

Analysis of the government securities market

July 2022

K**SE**

Қазақстан қор биржасы
Казахстанская фондовая биржа
Kazakhstan Stock Exchange

GOVERNMENT DEBT TRADED ON KASE

Government debt traded on KASE

As of July 1, 2022, the amount of the government debt traded on KASE reached USD 39,9 bn, having decreased by USD 1.428 bn or by 4% YTD. Reduction of the volume of new issues of notes of the National Bank of the Republic of Kazakhstan (hereinafter - NBRK) by USD 1 046 mln and bonds of akimdiks (local executive bodies) (hereinafter – LEB) by USD 465 mln was partially compensated by the increase of offerings on existing and new issues Eurobonds by USD 415 mln of the Ministry of Finance (hereinafter - MinFin, MFRK).

As of July 1, 2022 there were no significant changes in the structure of the government debt traded on KASE by maturity: the share of medium-term government securities with maturities of three to five years (18%) is gradually increasing, and the share of short-term up to one year (17%) and long-term over ten years (23%) is decreasing:

Structure of the public debt (at par) traded on KASE, USD bn

Structure	Amount of gov. debt				Share of government debt traded on KASE				Change in the amount of gov. debt			
	01.01.2021	01.07.2021	01.01.2022	01.07.2022	01.01.2021	01.07.2021	01.01.2022	01.07.2022	abc 01.01.21/ 01.01.22	abc 01.01.22/ 01.07.22	01.01.21/ 01.01.22	01.01.22/ 01.07.22
Amount of gov. debt traded on KASE	39,8	41,6	41,3	39,9					1,5	-1,4	4%	-4%
By maturity date												
< 1 year	9,7	11,5	8,8	6,9	24%	28%	21%	17%	-0,9	-1,9	-9%	-40%
1-3 years	6,1	5,6	7,0	7,4	15%	13%	17%	18%	0,8	0,4	14%	31%
3-5 years	5,4	5,1	6,1	7,3	14%	12%	15%	18%	-0,3	1,2	13%	42%
5-10 years	8,0	9,4	9,0	9,1	20%	23%	22%	23%	1,4	0,1	11%	-4%
> 10 years	10,6	9,9	10,5	9,3	27%	24%	25%	23%	-0,1	-1,2	-1%	-6%
By type of securities												
NBRK notes	7,3	8,3	5,0	3,9	18%	20%	12%	10%	1,0	-1,05	14%	-21%
Bonds of MFRK	23,2	24,1	26,2	25,9	58%	58%	64%	65%	0,9	-0,33	4%	-1%
MFRK Eurobonds	6,8	6,8	7,2	7,6	17%	16%	18%	19%	0,0	0,41	0%	6%
LEB Bonds	2,5	2,4	2,8	2,4	6%	6%	7%	6%	-0,1	-0,5	-4%	-16%

On April 26 the Monetary Policy Committee of the National Bank of Kazakhstan decided to set the base rate at 14.0% per annum, raising it by 50 bp with an interest rate corridor of +/- 1.00 bp.

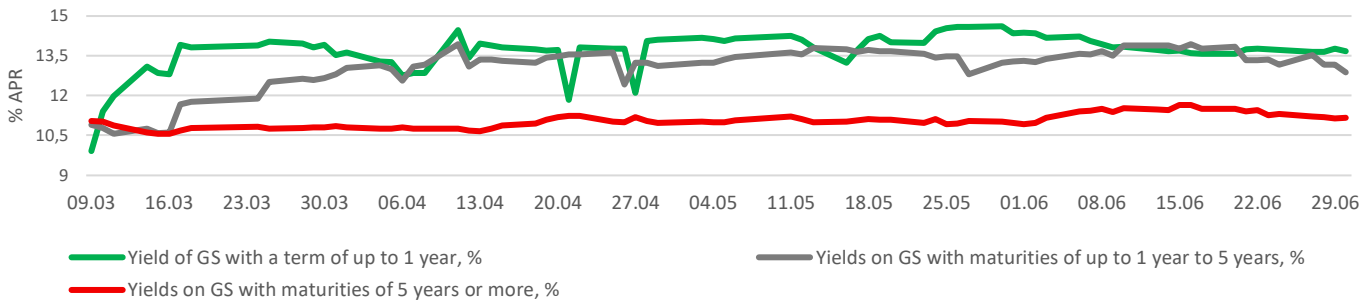
On June 7, the National Bank decided to keep the base rate at 14.0 percent per annum, with the inflation rate for the month of June at 14.5 percent.

