

KASE 2012



K A Z A K H S T A N
S T O C K E X C H A N G E

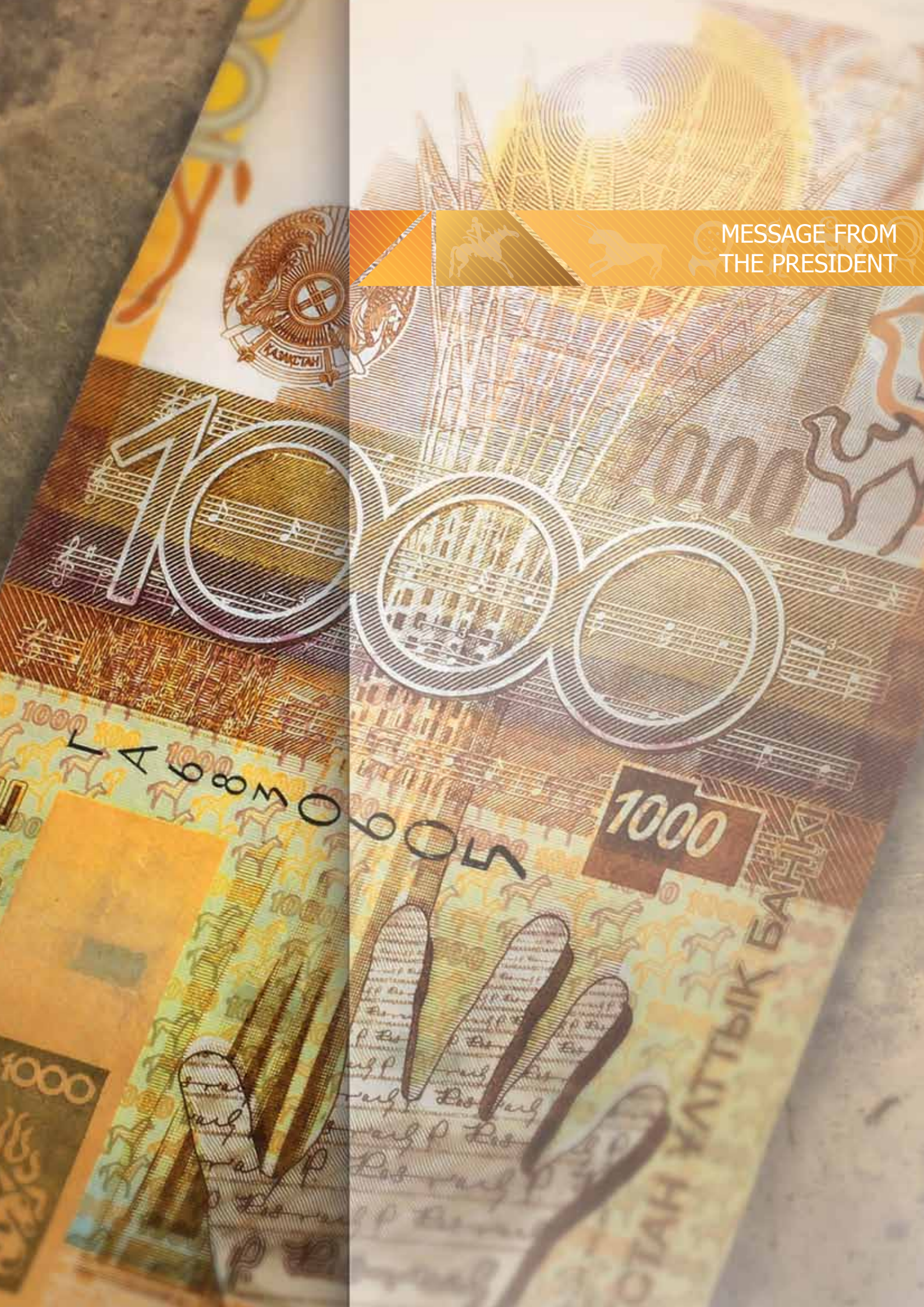




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MESSAGE FROM
THE PRESIDENT



MESSAGE FROM THE PRESIDENT



Kadyrzhan Damitov
President of Kazakhstan
Stock Exchange JSC

Dear Shareholders!

The Exchange celebrates its 20th anniversary in 2013. We'd like to congratulate stock market experts and all financial market participants on this landmark date.

During the history of its existence not that long yet full of events, KASE has gone a long way passing the threshold of the 21st

century together with our young independent country.

Beginning its operations in 1993 as a currency platform with 23 operators and a daily turnover of one hundred thousand dollars, the Exchange has grown up to become an operator of a universal stock market with

a daily turnover in excess of one billion dollars involving as many as 68 participants operating in six market segments: government securities, corporate debt securities, equity instruments, foreign currencies, repo transactions and derivatives market.

2012 was obviously a crucial year not only in KASE development history.

The year became a trial of strength for the country's entire financial system and was marked by a large number of substantial regulatory changes in Kazakhstan. Global markets were experiencing serious shocks echoed by fluctuations in the local market. Consequently, it's no wonder that a tightening of laws aimed at minimization of financial market risks was the key issue for the government throughout the year.

This vector was the leitmotif of most efforts of both the Exchange and professional community, shifting to a large extent deadlines of other business development projects. The market transformation initiated in 2012 entailed a great deal of work which required significant efforts on the part of both the top-management and members of staff of the Exchange. KASE was busy improving its internal documents and procedures over the entire year in response to numerous legislative changes. A system for the control of inside information was introduced, a clearing department was established, a listing of shares of accumulative pension funds was carried out, as well as a host of novelties were implemented in the course of that work. KASE incorporated new services in its structure (e.g.

the Exchange member monitoring service) to make the exchange market infrastructure more robust; 21 new internal documents and 30 documents with ratified amendments were approved. We hope that the large amount of work we did in the year under review will bring positive results in the future.

The second most important event of the year on the stock market for both KASE and the entire country was the launch of a government initiative called „People's IPO“. KASE was assigned with a key task as technical operator arranging subscription to KazTransOil shares in a format absolutely new to the Exchange. I believe that the Exchange in alliance with brokerage firms as advisors has accomplished its task at a high technical and professional level. Over 34 thousands individuals were involved in implementing the program's first stage. We did our best to make the offering go smoothly. In addition, the Exchange has gathered valuable experience which ensures its high quality performance as the program goes on.

In spite of the laborious nature of the said two major lines of activity we kept our core business in mind. In 2012 we managed to accomplish a range of important plan tasks. Among them are the launch of futures on the most liquid shares of KASE Index, arranging an offering of Islamic securities (sukuk* „al-Murabaha“) of Development Bank of Kazakhstan JSC – the first offering of sukuk in the CIS; drawing up of new regulations on market-maker activities, as well as several other projects. All of the above-mentioned activities were accompanied by the rule-making

* The financial document common in countries ruled by Sharia law; so-called Islamic equivalent of bonds.

process, as well as by appropriate technological changes. Thus, the strategy adopted by KASE for 2012–2013 is successfully implemented.

There are still a lot of unresolved issues in the global economy. Consequently, Kazakhstan National Bank's policy on development of the country's financial sector is aimed at risk minimization whilst taking into account the high level of integration between global capital markets and bitter lessons learnt during the post-crisis development. And in these circumstances KASE continues to successfully play the role of the infrastructural center ensuring interaction between issuers, investors and financial intermediaries whilst providing services that match the level of development and condition of Kazakhstan's financial market and its legal framework. The Exchange remains one of key institutions of the financial sector, and as experience of 2012 showed it is fully prepared to meet all needs of Kazakhstan's emerging financial system.

On behalf of the Exchange Management Board I would like to express our gratitude to all shareholders for their support and appreciation we felt throughout this complicated year whilst taking sometimes uneasy and unpopular decisions for the sake of market

stabilization and development. We hope that the established close cooperation and active interaction with market participants will help the Exchange continue to operate for the benefit of the economy and development of the financial sector.

