exchange's Board of Directors considered the most important operational issues falling within its competence in accordance with the Regulations on the Board of Directors' Committees. In 2015 12 meetings of Committee of the Exchange's Board of Directors on Budget and Strategic Planning; 7 meetings of Committee of the Exchange's Board of Directors on HR, Remuneration and Social Affairs; 13 meetings of Committee of the Exchange's Board of Directors on Internal Audit; 24 meetings of Listing Commission (including absentee voting); 8 meetings of Expert Committee of the Exchange' Board of Directors; 2 meetings of the Committee on Issuer Financial Reporting and Audit were held.

In 2015, the Exchange's Board of Directors managed to fully meet the objectives, tasks and duties as contemplated by the Code of Corporate Governance of the Exchange, Exchange Charter, Regulations on the Exchange's Board of Directors, which led to the positive financial results of the Exchange in 2015.

#### **Composition of the Board of Directors of the Exchange as of the end of 2015**

<b>Zhanat Kurmanov (Chairman of the Board of Directors)</b>	Member of the Board of Directors and Independent Director of Central Securities Depository JSC, Member of the Board of Directors and Independent Director of United Registrar of Securities JSC, Independent Director of the Exchange
<b>Yeldar Abdrazakov</b>	CEO of Centras Capital LLP
<b>Arif Babayev</b>	Managing Director – Member of the Management Board of Kazkommertsbank JSC, Chairman of the Board of Directors of Kazkommerts Securities JSC, Independent Director
<b>Yeszhan Birtanov</b>	Chairman of the Management Board of the Exchange
<b>Azamat Zholdasbekov</b>	Chairman of the Board of Directors, Independent Director of Central Securities Depository JSC

**Viktor Kyshpanakov** Deputy Chairman of the Management Board of BCC Invest JSC - subsidiary organization of Bank CenterCredit JSC

**Mirlan Tashmetov** Chairman of the Management Board of Qazaq Banki JSC, Independent Director of the Exchange

**Representatives of the National Bank:**

**Nurlan Abdrakhmanov** Director of the Department of Control and Supervision Methodology of the National Bank

**Dinara Kaliyeva** Deputy Director of the Department of Control and Supervision Methodology of the National Bank  
**(in the absence of Nurlan Abdrakhmanov)**

**Aliya Moldabekova** Director of the Department of Monetary Operations and Asset Management of the National Bank

**Adil Mukhamedzhanov** Deputy Director of the Department of Monetary Operations and Asset Management of the National Bank  
**(in the absence of Aliya Moldabekova)**

## **Management Board**

The Management Board is a collegial executive body of the Exchange managing ongoing performance of the Exchange except for issues referred by the Joint Stock Companies Act of the Republic of Kazakhstan and the Charter of the Exchange to the exclusive competence of the General Meeting of Shareholders and/or the Board of Directors of the Exchange.

In accordance with the decision of the Board of Directors of the Exchange of September 10, 2015 the Management Board shall comprise five members.

### **Composition of the Management Board of the Exchange as of the end of 2015**

**Yeszhan Birtanov** Chairman of the Management Board

**Idel Sabitov** Deputy Chairman of the Management Board

**Andrey Tsalyuk** Deputy Chairman of the Management Board

**Natalya Khoroshevskaya** Deputy Chairwoman of the Management Board

**Amina Turgulova** Director of Business Development Department

### **Remuneration of Members of the Management Board**

The size of salaries and conditions of remuneration and bonuses payable to a head and members of the Management Board shall refer to the exclusive competence of the Board of Directors. During 2015 the members of the Management Board of the Exchange (according to the consolidated financial statements) were paid a bonus in the amount of KZT119,585,084 (one hundred nineteen million five hundred eighty five thousand eighty four) and 87 tiyn.

## Committees and Commissions



### **Budget and Strategic Planning Committee of the Board of Directors**

Giving recommendations on the elaboration of KASE business key areas and strategic objectives, including the issues related to the activities that enhance the effectiveness, and budgeting issues.

### **HR, Remuneration and Social Issues Committee of the Board of Directors**

Giving recommendations on the composition of the Exchange Management Board, appointment and dismissal of other employees of the Exchange, social support of KASE employees, resolution of social issues, development of the effective human resources policies and incentive systems for the productive and high-quality work performed by the Exchange employees. Organizing an adequate system of performance appraisal and remuneration linked to the Exchange strategic plans implementation.