The yield of placed GS of the Ministry of Finance, which in March ranged from 12.50-13.7% per annum, in June rose to 13.62-14.5% per annum. Due to the high borrowing rate, in the second quarter of 2022, the Ministry of Finance made borrowings only for short and medium-term periods of one to five years on current and new placements: 8 issuances of one-year securities, 21 issuances of two-year, three-year, and four-year securities, and nine placements of five-year government securities.

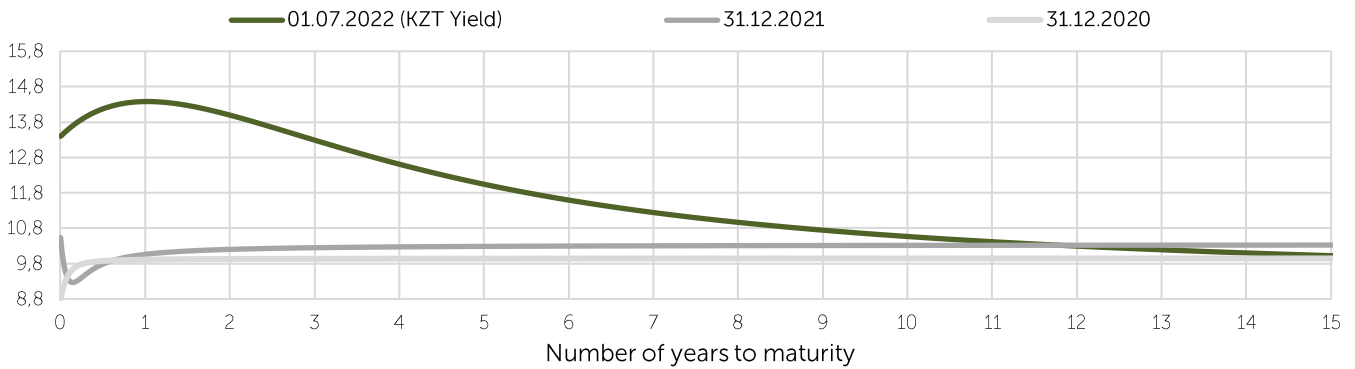
As a result, USD 2,195 bn were raised on 38 issues in the second quarter. The highest demand was for 4-year bonds of MFRK, demand for which was 113.2% of supply, and the yield was at 12.6397%.

DYNAMICS OF TRADING VOLUME

Indicators of profitability of government securities of the Ministry of Finance

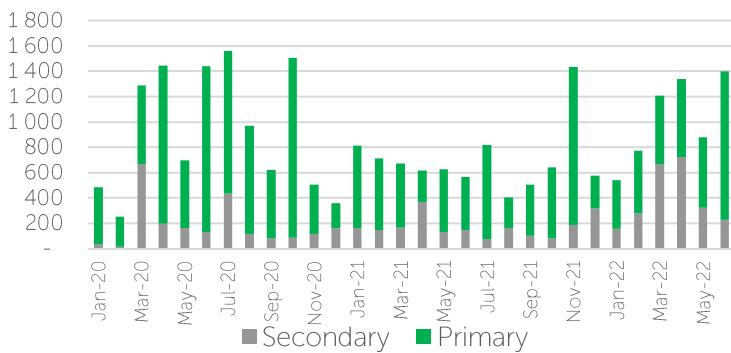


Risk-free yield curve (non-indexed GS)