Kadyrzhan Damitov
President of Kazakhstan Stock Exchange JSC



KASE TODAY

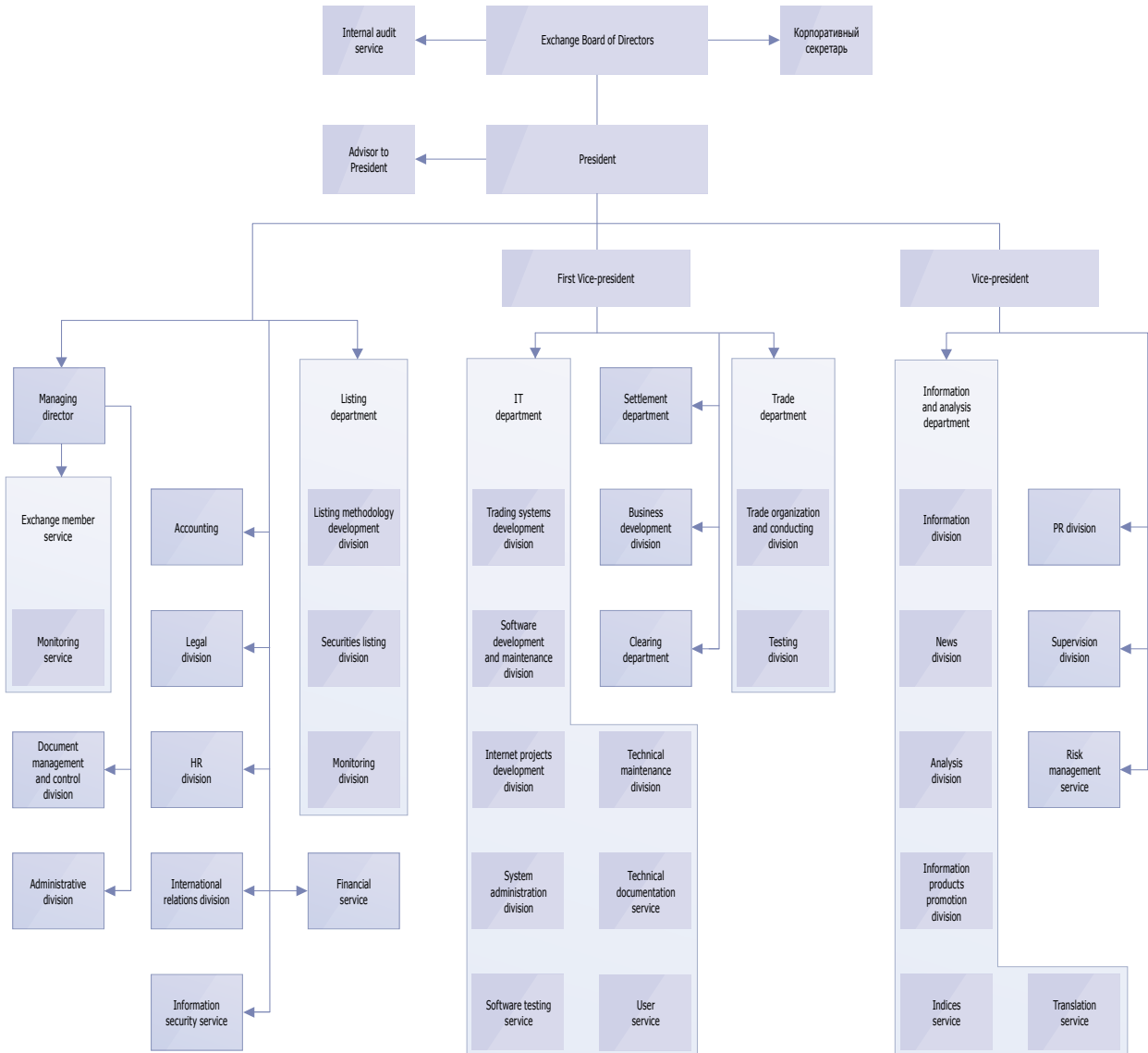
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ҚАЗАҚСТАН РЕСПУБЛИКАСЫ АЛТЫН БАҢҚА



KASE TODAY

Organizational structure



Exchange Board of Directors

Zhanat Kurmanov, *Chairman*

Chairman of Board of Directors, independent director of Housing Construction Savings Bank of Kazakhstan JSC

Eldar Abdrazakov

General Director of Centras Capital LLP

Nurlan Abdrakhmanov

Director of Department for Control and Supervision Methodology of National Bank of Republic of Kazakhstan

Alina Aldambergen

General Director of Samruk-Kazyna Finance LLP

Akylzhan Baimagambetov

Director of Department of Monetary Transactions of National Bank of Republic of Kazakhstan

Aben Bektasov

Deputy Chairman of National Bank of Republic of Kazakhstan

Kadyrzhan Damitov

President of Kazakhstan Stock Exchange JSC

Azamat Joldasbekov

Chairman of Board of Directors of Central Securities Depository JSC

Dauren Karabaev

Deputy Chairman of Management Board of Halyk Savings Bank of Kazakhstan JSC

Viktor Kyshpanakov

Deputy Chairman of Management Board of BCC Invest – subsidiary organization of Bank CenterCredit JSC

Azat Nukushev

member of Board of Directors of Kazakhstan Zholdary JSC

Mirlan Tashmetov

Deputy Chairman of Management Board of OAPF Otan JSC

Management Board

Kadyrzhan Damitov

President

Idel Sabitov

First Vice-president

Andrey Tsalyuk

Vice-president

Committees and commission

Committee on Budget and Strategic Planning

Preparation of recommendations on issues related to generating primary KASE lines of business and strategic goals, including issues involving efficiency-raising measures and budgeting issues.

Committee on Social Issues, Corporate Governance Issues and Ethics

Development of effective policy on social support to KASE employees and solving of social issues, building of an efficient corporate governance system and implementation of its principles; organizing the teamwork based on compliance with business ethics, resolving conflicts

of interests, improving the professional reputation and corporate spirit.

Committee on Personnel and Remunerations

Development of recommendations on efficient HR policy, material incentives to encourage productive and high quality work of Exchange employees, arranging an adequate system for evaluation of work and remuneration compatible with implementation of the Exchange's strategic plans.

Audit Committee

Thorough work through issues included in the competence of the Exchange Board of Directors or issues studied by the Exchange Board of Directors as part of control over the Exchange Management Board activities and development of necessary recommendations for the Exchange Board of Directors and Management Board.

Committee on Financial Statements and Issuers Audit

Examining financial statements of issuers whose securities are supposed to be included or have been included in the official list, and reporting on results of such consideration.

Expert Committee

Preparation of expert opinions with regard to acknowledgement of transactions as executed for purposes of manipulation on the securities market.

Listing Commission

Consideration and decision-making on issues of listing, de-listing, changing the category (sub-category) of the Exchange official list, giving consent to inclusion in the Exchange official list of bonds proposed for issue in accordance

with laws of states other than the Republic of Kazakhstan, as well as approval or rejection of listed companies' action plans on averting the transfer of their securities into the "buffer category".

Committee on Foreign Currencies Market

Detection of cases of insolvency of currency market members; determining the initial payment execution mode; transfer of currency market members from one payment execution mode into another; defining the daily limit for net positions of trade participants.

Commission on Resolving Disputes and Conflicts

Resolving disputes and conflicts between Exchange members, between the Exchange and its members (except for disputes and conflicts over issues of suspension or termination of Exchange membership), not settled by way of negotiations.

Committee on Indices and Securities Valuation

Development of methodical guidelines for valuation of securities and other financial instruments; setting out parameters for automated valuation; drawing up representative lists for calculation of stock market indicators; determining the number of shares in free float, for purposes of calculating the stock index; defining risk-parameters on the derivatives market; control of adequacy of reserve and guarantee funds on the derivatives market.



EVENTS



EVENTS

One of major events for Kazakhstan's financial sector in 2012 was the introduction of the Act "On changes and additions made to some legal acts of the Republic of Kazakhstan regarding the regulation of banking activities and financial organizations in terms of risk minimization" (hereinafter – the Risk minimization act). This act is another important step in building a financial space in Kazakhstan associated with fewer risks.

Main provisions of the act and regulations adopted upon its introduction are aimed at increasing the financial sector's stability and trust in it, as well as at protecting rights of consumers of financial services.

In particular, this act has taken the transparency of Kazakhstan's joint-stock companies to a whole new level; a series of measures were taken to support Kazakhstan's exchange market; restrictions were introduced on disposal and use of inside information on the stock market; requirements for brokerage companies were changed with the level of disclosure requested from them significantly increased.

In our opinion, the main effect of these actions is an increased comfort and protection for investors operating on the local market, and consequently, increased attractiveness of our market for private and institutional investors.

The Risk minimization act contains altered requirements for activities of virtually every participant of chains "issuer – investor" and "borrower – lender". For instance, additional requirements were introduced for issuers of debt securities, whose violation obliges the issuer to buy back bonds from their holders. Among such requirements are bans on changing the main lines of business and the legal form, as well as on alienation of significant parts of assets.

Financial companies – members of the Exchange are obliged to become more transparent: as joint-stock companies they must

disclose financial statements and data on the most important events via the website of the Financial Statements Depository. As Exchange members they must provide the same statements and data to the Exchange's monitoring department.

The mentioned act has obliged private accumulative pension funds to undergo a listing on the Exchange. In the course of the year shares of ten out of eleven APFs operational in the period under review were included in KASE official list, which is a positive event for the funds' depositors since quotation of securities in KASE official list is associated with rather severe disclosure requirements for their issuers.

The "rules of the game" have changed for the trade operator, too. In the course of the year under review the Exchange carried out a lot of work to bring its internal documents and business-processes in line with the Risk minimization act.

Main results of these efforts are as follows:

- obtaining of a clearing license and establishment of the Clearing department;
- introduction of monitoring of Exchange members' transactions and setting up of the relevant department;
- introduction of control over use of inside information;
- launch of the updated version of the Exchange website featuring an absolutely new level of disclosure of information about KASE members.

More details on these and other projects of the Exchange are given in Chapter "Progress report on projects and Exchange development".

Another equally important event for the country's financial community in 2012 was the start of the "People's IPO". This program

envisages offering of shares of some government and quasi-government companies on the local regulated market. We can already now talk about a successful start of this program: the pioneer company – KazTransOil JSC – completed an offering of its shares in December of the year under review, with the demand exceeding the supply more than two times. Around 34 thousand residents have become a shareholder in the company. It is very important that the share offering under this program was conducted on the Exchange. This means that a class of private investors is emerging in the course of the program that are skilled enough to trade on the stock market.

The successful start of the “People’s IPO” has shown that people in Kazakhstan are eager to invest in the home market. That makes an assumption that private investors willing to buy shares under this program will in the future continue to operate on the securities market, therefore considerably extending the number of investors on the local market. On the other hand, a successful implementation of this program would extend the lists of securities traded on the stock market by instruments very attractive for investors.

Moreover, the positive experience of the People’s IPO can be surely viewed as a stimulus for other companies to introduce their securities to Kazakhstan’s market. A good example is Kcell JSC, a local mobile operator, which followed suit of KazTransOil and successfully conducted a global offering of its ordinary shares on Kazakhstan Stock Exchange and London Stock Exchange. During that stock market float Kcell JSC raised KZT7.5 bn (9.4% of the total offering) on KASE exchange market.

