

# **2017 | ANNUAL REPORT**

**KAZAKHSTAN STOCK EXCHANGE JSC**





## **TABLE OF CONTENTS**

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD .....	2
ABOUT THE EXCHANGE .....	4
MAIN TRENDS.....	7
Overview of world markets performance in 2017.....	7
World stock market development trends .....	11
A chronology of key events and activities in 2017 .....	12
Improvement of the status of the FTSE Country Classification .....	16
KASE markets review .....	16
OPERATING AND FINANCIAL RESULTS .....	29
Revenues.....	29
Expenses .....	30
Operating results.....	30
DEVELOPMENT OF KASE AND STRATEGY IMPLEMENTATION .....	31
Strategic direction 1. Exchange market development.....	31
Strategic direction 2. Improving services and customer focus of the Exchange.....	42
Improving the efficiency and competitiveness of the exchange business .....	48
CORPORATE REPORT .....	51
Corporate governance .....	51
Human Resource Management .....	59
International activities.....	61
Risk management system.....	63
Internal audit system.....	66
Environmental responsibility.....	67
TERMS AND ABBREVIATIONS .....	68



## **STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD**

**Dear shareholders and business partners,**

The year 2017 was the year of new successes and achievements of KASE. The trading volume has reached its historical maximum of KZT151.5 trillion, which is 60.3% higher than in 2016. All exchange markets have shown positive dynamics. The volume of transactions on the securities market has tripled, money market rose 64%, foreign exchange market grew 17.6%. Equity market capitalization increased 20% over the year to its historical maximum value of KZT17.1 trillion. The volume of corporate debt on KASE grew 8% to KZT8.9 trillion. There were 127 share names issued by 110 issuers, which also represents historical maximum, and 262 issues of corporate bonds of 66 issuers on the KASE trading lists as at January 1, 2018. KASE Index increased by 59% at year-end 2017 having renewed its nine-year high. According to Bloomberg, KASE Index ranked third in the world by the speed of growth.

Throughout the year, KASE has been working on several directions set by the 2016-2018 Development Strategy and aimed at developing the exchange market, improving client focus of KASE and its openness to innovations and communications and the ability to effectively meet market participants' needs.

One of the important projects of 2017 was changing the listing structure. Its implementation allowed to facilitate access to KASE for small and medium-sized companies and helped investors get a benchmark for impartial evaluation of the level of liquidity and market risks.

The transition of new instruments to T+2 settlement system was made as part of the development of clearing activities. Single limit mechanism that helps participants effectively manage available liquidity was introduced as part of the improvement of the risk management system. The main purpose of these projects is to provide clients of the Exchange

with better quality services that meet international standards of the exchange business.

As a result of this work, Kazakhstan has been assigned a Frontier Market status as part of FTSE country classification. The fact that Kazakhstan was rated as a "frontier" market in the FTSE Index proves that the stock market is operating steadily and is also an important step for attracting major foreign institutional investors to capital markets.

KASE has been working on expanding its investor base and attracting new trading participants and issuers of securities during the year. Trainings and offsite meetings in the regions of Kazakhstan in cooperation with the Atameken National Chamber of Entrepreneurs of the Republic of Kazakhstan and joint event with brokerage firms for prospective listed companies were organized and conducted as part of this work. As a result of this work, 15 new issuers, five of which were from the regions, were included in the Exchange's trading lists based on the year results.

At the international arena, KASE follows the strategy of building long-term relationships with partners. In 2017, memoranda of understanding were signed with the Moscow Exchange (MOEX) and Bank of China Limited. KASE held annual training (Onsite Training) for representatives of the exchanges that are members of the Federation of Euro-Asian Stock Exchanges (FEAS).

Summarizing the 2017 results, KASE feels optimistic about the future and stays faithful to such values as the work in the most professional way, reliability and responsibility towards its clients and partners. The Exchange will continue to implement projects aimed at enhancing opportunities for issuers to attract financing and for local and foreign investors to invest available funds.

*Alina ALDAMBERGEN, Chairman of the Management Board*

## **ABOUT THE EXCHANGE**

Kazakhstan Stock Exchange (KASE) is a universal exchange platform of Kazakhstan that provides its clients with wide range of services for trading in shares, corporate and government bonds, foreign currencies, money market instruments and futures.

Integration of different markets on one trading platform is a unique competitive advantage of KASE and it allows customers of the Exchange manage their investments more efficiently.

KASE business includes securities listing and admission of other financial instruments to trading, arrangement of trading in financial instruments using various methods of trades that are appropriate for various financial instruments including pre-trading and post-trading procedures, acting as bookrunners when offering securities, clearing and settlements on certain exchange markets, market risks management as well as selling market information and providing technological solutions.

The Exchange has an internally developed set of information systems that allows to conduct its core activities with an acceptable level of reliability, security and ensuring the business continuity. The Exchange modernizes the systems used and implements applicable international standards on organizing trading in financial instruments and implementation of related activities on ongoing basis.

The software for trading system developed by the KASE specialists allows:

- conducting trades in financial instruments using wide set of methods;
- real-time monitoring of current positions of trades participants in terms of money and and financial instruments taking into account the limits set for these positions;
- connecting local and remote users;
- integrating with external systems of dissemination of the stock market information;

- forming a order book when conducting trades on securities offering or buyback.

The Exchange's clearing system enables:

- to collect, process and record information on transactions made in the Exchange's trading system;
- to clear positions on transactions with financial instruments including netting method for participants and financial instruments;
- to determine claims or liabilities of trades participants and entities involved in the settlement (or carrying out payments) as a result of concluding transactions with financial instruments;
- to prepare and to transfer information on the results of clearing activities of the Central Depository or another organization engaged in arranging settlements (payments) of transactions with financial instruments.

The Exchange's settlement system includes required software and its own network of correspondent accounts in tenge and foreign currencies. Settlements on exchange transactions with foreign currencies and derivatives are carried out using this settlement system.

According to the Exchange's Development Strategy for 2016-2018, the goal of KASE is technical modernization, which combined with marketing activity, open information policy and increased attention to investors' interests and issuers of securities, will lead to significant increase in the volume and liquidity of the exchange market and the increased proportion of business financing through stock market instruments.

To achieve strategic objective, the Exchange is working on bringing in securities issuers and investors to the market on improving quality of the services provided to them.

There were over 150 securities of issuers including largest companies of the quasi-public sector of the Republic of Kazakhstan, banks, private companies of various sectors of the economy in the Exchange's lists over the reporting year.



Members of the Exchange and trades participants are 30 of 32 licensed second-tier banks (STBs), all licensed brokerage organizations in the Republic of Kazakhstan, as well as foreign and international financial organizations.

A total of 56 financial institutions were members of KASE as of January 1, 2018 including:

- 47 members in the "stock exchange" category with the right to participate in the trades in corporate securities admitted to trading on the Exchange;
- 33 member in the "currency" category with the right to participate in the trades in foreign currencies;
- 22 members in "derivatives" category with the right to participate in the trades in financial instruments.

KASE offers wide range of information products that contain real time market data, archival and reference data to investors and professional participants of the securities market in addition to the organization of trading in financial instruments, clearing and settlement services.

Quotations and news of the Exchange, information on listed companies in various formats and modes via KASE website and information systems from Thomson Reuters and Bloomberg leading information agencies are available for users across the world.

KASE calculates and supplies the data on the values of KASE indices on the stock market and money markets (about 10 indexes all together), which serve as benchmarks for professional participants of the market and are used for assessment of the market or its segments.

## MAIN TRENDS

### Overview of world markets performance in 2017

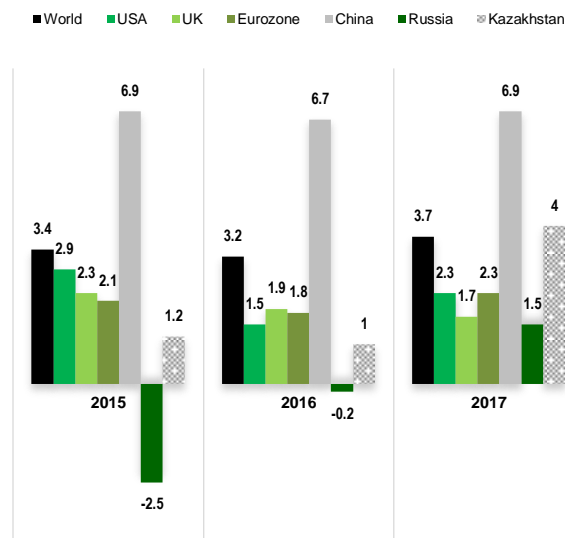
The year 2017 was marked by global economic recovery at a faster rate than predicted. The world's GDP grew by 3.7% according to the year-end results. The growth of this indicator was observed in 120 countries, which account for three-quarters of the world's gross product. This is the most extensive and synchronised rise that the world economy had experienced since 2010. Most international financial institutions have made an upward revision of their forecast of the world GDP growth rates during the year. The IMF predicts that the world economy will grow by 3.9%<sup>1</sup> in 2018 and 2019.

In 2017, the average annual Brent crude oil price rose by 21%, mainly influenced by the decision within OPEC+ group to extend the agreement on oil production cuts. Despite the fact that oil prices remained relatively far from their peak in 2014, positive price dynamics in 2017 contributed to more intensive measures of economic and monetary policies in a number of countries of the world. Prices for other key resources have also risen: average annual gas prices by 28%, prices for coal by 34.3%, iron prices by 21% and copper prices grew by 28%. The price of gold as a reserve asset in the conditions of relative stability rose by 0.7%.

Stock markets in 2017 showed significant growth amid expectations for positive economic indicators. MSCI World Index, which reflects the situation on the world stock markets, grew by 20.1%, which is the highest growth rate since 2013 (24.1%)<sup>2</sup>.

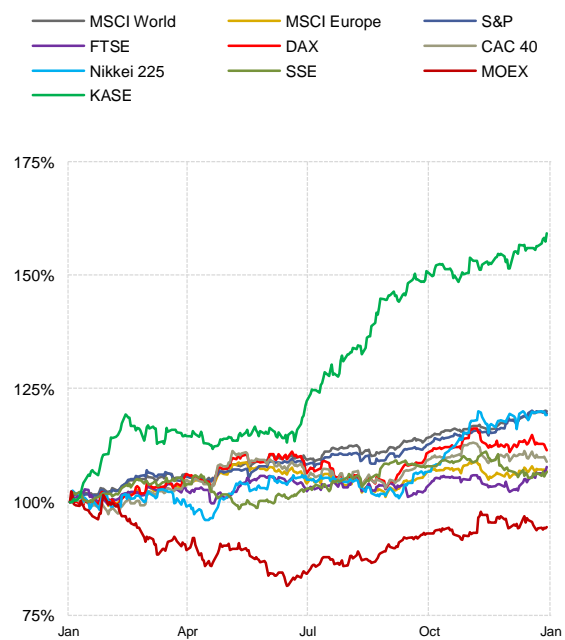
**United States.** The U.S. economy showed the highest growth over the past three years, which reached 3% at year-end 2017 at the inflation rate of 2.1%. In the reporting year, the FRS continued to tighten its monetary policy by gradually raising the base rate, which reached the range from 1.25 to 1.50% APR by the year-end after a three-time increase

FIG. 1 DYNAMICS OF GDP IN SOME COUNTRIES OF THE WORLD, % AGAINST THE PREVIOUS YEAR



Source: Bloomberg Terminal

FIG. 2: DYNAMICS OF WORLD STOCK INDICES, % BY THE BEGINNING OF THE YEAR

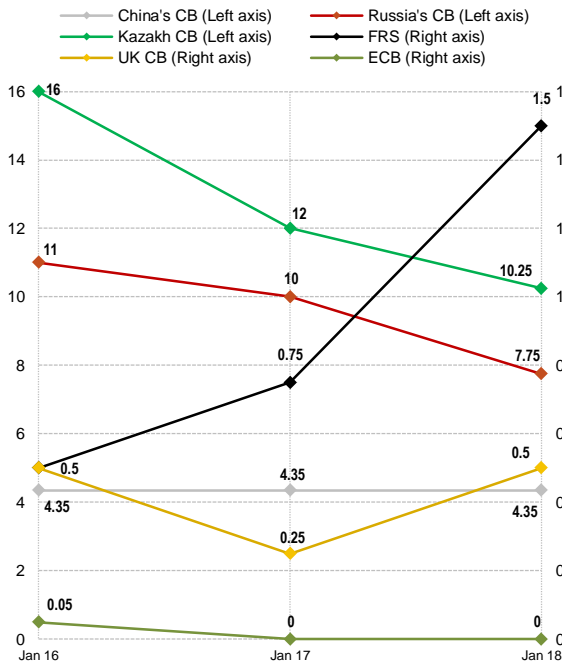


Source: Bloomberg Terminal

<sup>1</sup> International Monetary Fund // World Economic Outlook Update, January 2018.

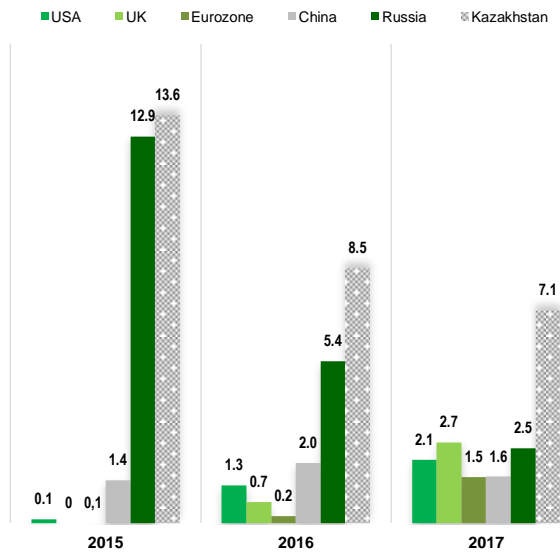
<sup>2</sup> Bloomberg Terminal.

**FIG. 3: DYNAMICS OF KEY RATES THE WORLD'S CENTRAL BANKS, % APR**



Source: Bloomberg Terminal

**FIG. 4: CONSUMER PRICE TRENDS, % YOY**



Source: Bloomberg Terminal

by 0.25%. There was a change of the head of the executive branch in the United States in early 2017. Donald Trump, a Republican, whose most important economic decisions were the withdrawal of the U.S. from Trans-Pacific Partnership and large-scale tax reform, became the president. The S&P 500 U.S. Broad Market Index (BMI) closed at the highest mark rising by 19.3% despite political concerns and expectations of more rapid tightening of the monetary policy at year-end 2017.

**The European Union.** The stock markets of the EEC have shown more modest results. The MSCI Europe Index rose by 7.3% at year-end 2017<sup>3</sup>. The growth was more confident in the mainland Europe (DAX + 12.8%, CAC 40 + 9.3%) while the FTSE 100 rose only 7.6% in the island part of Europe. The Eurozone economy grew 2.5% at year-end 2017 at the annual inflation rate of 1.4%. Failure to achieve 2% inflation target was the reason why the ECB kept the refinancing rate at 0%. During the year 2017, the European regulator continued to support the eurozone economy in order to build-up inflationary pressures and did not adjust monetary policy parameters in the region. In particular, monthly volume of assets purchased was set at €60 billion since April 2017. In November 2017, the Bank of England raised the base rate from 0.25% to 0.50% APR for the first time since 2008 given the inflation rates that exceeded the target, which was caused by the pound's devaluation. The central bank of England also kept its government bond-buying program at £435 billion and said it would continue with its plan to buy up £10bn worth of corporate bonds. In general, the increase of base rates in 2017 indicates that major central banks of the world are moving in the same direction and proceed to the completion of soft monetary policies in the post-crisis period for the first time in recent years.

**China.** The year 2017 for China was marked by the recovery of its economy from overheating and by the search for new conditions of balance at moderate growth rates. In 2017, China's economy returned to a seven-percent growth that surpassed the expectations of many experts including international financial institutions. Growth of the economy,

<sup>3</sup> Bloomberg Terminal.

as in previous years, was mainly driven by the growing volume of industrial production (+ 6.2% in December 2017 against December 2016). Annual inflation rate amounted to 1.8%; producer price growth was 6.2%. China's new sustainable growth factors may be Xi Jinping's economic reforms aimed at reducing poverty, reducing environmental pollution and struggling with debt and financial risk.