Volume of deals

Volume of transactions in the government securities market, USD mln

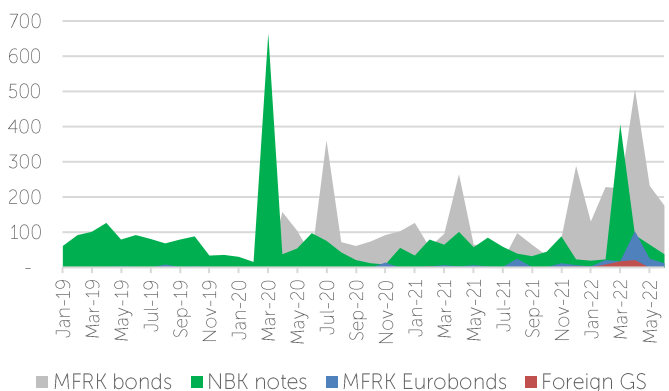


In 2022 the deficit of the republican budget is forecasted at the level of 6 474 million USD or 3.3% of GDP, in order to finance it the Ministry of Finance raised 3 784 million USD in the primary market in the six months of 2022.

On May 12, 2022 a law of the Republic of Kazakhstan "On changes and additions to the Law of the Republic of Kazakhstan "On Republican Budget for 2022-2024" was signed, according to which budget expenditures were increased by 5,9 billion USD to implement the instructions of the Head of State.

In January-June 2022 the aggregate trading volume at the primary and secondary government securities markets amounted to USD 6 134 mln, having increased by USD 2 128 mln or 53% as compared with the similar period of the previous year due to growth of trading volume both at the primary and secondary market by USD 829 mln and USD 1 249 mln. Borrowing by all issuers increased, with the share of MinFin securities on the secondary market amounting to 63%.

Structure of trading in the secondary market, USD mln



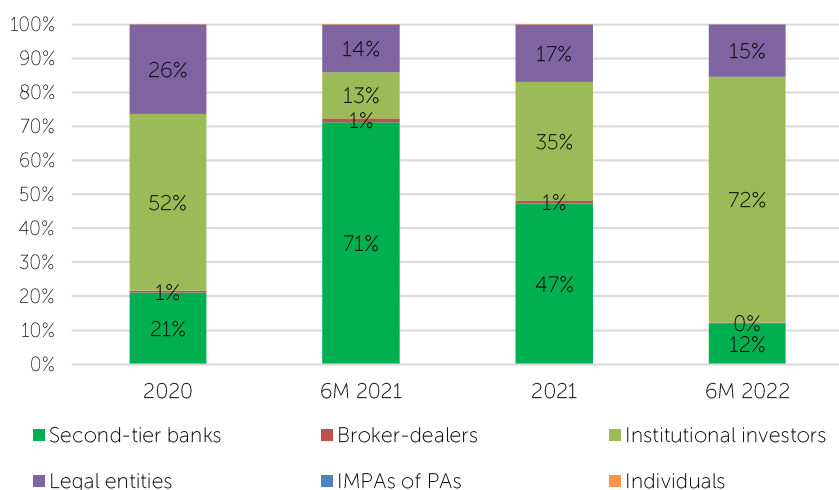
STRUCTURE OF INVESTORS

In the secondary market the volume of trades in all categories of GS increased during the year. In total, in the first half of 2022 trading volume on the secondary market amounted to USD 2 372 mln, which is more than two times higher for the same period of 2021. The volume of trading in Eurobonds by the Ministry of Finance increased 7 times compared to the same period of the previous year.

Structure	Trading volume				Share in trading volume				Change in trading volume			
	2020	6M 2021	2021	6M 2022	2020	6M 2021	2021	6M 2022	a6c 2021/2020	a6c 6M 2021/6M 2021	% 2021/2020	% 6M 2021/6M 2020
Volume of GS trading	11 124	4 007	8 390	6 134					-2 734	2 128	-25%	53%
Primary market												
LEB bonds	2 297	181	671	277	26%	6%	11%	7%	-1 626	96	-71%	53%
MFRK bonds	6 628	2 702	5 674	3 485	74%	94%	89%	93%	-954	783	-14%	29%
Total	8 925	2 884	6 345	3 763					-2 580	879	-29%	30%
Secondary market												
MFRK bonds	1 066	671	1 257	1 500	48%	60%	61%	63%	191	829	18%	124%
Eurobonds of MFRK	16	26	70	180	1%	2%	3%	8%	54	155	341%	606%
NBRK notes	1 114	423	710	643	51%	38%	35%	27%	-404	220	-36%	52%
Foreign GS	3	3	8	48	0%	0%	0%	2%	5	45	151%	1339%
Total	2199	1123	2045	2372					-154	1 249	-7%	111%