New instruments also emerged in the corporate debt obligations sector. Apart from regular bonds of local issuers bonds of Eurasian Development Bank, an international financial institution, were offered on the exchange market in 2012, and for the first time ever a

local corporation offered Islamic securities: they were bonds “Sukuk “al-Murabaha” of Development Bank of Kazakhstan JSC. An offering of those bonds issued in accordance with Malaysian laws and denominated in Malaysian ringgits was completed in July of last year. The bonds were offered contemporaneously in Kazakhstan and Malaysia. Investors from Kazakhstan bought 38% of the total issue.

A significant change took place on GS primary market in the third quarter – following a resolution of the Management Board of Kazakhstan’s National Bank, as of July 15, 2012 changes were introduced to the Rules for operators of trade in securities and other financial instruments. According to the mentioned changes the right to buy treasury obligations of the Ministry of Finance on the exchange market was reserved for accumulative pension funds, pension asset managers, second-tier banks and insurance companies involved in life insurance. As a result brokerage firms and their clients were cut off from that segment of the exchange market, which affected the overall trade activity in GS sector.

Apart from other things there was yet another important event on Kazakhstan’s financial market worth mentioning. At the end of the reporting year a plan was approved for restructuring BTA Bank which saw the bank’s financial debts reduced to USD3.3 bn from USD11.1 bn following partial repayment of its obligations, compensations in the form of stocks or depository receipts as well as issuing new bonds of the bank. The restructuring plan makes the creditors feel rather uncomfortable, yet it will allow one of Kazakhstan’s major high-street banks to go on in an all-new environment.

The issue of reforming the broker community was high on the agenda throughout the year under review. The Management Board of Kazakhstan’s National Bank on April 28, 2012 issued a resolution “On the minimum size of the applicant’s (licensee) share capital” in which it set the share capital minimum size at

400 thousand MCI for brokers. Brokers had to bring their share capital in line with that resolution by January 1, 2013. Introduction of such requirement led to some small brokerage firms winding up their business.

In August 2012 the National Bank altered the Rules for brokers operating on Kazakhstan's security market. The changes provided for two categories of brokers. First category brokers enjoy extra benefits on stock market transactions, including the possibility of selling securities on global markets and making deals with an up to five-day settlement period. Requirements for first category brokers are as follows: at least three years of operation on the stock market, an appropriate in-house risk management system, ranking among 7 most active brokers on KASE market, provision of market-maker, underwriting and consulting services. It is obvious that by no means all of the participants are able to meet these requirements. Accordingly, these changes have put more pressure on some companies on the stock market in terms of profitability.

FSC NBK checks of financial market operators' transactions made in the year under review revealed a lot of violations on the part of financial companies. The consequence was appropriate sanctions against market operators. There were as many as 108 moderate coercive measures and sanctions applied by FSC NBK to brokers in 2012 (60 in 2011).

The number of KASE stock market members decreased from 74 to 60 during the year. Companies which quit Kazakhstan's exchange market either voluntarily or coercively in 2012 include

Plankion Invest JSC, NOMAD FINANCE JSC, Renaissance Capital Investments Kazakhstan JSC, IFG CONTINENT JSC, Brokerage company Astana-Finance JSC, Prime Financial Solutions JSC.



MARKET CONDITIONS

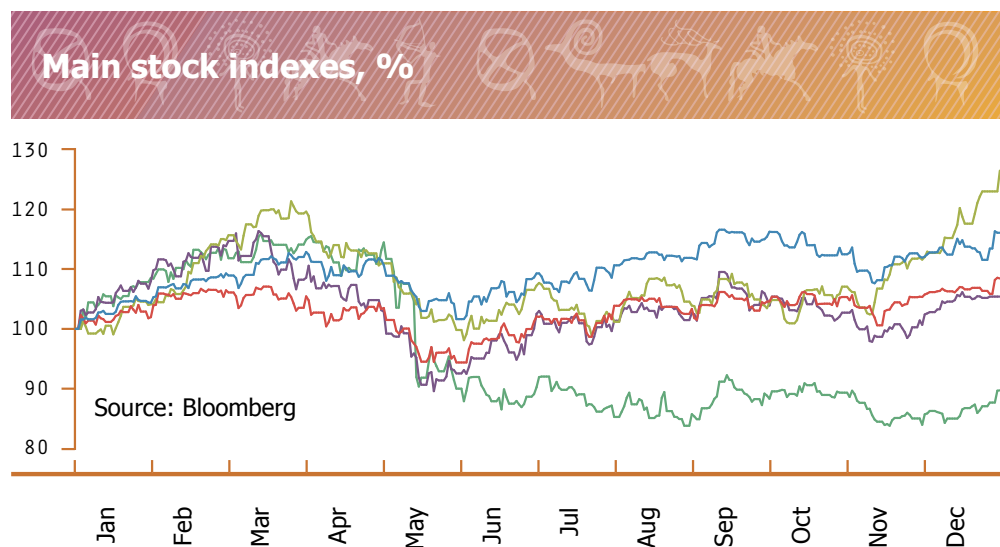
During the year 2012 leading central banks (US Federal Reserve, Bank of England, European Central Bank, and Bank of Japan) were conducting an active monetary policy to stabilize markets and encourage demand. These measures had brought about a rise in main global stock indexes in the period under review. However, they had less impact on the world economy's real figures than expected. The above-mentioned measures didn't have a large positive effect on stock market quotations in Kazakhstan, either: investors, including foreign ones were regarding securities from Kazakhstan as risky instruments. Against the background of KASE Index's weak ability to represent Kazakhstan's economy and National Bank's monetary policy remaining moderate, Kazakhstan's shares were mostly losing their value.

Nevertheless, among positive events there were two periods of an increased investor activity on Kazakhstan's stock market in 2012 worth noting. The first one represents the brisk trade in Kazakhtelecom

shares following the payment of extraordinary dividend after the sale by the company of its stake in GSM Kazakhstan JSC. The second period was the end of the year under review when trading in ordinary shares of KazTransOil and Kcell – two new interesting investment instruments – started on KASE secondary market.

KASE index decreased by 12.3% over the year. Once again, the weak diversification of the index representative list was the reason. The most affected on the local market were ordinary shares of Eurasian Natural Resources Corporation Plc (-52.6%), Kazakhtelecom JSC (-32.9%) and Kazkommertsbank JSC (-31.6%).

According to results of the year under review, quotes of ENRC ordinary shares significantly decreased – the company income was affected by commodity prices, internal operating risks, as well as issues of business asset management – a topic of special relevance. The company accounts being released over the year repeatedly



led to investors dumping shares more actively than in 2011, when the main issue was corporate governance. The volume of trading in the security on KASE in 2012 exceeded KZT569 mln, 66% more than the year before. Obviously, the shares will look more attractive once the company's internal issues are sorted out.

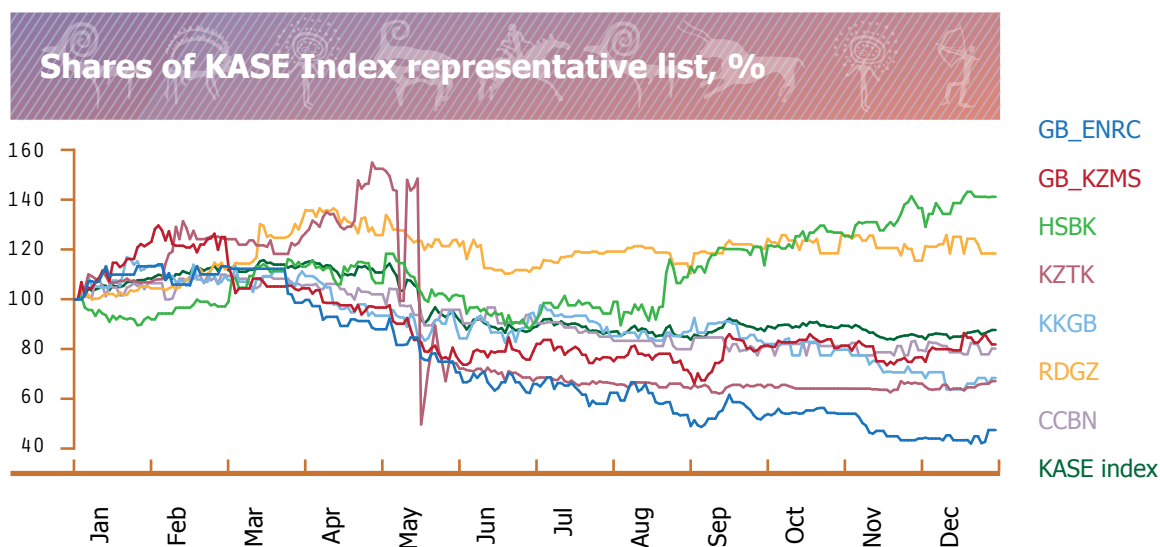
Kazakhtelecom shares went down following the end of pre-dividend speculations which lasted from autumn 2011 to spring of the year under review, and consequential return of the price to earlier levels after dividend payments. With stocks bought in September 2011, investors had a chance of selling them as soon as May 2012 (before dividend payment) at a yield of more than 80% p.a. The combined volume of trading in Kazakhtelecom ordinary and preferred shares reached KZT16.8 bn in 2012, rising by KZT5.8 bn on 2011.

The portion of non-performing loans in Kazkommertsbank's loan portfolio remained considerable in 2012 (almost 40% of the

loan portfolio, according to FSC NBK as of the end of 2012, the highest figure among the three major banks), which directly affected the bank's profitability. In general, Kazkommertsbank's troubles are typical for other banks, too.