### **Internal Audit Committee of the Board of Directors**

Preparing and giving recommendations to the Board of Directors to make decisions on accounting, financial reporting, auditing, internal control systems, Risk Management, Internal Audit Division issues.

### **Issuer Financial Reporting and Audit Committee of the Board of Directors**

Review of financial documents of the issuers whose securities are included or planned to be included to the official list, and preparing the information on the results of such review. Drafting a list of auditing organizations recognized as valid by the Exchange.

### **Expert Committee**

Preparing expert findings to recognize the concluded securities market transactions as manipulative.

### **Listing Commission**

Consideration and adoption of decisions on listing, delisting, securities official list securities category (subcategory) change, admission of shares to circulation in the Exchange official list "HiTec" sector and

withdrawal from this sector. Consideration of issues on inclusion of bonds intended for issue in accordance with law of a country other the Republic of Kazakhstan to the official list of the Exchange. Acceptance or rejection of action plans of listed companies to eliminate the basis for the transfer of their debt securities to "buffer category". Consideration of the possibility of inclusion to, or withdrawal from, the list of appraisers recognized valid by the Exchange.

### **FX Market Committee**

Identifying cases of insolvency of the FX market members. Approval of a schedule of payments by the Exchange members, as well as taking decisions on the transfer of a member (members) of the Exchange from one mode of making payments to the other. Transfer of the currency market members from one mode of making payments to the other. Determining a daily limit of the market participants' net positions.

### **Indices and Securities Valuation Committee**

Developing methodological basis of securities and other financial instruments valuation. Setting the parameters used for the automated evaluation. Compiling the representative lists to calculate the stock market indicators. Determining the number of free-floating shares to calculate the stock index. Determining the derivatives market risk parameters. Control over adequacy of the derivatives market reserve and guarantee funds.

### **Dispute and Conflicts Resolution Commission**

Resolution of disputes and conflicts between members of the Exchange, between the Exchange and its members (except for the disputes and conflicts on the suspension or termination of the Exchange membership), not settled by negotiation.

## **Internal Audit Division**

In order to achieve the objectives of the Exchange specified in other parts of this report and strengthen the system of internal controls of the Exchange, in 2015 the number of employees of the Internal Audit Division was increased to two employees. This allowed the Exchange to complete the 12 planned audits and provide two consultations to strengthen the system of internal controls at the request of the Management Board. Also the Regulations on Internal Audit Division of the Exchange were reviewed in order to reflect the increased number of employees of Internal Audit Division and recent developments in the field of internal audit standards.