Structure of investors

Structure of buyers in the primary GS market, %



In the first half of 2022, there were changes in the structure of investors on the part of buyers of GS. The share of institutional investors increased from 13% to 72%, while the share of second-tier banks (STBs) decreased from 71% to 12%. In parallel with the decline in the share of second-tier banks in the structure of buyers, the share of non-residents decreased: if in the first quarter of 2021 their share was 3%, in the first two quarters of 2022 non-residents did not participate in the purchase of government securities in the primary market. Since the beginning of 2022, the shares of IMPAs (investment managers of pension assets) and individuals are gradually increasing, but the overall structure is still insignificant, about 1%.

On the secondary market, the share of legal entities increased (from 48% to 59%) and institutional investors (from 11% to 16%) and the share of second-tier banks decreased (from 32% to 20% since the beginning of 2022). There is a similar trend on the sell side of the secondary market: the share of legal entities increased from 26% to 52%, while the shares of other categories of investors decreased.

MATURITY

The share of non-residents on the secondary market on the side of buyers in the first half of 2022 has almost doubled in comparison with the beginning of the year and amounted to 13%. On the sellers' side the share of non-residents increased from 8% to 10%. It should be noted that in monetary terms, compared to last year, the volume of purchases of GS from non-residents in the secondary market rose from 118,5 to 292,3 million USD, and the volume of sales in the secondary market - from 81.5 to 249,5 million USD.

Volume of trades in the GS purchase market by type of participant, million USD

	Trading volume				Share in purchase volume			
	2 020	6M 2021	2 021	6M 2022	2 020	6M 2021	2 021	6M 2022
Primary market								
Second-tier bank	1 903,1	2 055,0	3 013,9	453,8	21%	71%	48%	12%
Broker-dealer	47,6	34,3	46,3	17,4	1%	1%	1%	0%
Other institutional investors	4 624,9	389,3	2 212,1	2 721,1	52%	13%	35%	72%
Other legal entities	2 349,3	401,9	1 066,1	568,2	26%	14%	17%	15%
IMPA at the expense of the PA	0,0	1,2	1,9	2,2	0%	0%	0%	0%
Individuals	0,1	2,3	4,6	0,0	0%	0%	0%	0%
Overall result	8 925,0	2 883,9	6 344,9	3 762,6	100%	100%	100%	100%
Non-resident	89,6	76,4	128,0	0,0	1%	3%	2%	0%
Resident	8 835,4	2 807,5	6 216,9	3 762,6	99%	97%	98%	100%
Secondary market								
Second-tier bank	632,9	612,8	645,9	484,1	29%	55%	32%	20%
Broker-dealer	57,6	56,8	186,8	89,2	3%	5%	9%	4%
Other institutional investors	938,9	88,7	216,4	357,0	43%	8%	11%	15%
Other legal entities	567,3	361,2	983,2	1 413,9	26%	32%	48%	60%
IMPA at the expense of the PA	0,0	2,6	6,7	3,9	0%	0%	0%	0%
Individuals	2,2	1,0	6,4	23,8	0%	0%	0%	1%
Overall result	2 199,0	1 123,1	2 045,4	2 371,8	100%	100%	100%	100%
Non-resident	217,8	118,5	141,4	292,3	10%	11%	7%	12%
Resident	1 981,2	1 004,6	1 904,0	2 079,5	90%	89%	93%	88%