Ordinary shares of KazMunaiGas Exploration Production JSC and Halyk Savings Bank of Kazakhstan JSC picked up in 2012 – 18.5% and 41.3% respectively. Despite the neutral operating results and bleak outlooks for the oil production, KazMunaiGas Exploration Production shares remained attractive to investors in 2012, which is mainly a consequence of the buy-back program introduced by the company in the fourth quarter of 2011.

Halyk Savings Bank of Kazakhstan JSC was, perhaps, one of Kazakhstan's best performing banks in 2012 in terms of ROE, growth rate, loan portfolio structure and portion of non-performing loans. The bank remains one of the country's most stable key financial institutions. On December



14, 2012 the bank made a share split at 1 to 10.

The total stock market capitalization reached USD37.9 bn (KZT5.7 trln) in 2012, decreasing 12.5% on the year before. Nine new equity instruments emerged on KASE official list. 22 issuers undertook a listing (including ten accumulative pension funds). 13 shares were removed from the official list.

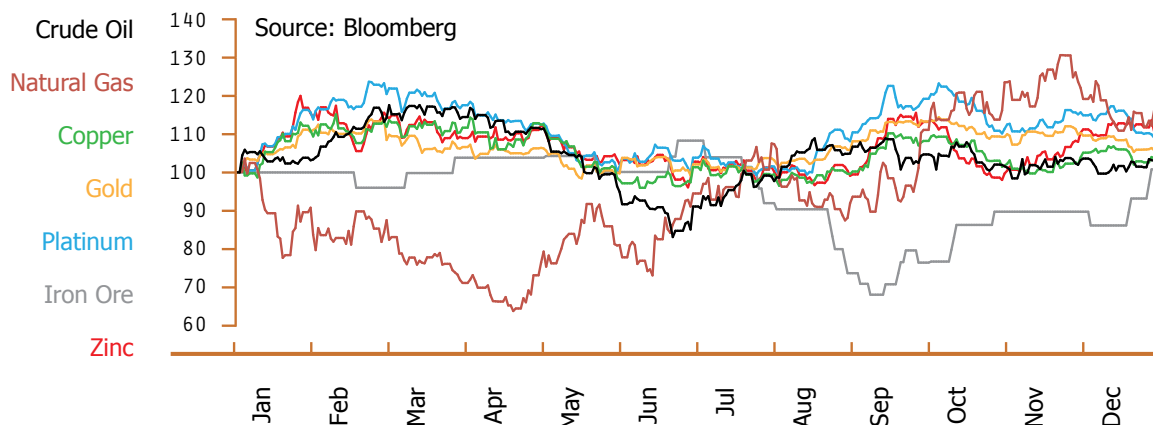
The corporate bond market was subject to regulatory changes in the year under review; in particular, the Risk minimization act implied a ban on over-the-counter offerings of listed bonds. The year's results saw the volume of trade in corporate bonds rise by KZT18.7 bn (+6.4%) to KZT313.2 bn – the highest figure in the last three years. 34 special trading sessions with a volume in excess of KZT89.2 bn were conducted in 2012, while there were only seven special offerings of corporate bonds to the amount of KZT24 bn in 2011. The corporate bond market capitalization decreased by 21.4% over the year – to USD31.5 bn (KZT4.7 trln). KZT218.7 bn worth of bonds were redeemed in 2012,

with Eurobonds accounting for KZT126.3 bn. Index KASE_BY representing the weighted average yield of corporate bonds trading on KASE went down 1.7 percentage points to 13.42% p.a. over the year. The number of bonds listed rose by 14 issues in the course of the year to a total of 231 issues by the year-end, while the number of issuers rose by six on the year before. Overall, bonds of 72 issuers were included in the Exchange's trading lists as of the beginning of 2013.

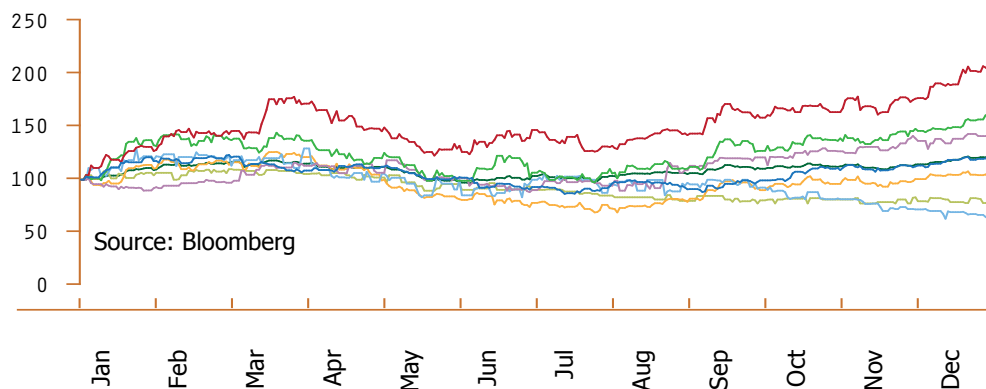
The most actively trading bonds on the secondary market in 2012 turned out to be four bond issues of National Company "Food Contract Corporation" JSC, a government-owned grain trader. The value of transactions involving them reached KZT38 bn.

In contrast to the corporate debt market, the secondary GS market shrank considerably in 2012. The volume of trading in that market segment dropped twice to KZT 230.1 bn which is as much as in 2001. At the same time the volume of treasury notes sold on the exchange in 2012 reached all-time high of KZT1.1 trln

Commodity prices, %



Shares of the banking sector, %



Industrial & Commercial Bank of China

Bank of America

Royal Bank of Scotland

Halyk Bank

Kazkommertsbank

Credit Suisse

Bank CenterCredit

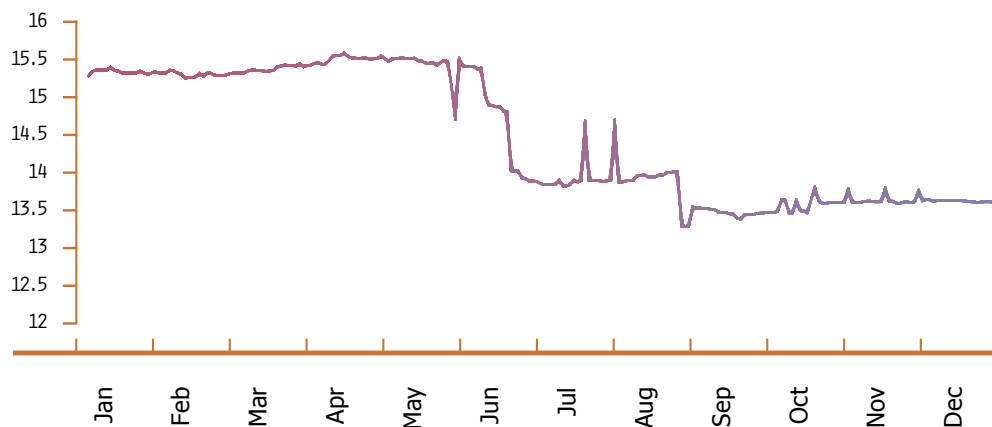
BBG World Banks

increasing 58 % on 2011. In the fourth quarter of 2012 the Ministry of Finance raised over KZT409 bn selling notes on the market. The combined face value of GS in circulation rose by 18.8% over the year reaching KZT3.1 trln (USD20.6 bn).

While the Ministry of Finance took an active stance in GS primary market, a ban

was introduced in 2012 on participation of brokerage firms in GS offerings, which in part caused the lower demand for GS in the primary market, and accordingly was another reason for the increase in auction yield for buyers. The withdrawal of brokers from the primary market negatively affected the trading activity in the secondary market, since new GS issues started

Index KASE_BY, % p.a.



KASE_BY

to come onto the secondary market only via large institutional investors – accumulative pension funds, second-tier banks, insurance companies. Against the background of the low activity of that segment brought about by the restructuring of the pension system, the liquidity on the secondary market of government bonds came under more pressure.

Thus, during the year 2012 we were observing mostly an adverse image on the stock market which was a consequence of the overall market conditions, a reflection of economic figures, operating risks of public companies themselves, as well as specific local risk-factors, such as, for instance, regulatory changes and lower activity on the part of professional players.

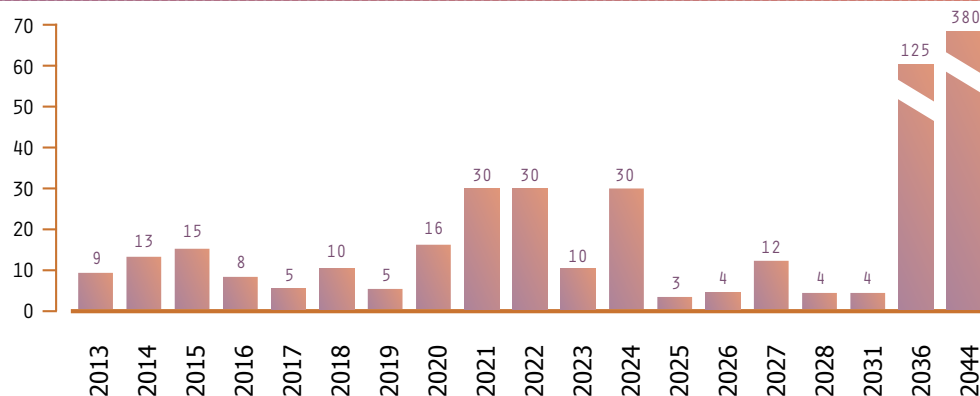
Just as the stock market, KASE money market was experiencing some turbulence in 2012 – the overnight rates sometimes exceeded 20% p. a. The GS autorepo segment was affected by the lower activity of major players (APF and STB). For comparison: the maximum monthly amount of repo transactions reached KZT1.5 trln in 2011, whereas the similar figure from 2012 wouldn't exceed KZT1.2 bn.