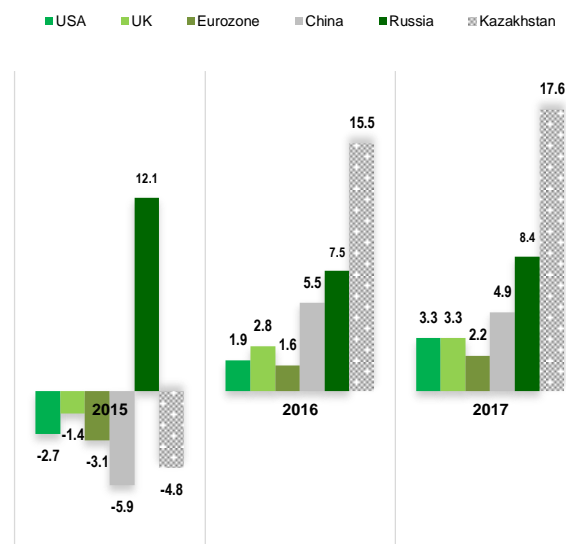
**Russia.** In 2017, Russia's GDP amounted to 1.5%; at the first evaluation at current prices it reached RUB 92.082 trillion<sup>4</sup>. Inflation has dropped to a historic low of 2.5%. Prevailing economic circumstances enabled the CBR (Central Bank of Russia) to continue easing monetary policy. The key interest rate dropped six times from 10.0% to 7.75% APR during the year.

**Kazakhstan.** In 2017, Kazakhstan's economy grew by 4.0%<sup>5</sup> driven by recovering global commodity prices. Natural resources sector and low base effect of the previous year were main GDP growth drivers. Upward trends were observed in the industry (7.1%), transport (4.8%), communications (3.3%), trade (3.2%), agriculture (2.9%) and construction (1.9%). The inflation rate was 7.1% versus 8.5% in 2016. Prices for food products rose by 6.5%, non-food products by 8.9% and chargeable services by 5.9%

The following key developments occurred in the financial market of Kazakhstan in 2017.

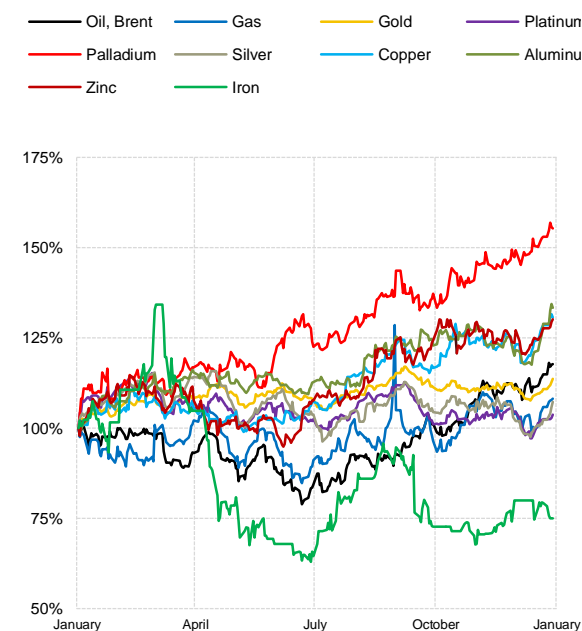
**Reduction of the base rate.** Current favourable macroeconomic conditions in Kazakhstan, in particular, the slowdown of inflation and enhanced business environment allowed the National Bank to reduce the base rate to 10.25% APR from 12% ARP as at the beginning of the year. This has had a positive impact on the cost of borrowing for businesses.

**FIG. 5: PRODUCER PRICE INDEX FOR INDUSTRIAL PRODUCTS, % YOY**



Source: Bloomberg Terminal

**FIG. 6: DYNAMICS OF PRICES FOR BASIC COMMODITIES, % BY THE BEGINNING OF THE YEAR**

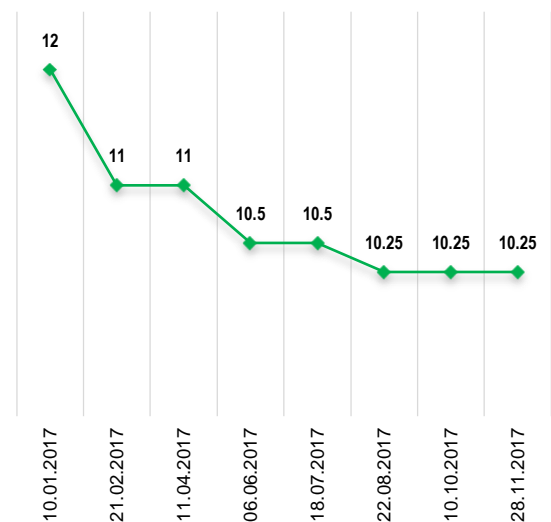


Source: Bloomberg Terminal

<sup>4</sup> Federal Statistics Office of Russia.

<sup>5</sup> Statistics Committee of the Kazakh Ministry of National Economy.

**FIG. 7: CHANGES IN THE BASE RATE IN KAZAKHSTAN IN 2017, % APR**



Source: National Bank

*Constructing new risk-free curve.* In 2017, the National Bank, together with the Ministry of Finance continued to work on the construction of the yield curve, which is a benchmark for local companies for determining borrowed capital cost. The National Bank continued its activities on the issuance of short-term notes this year. In addition, the National Bank sold government securities with the terms of 12, 15 and 17 years in August from its own portfolio in order to form benchmarks for profitability of financial instruments with longer terms (over 10 years). The Ministry of Finance issued government securities with maturity terms from 2 to 15 years. The updated risk-free yield curve had a flatter shape as at 2017 year-end while the 5-year spread was about 200 b.p. compared to the 2016 curve. In the horizon of 12 to 20 years, the yields as at the two reporting dates were within the range from 8.5% to 9.3% APR.

*The merger of Halyk Savings Bank of Kazakhstan JSC and Kazkommertsbank JSC.* In July 2017, Halyk Savings Bank of Kazakhstan JSC acquired 96.81% of ordinary shares of Kazkommertsbank JSC. BTA Bank's debt to Kazkommertsbank JSC in the amount of KZT2.4 trillion was fully repaid before the deal.

*Banking System Improvement Program.* In 2017, the National Bank implemented the Program for Improving the Financial Sustainability of the Banking Sector. A subsidiary of the National Bank acquired 15-year subordinated bonds of five banks (ATF Bank JSC, Eurasian Bank JSC, Tsesnabank JSC, Bank CenterCredit JSC, Bank RBK JSC) under the condition that the shareholders of these financial institutions would top up capital in future as part of this program. In 2017, bonds for the total amount of KZT620 bn were offered on KASE under the program.

*Stability of tenge.* The tenge has slightly strengthened against the U.S. dollar at year-end 2017. The annual average currency exchange rate has strengthened from KZT342.16 in 2016 to KZT326.00 in 2017. The stability of the national currency allowed to retain investors' interest to tenge-denominated instruments including those on the securities market.

## World stock market development trends

The year 2017 ended with positive results for all world's stock markets. Stock indices soared to record highs and their growth was the basis for the rise in market activity in 2017.

The following are the key indicators of the world stock market compiled based on the WFE<sup>6</sup> data versus similar indicators for 2016:

- the world domestic market capitalization rose by 22.6% reaching a new record high of US \$87.1 trillion. This increase was driven by the growth of domestic market capitalization across all regions: the Americas up 17.8%, Asia-Pacific up 27.6%, and EMEA up 24.3%;
- share trading volume in monetary terms declined by 2.6%. Trading volume growth was recorded in the EMEA region (+3.3%), American and Asia-Pacific regions dropped by 4.7% and 1.9%, respectively;
- the number of transactions with shares fell by 5.1% due to a decline in this indicator in America, while in Asia Pacific and EMEA region it grew by 0.04% and 1.9%, respectively;
- The number of new listings and investment flows through IPOs was up by 47.8% and 50.6% respectively. Most new IPOs took place on the American region, where the number of IPOs and the amount of funds raised increased by 85.1% and 146.2%, respectively. Most IPOs were accounted for high-tech companies and companies in healthcare sector in the United States. In the EMEA region, there was a 53.4% and 69.7% increase in the number of new IPO listings and capital raised through IPOs. LSE Group accounted for the largest share of new listings (38.1%) in the region despite ongoing uncertainty due to Brexit, followed by the Nasdaq Nordic exchanges with 86 new listings in 2017 (23.7% of new listings in the region).

<sup>6</sup> World Federation of Exchanges // World Federation of Exchanges publishes 2017 full year market highlights.

## A YEAR OF NEW RECORDS

trading volume

**KZT151.5 trillion**

**+60 %**

number of trading transactions

**302,183**

**+56 %**

new issuers

**+15 %**

KASE index growth

**2,162.69**

**+59 %**

equity market capitalization

**KZT17.1 trillion**

**+20 %**

corporate debt volume

**KZT8.9 trillion**

**+8 %**

## A chronology of key events and activities in 2017

### January

Regular weekly publication of the Corporate Events Calendar of the companies listed of KASE began on the KASE website's Information Products section on 10 January.

A lecture was held for journalists of the Kazakh-language media as part of the "Iskerlik Mektebi Journalism" [Business Journalism School] project on 25 January.

### February

The first foreign brokerage firm - UNIVER Capital - became a member of KASE on February 2.

On February 9, KASE has made a transition to the single limit system for margining on stock market applications and transactions, where the T+2 settlement procedure applies.

Most active members of the Exchange, listed companies and winners of media representatives competition on the 2016 results received awards on 15 February.

### March

In March, Kazakhstan has improved its standing in the FTSE country classification by "Clearing & Settlement" criterion.

KASE held a ceremony of opening trading in securities devoted to gender equality on March 9.

Cbonds-Congress and KASE organized the 2nd roundtable "Debt Market of the Republic of Kazakhstan" on March 14.

An official opening of "The Stock Exchange Simulator-2017" the training project under the auspices of the Global Money Week took place on 28 March

### April

On April 6, a meeting between KASE representatives and leading Russian brokers was held at the Moscow Exchange.



KASE hosted the Issuer's Day for KEGOC JSC with professional participants of the securities market representing interests of investors on April 17.

KASE participated in a road show on placement of bonds of Subsidiary Bank "Home Credit and Finance Bank" in Astana on April 26.

## **May**

An award ceremony on the results of "The Stock Exchange Simulator-2017" the training project was held on May 5.

KASE held the Issuer's Day for the Development Bank of Kazakhstan JSC with institutional investors and professional participants of the securities market on May 26.

KASE held the Issuer's Day for NC Kazakhstan Temir Zholy JSC to inform local investors about offering of bonds denominated in Russian rubles on May 31.

## **June**

KASE has changed official list's structure as of June 1.

"Private Banking" training was held for employees of commercial banks on June 2.

"The Basics of Investor and Stakeholder Interaction" training workshop is held on 20 June.

KASE and Moscow Exchange (MOEX) PJSC signed a memorandum of cooperation on June 20.

KASE and ARFC [Almaty Regional Financial Centre] rating agency have signed a memorandum of cooperation on June 28.

An official ceremony of opening trading in ordinary shares of Bank Astana JSC after an IPO held this month took place on June 30.

## **July**

On July 19, KASE held a business breakfast meeting dubbed "KASE Day in Shymkent", during which representatives of the largest companies of South Kazakhstan Region



have familiarized themselves with main directions of activities of KASE, its products and services.

### **August**

KASE held Issuer's Day for BAST JSC on 10 August.

A training workshop for employees of listed companies is held on 17 August.

### **September**

KASE has launched its information channel in Telegram.

KASE held Issuer's Day for KazTransGas JSC on August 13.

KASE and Bank of China Limited signed a memorandum of understanding on the sidelines of the international conference "Payments in national currencies of the Republic of Kazakhstan and the People's Republic of China: current situation, trends and prospects" on September 14.

Trading in CNY/KZT currency pair with settlements T+2 (CNYKZT\_SPT) opened on September 14.

The training for representatives of the exchanges that are members of the Federation of Euro-Asian Stock Exchanges (FEAS) was held on September 18-22.

KASE held Issuer's Day for KEGOC JSC, where the company's results for the first half of 2017 and future development plans were announced, on September 26.

Kazakhstan has been assigned a Frontier Market status as part of FTSE country classification.

### **October**

KASE started calculating new bond market indicators as of October 2.

KASE signed a memorandum of understanding on mutual cooperation with Kazakhstani business incubators on establishing start-up projects platform on October 3.

KASE jointly with IFC Kazakhstan, Governance & Management Consulting LLP, DAMU Entrepreneurship Develop-

ment Fund JSC, the Atameken Chamber of Kazakh Entrepreneurs held "Corporate Governance Fundamentals" training program on October 5.

KASE signed a memorandum of understanding on mutual cooperation with DAMU Entrepreneurship Development Fund JSC on October 12.

## **November**

"Stock Market Basics" training workshop was held for general public at the site of the Damu Fund on November 8.

On November 24, KASE held KASE Day event in Astana to familiarize representatives of the Administration of the city of Astana, national management holdings, national companies and the media with its products and to establish cooperation and partnerships.

KASE held The Issuer's Day for KazTransOil JSC, where the company's results for the nine months of 2017 and future development plans were announced, on November 29.

## **December**

Training workshop "Stock Market Basics" was held on 13 December for general public at the site of the Atameken Chamber of Kazakh Entrepreneurs.

A meeting with representatives of Tengri Bank JSC with investors and professional participants of the securities market on the occasion of the planned offering of international bonds of Tengri Bank JSC denominated in US dollars was held on December 13.

The results of KASE contest among retail investors in the stock market were summarized on December 15.

The development of the new version of the official website [www.kase.kz](http://www.kase.kz) was completed. Final version to be launched on January 3, 2018.

## **Improvement of the status of the FTSE Country Classification**

FTSE agency upgraded the status of the Republic of Kazakhstan to Frontier Markets status as part of the FTSE country classification conducted by the agency.

The FTSE agency has announced its intention to review the status of Kazakhstan's market in the March 2017 intermediate update of the FTSE Country Classification for the first time. In September 2017, Kazakhstan was officially included in the "Frontier Markets" list in the annual review of the FTSE Russell Advisory Committee (Financial Times Stock Exchange group). Kazakhstan's improved position was the result of recent work of KASE on introducing T+2 settlement scheme in the stock market. As at January 1, 2018, T+2 settlement scheme was applied to transactions with shares of 19 titles.

This classification is an important indicator for international investors in making investment decisions that reflect stock market development. The improvement of the above status would generally improve the investment climate in the Republic of Kazakhstan.

The next step is to obtain the Emerging Markets status, which was already assigned to such countries as Brazil, China, Czech Republic and Russia.

A number of indicators including substantial improvement in market liquidity should be achieved in order to further improve domestic market's status to the Emerging Markets status. In particular, the number of listed companies in the "Shares" sector should be increased and it means more active fund-raising by local companies through Kazakhstan's stock market.

### **KASE markets review**

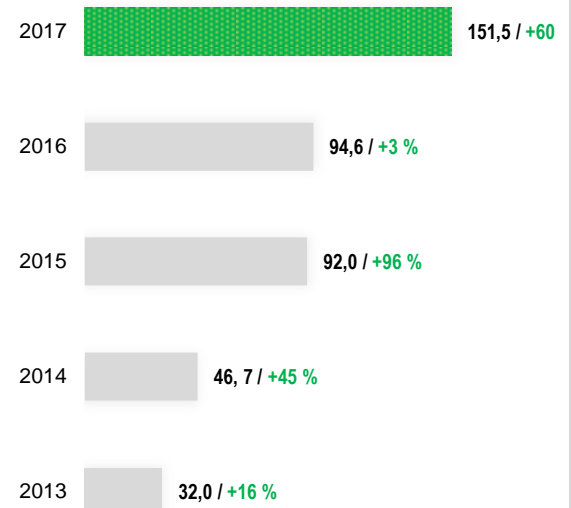
In 2017, total trading volume increased by 60.3% to the historical maximum value of KZT151.5 trillion. All markets showed positive dynamics: securities market grew three times, money market was up 64%, foreign exchange market rose 17.6%. The volume of transaction in the derivatives

market amounted to KZT22.1 bn compared to KZT2 mln in 2016.