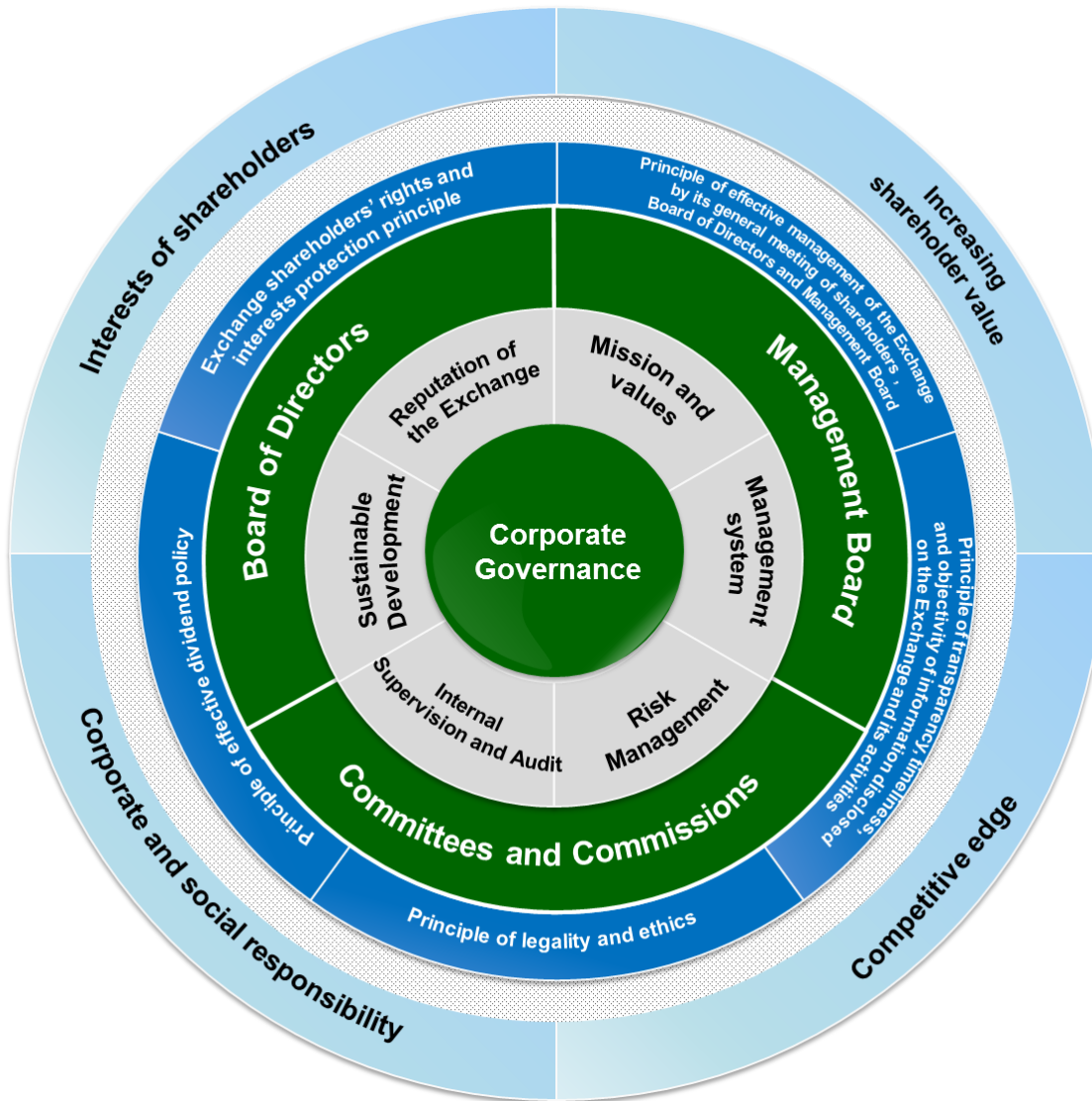
The Internal Audit Division is responsible for the ongoing monitoring over the enforcement of Action Plans adopted by the Management Board of the Exchange following the audits results, including for the purposes of quarterly reporting on the Internal Audit Service activities to the Exchange's Board of Directors. All the revealed shortcomings and improvement feasibility as to the system of internal controls of the Exchange are reflected in the findings of the Internal Audit Division and shall be brought to the attention of the responsible subdivisions, Management Board and Board of Directors of the Exchange.

## **Exchange Corporate Governance principles**

The corporate governance system of the Exchange is regulated by the Corporate Governance Code of the Exchange. According to the document, the Exchange corporate governance principles imply that the behavior of every participant of the Exchange corporate relations must be based on the professionalism, honesty, fairness, integrity, competence and responsibility.



## Exchange Corporate Governance Model



### **Principle of protecting interests of the Exchange shareholders**

This principle lies in the fact that the Exchange does not preclude its shareholders from exercising the property rights in respect of their shares, unless these rights are limited in accordance with the applicable law, contractual relations or unilateral obligations of the Exchange shareholders. The Exchange ensures enforcement of the rights its shareholders to obtain information on the Exchange activities, participate in, and vote at, the general meetings of shareholders, participate in defining the bodies of the Exchange, as well as entitlement to dividends on the Exchange shares.

### **Principle of effective management of the Exchange by the general meeting of its shareholders, Board of Directors of the Exchange and Management Board of the Exchange**

According to this principle the Exchange shall annually report to the shareholders on the results of its operations, these annual reports contain detailed information about all aspects of the Exchange activities, including reports on the development and implementation of projects, as well as the financial results achieved. While exercising control over the activities of the Exchange Management Board, the Board of Directors develops and improves the methods and criteria for the performance appraisal of the Manage-

ment Board of the Exchange. The Management Board of the Exchange, in turn, performs the ongoing management of the Exchange and control over its daily activities. At the same time the activity of the Management Board aims to achieve the best operating and financial results.

**Principle of transparency, timeliness and objectivity of information about the Exchange and its activities disclosed**

The Exchange shall disclose information about itself in order to:

- build confidence in the Exchange on the part of shareholders and other financial market entities;
- facilitate investment decision-making to acquire and hold shares of the Exchange;
- maximize justification in the decision-making process of the general meeting of shareholders and Board of Directors of the Exchange;
- ensure transparency in the Exchange management.

**Principle of legality and ethics**

The Exchange operates in strict compliance with the applicable laws, its own charter and internal documents (developed on the basis of the applicable laws), as well as business practice and business ethics.