Alterations in the pension system dampened APFs' activity in all segments of KASE exchange market.

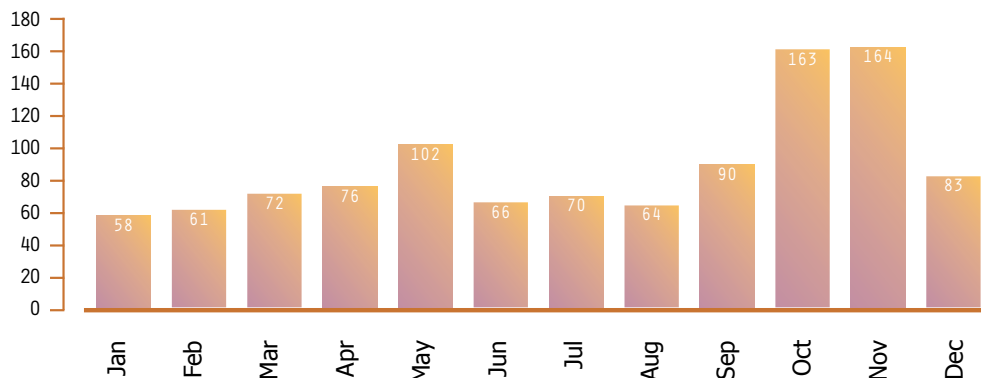
The trading turnover in the GS repo transactions segment showed a rise of KZT6.4 bn on the year before amounting to KZT58.7 bn (of which 92.7% were autorepo transactions). It is worth noting that the speculative component of the GS repo market increased in 2012. 41 new instrument (10 share issues, 31 bond issue) with terms of one to thirty days was launched in the GS auto repo transactions segment during the year at a request of Exchange members. With fewer opportunities available in the GS market, that, of course, provided more freedom to operators in terms of cash flow management. The rise in the number of GS repo transactions also witnessed of investors' trust in that market segment coming back to normal.

Indicator KazPrime, reflecting the price of interbank three-month deposits, increased from 2.00 to 4.00% p. a., and indicators of the price of shorter money – TWINA and TONIA – from 1.10 to 2.70% p. a. and from 0.94 to 1.55% p. a., respectively.

Redemption of corporate bonds, bn tenge



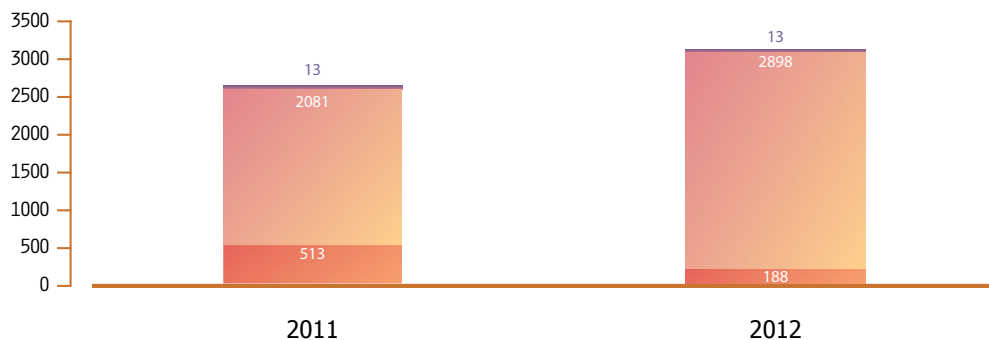
Monthly volume of GS issue by Ministry of Finance in 2012, bn tenge



The foreign currencies market showed lower turnovers in 2012 due to less rate fluctuations of tenge against the US dollar and accordingly the weaker participation of the National Bank in the currency market compared with 2011. STB activity in that segment remained virtually the same. The volume of foreign currency trade amounted to KZT14.3 trln (65% – spot, 35% – swap) in 2012, against KZT15.6 trln (76% – spot, 24% – swap) in 2011. Tenge lost

1.58% against the US dollar over the year; the last deal of 2012 was concluded at KZT150.80 per US dollar during the main currency session. The volume of EUR/KZT trading dropped considerably: from KZT120 bn in 2011 to KZT5.2 bn in 2012. However, it should be noted that the currency pair “tenge-dollar” keeps dominating the local currency market, with other currencies accounting for rather small amounts.

GS market capitalization as of end of 2011 and 2012, bn tenge

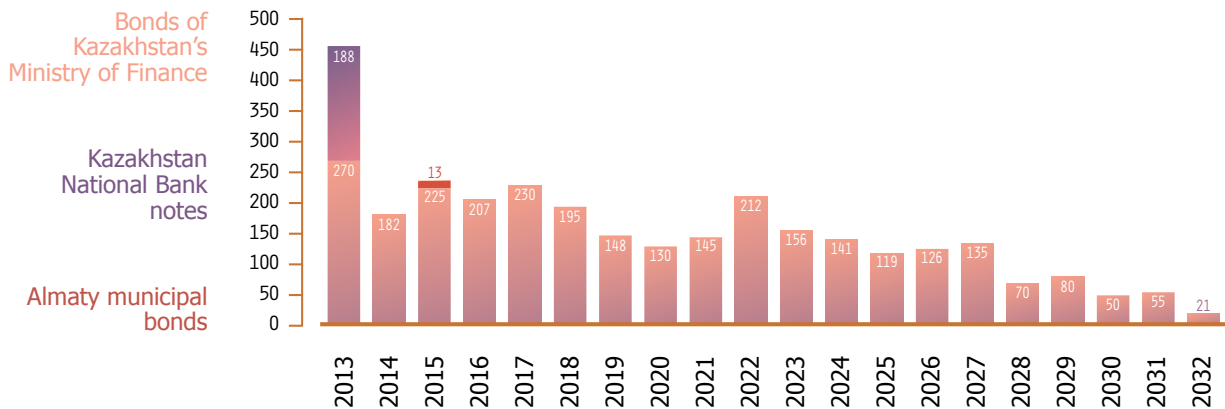


Almaty municipal bonds

Bonds of Kazakhstan's Ministry of Finance

Kazakhstan National Bank notes

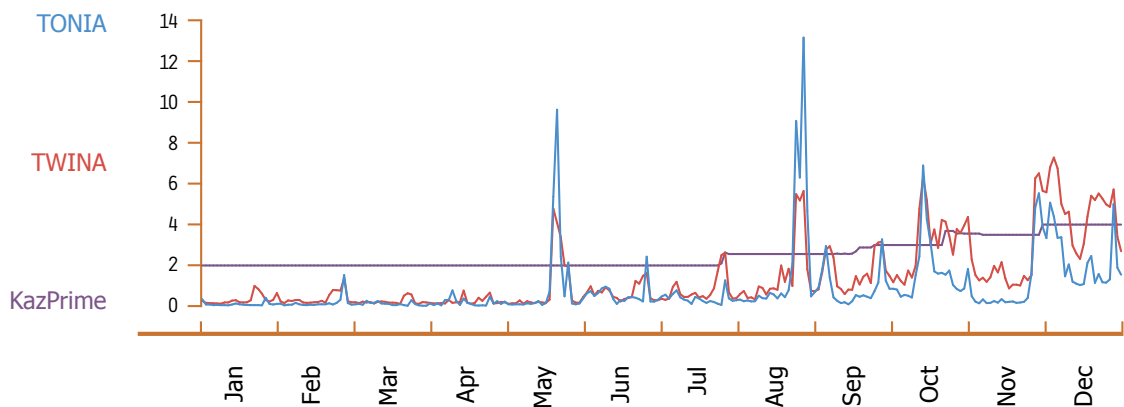
Redemption schedule of GS in circulation, bn tenge



The combined amount of exchange trading decreased by 6.7% compared with 2011 and totaled KZT27.5 trln. The drop was caused first of all by the foreign currency market (by KZT1.2 trln) and repo transactions market (by KZT960 bn). To a lesser

extent, the combined trading volume was affected by the lower activity in the GS secondary market, where the turnover decreased by KZT230 bn.

REPO market indicators, % p.a.



FINANCIAL RESULTS



ЕЖ3466730

ҚАЗАҚСТАН ҰЛТТЫҚ БАНКІ

БАНКНОТТАРДЫ ҚОЛДАН ЖАСАУ
ЗАҢМЕН ҚУДАЛАНАДЫ



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FINANCIAL RESULTS

Assets

The total assets of the exchange group as of December 31, 2012 increased by 11.5% (KZT306.4 mln) to KZT2,967.9 mln. The assets rose on the back of retained earnings whose main part was placed by the Exchange on deposits and accounts in STB. Cash and its equivalents went up twice in 2012: from KZT49.3 mln to KZT101.8 mln.

Cash on deposits amounted to KZT788.8 mln which is 35.2% higher than in 2011. Based on the results of the year, this item accounted for 26.6% of the total assets.