**TABLE 1: TRADING VOLUME ON KASE MARKET IN 2017 COMPARED TO 2016, KZT BN**

KASE Market	2017	2016	trend
<b>Securities market</b>	<b>3,450.4</b>	<b>1,314.1</b>	<b>x 2.6</b>
Shares	269.4	250.2	+7.7 %
Corporate debt securities	1,153.8	507.4	x 2.3
Kazakhstan GS	1,958.8	555.9	x 3.5
IFI bonds	40.2	0	-
Investment trust securities	1.1	0.5	x 2.2
<b>Foreign exchange market</b>	<b>12,321.5</b>	<b>10,474.8</b>	<b>+17.6 %</b>
<b>Money market</b>	<b>135,726.4</b>	<b>82,763.5</b>	<b>+64.0 %</b>
Repo transactions	73,790.2	57,113.8	+29.2 %
Currency swap transactions	61,936.2	25,649.7	x 2.4
<b>Derivatives market</b>	<b>22.1</b>	<b>&lt;0.1</b>	<b>&gt; +100.0 %</b>
<b>TOTAL trading volume</b>	<b>151,520.3</b>	<b>94,552.3</b>	<b>+60.3 %</b>

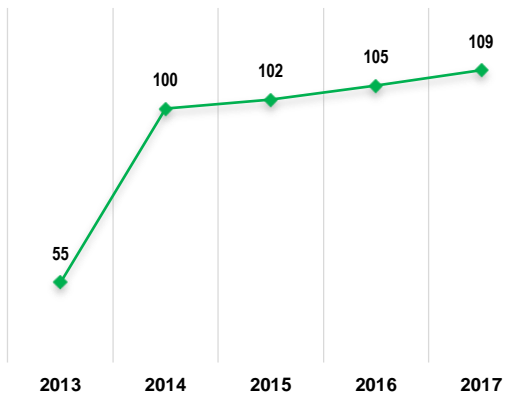
**FIG. 8: CHANGE IN THE TRADING VOLUME FOR THE LAST FIVE YEARS, KZT TRILLIONS**



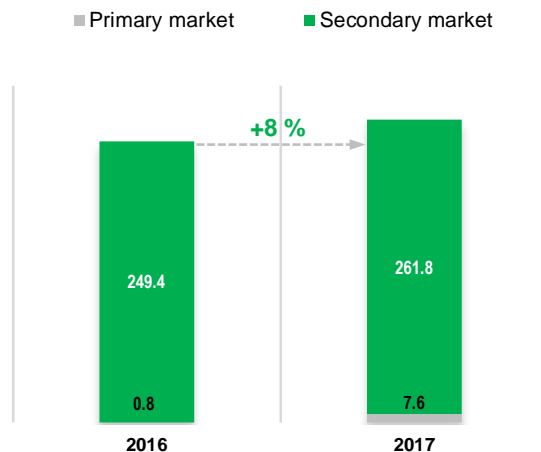
## Securities market

### Shares

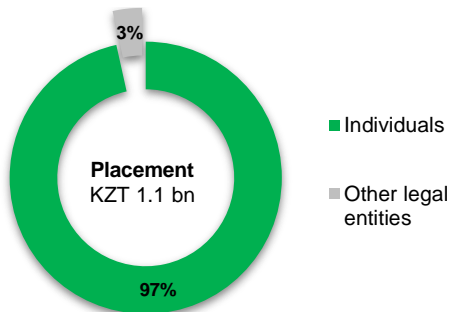
**FIG. 9: CHANGE IN THE NUMBER OF ACCOUNTS OF INDIVIDUALS OPENED IN THE ACCOUNTING SYSTEM OF THE CENTRAL DEPOSITORY, THOUS.**



**FIG. 10: SHARE TRADING VOLUME, KZT BN**



**FIG. 11: PARAMETERS FOR THE SECONDARY PUBLIC OFFERING OF BAST JSC**



Equity market continued to expand in 2007. Local investors invested more and more funds in the Kazakh issuers' equity financial instruments thus placing confidence in the national currency. The share of individuals in the secondary equity market amounted to 53% in 2017 and 49% in 2016. The growing interest of individuals was accompanied by a rise in the number of accounts opened by individuals, which has reached 109,245 by the year-end according to the Central Depository, which is higher by 3,926 accounts than in 2016. There has been an increment in the share of broker-dealers on share trading. Their share in 2017 is estimated at 16.5%, against 28% in 2016.

Stocks of Bank of Astana JSC and Bast JSC, a mining company, were offered on the primary equity market during the reporting period. Bank of Astana offered 5,652,174 common shares worth KZT6.5 bn on KASE as part of IPO; the demand exceeded the supply by 16%. The demand from brokerage firms amounted to KZT231.2 mln (3.1% of the total demand), other legal entities – KZT325.3 mln (4.3%), individuals – KZT6,993.1 mln (92.6%).

BAST offered 36,886 shares at KZT30,500, offering volume was KZT1.13 bn as part of SPO. Applications for the total amount of KZT1.16 bn were submitted. The share of individuals and legal entities made up 96.5% and 3.5%, respectively.

Trading volume of the secondary equity market grew moderately. This indicator was KZT261.8 bn in 2017 and increased by 5% compared to 2016. A total of 111,319 transactions were concluded in this market segment: 1,805 transactions on the primary market and 109,514 on the secondary market.

The increase in market liquidity is an important change in the equity market of 2017. The average daily volume of trading on KASE secondary market rose to KZT1.1 bn, the average number of transactions has increased by 96.3% to 447 compared to the previous year.

KASE Index, the calculation base of which includes most liquid shares, grew by 804.8 points or 59.3% during the reporting period. In 2017, Kazakhstani blue chip stock market index continued its upward trend, which was formed in March 2016, reaching maximum values since August 2008. Index growth drivers were specific corporate cases, favourable commodity market trends and stable foreign exchange and money markets. The maximum value of KASE Index was fixed at 2,162.69 points on the final day of 2017.

Stocks of KAZ Minerals PLC, the price of which has increased by 151.3% or KZT 2,288 to KZT3,800, have contributed the most to the index growth among shares in the KASE Index representative list for the second consecutive year. Their growth was influenced by the improved macroeconomic situation, rising prices in the commodities market, opening of the Aktogai concentrating mill as well as favourable operational and financial performance of the issuer in 2017.

Stocks of KazMunaiGaz JSC, the price of which increased by 69% or KZT10,530 to KZT25,800 per share, have ranked second in the increment of value. The company's shares grew following the recovery of oil prices. A sharp rally in early December was caused by the company's intention to buyback its GDRs and to delist from LSE and KASE.

Shares of Halyk Bank of Kazakhstan JSC, which have increased by 64.1% or KZT32.3 to KZT82.6 per share, ranked third. The reason for the growth was the purchase of the largest commercial bank of Kazakhstan – Kazkommertsbank JSC – by another major player in the industry. Investors reacted with optimism to the merger of the two banks that led to a new phase of growth for shares of Halyk Bank of Kazakhstan JSC.

FIG. 12: PARAMETERS FOR THE INITIAL PUBLIC OFFERING OF BAST JSC "

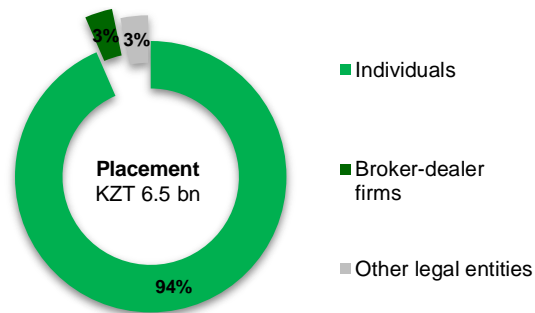
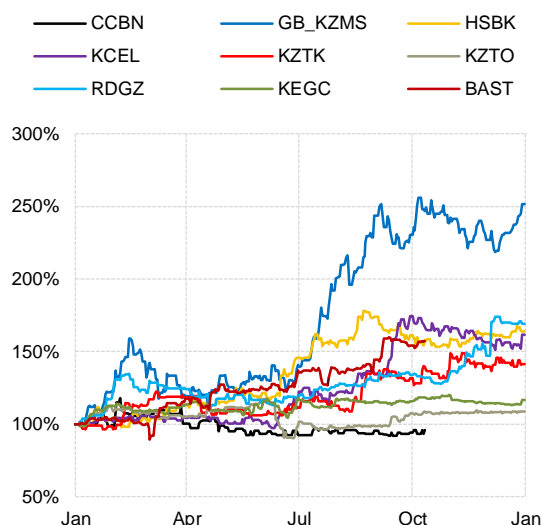


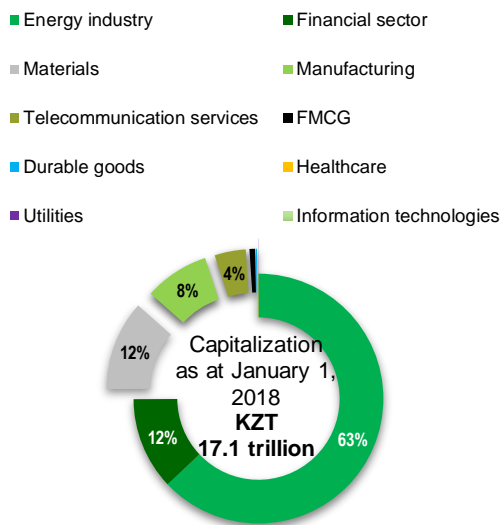
FIG. 13: KASE INDEX MOVEMENT, IN % BY THE BEGINNING OF THE YEAR



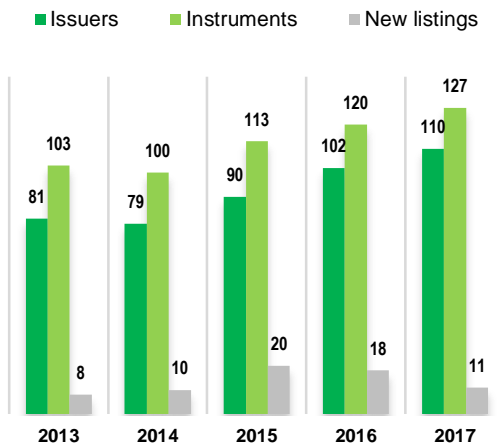
FIG. 14: CHANGES IN PRICES OF SHARES INCLUDED INTO THE KASE INDEX BASKET, IN% BY THE BEGINNING OF THE YEAR



**FIG. 15: EQUITY MARKET CAPITALIZATION BY SECTORS OF THE ECONOMY**



**FIG. 16: CHANGE IN THE NUMBER OF LISTED SHARES OVER THE PAST 5 YEARS**



Equity market capitalization grew by KZT2,850.0 bn or 20% and reached a historic high of KZT17.1 trillion. This indicator increased mainly due to the increase in the price of shares traded on KASE. However, expanded number of available equity instruments has also played a certain role. Ordinary shares of nine companies were included in the lists for calculation of capitalization over the past period: Alatau Munai JSC, Al Saqr Finance JSC, Alatau-KUS JSC, Altyntau Kokshetau JSC, 3A-BestGroup JSC, KazAzot JSC, Mayak JSC, Shubarkol Premium JSC and Life Insurance Company Standard Life JSC. Preferred shares of Aktobe Oil Equipment Plant JSC and common shares CHINATOWN JSC, Kazinvestbank JSC, Delta Bank JSC, Shymkent Munai Onimderi JSC and Caspian Services Inc were excluded from calculation of capitalization during the same period.

There were shares of 127 titles of 110 issuers as at 2017 year-end in the trading lists of the Exchange including shares of seven titles of seven companies on non-listed platform. Over the past year, 11 issues of shares including nine issuers that were not previously put on the market underwent listing procedure.

### Investment trust securities

Volume of trading in the "Investment Funds Securities" sector amounted to KZT1.1 bn over the reporting year, which is 95.3% higher than last year's results. Transactions were made with units of four titles.

The units managed by Freedom Finance JSC, six transac-

**TABLE 2: CHANGE IN PRICES OF SHARES INCLUDED INTO THE KASE INDEX REPRESENTATIVE LIST**

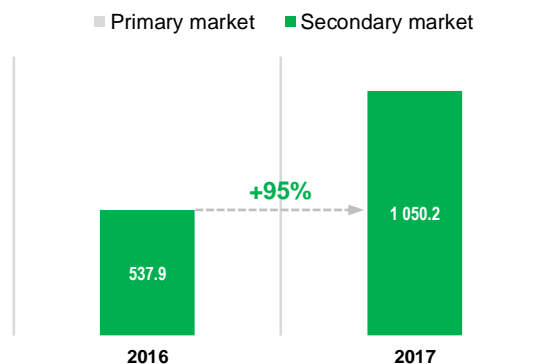
Issuer	Trade code	Price, KZT per share		Price change,% (year-to-date)
		as at January 1, 2017	as at January 1, 2018	
KAZ Minerals PLC	GB_KZMS	1,511.96	3,800.00	+151.3 %
KazMunaiGas Exploration Production JSC	RDGZ	15,270.00	25,800.00	+69.0 %
Halyk Savings Bank of Kazakhstan JSC	HSBK	50.34	82.59	+64.1 %
Kcell JSC	KCEL	1,100.04	1,784.00	+62.2 %
Kazakhtelecom JSC	KZTK	14,423.05	20,505.00	+42.2 %
KEGOC JSC	KEGC	1,172.99	1,389.00	+18.4 %
KazTransOil JSC	KZTO	1,226.26	1,337.00	+9.0 %

tions were made for the amount of KZT552.3 mln (52.6% of the total trading volume), became leaders in terms of trading volume.

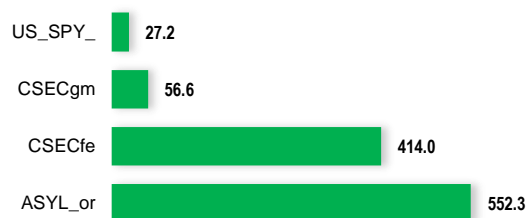
In 2017, the share of individuals in the gross turnover of trades insignificantly declined to 51.8% from 53.3% in 2016. The share of broker-dealer firms decreased to 1.1% from 29.6% and the share of other legal entities increased to 47.0% from 17.1% in 2016.

There were six instruments managed by five companies in the KASE trading lists as at the year-end.

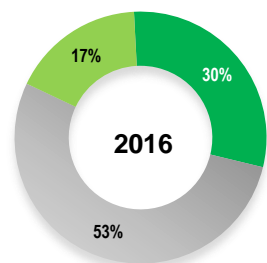
**FIG. 17: VOLUME OF TRADING IN INVESTMENT FUNDS SECURITIES, KZT MLN**



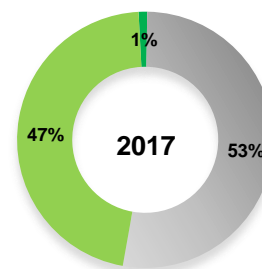
**FIG. 18: VOLUME OF TRADING IN INVESTMENT FUNDS SECURITIES BY INSTRUMENTS, KZT MLN**



**FIG. 19: THE SHARE OF MAJOR CATEGORIES OF INVESTORS IN INVESTMENT FUNDS' SECURITIES TRADING, %**



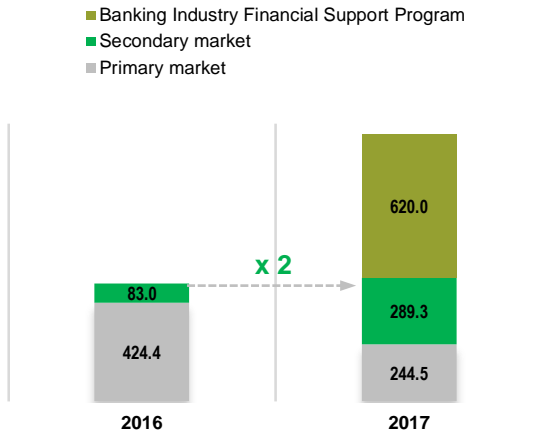
■ Brokers  
 ■ Individuals  
 ■ Other legal entities



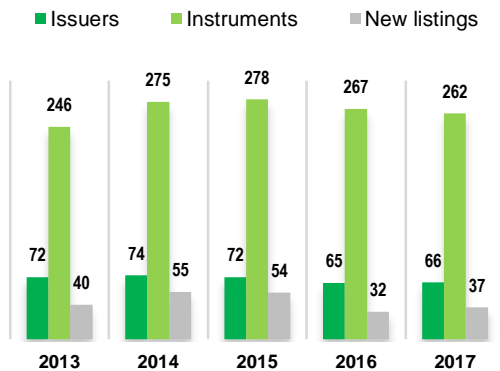


## Corporate bonds

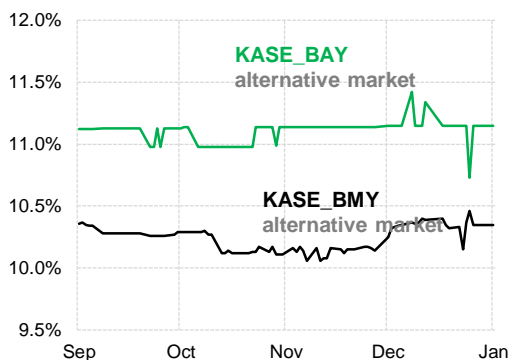
**FIG. 20: VOLUME OF TRADING IN CORPORATE BONDS, KZT BN**



**FIG. 21: CHANGE IN THE NUMBER OF LISTED CORPORATE BONDS OVER THE PAST 5 YEARS**



**FIG. 22: MOVEMENT OF CORPORATE BOND YIELD INDICES, % APR**



The total volume of corporate bond market in 2017 amounted to KZT1.2 trillion; the volume of primary market was KZT864.5 mln, the volume of secondary market was KZT289.3 bn.