**Principle of effective dividend policy**

According to this principle the Exchange uses only reliable and verifiable information on the actual and projected state of their operations and the actual and projected financial status of the Exchange to determine the presence or absence of conditions for calculation and payment of dividends on its shares. In this case the Exchange guarantees the transparency of a mechanism to determine the amount of dividends on its shares and the payment procedure.

**Human Resource Management**

As of December 31, 2015 KASE registered 134 employees.

During the year, we continued working towards the rational allocation of responsibilities and functions between the departments and employees.

*Table 1*

KASE personnel structure as of December 31, 2015:

<b>Educational background / qualification of employees</b>	higher education – 115 employees, Master's degree – 12 employees, foreign education – 19 employees
<b>Gender composition</b>	men – 60, women – 74
<b>Average age</b>	33 years old

**Implementation of HR policy**

KASE vacancy management in the reporting period was carried out in accordance with the Recruitment Procedure approved by the Exchange Management Board. When filling vacancies the internal candidates were primarily taken a look at. In the reporting year, 11 KASE employees were promoted.

The employees performance appraisal is carried out in accordance with relevant KASE internal document and makes it possible to determine the quality of KASE personnel work. In 2015, the employees performance appraisal was performed on a monthly basis by supervisors of structural subdivisions and approved quarterly by the Exchange Management Board. At the same time in order to motivate employees and maintain the level of market wage rates, the wages of the key and other employees of the Exchange were raised within the wage ranges approved for the staffing of the Exchange. So, during 2015 the wages of 43 employees of the Exchange were revised. Besides, in order to protect KASE employees from the growing prices due to KZT/USD exchange rate adjustments in 2014 and 2015, the indexation of wages of all staff of the Exchange by 30% was held in November of the reporting year.

According to the Training Plan in 2015 11 KASE employees received training. The training on the information technology, risk management, IFRS, HR activities, accounting, financial and other areas was conducted by Kazakhstan providers. Key employees of the Exchange conducted internal training for the less experienced staff on the business activities, information and trading systems of the Company.

## **Business trips, participation in events**

During 2015 KASE employees traveled to 57 business trips, 24 of them were foreign. Exchange employees participated in the World Exchange Congress, meetings of the World Federation of Exchanges (WFE), General Assembly of the Federation of Euro-Asian Stock Exchanges (FEAS), International Association of Exchanges of the Commonwealth of Independent States countries held meetings and negotiations with Nasdaq Dubai, Istanbul Stock Exchange, Shanghai Stock Exchange, London Stock Exchange, Australian Stock Exchange and other exchanges.

The international cooperation allows KASE to take an active part and influence the processes to develop the business cooperation between the exchanges of the Eurasian region from among the members of FEAS, keep abreast of the new global trends, ideas, opinions and approaches to the exchange business. The meetings and consultations results helped the Exchange to improve its business processes, introduce new financial instruments to attract new issuers and investors. In 2015, KASE Management Board member, Director for Development, Amina Turgulova, was elected a Deputy Chairwoman of the Working Group to promote and assist the developing capital markets among WFE members.

In March 2015 KASE held the opening ceremony of the World Finance Week for children and young people in the framework of the Global Money Week international program. As part of the "Invest Show" event organized by KASE subsidiary IRBIS in April 2015 more than 20 lectures were held with participation of the professional market participants' representatives.

## Risk Management

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In the reporting period, the Risk Management Division continuously improved KASE risk management system. These activities were in line with the updated risk management Policy and Rules (Minutes No. 29 of the Exchange Board of Directors meeting of August 8, 2014), developed by the Risk Management Division based on the provisions of the updated international risk management standards (ISO 31000).

In the first quarter of 2015 the Risk Management Division designed, and the Board of Directors approved, the register the maximum permissible risk values based on the results of the risk identification and assessment reflecting the results of the monitoring for the last five years.

In order to ensure the going concern issue of KASE in 2015, the Board of Directors approved the Going Concern Management Policy (Minutes No. 20 of the Exchange Board of Directors meeting of August 10, 2015), drafted by the Risk Management Division taking into account the international standard ISO 22301 provisions. The latter largely became possible due to the training of KASE risk managers with the subsequent receipt of international going concern certificates by PECB (Professional Evaluation and Certification Board, Montreal, Canada). In 2015, KASE held the emergency response training and four planned tests using the artificial simulation of various situations and practical response on the basis of the back-up center and KASE equipment.