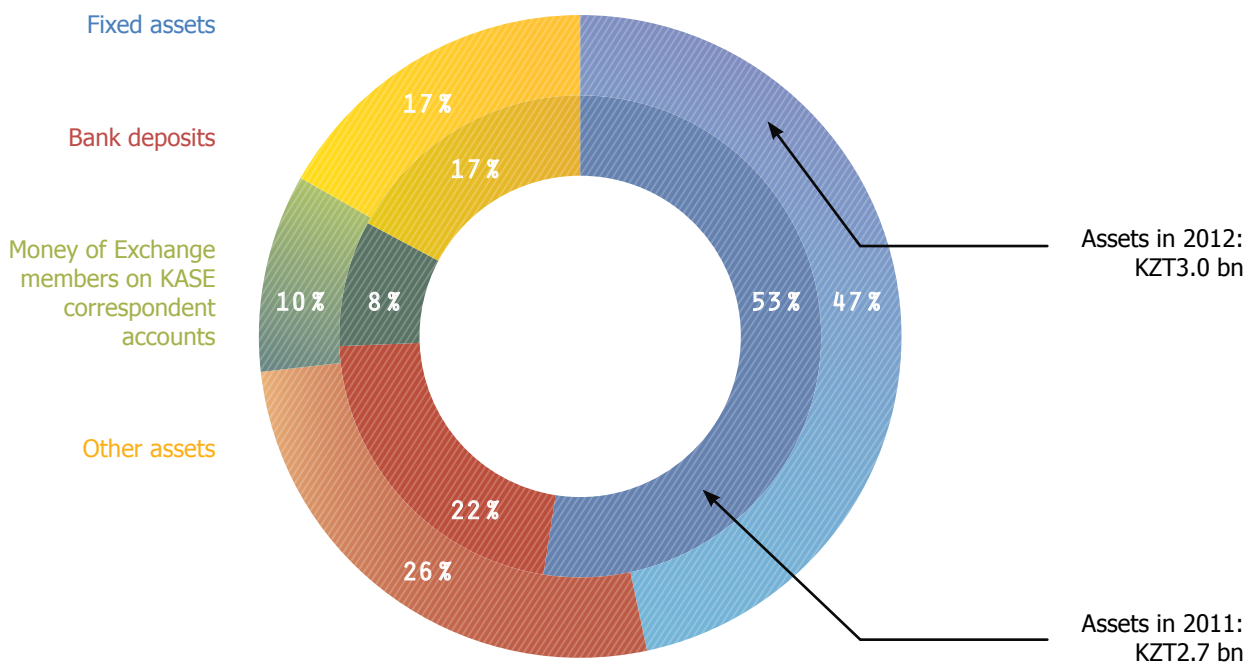
Capitalization of expenditures on improvement of the Exchange's trading system, development of its special version "Subscription" (see chapter "Progress report on project implementation and exchange

development"), as well as purchase in the fourth quarter of licenses and one-year technical support of data base administration software Oracle Database brought about a substantial increase in intangible assets: from KZT3.3 mln to KZT45.2 mln.

Liabilities and capital

The debt burden on the exchange group remains insignificant – the financial leverage indicator was at 0.17 according to results of 2012, but in fact, KASE has no debt obligations, including interest payable. KASE's total liabilities increased by 29.2% to KZT429.8 mln. At the same time,

KASE group assets



around 69% (KZT295.8 mln) of the total liabilities are classified as "Liabilities on restricted funds towards Exchange members" meaning Exchange members' funds kept in KASE correspondent accounts. This indicator is reflected in the balance sheet's assets side, too.

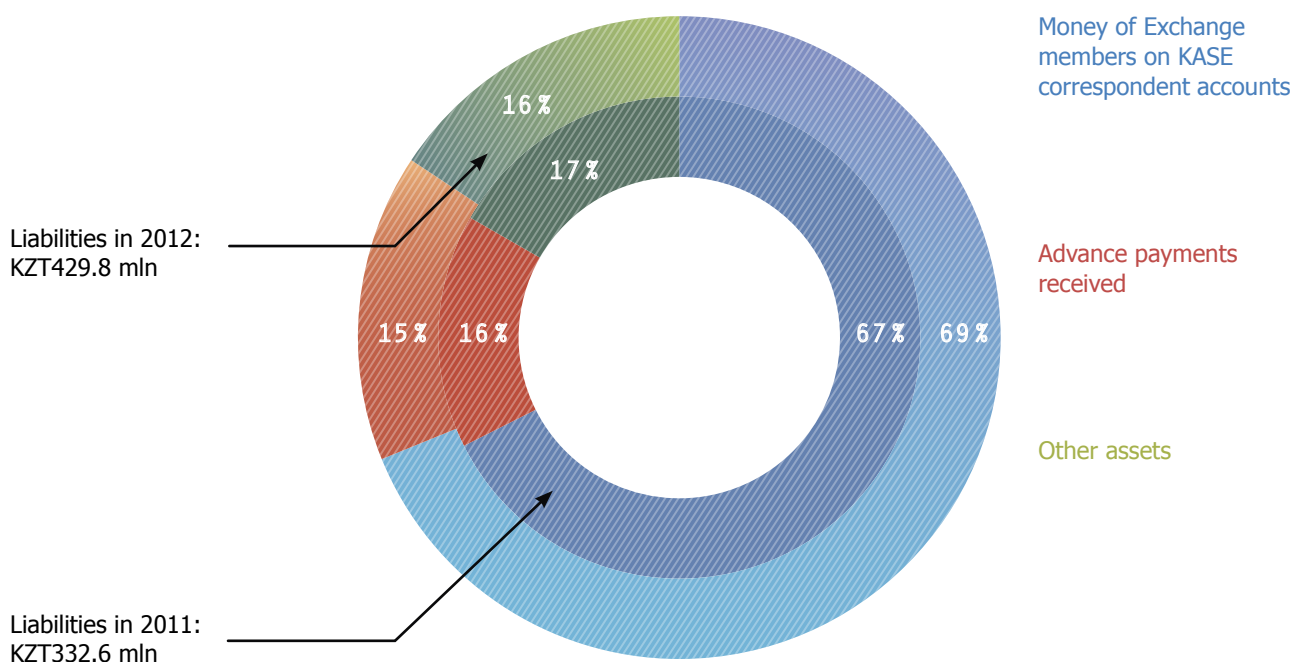
There were no significant changes in the capital structure over the year under review: the equity capital increased by KZT209.2 mln, or 9.0%, to KZT2,538.2 mln on account of retained earnings reinvested in development.

KASE Group operations

The year under review was marked by an increase in operating revenues of the exchange group on the one hand and a decrease in operating expenses – on the other hand. The differently directed development of key indicators of the profit and loss account in 2012 was behind the net income of KZT210.0 mln, i.e. 30% more than the year before. KASE's operating revenues amounted to KZT1.1 bn in 2012, a rise of 3%, or KZT32.9 mln on the previous year.

The total income from services and fees rose by KZT74.7 mln in the year under review (7.4%) reaching KZT1,084.6 mln.

Liabilities of KASE group



During 2012 the Exchange was bringing its organizational structure in line with legal requirements: in particular, the Exchange member monitoring service and the Clearing department (see chapter "Progress report on projects and Exchange development") were set up. In spite of creating new exchange units, KASE managed to avoid a cost increase. Operating expenses of the exchange group went down by KZT30.5 mln, or 3.4%, to KZT873.7 mln in the year under review.

The decrease in expenses compared with the previous year was possible thanks to saving on business development projects, marketing and PR-campaigns. Further, some expenses on modernization and development of Exchange information systems was considered as part of intangible assets, and that for the most part caused less expenses on business development.

Compared with 2011, when the Exchange conducted a large-scale event – the 17th

General Assembly of the Federation of Euro-Asian Stock Exchanges (FEAS), expenses on marketing and PR reduced by 87.9% (KZT16.0 mln) to just KZT1.9 mln. The cost saving followed the cancellation of a series of marketing campaigns.

Revenues from membership fees

Revenues from membership fees did not change considerably over the year, increasing by KZT4.2 mln (+ 1.6%) to KZT276.2 mln.

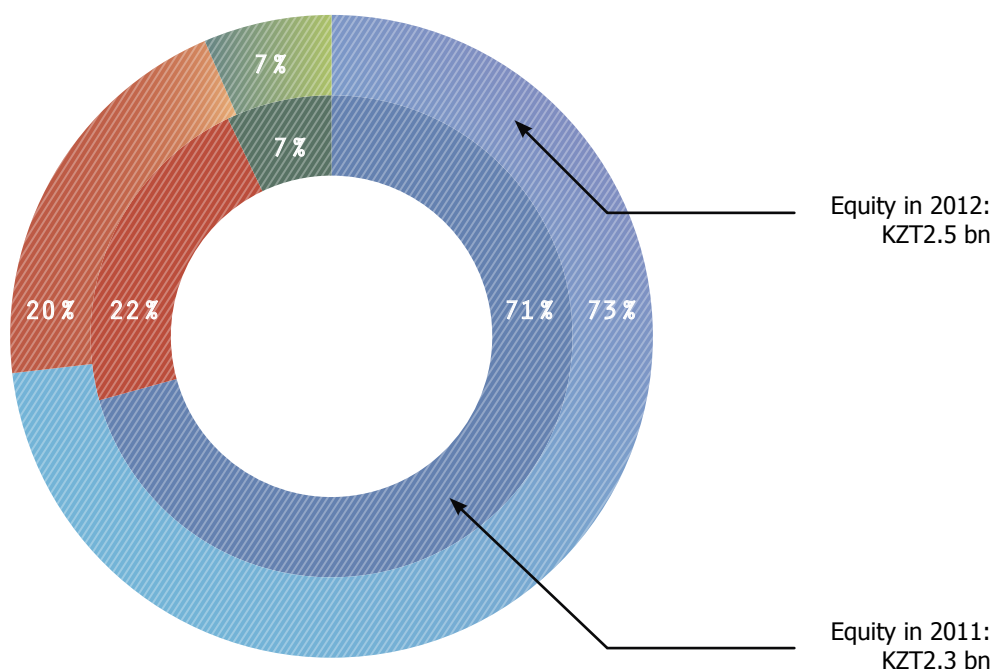
Due to regulatory changes (see chapter "Events") and the current situation on the financial market (see chapter "Market conditions") the number of stock market members decreased from 74 to 60: 11 of them dropped their Exchange membership of their own accord, another four were stripped of their licenses following a

KASE equity

Retained earnings

Share capital

Other resources



decision of the authorized body, and only one company was granted Exchange membership in 2012. The number of currency market members remained unchanged. For the above-mentioned reasons the amount of membership entrance fees went down by KZT20.7 mln (81%) to KZT4.8 mln over the year. Monthly membership fees rose by KZT25 mln (+10%) to KZT271.3 mln, 88% of them, or KZT239.3 mln, came from currency market members. The increase in monthly revenues was related to the 7% increase (from KZT1,512 to KZT1,618) in the MCI value fixed for 2012, since the amount of KASE membership fees is calculated based on that value.