The development of Kazakhstan's debt market was influenced by two interrelated factors: the continued reduction of inflation that allowed the National Bank to lower the base rate to 10.25% and the construction of a new risk-free yield curve, which serves as a benchmark for local companies for determining the price of borrowed capital.

The impact of these factors resulted in the gradual recovery of the organized corporate bond market. The volume of stock market transactions on the secondary market has grown 3.5 times compared to 2016. The yield of the exchange-based offerings was set within the range from 10.5% to 15% APR during the reported year.

KASE\_BY index, featuring corporate bonds yield on the exchange market, was transformed into two new indices due to the listing transformation and allocation of a separate platform for companies with medium and small capitalization:

- KASE\_BMY Index (corporate bonds yield index for main market);
- KASE\_BAY Index (corporate bonds yield index for alternative market).

The yield of bonds traded on the main market reached 10.35% APR, the yield of debt securities on the alternative market made up 11.15% at year-end 2017.

In 2017, the volume of traded debt grew 7.6% reaching KZT8.9 trillion. A total of 262 titles of bonds of 66 issuers were included in KASE trade lists as at the end of the reporting year. In 2017, 37 bond issues underwent listing procedure. Bonds of 42 titles, mainly banking sector issuers, were removed from KASE lists.

13 companies offered their bonds on KASE during the reporting period. The total offering volume made

up KZT244.5 bn excluding bank loans for the total amount of KZT620 bn under the Program for Improving the Financial Sustainability of the Banking Sector.

There were positive changes in the structure of investors of the primary corporate bond market. The share of UAPF in the 2017 offerings amounted to 30.4% versus 89.5% in 2016. Non-institutional investors ranked the second by the activity among investors. Their share was 29.0% versus 6.6% in 2016.

The share of non-residents on the corporate bond market amounted to 2.3% in the reporting year. The average daily volume of trading rose 2.3 times, the number of active investor accounts increased by 16.2%.

Main categories of investors on the secondary corporate bond market were as follows: 7.3% accounted for STBs; 12.2% accounted for broker-dealers, 33.4% accounted for other institutional investors, 44.2% accounted for other legal entities and 2.9% accounted for individuals.

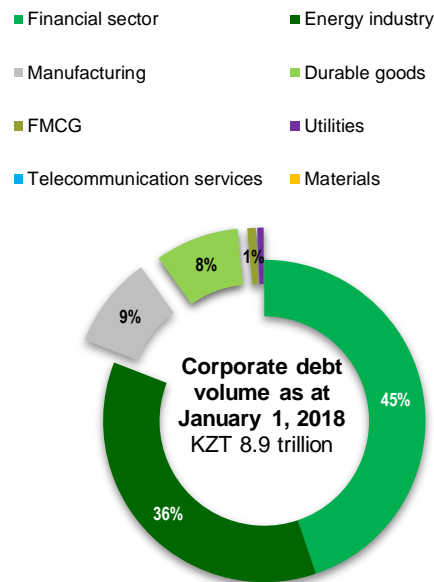
### Securities of international financial institutions

In the reporting year, two bond issues of the new issuer – the European Bank for Reconstruction and Development – were included in the “Securities of International Financial Institutions” sector.

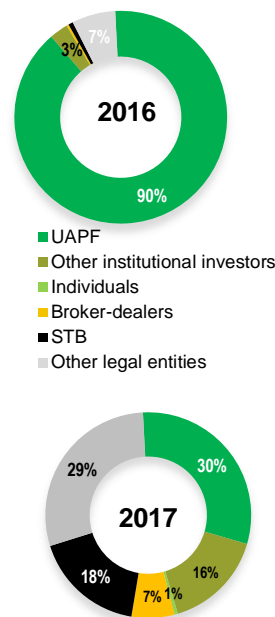
Therefore, there were eight bond issues of two IFIs: six issues of the Eurasian Development Bank (EDB) and two issues of the European Bank for Reconstruction and Development (EBRD) at year-end 2017.

The total trading volume amounted to KZT40.2 bn in 2017.

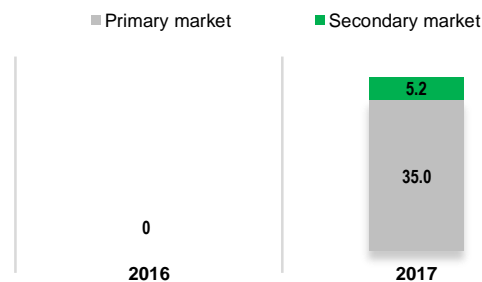
**FIG. 23: VOLUME OF CORPORATE DEBT TRADED ON KASE BY SECTORS OF THE ECONOMY**



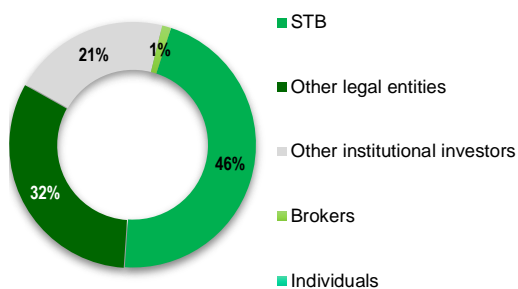
**FIG. 24: THE SHARE OF MAJOR CATEGORIES OF INVESTORS IN CORPORATE BOND TRADING, %**



**FIG. 25: VOLUME OF TRADING IN IFI BONDS, KZT BN**



**FIG. 26: THE SHARE OF MAJOR CATEGORIES OF INVESTORS IN IFI BONDS TRADING, %**



In May, the Eurasian Development Bank raised KZT15 bn offering three-year bonds at 10.1% APR and KZT20 bn offering three-year bonds at 9.4% APR in October on the primary market.

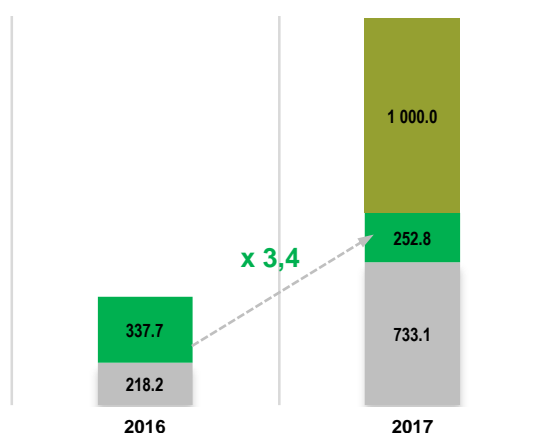
The volume of transactions on the secondary market amounted to KZT5.2 bn.

### Government securities (GS)

The volume of trading in GS on KASE amounted to KZT1,985.8 bn in 2017 having increased 3.6 times compared to 2016.

**FIG. 27: VOLUME OF TRADING IN GS, KZT BN**

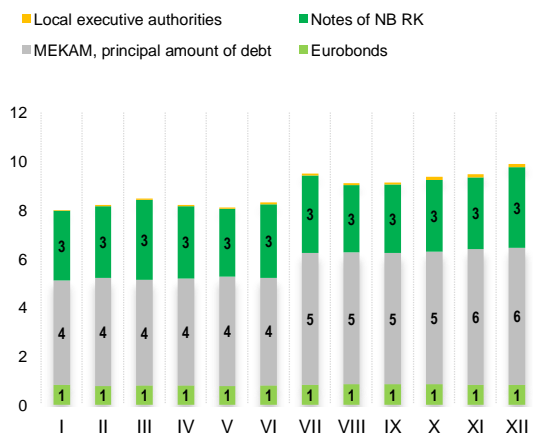
■ Ministry of Finance GS (subscription) ■ Secondary market ■ Primary market



A significant increase was observed in the primary market, where the volume of offerings grew nearly eight times to KZT1,733.1 bn. 95% of the offering volume accounted for trades of the Ministry of Finance of the Republic of Kazakhstan. A total of 19 issues of treasury bonds for the total amount of KZT1,646.3 bn were placed during the reporting year. The yield of these securities was in the range from 8.4 to 10.2% APR.

The remaining 5% of the volume of offerings accounted for bonds of local executive bodies of 13 regions, the cities of Astana and Almaty, which raised KZT71.7 bn for the purpose of financing housing construction as part of implementing the state and the government programs at 0.15% and 0.35% APR.

**FIG. 28: CHANGE IN CAPITALIZATION AND INSTRUMENTAL STRUCTURE OF GS MARKET IN 2017, KZT IN TRILLIONS AS AT THE END OF THE PERIOD IN THE FACE VALUE OF THE DEBT**



The administration of the city of Astana raised KZT15.1 bn for two years at 9.2% APR. STBs that accounted for 68.9% were most active on the primary GS market among main categories of investors: 0.1% accounted for broker-dealers, 16.5% accounted for other institutional investors, 14.5% accounted for other legal entities.

Face value of sovereign debt traded on KASE amounted to KZT9.9 trln, which is by 28% or KZT2,163.7 bn more than in 2016. The volume of trading in GS on secondary market decreased by 25.1% to KZT252.8 bn in 2017 compared to the previous year. A decline in the volume of the National Bank notes is observed compared to 2016. In the reporting year, they accounted for about 80% compared to 94% a year ear-

lier. The remaining 20.1% accounted for the bonds of the Ministry of Finance and amounted to KZT50.8 bn.

The structure of investors of the secondary market is as follows: 50.5% are accounted for by STBs, 4.6% by brokers-dealers, 37,9% by other institutional investors, 6.8% by other legal entities and about 0.1% by individuals.

In 2017, the National Bank, together with the Ministry of Finance continued to work on constructing risk-free yield curve. The National Bank issued one-year short-term notes for the total amount of KZT63 trillion in the reporting year on the OTC market. The National Bank sold long-term government securities with the terms of 12, 15 and 17 years for the amount of KZT12.3 bn from its own portfolio in order to form benchmarks for profitability of financial instruments. The Ministry of Finance issued government securities with maturity terms from two to 15 years.

### Money market

Money market continued to grow in 2017 on KASE. The total volume of the money market grew by 64.0% and reached KZT135.7 trillion. However, the principal features of the money market in 2017 were gradual stabilization of interest rates and tenge liquidity surplus. As in 2016, tenge liquidity surplus was withdrawn by the issuance of the National Bank short-term notes with terms from seven days to one year. TONIA (overnight repo) and TWINA (7-day repo) money market indicators that reflect level of market borrowing rates for short term against the collateral of government securities continued to decline in 2017. On the contrary, the yield rates attracting tenge against the collateral of US dollars showed an increase.

### Repo transactions

The total volume of repo transactions grew by 29.2% and reached KZT73.8 trillion. The average daily volume of transactions reached KZT301.2 bn (+29.2% compared to 2016).

FIG. 29: GOVERNMENT SECURITIES YIELD CURVE, % APR

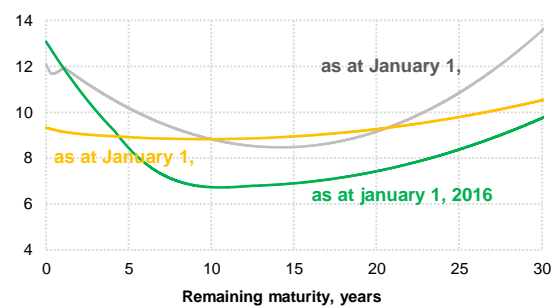
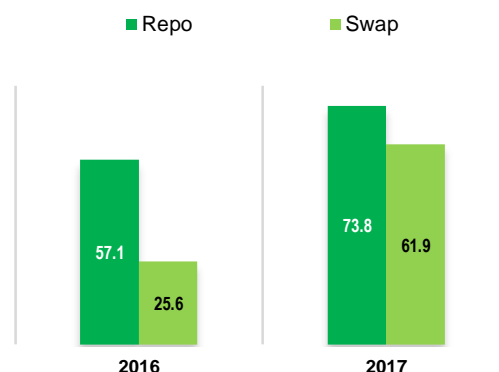
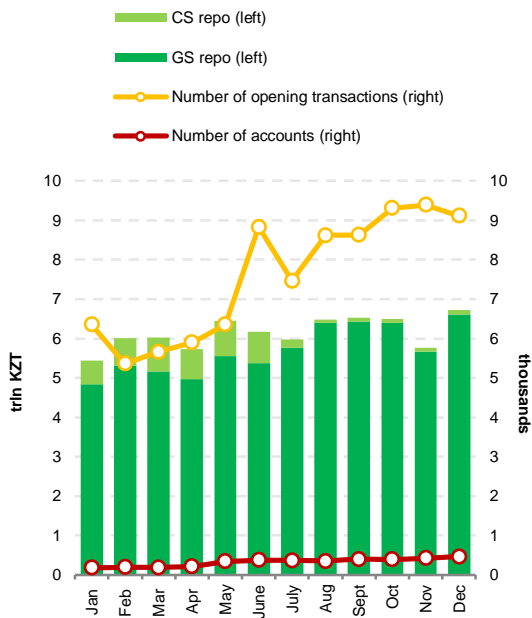


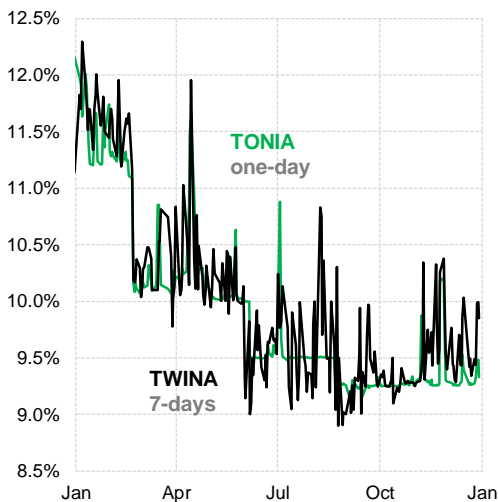
FIG. 30: TRADING VOLUME OF MONEY MARKET, KZT IN TRILLIONS



**FIG. 31: REPO MARKET PARAMETERS**



**FIG. 32: MOVEMENT OF REPO MARKET INDICATORS, % APR**



Over 90% of the total volume of repo transactions accounted for the GS auto repo transactions. One-day repo, which accounts for more than 90% of the total volume of trades in the GS automatic overnight repo market, remains the most popular instrument.

TONIA and TWINA money market indicators continued to decline in 2017 2.8 p.p. and 1.3 p.p. to 9.3% and 9.8%, respectively. The rates in the repo segment of the money market were within the lower limit of the base rate throughout the year and have gradually declined following the base rate due to the strengthening of tenge and liquidity surplus. TONIA and TWINA indicators have increased to the upper limit of the base rate only for 4 and 10 days, respectively, during the entire reporting period.

According to the main directions of the the National Bank’s monetary policy for 2018, it will maintain the base rate in real terms at the level not exceeding 4%, which is in line with the long-term projected rates of the economic growth. This rate means the base rate less projected inflation over a 12-month horizon. Therefore, if an inflation target will be within the range of 5% to 7%, the base rate is very likely to continue declining and TONIA and TWINA indicators will decline following the base rate.

**Currency swap transactions**

Volume of currency swap transactions with the US dollar increased 141.5% compared to 2016. The average daily trading volume in this segment of the money market amounted to KZT252.8 bn against KZT104.7 bn in 2016.

The cost of short-term money on KASE in the swap transactions segment was within the range from 8% to 10% APR for most of the year.

## Foreign exchange market

The total volume of trading in the forex spot market amounted to KZT12.3 trillion having increased by KZT1.8 trillion or 17.6% compared to 2016.

The US dollar remains the most traded instrument, its trading volume amounted to KZT12.1 trillion or 98% of the total trading volume. The trading volume in the Russian ruble has reached KZT215 bn or 1.7%, KZT20.6 bn or 0.2% in euro, KZT5.3 bn or 0.04% in Chinese yuan.

*US dollar.* The volume of trading in US dollar was up 21.8% and amounted to US \$37.0 bn. The strengthening of the tenge to the US dollar, which had started in 2016, continued until the middle of 2017 with trend reversal in the second half of the year. However, the year 2017 ended with strengthening of the tenge to the US dollar by KZT0.96 or 0.29% to KZT333.29. The main reasons for the increase in the trading volume are the increase in the oil price above projected values and the increase in the country's foreign trade turnover. Higher volumes of foreign currency earnings were converted during tax payment periods resulting in the strengthening of the tenge.