Throughout the year, the Risk Management Division continuously monitored the risks with the participation of their respective owners in the risk identification and assessment, as well as the risk management measures developed on the basis of this identification while managing the realized risks statistical base. In this framework, 20 cases of risk events were recorded in the reporting year with more than fifty risks and consequences mitigation measures applied. Risk event reports were submitted in the prescribed manner for a monthly review by KASE Management Board and quarterly review by the Exchange's Board of Directors.

## Plans and strategic projects

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### Key strategic growth priorities

KASE as one of the infrastructural elements of the stock market is not a pure marketplace. In the coming years a set of measures is planned aimed at the stock market revitalization, trading, clearing and settlement complex technological infrastructure development, increasing the brand awareness of the Exchange. The main short-term activities of the Exchange include:

- business development (optimization of the Exchange activities, aligning the information security and going concern management system in line with the international standards);
- attracting issuers (giving free advice on the Exchange funding issues, introduction of special listing requirements for different categories of issuers, considering the possibility of introducing tax incentives for issuers);
- attracting investors (market liquidity growth, improving the positions of Kazakhstan stock market in the global country classifiers, reviewing requirements for market makers, increasing the number of vendors, purchasing the Exchange market information).

The development measures in these areas were reflected in the Core Work Plan for 2016.

### KASE Development Projects

In 2016, the Exchange will mainly focus on the development of a long-term strategy of development, aimed at building a modern infrastructure institution attractive for the domestic and foreign investors, issuers, professional securities market participants.

For this purpose, a consulting project is planned aimed to create a new business model based on the experience of the world's top exchanges. At the first stage of this consulting project we will analyze all the Exchange's business processes, existing financial instruments, tariff policy, organizational structure, financial situation. At the second stage of the project it is planned to build a target trading, clearing and settlement model. In addition, the development of a new business model will address the improvement of market surveillance procedures and rules, risk management systems, mechanisms to attract new issuers and other categories of the Exchange clients.

#### Integration of KASE and Financial Statements Depository IT-systems

In 2016, KASE plans to implement a project for the integration of KASE and Financial Statements Depository IT-systems. The project is aimed to eliminate the duplication in statements to be disclosed to KASE and Financial Statements Depository, which will reduce the administrative and time resources of KASE members and listed companies. In order to implement this project a uniform format of names of corporate events with the advanced settings is needed.

#### Promotion of Kazakhstan market in classifications performed by international rating agencies, FTSE, S & P, MSCI

The development and growth of liquidity in the stock market are possible only in the context of availability of an active layer of the large institutional investors whose main criteria when making an investment decision are credit ratings and capital markets statuses in the classifications developed by the world's leading rating agencies (FTSE, S&P, MSCI). In turn, the capital markets upgrade in these classifications is preconditioned by a certain level of liquidity and market capitalization rate. In order to get out of the vicious circle the Exchange, issuers and professional securities market participants must undertake a number of joint targeted activities.

Currently, the market capital of Kazakhstan is categorized as Frontier according to MSCI Market Classification and S&P Dow Jones Indices. Kazakhstan's capital market is also on the Watch List for obtaining a Frontier status under FTSE Country Classification. In order for KASE to upgrade its market status to Emerging it must implement the measures to apply T+2 settlement cycle to all financial instruments, substantially increase the market value of the free-floating common shares of KAZ Minerals PLC and Halyk Savings Bank of Kazakhstan.

### **Exchange market development: attracting issuers, expanding the range of financial instruments, increasing the investor base**

The number of issuers and new instruments offered to investors will be increased by performing a range of activities in the following areas:

- introduction of new share market segments for the shares of the following companies:
  - minerals developers;
  - alternative "green" energy companies;
  - companies with low capitalization level;
- privatization of public companies through KASE trading platform;
- an IPO by large and medium sized companies to be privatized with the involvement of a broad range of investors, including foreign ones;
- implementation and development of programs aimed at raising awareness of the business community of Kazakhstan on how to raise capital through the stock market;
- opportunity analysis on the derivatives range expansion.

KASE will continue the active cooperation with the regulator and professional financial market participants regarding the stock market development in the following areas:

- developing measures to stimulate the new issuers' entry to the market;
- elaboration of amendments to the laws in order to activate the institutional investors, including the national and insurance companies;
- boosting the local offering of the domestic issuers' shares on KASE.

KASE will also continue and expand its activities aimed at promoting an investment culture and raising the general population's awareness about the stock market.