Volume of trades in the GS sale market by type of participant, million USD

	Trading volume				Share in purchase volume			
	2020	6M 2021	2021	6M 2022	2020	6M 2021	2021	6M 2022
Secondary market								
Second-tier banks	908,0	686,1	1 057,1	1 006,3	41%	61%	52%	42%
Broker-dealer	53,4	36,4	184,5	80,1	2%	3%	9%	3%
Institutional investors	1 076,8	237,2	264,9	29,0	49%	21%	13%	1%
Legal entities	159,6	159,7	527,8	1 242,0	7%	14%	26%	52%
Individuals	1,2	3,7	11,1	14,5	0%	0%	1%	1%
Overall result	2 199,0	1 123,1	2 045,4	2 371,8	100%	100%	100%	100%
Non-resident	204,3	81,5	167,6	249,5	9%	7%	8%	11%
Resident	1 994,7	1 041,6	1 877,8	2 122,3	91%	93%	92%	89%

Terms to maturity

In the primary market, as far as maturity is concerned, the share of liabilities with maturities between 3 and 5 years increased from 18% to 27% in the first half of 2022. The share of long-term securities with maturities of 5 to 10 years and more than 10 years decreased from 20% to 13% and from 25% to 12%, respectively, compared with the beginning of the year.

In the secondary market, there has been an increase in the percentage of trading in securities with maturities of more than 3 to 5 years from 5% to 12% and maturities of more than 10 years from 11% to 25% in the first six months of 2022.

MEKAM OFFERINGS BY MINISTRY OF FINANCE

In the structure of GS issues of the Ministry of Finance and the NBK notes the tendency to enlarge continued: in the first half of 2022 the Ministry of Finance enlarged 13 issues and carried out 7 new placements for a total USD 3,212 bn. At the same time, the amount of some issues exceeded 600 million USD.

Issues of the Ministry of Finance of the RK enlarged in 2022 by face value, billion KZT

Issue	Issue amount at face value, million USD		Equivalent in billions KZT on 01.07.22	Change over the period	Maturity date
	As of 01.01.22	As of 01.07.22			
MOM048_0052	-	391	182	391	21.01.2026
MOM036_0091	-	381	177	381	11.02.2025
MUM180_0001	371	674	313	303	20.05.2024
MUM072_0013	208	522	243	314	19.05.2027
MUM144_0003	450	664	309	215	26.04.2023
MUM156_0005	103	333	155	230	20.06.2027
MOM036_0092	-	176	82	176	22.06.2025
MKM012_0150	-	169	79	169	24.01.2023
MUM180_0002	24	189	88	166	24.06.2024
MOM048_0053	-	166	77	166	22.06.2026
MUM120_0017	420	541	251	121	06.03.2027
MUM180_0016	-	147	68	147	28.01.2037
MUM144_0009	109	180	84	71	23.08.2033
MUM156_0007	235	295	137	60	17.02.2034
MUM132_0007	314	366	170	52	26.07.2032
MUM120_0019	105	169	79	65	17.03.2031
MUM180_0015	216	264	123	49	25.08.2036
MUM096_0011	104	157	73	53	27.10.2028
MUM096_0012	133	184	86	51	28.07.2029
MUM096_0013	-	34	16	34	04.02.2030

LIMITATION OF LIABILITY

The information contained in this report was prepared by specialists of Kazakhstan Stock Exchange JSC (hereinafter - KASE). KASE gives guarantees regarding the completeness and accuracy of the given information in this report, as well as its reliability only in relation to information, the source of which is KASE.

Neither KASE nor any of the employees is responsible for any direct or indirect loss (damage) incurred as a result of the use of this report or information, presented in it.

KASE recommends investors to independently assess the feasibility of certain investments and strategies and encourages investors to use the services of financial consultants. All rights to the report belong to KASE. Partial or complete reproduction and /or distribution of this analytical material cannot be carried out without written permission.

© JSC "Kazakhstan Stock Exchange"

KASE CONTACTS

Department of Information and Statistics

+7 727 237 53 28

+7 727 237 53 23

+7 727 237 53 15

info@kase.kz