*Russian ruble.* Trading volume has almost tripled compared to 2016 and amounted to RUB37.5 bn. The exchange rate of the ruble to the tenge was less volatile compared to 2016 and moved in the narrow range, whereas a year earlier the trend was clearly upward. The main reason for such a dramatic increase in the trading volume is irregular transactions in August and September caused by the internal needs of specific market participants. The 25-per-cent growth of the trade turnover with Russia is a likely rationale for these deals.

FIG. 33: THE VOLUME AND NUMBER OF CURRENCY SWAP TRANSACTIONS

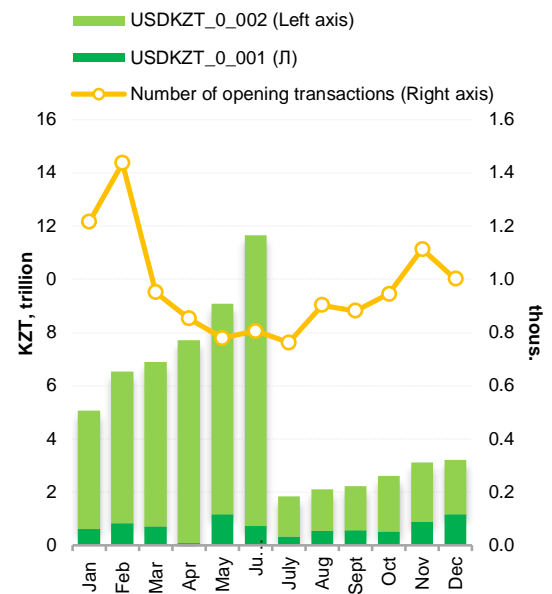


FIG. 34: CHANGE IN THE YIELD INDICATORS OF CURRENCY SWAP TRANSACTIONS, % APR

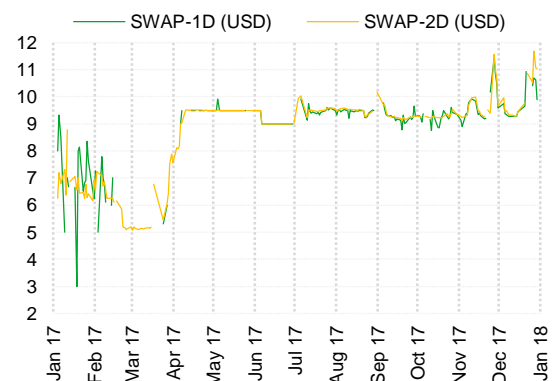


FIG. 35: TRADING VOLUME IN US DOLLAR, USD BN

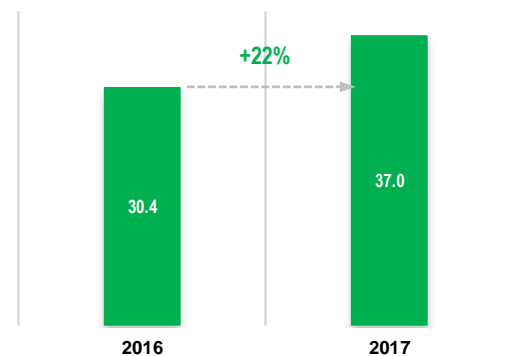
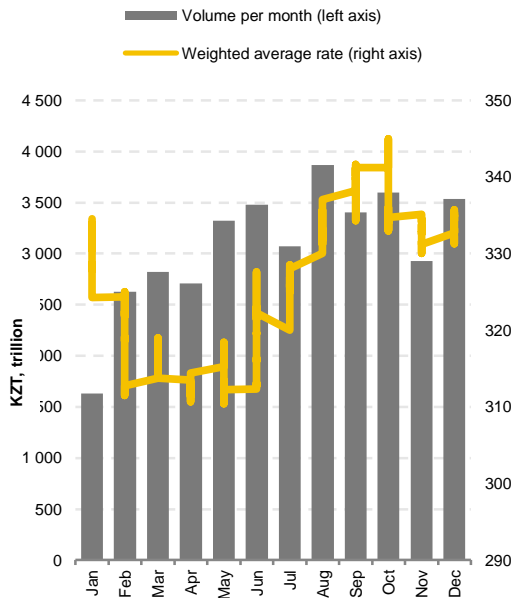


FIG. 36: USD/KZT SPOT MARKET INDICATORS IN 2017



*Chinese yuan.* The volume of trading in the yuan increased by 13.8% to CNY110.0 bn. Trading in CNY/KZT currency pair with settlements T+2 opened on KASE on September 14, 2017. Representatives of Bank of China Limited and Affiliated Bank "Bank of China in Kazakhstan" attended the event. Moderate growth of the trading volume is supported by a fundamental factor, over 30% growth of the trade turnover with China in dollar terms.

*Euro.* The volume of trading in EUR/KZT instrument has more than doubled compared to 2016 and amounted to EUR56.6 mln. Nearly 30% growth of Kazakhstan's export to the European Union enabled higher monthly trading volumes in the euro. However, such an aggressive growth (+140%) was supported by high volumes of transactions in January related to the needs of particular market participants. More than 30% of the total volume of transactions for the year were made in the first month of the year.

### Derivatives

The volume of trading in the derivatives market reached KZT22.1 bn in 2017. Six members of the Exchange participated in the trades. Seven instruments are available for trading on the derivatives market of KASE. Five shares from KASE Index representative list, KASE Index and US dollar are used as an underlying asset. In 2017, the entire trading volume was attributed to futures with US dollar as an underlying asset.

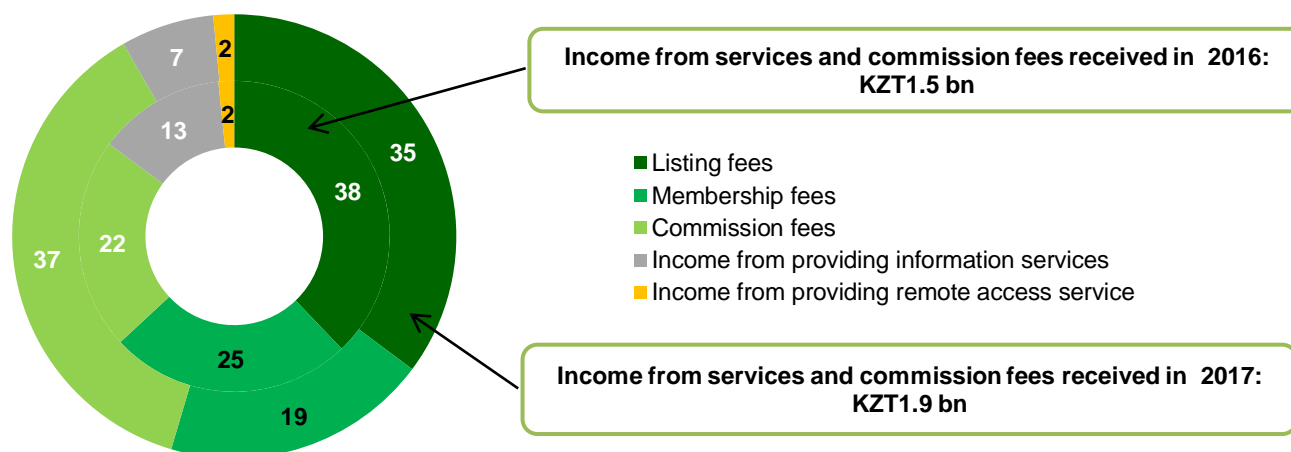


## OPERATING AND FINANCIAL RESULTS

### Revenues

Revenues<sup>7</sup> of the Exchange amounted to KZT2,522 mln as at the end of the reporting year, which is by KZT366.8 mln or 17.0% higher than the last year results. Income from services and commission fees amounted to KZT1,939 mln having increased by KZT432.5 mln or 28.7%. Interest income fell by KZT95.7 mln or 14.7%.

FIG. 37: KASE GROUP 2017 REVENUE STRUCTURE, %



The decrease in the interest income was due to the reduction of base rates by the National Bank to regulate nominal interbank money market interest rates that affected the profitability of financial instruments in the investment portfolio of KASE Group.

Income from commission fees (35%), listing fees (34%) and membership fees (19%) represent the largest share of the Exchange's operating revenue structure.

The total amount of commission fees of the Exchange amounted to KZT687.8 mln having increased KZT356 mln or 107.3%. This growth is associated with the increased activity in the corporate bond market and the growth in the volume of trading in the repo transactions market.

The Exchange's listing fees in 2017 increased by KZT83.8 mln or 14.7% reaching KZT654.2 mln or 34% in the income

<sup>7</sup> According to the audited consolidated financial statements of KASE Group for 2017.



structure of the Exchange. This growth is due to the increase in MCI and the rise in the volume of securities issues.

Income from membership fees decreased by KZT19.8 million or 5.2% compared to 2016 and amounted to KZT360 mln, which is related to the decrease in the number of members on the "currency" and "stock exchange" category. Total number of the Exchange's members amounted to 56 as at December 31, 2017 and 58 as at December 31, 2016.

Revenue from information services increased by KZT13.1 mln or 6.6% in 2017 and reached KZT212.7 mln. This rise was due to an increase in the number of recipients of the stock market information.

## Expenses

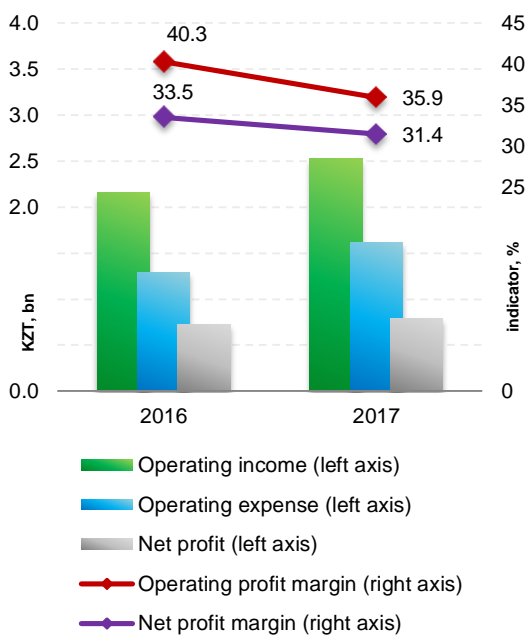
The expenditure grew by KZT329.2 mln or 25.6% and amounted to KZT1,616 mln at year-end compared to the last year. This increase was mainly due to the increase in personnel costs, application of new rates of depreciation and revaluation of the Exchange's assets.

The greatest share of the Exchange cost structure is represented by personnel costs (61%), depreciation and amortization (8%), social tax (6%). Other expense items do not exceed 4%.

## Operating results

Net profit amounted to KZT792.9 mln at year-end 2017, which is 9.8% higher than the last year results. The Exchange's operating income increased by 17% while operating expenses increased by 25.6%, and, therefore, operating profit margin fell to 35.9% in 2017 against 40.3% a year earlier. Net profit margin was 31.4% in 2017 against 33.5% a year earlier.

FIG. 38: OPERATING RESULTS



## DEVELOPMENT OF KASE AND STRATEGY

### IMPLEMENTATION

The Exchange's Development Strategy for 2016-2018 approved by its Board of Directors in August 2016 includes three major strategic directions, which provides for strategic objectives, the implementation of which will allow the Exchange to reach goals set..

Strategic directions	Strategic objectives
Exchange market development	Attracting new issuers to the stock market Investor base expansion Foreign exchange market development Development of clearing activities
Improving customer focus and services of the Exchange	Working with market participants and members of the Exchange Corporate website development Improvement of the Exchange's image and raising awareness of its activities Improving quality of services
Improving the efficiency and competitiveness of the exchange business	Promotion and sales of information IT systems development Modernization of operational risk management system

### Strategic direction 1. Exchange market development

#### *Offsite events*

The Exchange has been conducting road shows in the Kazakh regions for the second year already as part of implementing tasks on attracting issuers. Throughout the year 2017, the Exchange held consultation meetings with local entrepreneurs in Kyzylorda, Almaty, Akmola and North Kazakhstan regions in the round table format with the support of regional branches of the Atameken Chamber of Kazakh Entrepreneurs. The event was attended by 50 representatives of Kazakh companies.

During the year, the Exchange has actively participated in regional investment forums of the country in the panel discussions on the attraction of financing and investment opportunities for entrepreneurs in the stock market. The Exchange took part in nine such events with the theme of "Ka-

zakhstan Stock Exchange: a Platform for Attracting Financing." Talks were held and business relations were established with companies from different industries during investment forums.

The initiative to hold events in the format of business breakfast with potential issuers that are representatives of the largest Kazakh companies and partners of the Exchange was launched as part of the work on raising awareness of the Exchange's activities. Two such events were held in the cities of Astana and Shymkent in 2017. Heads of national companies and the companies that are part of national management holdings, representatives of private business, partners of the Exchange, heads of local executive bodies and representatives of the media were among the invitees. The Exchange's representatives shared information on current trends in the stock market, the possibilities of attracting financing and investing spare money through stock market instruments at these events.

In addition, the Exchange has been actively conducting individual meeting with Kazakh companies having defined the target group based on the open information on companies and a preliminary analysis of their compliance with listing rules and possible financing needs.

More than 100 meetings with managers and owners of companies were held since the beginning of the year. More than 40 companies expressed interest in attracting financing on the domestic stock market and about 20 of them are included in the list of potential issuers for 2018 as a result of these meetings.

15 new issuers including nine issuers of shares, five issuers of bonds and one issuer of units and five issuers from the regions of Kazakhstan were included into KASE official list of securities as a result of the work carried out in 2017.

#### *Attracting new trade participants*

Taking into account that all Kazakhstan brokerage firms and an absolute majority of the second-tier banks are already members of KASE under one or another category, KASE

has been working on attracting foreign companies by providing them remote membership.

As a result of this work, OOO UNIVER Capital (Russian Federation) were admitted to KASE membership as of February 28, 2017. This company became the first foreign brokerage company admitted to the members of KASE by category "stock exchange" and "derivatives". OOO UNIVER Capital is part of the Univer Investment Group, which carries out investment activities on the stock market since 1995 and is a member of trades on Moscow Exchange PJSC, St. Petersburg Exchange PJSC and National Commodity Exchange JSC.

The Exchange held a number of events for leading Russian and Belarusian brokers as part of activities on attracting foreign brokers in 2017. Representatives of KASE informed these brokers on Kazakhstan stock market trends, development prospects, plans and access opportunities. Also, remote access project was presented in details.

The Exchange regularly conducts surveys of foreign investors, including individuals, to identify barriers that limit access to the local stock market in order to enhance the effectiveness of work on attracting new participants.

As a result, the list of foreign financial institutions interested in participating in the trades on the Kazakh stock market and ready to initiate the procedure for obtaining the Exchange's remote member status in the near future was formed.

#### *Educational activities*

The Exchange developed training programs held during the year to broaden the investor base and to improve the financial literacy of current and potential retail investors.

Four training workshops were held during the reporting year:

- Stock Market Basics (three workshop were held in total);
- Fundamentals of Corporate Governance;
- The Basics of Investor and Stakeholder Interaction;
- Private Banking Training for staff.

Training workshops were held with the participation of the Atameken Chamber of Kazakh Entrepreneurs and the Damu Entrepreneurship Development Fund JSC to the general public free of charge. Representatives of leading professional consultants, international financial and non-financial entities took part in the events as speakers. The events were conducted using video conferencing, therefore, participants from regions were able to take part. Over 300 participants took part in these events.

The Exchange intensively worked with higher educational institutions of Kazakhstan during the year as part of its initiative to improve financial literacy. It was agreed to hold awareness-building activities in higher educational institutions. The purpose of such cooperation is to raise the level of practical knowledge of the academic staff on the stock market, to conduct joint activities aimed at raising awareness among students about the stock market, to develop practical skills of students in investing in the securities market, to exchange analytical information on the major development trends of the securities market.

The Exchange conducts two competitions on an annual basis in order to form practical experience and to improve financial literacy of student community and other retail investors: The Stock Exchange Simulator and Competition of Retail Investors.

The project Stock Exchange Simulator provides an opportunity for students majoring in finance and economics to participate free-of-charge in trades in most liquid shares organized in the educational trading system, which is developed based on the main trading system of KASE. This project has been implemented by the Exchange since 2008. In 2017, the competition was held under the auspices of the Global Money Week. It attracted more than 1,500 students, over 16,277 transactions were concluded with the volume of KZT6.8 bn.