### **International cooperation**

KASE activities in the international arena are aimed at strengthening the appeal of Kazakhstan stock market, boosting the international investor base and learning from the best international experience and expertise applied in the financial markets. KASE will continue its participation in the international stock exchanges' associations and other international organizations.

The interaction with the international financial institutions (IFC, ACC, EBRD) will allow to learn from, and apply in future, the international experience and expertise in the area of improving the corporate governance and ensuring a better transparency of domestic issuers vis-a-vis investors.

In order to improve the performance and successfully achieve the goals, certain aspects of the operational management, business processes optimization need to be revised.

KASE has determined the following key areas for the further development of its business structure and market positioning:

- personnel work:
  - revision of the organizational chart;
  - personnel training;
- Marketing and PR:
  - development of KASE promotion strategy within the country and abroad;
  - active position in the media, including through the expansion of cooperation with the foreign media;
  - joint public programs with professional participants;

- Participation in the EXPO-2017;
- rebranding;
- website update.

The internal organizational chart restructuring and strengthening of skills and motivation of the employees are essential in the transition to a new business scale.

While implementing new marketing and PR strategies KASE will move to a new level of interaction with all the market participants and become a major element to shape and condition the market. KASE shall raise awareness in the domestic and international markets and improve its image in order to strengthen its role as a market engine and create conditions for a new stage of development.

## Terms and Abbreviations

<b>ACC</b>	Association of Corporate Counsel
<b>CRIRSCO</b>	Committee for Mineral Reserves International Reporting Standards
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>IFC</b>	International Finance Corporation
<b>IPO</b>	Initial Public Offering
<b>KASE</b>	Kazakhstan Stock Exchange JSC name abbreviation
<b>KASE_BY</b>	Corporate bonds yield index
<b>KAZRC</b>	Kazakhstan Association for Public Reporting on Exploration Results, Mineral Resources and Mineral Reserves
<b>TOD</b>	Settlement condition whereby a transaction is settled on the day of its conclusion (English, "today")
<b>TOM</b>	Settlement condition whereby a transaction is settled on the next business day following the date of its conclusion (English, "tomorrow")
<b>TONIA</b>	Weighted average interest rate on repo opening transactions for one day in the automatic repo market in government securities of the Republic of Kazakhstan
<b>TWINA</b>	Weighted average interest rate on repo opening transactions for seven days in the automatic repo market in government securities of the Republic of Kazakhstan
<b>JSC</b>	Joint Stock Company
<b>STB</b>	Second Tier Bank
<b>SAPF</b>	Single Accumulative Pension Fund JSC
<b>Exchange</b>	Kazakhstan Stock Exchange JSC
<b>Broker-dealer</b>	Broker and/or dealer organizations
<b>GS</b>	Government equity securities
<b>BRM-2020</b>	Business Road Map-2020
<b>MEKKAM</b>	Government short-term treasury bills of the Ministry of Finance of the Republic of Kazakhstan (maturity up to and including one year) (Kazakh abbreviation of securities name)
<b>MEOKAM</b>	Government medium-term treasury bills of the Ministry of Finance of the Republic of Kazakhstan (maturity after one year up to five years inclusive) (Kazakh abbreviation of securities name)
<b>MEUJKAM</b>	Government long-term savings treasury bills of the Ministry of Finance of the Republic of Kazakhstan (maturity after five years) offered to pension savings funds (Kazakh abbreviation of securities name)
<b>MEUKAM</b>	Government long-term treasury bills of the Ministry of Finance of the Republic of Kazakhstan (maturity after five years) (Kazakh abbreviation of securities name)
<b>mln</b>	Million



<b>bn</b>	Billion
<b>SME</b>	Small and medium enterprises
<b>IFI</b>	International financial institution
<b>National Bank</b>	National Bank of the Republic of Kazakhstan
<b>NCE RK Atameken</b>	National Chamber of Entrepreneurs of Kazakhstan Atameken
<b>NGS</b>	Non-government equity securities
<b>ALE</b>	Association of legal entities
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>Government</b>	Government of the Republic of Kazakhstan
<b>RCE</b>	Regional Chamber of Entrepreneurs
<b>Media</b>	Mass media organization
<b>USA</b>	United States of America
<b>th.</b>	Thousand
<b>trln.</b>	Trillion
<b>LLP</b>	Limited Liability Partnership
<b>Trading system</b>	Trading system of Kazakhstan Stock Exchange JSC
<b>SWF</b>	Sovereign Wealth Fund