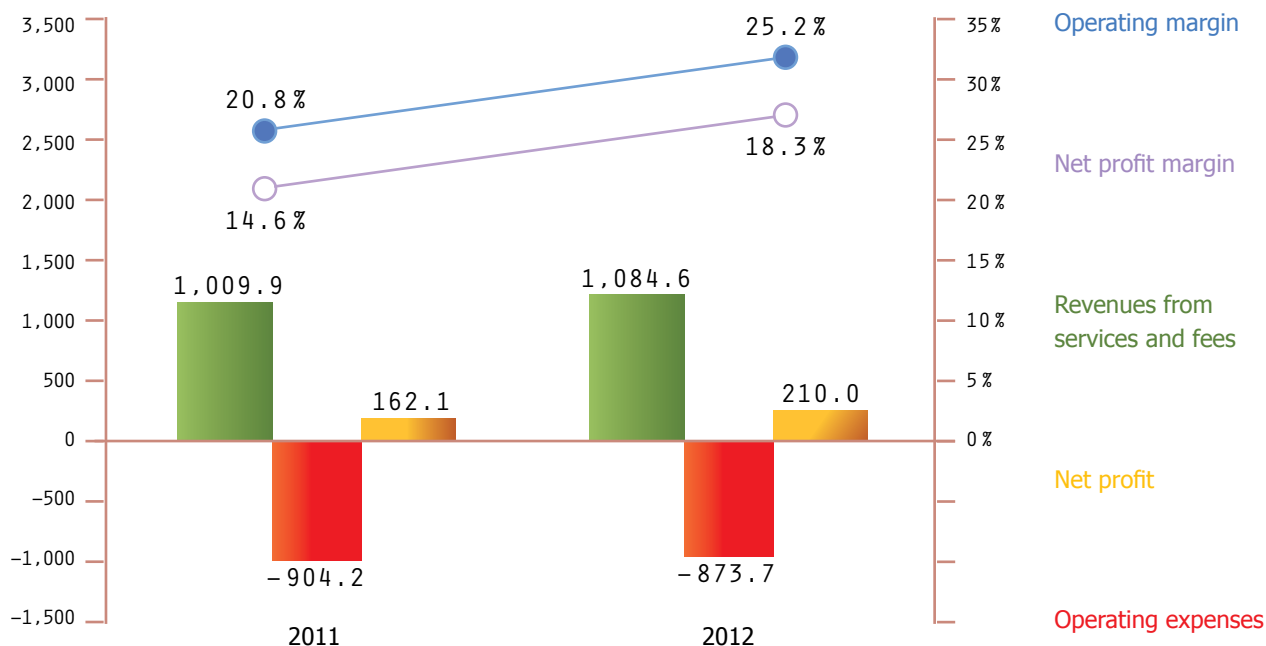
The portion of this item in KASE group revenues from services and fees was 26%.

Revenues from listing fees

Revenues of the Exchange from listing fees in 2012 increased by 24%, or KZT 75 mln, to KZT391.7 mln. The low activity of issuers in the first half-year was compensated by the end of the year – during the fourth quarter securities of as many as 14 issuers were included in the Exchange trading lists. On the whole, corporate securities of 51 title underwent a listing on KASE in 2012.

As of January 1, 2013 there were 333 corporate securities of 125 issuers in the Exchange official list. The increase in the number of listed companies was, among other things, encouraged by the introduction of a legal requirement for listing of accumulative pension funds. As a result, the amount of listing fees rose by KZT42.1 mln in absolute terms, or by 31%, reaching KZT155.5 mln. At the same time, the amount of annual fees totaled KZT236.2

KASE group operations



mln, which is KZT32.9 mln (+ 16.2 %) higher than in 2011.

The share of revenues from listing fees in the total of earned by KASE group from services and commissions increased from 31.4% to 36% in the year under review.

Revenues from commission fees

The total amount of commission fees in 2012 reached KZT253.4 mln, remaining virtually at the level of last year (an increase of 0.3%). At the same time, there was a considerable increase in fees collected on the corporate securities market: the total commission fees collected in that segment rose by KZT33.9 mln, or 48.9%, to KZT103.4 mln.

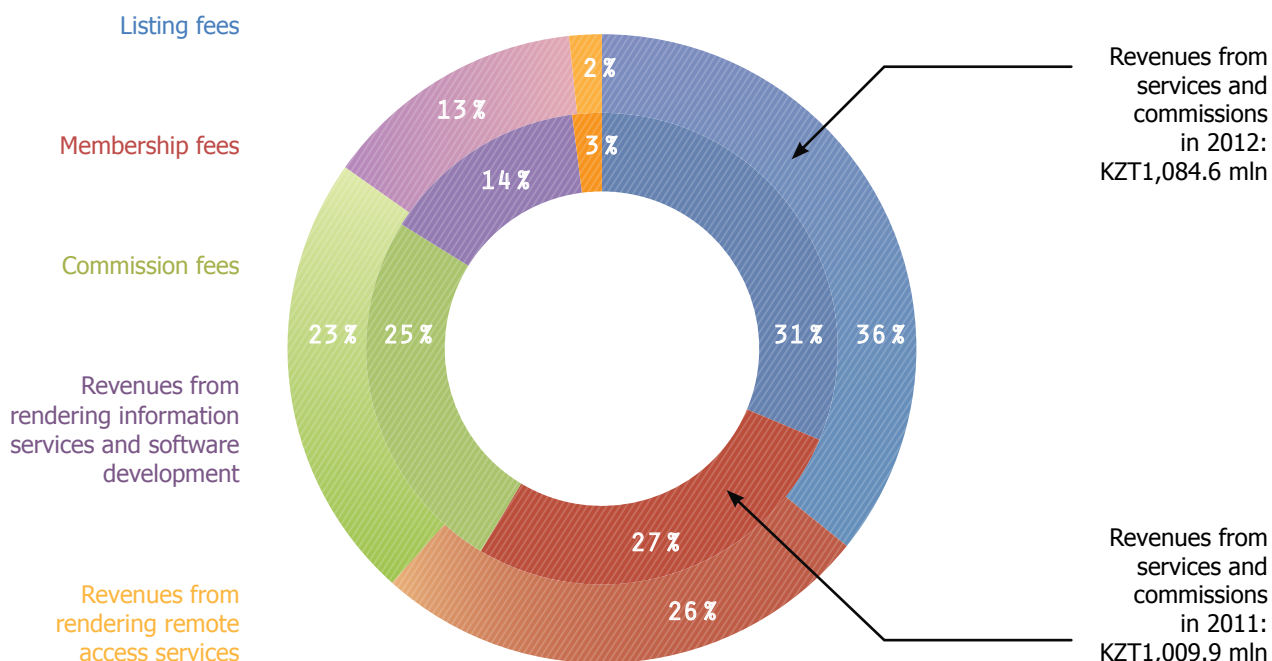
The amount of commission fees on transactions involving purchase and sale of

equity securities reached KZT37.9 mln exceeding 2.7 times the figure from 2011 (by KZT23.6 mln), which is related in the first place to execution of spontaneous large deals worth over KZT96 bn, as well as to the large number of transactions in Kazakhtelecom shares in the run up to the dividend payment due for 2011.

In 2012 the Exchange collected a total of KZT65.2 mln of commission fees on transactions in corporate bonds, which is by KZT16.2 mln, or 33%, more than in 2011. This indicator rose following a substantial increase in the number of direct transactions which yielded as much as KZT28.5 mln on commission fees.

The amount of commission fees collected on special trading sessions totaled KZT21.2 mln in 2012, decreasing by 33.5% (KZT10.7 mln) on 2011. This decrease was balanced by KZT10.3 mln of fees collected on the subscription to KazTransOil ordinary

Structure of KASE group revenues from services and commissions in 2012 and 2011



shares under the People's IPO and to Kcell ordinary shares.

Less commission fees came in 2012 from the GS market. The actual amount of fees collected there ran up to KZT46.4 mln, 49.5% less than in 2011. The low activity on the secondary GS market was related to changes introduced as of January 1, 2012 to the prudential regulation of pension funds and their transition to the multi-portfolio system, as well as with the record high volume of the GS primary market in the year under review compared with previous years.

Based on the results of the year under review, the amount of commission fees totaled KZT63.6 mln, increasing by KZT8.3 mln (14.9%) within a year.

On the whole, the portion of commission fees in KASE revenues from services and commissions virtually did not change staying at 23.4%.

Revenues from sale of information products

Based on 2012 results, KASE group's total revenues from information products amounted to KZT145.0 mln, decreasing by 0.9%, or KZT1.3 mln over the year.

At the same time the Exchange earned KZT35.4 mln from selling market data, 7.8% less than the year before. Payments from information agencies Bloomberg and Thomson Reuters are estimated at an equivalent of KZT34.7 mln, of which KZT23.3 mln came from user fees, whereas KZT11.4 mln were earned on license fees. As of December 31, 2012 the number of users receiving data through Bloomberg and Thomson Reuters was 250; and there were 49 users of commercial resources offered on the Exchange website. Based on 2012 results, the most users of KASE data came from the USA (35.8%), Great Britain (24.7%), Kazakhstan (15.4%) and Hong-Kong (7.7%).