The Exchange held Retail Investors Competition was held from November 1 to December 8, 2017 among individuals, who are clients of brokerage firms that are KASE members. The participants were able to make sale-and-purchase transactions with shares in the KASE Index representative

list in real trading mode as part of the competition. In 2017, over 1,800 people participated in the competition. Over 12,000 transactions for the amount of over KZT1.5 bn were concluded by the participants of the competition, which made 42% of the total number of transactions with shares of the KASE index representative list concluded during the same period in the KASE trading system. The best yield achieved in transactions during the competition amounted to 18.9% APR.

### *Listing transformation*

In 2017, the Exchange completed the project on the transformation of official list of securities and on reforming listing requirements to securities and their admittance initiators.

The National Bank has developed and put into effect new "Requirements for Issuers and Their Securities being Admitted (that have been admitted) to Trading on the Stock Exchange and also for Separate Categories of Stock Exchange's List" and the Exchange developed new version of internal documents "Listing Rules" and "Rules for Defining Amounts, Terms and Payment Procedure for Listing Fees" as of June 1, 2017 as part of the preparatory work required for implementation of this transformation.

The official list was transformed in order to improve the competitiveness of the Exchange and to create more functional and comfortable structure of the Exchange's official list both for retail and institutional investors in different categories, and the existing and potential listed companies. Three markets are operating according to the new structure of the official list: "Main" for securities of large companies, "Alternative" for securities of small and medium companies and "Mixed" for the traditionally less common and specific types of securities, including units of mutual funds, derivative securities, government securities and securities of IFIs. The new structure of the Exchange's official list is based on the international practice of dividing the exchange market into two components: Main Market and Alternative Investments Market.

Certain criteria for issuers of securities, which are an essential condition for including or transferring securities to the

Main market and for their presence on this market, were introduced in addition to listing requirements for such securities and their issuers in order to develop simple and understandable mechanism for distribution of securities between Main and Alternative markets. Securities of issuers that do not meet the established criteria can be included only to the Alternative market. These criteria are as follows: the issuer of these securities must be operating for at least three years; income from primary activity for each of the last three years must be at least 3,000,000 times the size of MCI; grand total in the balance sheet must be at least 2,550,000 times the size of MCI.

Listing requirements for securities on the Main market and for the issuers that issued these securities vary depending on the type of securities and the sector (category) of this market. A separate category called "Premium" for the securities that underwent IPO is still there in "Shares" sector of the Main market.

Listing requirements (mainly related to financial reporting standards and requirements for an audit firm) for securities and issuers of the Alternative market, which issued these securities, were significantly eased. The disclosure requirements are presented only within the limits of the Kazakh legislation and listing fees have been substantially reduced.

The Exchange has received more transparent, clear and convenient structure of the official list for all categories of investors, issuers and other interested persons as a result of the transformation. Also, the Exchange has facilitated access the stock market for relatively small companies and gained an opportunity to conduct more effective strategy on attracting new issuers and investors. Also, the Exchange received greater flexibility and efficiency in improving and adapting listing requirements in the circumstances when both internal and external factors change thanks to the new approach of the National Bank, which has expanded the Exchange's powers in creating new markets and sectors within the official list and in introducing listing requirements.

The securities of seven issuers including shares of four titles and three bond issues underwent listing procedure on the Alternative market since the commencement of its opera-

tion. A total of 7,955 transactions were made on the secondary market, including 7,663 transactions with shares and 267 transactions with corporate bonds. Trading volume amounted to KZT30.8 bn (including volume of trading in corporate bonds of KZT9.5 bn and KZT21.4 bn in shares) or 6.3% of the total trading volume on the secondary market in non-government securities for this period.

#### *Introduction of new instruments*

*Short-term bonds.* In 2016, KASE introduced a new product, "Commercial bonds". This type of bonds can be issued only by listed companies for a period not exceeding 12 months. The registration and listing of these bonds is done by a simplified procedure and at reduced rates of listing fees, which helps companies quickly raise short-term financing on the stock market at a low price.

Four issuers used this instrument in 2017; five issues were listed in total; the volume of borrowing amounted to KZT13.3 bn; the yield at placement ranged from 11% to 14.88% APR. Bonds are traded on the secondary market, the volume of transactions with these bonds amounted to KZT1.2 bn in 2017.

*Secured bonds.* The work on establishing a mechanism for issuance of bonds by export-oriented companies that are secured by insurance coverage against the risk of issuer default was carried out during the year 2017 under the Memorandum of Mutual Cooperation signed between the Export Insurance Company "KazakhExport" and the Exchange. Indicative rates of insurance are set at 2% and the volume of the secured bond issue would be up to KZT5 bn., Meetings with the owners and chief executives of export-oriented companies were held during the year to provide them advice on how to use stock market instruments.

In late 2017, Board of Directors of the Export Insurance Company "KazakhExport" approved the Rules of Civil Liability Insurance of an Exporter on Bonds, which outline the mechanism and the procedure for raising borrowed funds on the stock market by issuing such bonds.



*Bonds with an anchor investor.* In 2017, the work on the development and promotion of new financial instruments was conducted with the Development Bank of Kazakhstan JSC, which would envisage government support measures for businesses through the use of stock market instruments. According to the preliminary agreement, the bank will finance projects of companies by purchasing their bonds for the term of up to 5 years in the amount of up to 100% of their issue. These bonds must be secured by the insurance coverage against the risk of default provided by the Export Insurance Company "KazakhExport" or the bond issuer must have at least BB rating at the scale of Standard Poor's international rating agency or similar ratings from FitchRatings and Moody's Investors Service international rating agencies.

*Coupon rate subsidies.* In 2017, the Exchange continued to implement the project on the introduction of a mechanism for subsidizing coupon rate of bonds. The Exchange has prepared draft amendments to the Entrepreneurial Code that were supported by market participants and have sent these amendments to the Parliament of the Republic of Kazakhstan for consideration.

*Foreign currencies.* Trading in instruments RUBKZT\_TOM and CNYKZT\_TOM was opened on February 20, 2017 and trading in instrument CNYKZT\_SPT was opened on September 11, 2017 in order to expand the range of instruments and to increase volume of trading in the Russian ruble and the Chinese yuan. The survey of members of the foreign exchange market helped identify an interest in the introduction of the above-mentioned instruments.

#### *Transfer of financial instruments to T+2 settlement scheme*

*Expansion of T+2 settlement scheme.* At this stage, the transfer of financial instruments of the stock market to trading in T+2 settlement scheme is done according to the Procedure for including financial instruments in the List of Exchange-cleared stock market financial instruments provided that the instrument is in the KASE Index representative list or the list of first class liquidity shares.

Shares of six titles were transferred to T+2 settlement scheme in 2017. Transactions with shares of 19 titles were settled on the stock market according to T+2 scheme as at January 1, 2018 taking into account other instruments that were earlier transferred to this settlement scheme.

*KASE Index.* In March 2017, new criteria for including and listing securities in KASE Index representative list were developed in order to improve the methodology for compiling KASE Index list. These criteria will ensure that the most liquid shares of large and financially stable companies that are legal entities of Kazakhstan are present in the representative list.

The following criteria for including companies and their securities in S&P stock indices are used as a selection criteria:

- market capitalization;
- financial stability;
- liquidity of shares.

The minimum level of capitalization of a candidate company amounting to KZT13 bn was set as a criterion for including and listing shares in the List.

Relevant amendments to the Methodology for Stock Market Indices Calculation were put into effect on April 15, 2017.

New indicators for the main (series KASE\_BM\*) and the alternative (series KASE\_BA\*) markets were developed in September in order to create representative indices for corporate bond market and due to the introduction of the new structure of the official list of securities.

Tenge-denominated non-indexed bonds can be included in representative lists of these indicators provided that there is a market-maker for these bonds and that the issuer of these bonds has no unsettled debt on payment of coupon interest and/or principal debt on any bonds issued by this issuer.

#### *Improvement of RMS (Risk Management System)*

*RMS in the stock market.* In 2017, KASE continued its work on the introduction of a new mechanism for calculating collateral for stock market orders and transactions, where the T+2 settlement scheme is applied (single limit). In February

2017, single limit was successfully put into operation. The purpose of a single limit is to measure and maintain sufficient level of margin collateral required for submission of orders and for concluding transactions for each trading account of a market participant (its own or its client's).

This new mechanism allows to evaluate aggregate portfolio of a participant, which is made up of assets on the participant's trade account and to consider it as a collateral for open positions on orders and transactions to which T+2 settlement scheme applies. In addition to the money, securities traded by T+2 settlement scheme may serve as collateral.

According to the single limit, participant's portfolio is measured at market value taking into account relevant discounts set by KASE.

The single limit has reduced the load on the collateral lodged by participants for orders and transactions by T+2 settlement scheme, thereby providing for more active and efficient trade in the T+2 sector.

Also, KASE has extended trading day for repo transactions with netting, where securities traded according to T+2 settlement scheme serve as an underlying assets, until 5.15 p.m. ALMT for the purposes of preventive control of defaults. Thus, if the participants find at the end of the trading day at 5.00 p.m. ALMT with securities in T+2 sector that there is shortage of assets for execution of current liabilities, they have an opportunity to conclude a repo transaction with netting in order to transfer settlement obligations to the next day. This opportunity for transferring obligations helps reduce the risk of default.

*RMS in the foreign exchange market.* The internal regulatory framework governing implementation of risks management and default settlement procedures was updated to improve RMS on the foreign exchange market in the first half of 2017.

The order of interaction between the Exchange and the National Bank in respect of settlement of defaults, where the National Bank is entitled to act as a provider of liquidity and

to give the Exchange an opportunity to quickly attract funds required for settlement of defaults, was determined.

On February 9, 2017, an additional element of RMS – net position limit of a participant depending on the amounts of its guarantee fund contribution – was introduced on the foreign exchange market. The settlement scheme with this limit applies to those participants, whose indicators show the reduction of their financial sustainability.

In December 2017, the Exchange announced to the foreign exchange market participants further plans to improve RMS as part of the projects on the introduction of the Central Counterparty (CC) and on providing admission to brokers to the foreign exchange market.

*Introduction of a Central Counterparty .* When implementing central counterparty function on the Forex market, KASE will build RMS of the market, which includes necessary elements for protection of market participants from defaults and for fulfilment of obligations.

The concept of the introduction of a Central Counterparty on the Exchange's foreign exchange market, which includes the following main elements, was developed in 2017:

- introduction of margin collateral for transactions and availability of clearing, reserve and guarantee funds, which will be the main lines of protection from market risks;
- improvement of the system for monitoring members of the Exchange and introduction of effective default management;
- availability of liquidity provider to ensure timely closure of participants' positions;
- introduction of the system for managing open position limits of participants and controlling the adequacy of collateral.

The central counterparty in the foreign exchange market will be introduced in 2018.

*Access for brokers to foreign exchange market.*

The project on providing direct access to the exchanged-based foreign exchange market to brokerage firms was initiated by KASE in 2016.

The plan was developed in 2017. According to the plan, the admission of brokerage firms to the foreign exchange market would be implemented in two stages. At the first stage, admission to brokerage firms will be provided on the following conditions: full preliminary delivery of the foreign currency sold and/or prepayment for the foreign currency bought; brokerage services organizations can only serve individuals. Partial collateral is envisaged during the second stage.

Amendments to relevant laws and regulations of the National Bank and the Exchange's rules were prepared in the second half of 2017; the work on technical admittance of brokerage firms to foreign exchange market was initiated. It is planned to complete this work and to put regulatory documents into effect in the first half of 2018.

## **Strategic direction 2. Improving services and customer focus of the Exchange**

### *Issuer support*

The Exchange holds Issuer Day event in its office as part of its work with listed companies in order to improve communications between market participants, listed companies, investors and other stakeholders.

Eleven such events were organized and conducted for the following companies during the year together with brokerage firms and listed companies: BAST JSC, KEGOK JSC, KazTransGas JSC, National Company Kazakhstan Temir Zholy JSC, KazTransOil JSC, Development Bank of Kazakhstan JSC, Tengri Bank JSC, Home Credit Bank JSC. These events were widely reported in the media; there were institutional investors like representatives of insurance companies and second-tier banks among participants.

The Exchange actively supports listed companies by participating in road shows and press conferences held by listed

companies when their securities are being listed and placed on the Exchange.

KASE has conducted Stock Market Basics training program for employees of financial and legal departments of local companies on August 7. The purpose of the program is to raise awareness among employees of listed companies on the stock market of Kazakhstan. Program participants gained practical knowledge on how to use financial instruments in a company's financial flows management.

During the year, training events were conducted for listed companies with the purpose of improving corporate governance of listed companies and increasing their openness to existing and potential investors.

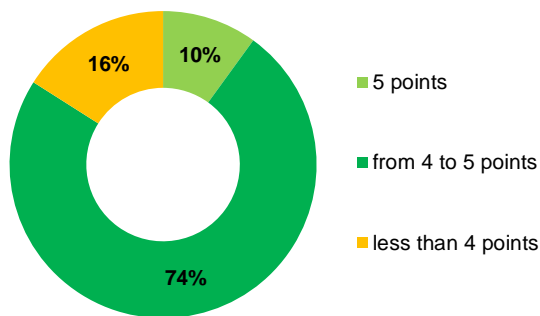
For example, a workshop "Fundamentals of Corporate Governance" organized by the Exchange for local companies was held in October. The implementation of international corporate governance practice in Kazakhstan was highlighted at the event, shortcomings encountered when management systems and controls were set within companies were considered, issues of information security of businesses were covered.

A roundtable dubbed "Introduction of ESG reporting in Kazakhstan and prospects for development" devoted to improving the quality of corporate reporting was held by the Exchange with the support of the International Financial Corporation (IFC).

KASE is one of 32 exchanges of the world that promote the methodology for compiling report based on Environmental, Social and Governance criteria (ESG) and it is one of 18 exchanges that promote ESG criteria through trainings.

The Exchange regularly reviews existing regulatory framework and its own procedures and terms in order to identify possible market entry barriers for new issuers. During the year 2017, the Exchange continued work with KFA (Kazakhstan's Financiers Association) in its project offices. As a result of this work, the Exchange has developed proposals aimed at:

**FIG. 39: OVERALL ASSESSMENT OF THE EXCHANGE'S MEMBERS**



- introducing a mechanism for subsidizing coupon rate on bonds issued by the Kazakh companies;
- expanding tax benefits on income from units of unit investment funds;
- simplifying conversion of LLP to JSC;
- optimizing disclosure by issuers;
- improving quality of audit firms' work.

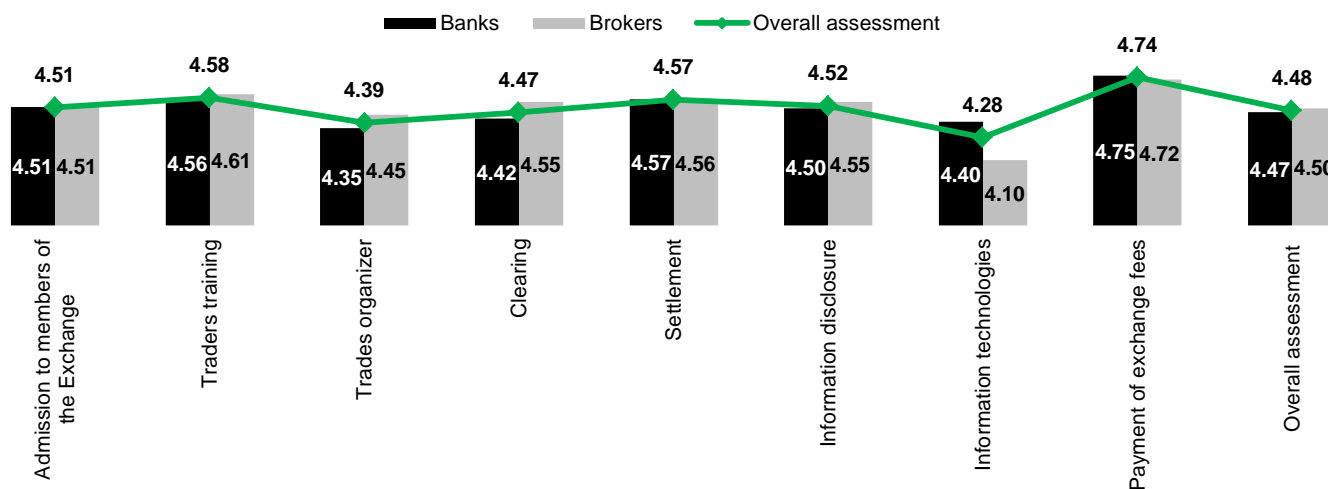
These proposals were included in draft laws that were submitted to the Parliament of the Republic of Kazakhstan during 2017.

#### Customer satisfaction assessment

KASE has developed the Methodology for Assessing the Satisfaction of its Members of the Exchange's Activities (hereinafter, the Methodology) as part of the task to improve customer care in 2017. The Methodology envisages annual questionnaire surveys in order to assess the quality of services provided by KASE to its members and fundamental aspects of business processes used such as admission to membership of the Exchange, training of traders, organizing trades, clearing, settlements, disclosure of information, information technology and payment of exchange fees.

A survey of the Exchange's members, where 50 out of 56 members were involved (89%), was held in late 2017 as part of such evaluation.

**FIG. 40: ASSESSMENT OF THE SATISFACTION OF EXCHANGE'S ACTIVITIES**



The assessment is conducted using a five-point grading scale. 10% of 50 respondents gave 5 points (the highest score), 74% gave from 4 to 5 points and the assessment of 16% of respondents was below 4 points.

Overall assessment of satisfaction of the Exchange's members in 2017 was 4.48 points or 89.6% satisfaction out of 100%. KASE has set itself the goal to improve this indicator and intends to conduct such survey on a regular basis.

#### *Improvement of the Is2In system*

Currently, members of the Exchange and listed companies submit their documents and information to the Exchange via Is2In electronic document management system. This system allows companies to transfer electronic documents and information to the Exchange without providing hard copies of these documents and information messages.

Functions of Is2In system were refined and expanded during 2017. In particular, the following features were implemented:

- the principle of the member area with relevant data and characteristics of a company for better identification by required attributes;
- unification of groups checking documents and searching for audited/published/rejected documents;
- improvement of the function of automatic reminders for a company to submit documents;
- visualization of information provided by a company that requires quicker check and processing;
- ability to send sample comments to documents.

#### *Service Desk launch*

Service Desk for providing technical support to external users of the Exchange's information systems started operating on KASE on December 25, 2017.

Service Desk receives, registers and classifies users' inquiries, provides feedback and offers solutions on inquiries. There are three levels of support ranging from providing information and inquiry desk services to technical support service.



### *Corporate website development*

Website of KASE is one of main web resources on Kazakhstan's stock market, which provides information about members of the Exchange, listed companies and financial instruments to its visitors. A distinctive feature of website <http://www.kase.kz/ru/> is that it is highly informative owing to the large daily flow of information messages generated in real time in three languages: Kazakh, Russian and English.

New version of the website was developed and tested during 2017. New corporate website was transferred to the main domain [www.kase.kz](http://www.kase.kz) on January 3, 2018.

One of the main innovations of the new website of the Exchange is the launch of landing pages devoted to four main target groups of users of KASE website. The purpose of a landing page is to tailor the content of a website to the needs of specific categories of users. KASE seeks to make its operations more transparent and clear to its customers and partners using landing pages. The most useful and relevant information written in clear and concise language is collected on landing pages.

Facts and figures on the new website of the Exchange:

- There are more than 500 thousand pages on the website including over 450 thousand informational messages on the Exchange's markets, trading indicators, instruments traded and their issuers;
- There are about 75,000 documents on the website including about 28,000 documents published as part of the disclosure by listed companies;
- There are 5,199 pages on securities and instruments traded including archive pages;
- Website traffic is approximately 3,500 visitors per day;
- Views by countries – Kazakhstan (80%), Russia (4%), United Kingdom (3.7%), United States (3.2%) and Ireland (2.6%).

*Improvement of the Exchange's image and raising awareness of its activities*

In 2017, KASE pursued balanced policy of public speaking and disclosed sufficient information on its activity results and on the stock market performance through media and other publicly available information channels.

This work was carried out in such areas as dissemination of official communications, comments, and responses to inquiries, interviews and publications in the media, issuance of information and branded products, conducting activities aimed at promoting the exchange market and KASE.

Monthly and extraordinary media briefings of KASE held along with quarterly press conferences became new channel for dissemination of the Exchange's information and interaction with the media.

The Exchange conducted two one-day workshops for journalists of the Kazakh-language and Russian-language media in partnership with the Media Mektep public fund and MediaNet International Centre for Journalism in order to familiarize media market participants with the work of KASE and the exchange market. A total of 43 representatives of electronic and printed media have attended these training workshops.

The Exchange's media policy is focused on managing media space surrounding Kazakhstan stock market and KASE and establishing mutually beneficial partnership.

To the same end, in 2017, KASE continued its annual meetings with editors-in-chief of leading media outlets of the country and also awarded media representatives from Forbes, Interfax-Kazakhstan and Atameken Business Channel, who have most professionally covered stock market issues.

In 2017, KASE jointly with the Atameken Business Channel regularly produces three special TV programs of the Exchange on this TV channel: Stay Tuned (daily), KASE Weekly (weekly) and Stock Market. Status PRO (weekly).

In general, according to Alem Research monitoring system, there were 15,000 media mentions of the Exchange or messages published on behalf of the Exchange during the reporting period. This list includes news and press releases,

interviews, publications on the results of exchange trading, market reviews, announcements and information about events with the participation of the Exchange's representatives.

In 2017, the Exchange actively participated and organized and co-organized industry events for market participants, regulators, experts and the media both in Kazakhstan and abroad. The 7th Congress of Financiers of Kazakhstan organized by the National Bank together with KASE and the Kazakhstan's Financiers Association became one of the most significant events of the year. During this event the Exchange organized a special panel discussion on the promotion of the domestic securities market dubbed "The Stock Market as a Source of Funding", which discussed current trends of the stock market, the prospects for its development and contribution to the economic growth of Kazakhstan.

## **Improving the efficiency and competitiveness of the exchange business**

### *Market data promotion*

During the reporting year, KASE had introduced six new information products including use of trading data in Non-Display system/Derived information, providing information to KASE members, IRIS Finance information terminal, KASE news and information channel. @KASEInfoBot became the first product of KASE spread via mobile messenger service. As at January 1, 2018, the number of users amounted to 1,220 people.

Ten vendors, two of which were engaged in 2017, have disseminated market data at year-end 2017. The introduction of new information products affected the conclusion of agreements with six new customers. The number of subscribers to view trades in real time through the Exchange website has increased. Total revenue from sales of information products amounted to KZT212.7 mln, which is 6.6% higher than a year earlier.

### *IT systems development and improving Data Centre's reliability*

All current technological solutions of the Exchange were developed in-house.

The Exchange uses two trading systems:

AST (Automated System of Trade) is for the stock market, repo market and derivatives (it was launched in 1998);

NEXT is for currency market (it was launched in 2015).

Current business needs require refinement and upgrading of the Exchange's technologies. The primary need is to develop trading and clearing and related systems.

The works aimed at improving quality of IT systems, increasing capabilities and improving fault tolerance of systems were carried out during 2017. The number of old server and network hardware was reduced as part of modernization of the Exchange's DPC. This has significantly reduced electric power consumption in the Exchange's server room. New server hardware was purchased for virtualization of server systems and all information systems of the Exchange, which could operate on virtual servers, have been transferred to the virtualized environment. All computer equipment was updated and communication channels' bandwidth was improved in the Exchange's backup centre.

#### *Modernization of operational risk management system*

To improve the effectiveness of risk management at the Exchange, early risk warning system was created, future risk exposure scenarios were made, the management system for ensuring the continuity of the Exchange's operations was improved.

In 2017, the following work was implemented with regards to continuity of operations management:

- Operations Continuity and Recovery Rules and the Continuity and Recovery of Operations Plan were developed and approved taking into account the recommendations of international standards for business continuity management in accordance with ISO 223012;
- quarterly update of the Continuity and Recovery of Operations Plan;
- testing the Continuity and Recovery of Operations Plan.

On operational risk management:

- Risk Management Rules were developed and approved taking into account the recommendations of international risk management standards of the International Organization for Standardization ISO 31000:2009 (Risk Management) and the International Organization of Securities Commissions (CPSS – IOSCO);
- new risk management system was established, as a result, the level of implementation of operational risks in 2017 has been reduced by 24% compared to 2016; in 2017, the proportion of risk events occurring due to errors and failures in information systems and external factors fell almost by half compared to 2016.

## CORPORATE REPORT

### Corporate governance

#### Information about shareholders

As at December 31, 2017, the total number of authorized shares of the Exchange amounted to 5 mln pieces; 942,013 of them are outstanding. The Exchange has 54 shareholders including banks, brokerage firms, the Unified Accumulative Pension Fund (UAPF) and retail investors (individuals). The National Bank owns 50.1% of the total number of outstanding shares.

#### General Meeting of Shareholders

General Meeting of Shareholders is the supreme management body of the Exchange in accordance with the legislation of the Republic of Kazakhstan. The list of issues pertaining to the competence of the General Meeting of Shareholders is defined by the Law of the Republic of Kazakhstan "On Joint Stock Companies" and the Charter of the Exchange.

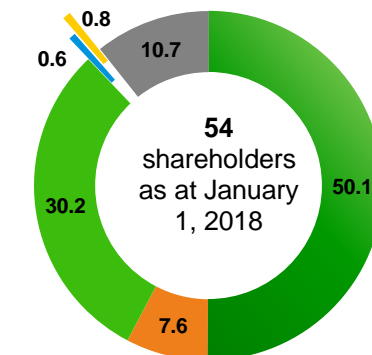
During 2017, General Meeting of Shareholders of the Exchange approved changes and amendments to the Charter of the Exchange, the Exchange's dividend policy, changes and amendments to the Regulations on the Board of Directors, Methodology for Share Valuation at Buyback, changes and amendments to the Exchange's Corporate Governance Code.

The documents listed have been developed to bring the activities of the Exchange in line with the best corporate governance practices.

#### The Board of Directors of KASE

The Board of Directors is the governing body of the Exchange and it carries out general management of the Exchange except for the matters that are within the exclusive competence of the General Meeting of Shareholders of the Exchange according to the Law of

FIG. 41: SHAREHOLDERS' STRUCTURE



the Republic of Kazakhstan "On Joint Stock Companies" and/or the Charter of the Exchange.

Meetings of the Board of Directors of KASE in 2017 were conducted on a regular basis in accordance with the Regulations on the Board of Directors. The Board of Directors held extraordinary meetings on an as-needed basis.

During the reporting period, the Board of Directors of the Exchange considered both issues of strategic and current operations within its competence. The agenda and decisions made are recorded in the relevant minutes of meetings of the Board of Directors of the Exchange and the decisions taken by absentee voting of its members.

During the reporting period, the Board of Directors of the Exchange approved 47 documents of the Exchange governing its internal operations and amendments to the existing internal documents of KASE in accordance with the legislation of the Republic of Kazakhstan on securities market and on joint stock companies.

*The most important decisions made:*

- Internal documents regulating the exchange activity ("Rules for Executing Exchange Activities"), risk management ("Rules for Monitoring the Use of Insider Information"), clearing activity ("Rules for Executing Clearing Activities on Transactions in Financial Instruments") were updated;
- The Exchange did not make any decisions on making major transactions during 2017. A number of related party transactions were made subject to the requirements of articles 71-73 of the Law of the Republic of Kazakhstan "On Joint Stock Companies". The following entities were parties to such transactions: Centre for Maintenance of Activities of the National Bank of the Republic of Kazakhstan JSC,

Qazaq Banki JSC, Central Securities Depository JSC, IC Centras Insurance JSC, BCC Invest – subsidiary of Bank CenterCredit JSC, SkyBridge Invest JSC, Halyk Savings Bank of Kazakhstan JSC, Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance JSC, Kazkommertsbank JSC, Kazkommerts Securities (subsidiary of Kazkommertsbank), RTRS LLP, IRBIS Financial Markets Information Agency LLP, eTrade.kz LLP. Information on these transactions was published within the timeframe established by legislation of the Republic of Kazakhstan;

- The decision was made to close down IRBIS Financial Markets Information Agency LLP, a subsidiary of the Exchange.

### **The composition of the Board of Directors**

(elected by the decisions of the General Meeting of Shareholders of the Exchange dated May 15, 2015, May 25, 2017 and February 11, 2016)

#### **Zhanat Bostanovich Kurmanov**

(Chairman of the Board of Directors) – Deputy Chairman of the National Bank of the Republic of Kazakhstan;

#### **Eldar Sovetovich Abdrazakov**

Chairman of the Board of Directors of Centras Securities JSC;

#### **Sholpan Rakhmankulovna Ainabaeva**

Chairman of the Management Board and a member of the Board of Directors of SkyBridge Invest JSC, Independent Director of and a member of the Board of Directors of Ogcc KazStroyService JSC, Managing Director of SB Capital LLP, a member of the Board of Directors and an Independent Director of KASE;

#### **Alina Otemiskyzy Aldambergen**

Chairman of the Management Board of KASE



**Azamat Myrzadanovich Dzholdasbekov**

a member of the Board of Directors and Independent Director, Chairman of the Board Directors of Central Securities Depository JSC and Integrated Securities Registrar JSC, a member of the Board of Directors and Independent Director of Kazkommertsbank JSC; Kazkommerts Securities (subsidiary of Kazkommertsbank), independent member of the Supervisory Board of Kazkommertsbank JSC, a member of the Board of Directors, a person entitled to act as the chairman of the Board of Directors of Kazakhstan Stock Exchange JSC;

**Victor Alekseyevich Kyshpanakov**

Deputy Chairman of BCC Invest JSC Board - Subsidiary of Bank CenterCredit JSC;

**Adil Nurlanovich Mukhamedzhanov**

Deputy Director of Monetary Transactions Department of Kazakhstan's National Bank;

**Yertay Ismailovich Salimov**

Deputy Chairman of Management Board of Halyk Savings Bank of Kazakhstan JSC; a member of the Board of Directors and Independent Director of KASE

**Mirlan Zhaparbekovich Tashmetov**

Independent Director of KASE.

**Operations of committees and commissions**

The following committees of the Board of Directors and the commissions of the Exchange operate to consider the most important issues and to make recommendations to the Board of Directors.

*In accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies":*

- Budgeting and Strategic Planning Committee of the Board of Directors
- Internal Audit Committee of the Board of Directors;

- Committee for Personnel, Remuneration and Social Issues of the Board of Directors.

*In accordance with the requirements for an organizational structure of a trades organizer and for the composition of a stock exchange's listing commission approved by the resolution of the Board of the National Bank of the Republic of Kazakhstan:*

- Listing Commission;
- Committee for Financial Statements and Issuer Audit of the Board of Directors.

*In accordance with the Rules for Recognizing Transactions with Securities and Other Financial Instruments Concluded on the Regulated and OTC securities markets as Committed for Manipulation Purposes, for setting up and operation of a stock exchange's expert committee as well as its composition approved by a resolution of the Board of the National Bank of the Republic of Kazakhstan:*

- Expert Committee.

*In accordance with the Procedure for Settling Disputes and Conflicts Emerging During Execution of Transactions with Financial Instruments approved by a decision of the Board of Directors:*

- Commission on Disputes and Conflicts Resolution.

The procedure for setting up and operation of committees and commissions of the Board of Directors of the Exchange, as well as their competence, functions and composition are regulated by internal documents of the company approved by the Board of Directors.

The following meetings were held in 2017: 14 meetings of the Budget and Strategic Planning Committee of the Board of Directors of the Exchange; 12 meetings of the Committee for Personnel, Remuneration and Social Issues of the Board of Directors of the Exchange; 12 meetings of the Internal Audit Committee of the Board of Directors of the Exchange; 21 meetings of the Listing Commission (including absentee voting); 10 meetings of the Expert Committee of the Board of Directors

of the Exchange; three meetings of the Committee on Financial Statements and Issuer Audit.

During 2017, the Board of Directors fully accomplished goals, objectives, functional duties established by the Corporate Governance Code, the Charter of the Exchange, Regulations on the Board of Directors, which resulted in the positive financial results of the Exchange in 2017.

### **Management Board of the Exchange**

The Management Board is a collegial executive body and it manages day-to-day activities of the Exchange, except for the matters that are within the exclusive competence of the General Meeting of Shareholders and/or Board of Directors of the Exchange according to the Law of the Republic of Kazakhstan "On Joint Stock Companies" and the Charter of the Exchange.

Powers of members of KASE Management Board were extended until 2020 by the decision of the Board of Directors of the Exchange dated September 10, 2015.

*The composition of the Management Board of the Exchange*

**Alina Otemiskyzy Aldambergen**

Chairman of the Management Board

**Idel Marsilevich Sabitov**

Deputy Chairman of the Management Board

**Natalia Yurievna Khoroshevskaya,**

Deputy Chairman of the Management Board

**Andrei Yurievich Tsalyuk**

Deputy Chairman the Management Board

**Kairat Zhumabekovich Turmagambetov,**

Managing Director for Business Development.

### **Information on remuneration**

Remuneration and reimbursement of expenses to the members of the Board of Directors and of the Management Board of the Exchange are made in accordance with the terms and conditions of contracts concluded with them. The amounts of bonuses to the specified executives are determined by the General Meeting of Shareholders in respect of the members of the Board of Directors and by the Board of Directors in respect of the members of the Management Board based upon the financial and operating results of the Exchange in the respective financial year.

#### *Remuneration to members of the Board of Directors*

In accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Charter of the Exchange and the Regulations on the Board of Directors:

- monthly remuneration of the members of the Board of Directors shall be determined by the decision of the General Meeting of Shareholders of the Exchange;
- the amount of annual bonus to any member of the Board of Directors shall not exceed 50% of the total monthly remuneration paid to this member of the Board of Directors for all months of the year for which the bonus is being paid;
- annual bonus shall not be paid to members of the Board of Directors, who participated in less than 50% of the Board meetings, absentee voting of members of the Board of Directors, meetings of Board of Directors' committees, other standing committees and commissions of the Exchange, the members of which were these members of the Board of Directors, during the reporting financial year.

Members of the Board of Directors of the Exchange were paid KZT 51,812,000 (fifty one million eight hundred and twelve thousand tenge) during 2017.

Bonuses are not set and are not paid to the following members of the Board of Directors of the Exchange that are representatives of the government bodies of the Republic of Kazakhstan or relating to persons, who cannot receive bonuses in accordance with the legislation of the Republic of Kazakhstan:

- representatives of the National Bank of the Republic of Kazakhstan, that are members of the Board of Directors under paragraph 4 of Article 84 of the Law of the Republic of Kazakhstan "On Securities Market" and subparagraph 1) of paragraph 3 of Article 17 of the Charter of the Exchange;
- chairman of the Management Board of the Exchange, who is a member of the Board of Directors by virtue of his/her position on the basis of subparagraph 2 of paragraph 3) of Article 17 of the Charter.

*Bonuses to the members of the Management Board of the Exchange*

In accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Charter of the Exchange and the Regulations on the Management Board:

- monthly official salary of a member of the Management Board shall be determined by the decision of the Board of Directors;
- Board of Directors makes decision on setting the amount of annual bonuses to Management Board members for the reporting year based on the review of the performance results of the Management Board and the Exchange over the reporting year;

- amounts of annual bonuses to members of the Management Board are determined by the decision of the Board of Directors upon evaluation of work of each member of the Board of Directors during the reporting year.

Members of the Management Board of the Exchange were paid KZT 133,741,025.94 (one hundred and thirty three million seven hundred and forty-one thousand twenty-five tenge) 94 tiyn during 2017 (for the period from January 1 to December 31, 2017).

## Human Resource Management

As of December 31, 2017, the headcount of KASE amounted to 143 people. The table provides information about the structure of KASE personnel at the end of the reporting period.

No.	Name of indicator	Actual value
1	Number of staff	142 people
2	Headcount	143 people
3	Age structure of the staff	35-36 years
4	Employees' education (average)	1. Vocational education – four employees. 2. Higher education – 117 employees. 3. Postgraduate education – 22 employee, including: – PhD – one employee, – with foreign education – 15 employees, including: – graduates of the Bolashak program – two employees
5	Gender composition	males – 57 persons (40%), females – 86 people. (60 %)

### *HR management policy implementation*

Human Resources Management Policy (hereinafter, the HR Policy) is a "high level" document approved by decision of the Board of Directors, which was updated and approved during the reporting period. The HR Policy is aimed at achieving the mission of KASE, implementation of its objectives and tasks, and it defines the set of principles and approaches based on the Exchange's corporate values applied in the management of KASE staff.

*Candidate recruitment and selection.* Transparency and impartiality are the main principles of competitive selection, where the main recruitment criterion is whether candidates meet professional qualification requirements and the established corporate culture of KASE. So, 30 candidates were recruited during the reporting period.

*Employee loyalty.* The employee turnover rate, which was 13.8% at the end of the reporting period (the number of employees who had quit is 19 persons) is an indicator of employee loyalty.

*Employee performance appraisal.* KASE employees performance appraisal is conducted based on KASE internal documents. The main purpose of the performance appraisal system is to encourage employees to achieve objectives set by the Exchange and to comply with the requirements for KASE employees.

*Staff training and development.* Training and development is part of KASE corporate culture. The Exchange supports employees' aspirations for self-development and improving professional skills. For instance, in 2017, 63 employee of the Exchanges received training on topics related to change management and managerial skills, the new IFRS 9 standards and changes in the Tax Code, combating money laundering and terrorism financing, etc.

#### *KASE corporate culture development*

The Exchange is actively developing corporate culture including supporting high corporate spirit, staff members' cohesion and loyalty of employees to the Exchange, its intended mission, goals and objectives by awarding employees for very important work and projects implemented during the reporting period and organizing and conducting corporate events.

In 2017, employees of the Exchange actively participated in corporate events, such as Nauryz Meiramy jointly with the National Bank, Almaty Marathon, Children's Day (children drawing contest), teambuilding and other internal corporate events.

Ten employees of the Exchange were awarded KFA's "Best Financier" public medal for dedicated and distinguished work, professional skills and considerable contribution to the development of the financial sector. One employee was awarded KFA's "Distinguished Financier" public order.

The Exchange rewards 56 employees for particularly important work and projects implemented in 2017 by providing bonuses and issuing certificates of gratitude.

#### *Corporate social responsibility of KASE*

The Exchange pays particular attention to the population's financial literacy. In this regard, the Exchange is actively engaged in educating various groups of population, such as young people (students), businessmen and media representatives. Employees of various units of the Exchange including KASE management conduct educational lectures about stock market in the Exchange's premises and in universities on ongoing basis.

During the year, employees of the Exchange held charitable campaigns:

- charity campaign "Help to the victims of floods in Akmola region";
- charity campaign "Help to the veterans of the Great Patriotic War";
- charity campaign "Help the orphanage No. 1" on the occasion of September 1, Knowledge Day.

### **International activities**

The Exchange continued its work on promoting domestic stock market in the international arena in 2017.

As a member of three international exchange associations – World Federation of Exchanges (WFE), the Federation of Euro-Asian Exchanges (FEAS), International Association of Exchanges of CIS (IAEx of CIS), KASE takes an active part in their activities. The exchange associations are an effective platform for the exchange of experience in the field of improving services of exchange organizations and enhancing effectiveness of the exchange business as a whole.



The Exchange participated in drafting the report on increasing retail participation in emerging markets under its membership in WFE. KASE provided the data on the activity of retail accounts in the total volume of trades and the number of products available for trades by retail investors. A total of 14 exchanges participated in the survey.

In September 2017, KASE held one-week training "Onsite FEAS Training" for employees of the FEAS member-exchanges. Representatives of Muscat Securities Market, Nasdaq OMX Armenia, CSD Iran, Iran Fara Bourse, Tehran Stock Exchange and the Tashkent National Stock Exchange attended the training. During the training specialists of KASE held general presentation of Kazakhstan's stock market and gave more detailed account of the Exchange.

The chairman of KASE Management Board has been the chairman of the FEAS Working Committee since 2015. Two working meetings were held during the year under the auspices of this organization. Currently, the work on studying provisions on regulation of the stock market in accordance with MIFID 2, a set of provisions regulating activities of financial companies of the European Union, is under way.

The Exchange actively cooperates with international institutions on the implementation of best practices and standards in its operations and the use of international practices for further development of the domestic stock market.

The Exchange in cooperation with the International Finance Corporation of the World Bank organized and held a roundtable discussion with professional participants of the securities market, listed companies and representatives of the expert community in June 2017, where ESG Methodology was discussed as part of the accession of the Exchange to the United Nations Sustainable Stock Exchanges Initiative (UN SSE). In the second half of the year, the Exchange with the support of the IFC and a group of international experts has introduced additional requirements for the ESG Methodology, which will help improve the quality of ESG criteria-based reporting of listed companies.

The Exchange actively participates in the UN global initiatives aimed at enhancing the role of women in society and

increasing involvement of women in economic activities. In March, the Exchange held an opening ceremony for the trades "Ring the Bell for Gender Equality" devoted to the gender equality and timed to coincide with the celebration of the International Women's Day on 8 March.

In 2017, visiting working meetings were organized and conducted to share experience, to learn mechanisms for attracting issuers and investors as well as specific aspects of the listing structure and to strengthen cooperation with leading stock exchanges such as Japan Exchange Group, Iran Fara Bourse, Moscow Exchange, the St. Petersburg Exchange, Nasdaq Tallinn and Nasdaq OMX Armenia.

KASE and Bank of China Limited signed a memorandum of understanding in 2017 as part of the international conference "Payments in national currencies of the Republic of Kazakhstan and the People's Republic of China: current situation, trends and prospects". The memorandum aims to promote the development of interaction between national financial markets of the two countries and to give new impetus to the development of trades and settlements in the national currencies of China and Kazakhstan.

During the working visit of the Exchange's representatives to Moscow in June 2017, KASE and Moscow Exchange (MOEX) PJSC entered into a memorandum of understanding to develop cooperation on promoting exchange markets of the Republic of Kazakhstan and the Russian Federation. The main objectives of cooperation are as follows: to facilitate mutual access to stock exchange markets for professional participants; to disseminate of information about exchange-based trades, traded financial instruments and their issuers; to cooperate in developing IT infrastructure and in implementing best practices of stock trading, pre-trade and post-trade procedures.

## **Risk management system**

The integrated risk management system that identifies and differentiates between the following risk types was established on the Exchange:

- operating;

- credit;
- market and system;
- legal;
- reputational;
- liquidity risk;
- other.

Integrating risk management functions into business processes allows to identify risks, to evaluate their impact, to respond effectively to them in order to minimize negative impacts and/or to reduce the probability of the risks occurrence. The following was done during the reporting period in order to maintain effective risk management process on an ongoing basis:

- information was exchanged between structural subdivisions on issues related to the detection, identification, assessment and control of risks;
- regular procedure for identifying risks was conducted, namely, an annual survey was done to identify and assess risks in order to develop and further monitor risk registers, risk maps and key risk indicators. The specified procedure was intended to identify risk factors and risk objects based on a thorough analysis of all business processes;
- measures were taken to reduce risks, including introduction of a uniform operating procedures and elements of risk management system; required and targeted procedures were held on a regular basis; current risks assessment was carried out including their monitoring; risk management parameters were revised throughout the year; the work on improving technologies and regulations on the Exchange's activities was conducted; monitoring and control of all activities planned and completed during the period was done to minimize risks;
- risk stress testing of own assets and clearing activities was regularly conducted;
- risk back-testing arising during investment of their own assets was regularly conducted;
- Market Risk Committee and Investment Committee have functioned;
- regular work on enhancing risk culture of the Exchange's employees was carried out, including a workshop on im-

proving risk culture was organized and a training for heads of structural subdivisions on risk management system and internal risk management instruments was conducted in order to establish risk-based approach to managerial and operational decision-making.

In addition, the accumulated history of risk events was systematized and simulation scenarios for possible risks were made during the reporting period. It allows to quickly adjust risk management measures and to create risk-based approach to making managerial decision-making by the management of the Exchange and to develop alternative mechanisms for controlling risks.

Risk Management Department carried out work on improving the system for managing the continuity of Exchange's operations. The Board of Directors had developed and approved the updated Policy for Managing the Continuity of Operations, where international standards for business continuity management ISO 22301 were taken into account; the Rules for Operations Continuity and Recovery and the Continuity and Recovery of Operations Plan were developed and approved taking into account the recommendations of international standards for business continuity management in accordance with ISO 223012.

During training exercises, the Exchange's employees used gas and smoke protective kits and trained to evacuate those employees that were deemed to be affected. During the training exercises, some members of the Operations Continuity and Recovery Team have been relocated to the backup centre, where they had launched work on organizing trading sessions using backup servers of the Exchange.

In 2017, Risk Management Department studied international practice for monitoring the use of insider information. As a result, the Rules for Monitoring the Use of Insider Information have been developed and approved using that information. These rules govern, inter alia, the procedure for ensuring the confidentiality of insider information, the procedure for differentiation and monitoring the rights of access to insider information, the procedure for preventing cases of unlawful use of insider information on the securities market of the Republic of Kazakhstan. These rules also regulate the

procedure for monitoring compliance of the Exchange, its officials and employees with the requirements of legislation of the Republic of Kazakhstan and internal control rules including the procedure for preventing transactions with the use of insider information and for transferring/disclosing insider information.

### **Internal audit system**

To ensure the functioning of the internal audit system, the Internal Audit Service was set up at the Exchange, which operates on the basis of the principles of independence and impartiality, assesses risks and the adequacy and effectiveness of risk controls in the area of corporate governance, operations and information systems of the Exchange, relating to:

- achievement of the Exchange's strategic objectives;
- reliability and integrity of information on financial and economic activity of the Exchange;
- the efficiency and effectiveness of the Exchange's operations and its development plans;
- safeguarding of assets;
- compliance with the legislation of the Republic of Kazakhstan;
- compliance with the Charter of the Exchange, the Exchange's internal documents, the decisions of the bodies of the Exchange;
- assessment of quality and conformity of all operating systems, processes and procedures of the Exchange, its organizational structure, quality and adequacy of its resources for ensuring the activities and achieving the objectives of the Exchange;
- evaluation of the quality of security (integrity) of the Exchange's information systems, their rationality and efficiency of use.

The Internal Audit Service monitors changes in the control environment and risk levels on the Exchange's activities in order to timely make changes in the approaches used as part of implementation of individual tests on an ongoing basis. Shortcomings detected and possibilities for improving internal controls of the Exchange are reflected in the con-

clusions of the Internal Audit Service and are communicated to the responsible units: the Management Board and the Board of Directors of the Exchange.

In 2017, the Internal Audit Service conducted 14 scheduled audits, on the results of which the Exchange's Management Board had approved and implemented action plans aimed at improving internal controls on identified deficiencies.

The Internal Audit Service regularly monitors implementation of these action plans.

## **Environmental responsibility**

The Exchange adheres to the environmental principles while implementing general activities. Measures are taken for lean consumption of paper, consumables and energy; electronic document management and electronic reporting systems are implemented and improved in order to manage own impact on the environment and to implement mentioned principles.

## TERMS AND ABBREVIATIONS

<b>ALT</b>	Almaty time (GMT + 06:00)
<b>EMEA</b>	the abbreviation Europe, the Middle East and Africa
<b>FTSE</b>	Financial Times Stock Exchange
<b>FEAS</b>	Federation of Euro-Asian Stock Exchanges
<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>MSCI</b>	Morgan Stanley Capital International
<b>S&amp;P</b>	Standard & Poor's
<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>WFE</b>	World Federation of Exchanges
<b>JSC</b>	Joint Stock Company
<b>KFA</b>	Kazakhstan's Financiers Association
<b>STB</b>	Second Tier Bank
<b>Exchange</b>	Kazakhstan Stock Exchange JSC
<b>KASE Group, the Exchange Group</b>	Kazakhstan Stock Exchange JSC and its subsidiaries: IRBIS Financial Markets Information Agency LLP and eTrade.kz LLP
<b>GDP</b>	gross domestic product
<b>city</b>	city
<b>GS</b>	government serial securities
<b>ECB</b>	European Central Bank
<b>KASE Index</b>	KASE equity market index

<b>IRBIS</b>	IRBIS Financial Markets Information Agency LLP, a subsidiary of the Exchange
<b>market-maker</b>	a member of the Exchange, who is recognized as such by the Exchange and has undertaken to announce and support bilateral quotations of securities of a particular type on ongoing basis
<b>mln</b>	Million
<b>bn</b>	Billion
<b>IMF</b>	International Monetary Fund
<b>Ministry of Finance</b>	The Ministry of Finance of the Republic of Kazakhstan
<b>MCI</b>	a monthly calculation index for calculating benefits and other social payments, as well as penalties, taxes and other charges in accordance with the legislation of the Republic of Kazakhstan, the value of which is determined by the laws of the Republic of Kazakhstan "On the National Budget" for the respective years.
<b>IFI</b>	International Financial Institution
<b>National Bank</b>	National Bank of the Republic of Kazakhstan
<b>NPP RK Atameken</b>	Atameken National Chamber of Entrepreneurs of the Republic of Kazakhstan
<b>RF</b>	Russian Federation
<b>MEDIA</b>	Mass media organizations
<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>FED</b>	Federal Reserve System
<b>Central Depository</b>	Central Securities Depository JSC