Among important events worth noting was signing on November 6, 2013 of an agreement with Vienna Stock Exchange on calculation and distribution of index KTX, calculated based on prices of shares of Kazakh companies trading on KASE.

The share of revenues from selling market data in KASE group's income from services and commissions didn't change significantly making up 13.4%.

KASE subsidiaries

Information agency of financial markets IRBIS LLP

Based on 2012 results, the operating income of IRBIS increased by KZT13.7 mln (+ 16.4 %) to KZT97.3 mln, on account of higher revenues from selling information services. The highest increase (almost 3.5 times) came from providing access to the agency website's commercial pages. Selling information to secondary vendors also played a significant role increasing by KZT4.9 mln (+ 80 %) to KZT11.1 mln.

The rather small increase in expenses – by KZT2.8 mln (+ 4.0 %) on the year before – to KZT73.7 mln is worth noting. At the same time the net income of the agency turned out to be almost two times higher (by KZT9.6 mln) than in 2011, reaching KZT18.9 mln.

The agency's assets gained KZT16.4 mln (+ 29.4 %) in value over the year, reaching

a total of KZT71.9 mln, and its equity put on KZT14.0 mln (+ 35.1 %) to KZT53.7 mln following an increase in retained earnings.

eTrade.kz LLP

KASE subsidiary in charge of development, support and modification of software used by professional participants of Kazakhstan's securities market – eTrade.kz LLP – in the year under review showed a slight increase of 3.8 % to KZT34.9 mln in operating income, with expenses decreasing by 1.1 % to KZT29.4 mln.

The company assets were valued at KZT36.4 mln, increasing by KZT2.6 mln (+ 7.8 %). The equity rose by 2.1 % to KZT29.5 mln.

The net income declined by 28.1 % to KZT2.0 as a result of increased income tax expenses.

KASE subsidiaries (in mln tenge, if not otherwise specified)

Item	IRBIS	eTrade.kz
Operating revenues	97.3	34.9
Operating expenses	73.7	29.4
Net profit	19.0	2.0
Net margin	26.7%	21.9%
Net profit margin	21.5%	8.2%

Financial results

Consolidated statement of comprehensive income (in thousands of Kazakhstan tenge, except for Earnings per Share, which are in Tenge)

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
Fee and commission income	4, 20	1,084,621	1,009,923
Interest income	6	40,631	95,522
Provision for impairment losses on interest bearing assets and other operations	5	(10,285)	(6,660)
Net gain/(loss) on foreign exchange operations		(151)	531
Impairment loss on investments available-for-sale		–	(6,761)
Share of profits of associate	14	(1,522)	35
Other income		33,681	21,470
OPERATING INCOME		1,146,975	1,114,060
OPERATING EXPENSES	7, 20	(873,733)	(904,224)
PROFIT BEFORE INCOME TAX		273,242	209,836
Income tax expense	8	(63,208)	(47,691)
NET PROFIT		210,034	162,145
EARNINGS PER SHARE			
Basic (KZT)	9	385.38	299.94
OTHER COMPREHENSIVE LOSS			
Net loss resulting on revaluation of available-for-sale investments		(855)	(10,090)
Impairment transferred to profit or loss		–	6,761
TOTAL COMPREHENSIVE INCOME		209,179	158,816

The notes published on http://www.kase.kz/files/for_shareholders/kasef6_2012.pdf form an integral part of these consolidated financial statements.

Consolidated statement of financial position (in thousands of Kazakhstan Tenge)

	Notes	31 December 2012	31 December 2011
ASSETS:			
Cash and cash equivalents	10, 20	101,756	49,257
Restricted cash		295,790	224,780
Due from banks	11	788,784	583,323
Investments available-for-sale	12	21,277	21,622
Investments held to maturity	13	71,249	105,302
Investments in associate	14	138,813	140,335
Advances paid		1,421	12,195
Property and equipment	15	1,384,872	1,395,642
Intangible assets		45,184	3,331
Current income tax assets		25,687	56,673
Deferred income tax assets	8	–	142
Other assets	16, 20	93,075	68,942
TOTAL ASSETS		2,967,908	2,661,544
LIABILITIES AND EQUITY			
LIABILITIES:			
Payables to trade members on restricted cash		295,790	224,780
Advances received		66,529	52,210
Current income tax liabilities		4,409	2,229
Deferred income tax liabilities	8	24,005	19,417
Other liabilities	17, 20	39,017	33,929
Total liabilities		429,750	332,565
EQUITY:			
Share capital	18	517,291	517,291
Investments available-for-sale revaluation fund		(6,244)	(5,389)
Other reserve		170,000	170,000
Retained earnings		1,857,111	1,647,077
Total equity		2,538,158	2,328,979
TOTAL LIABILITIES AND EQUITY		2,967,908	2,661,544

The notes published on http://www.kase.kz/files/for_shareholders/kasef6_2012.pdf form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in thousands of Kazakhstan Tenge)

	Share capital	Investments available- for-sale revaluation fund	Other reserve	Retained earnings	Total equity
As at 31 December 2010	406,244	(2,060)	170,000	1,515,452	2,089,636
Net loss resulting on re-valuation of available-for-sale investments	–	(10,090)	–	–	(10,090)
Impairment transferred to profit or loss	–	6,761	–	–	6,761
Net profit	–	–	–	162,145	162,145
Total comprehensive income	–	(3,329)	–	162,145	158,816
Issue of ordinary share capital	111,047	–	–	–	111,047
Dividends declared	–	–	–	(30,520)	(30,520)
As at 31 December 2011	517,291	(5,389)	170,000	1,647,077	2,328,979
Net loss resulting on re-valuation of available-for-sale investments	–	(855)	–	–	(855)
Net profit	–	–	–	210,034	210,034
Total comprehensive income	–	(855)	–	210,034	209,179
As at 31 December 2012	517,291	(6,244)	170,000	1,857,111	2,538,158

The notes published on http://www.kase.kz/files/for_shareholders/kasef6_2012.pdf form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(in thousands of Kazakhstan Tenge)

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		273,242	209,836
Adjustments for non-cash items:			
Provision for impairment losses		10,285	6,660
Loss from disposal of property and equipment		2,129	9,296
Share of profits of associate		1,522	(35)
Net change in fair value of investments available-for-sale		–	(878)
Impairment loss on investments available-for-sale		–	6,761
Net change in accrued interest		(6,330)	4,945
Depreciation and amortization	7	58,350	42,690
Cash inflow from operating activities before changes in operating assets and liabilities		339,198	279,275
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Restricted cash		(71,010)	(194,004)
Due from banks		(198,000)	484,685
Advances paid		10,774	66,066
Other assets		(34,928)	(16,029)
Increase/(decrease) in operating liabilities			
Payables to trade members on restricted cash		71,010	194,004
Advances received		14,319	3,643
Other liabilities		5,088	(832)
Cash inflow from operating activities before taxation		136,451	816,808
Income tax paid		(25,312)	(42,759)
Net cash inflow from operating activities		111,139	774,049
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	15	(49,350)	(1,248,988)
Purchase of intangible assets		(42,212)	(253)
Proceeds on redemption of investments held to maturity		32,922	99,117
Purchase of additional share capital of associate		–	(13,740)
Net cash (outflow) from investing activities		(58,640)	(1,163,864)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of ordinary share capital		–	109,616
Dividends paid on ordinary shares		–	(29,945)
Net cash inflow from financing activities		–	79,671
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		52,499	(310,144)
CASH AND CASH EQUIVALENTS, beginning of period	10	49,257	359,401
CASH AND CASH EQUIVALENTS, end of period	10	101,756	49,257

The amount of interest income earned by the Group during the years ended on December 31, 2012 and 2011 made up KZT34,301 th. and KZT100,467 th. accordingly

The notes published on http://www.kase.kz/files/for_shareholders/kasef6_2012.pdf form an integral part of these consolidated financial statements. The auditor's report on KASE 2012 consolidated financial statements is available on www.kase.kz



PROGRESS REPORT ON PROJECTS AND EXCHANGE DEVELOPMENT





PROGRESS REPORT ON PROJECTS AND EXCHANGE DEVELOPMENT

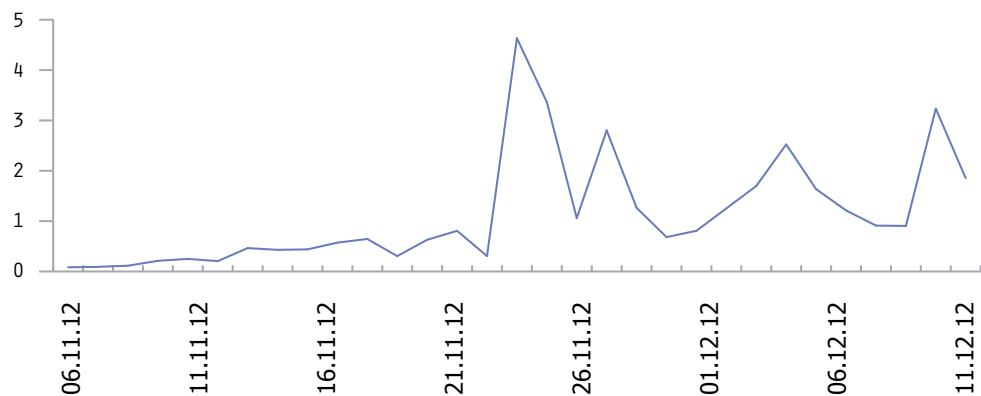
People's IPO

One of KASE's main projects is its participation in the "People's IPO" program. The program started in autumn 2012. The pioneering company whose shares were sold to Kazakhstan's people and accumulative

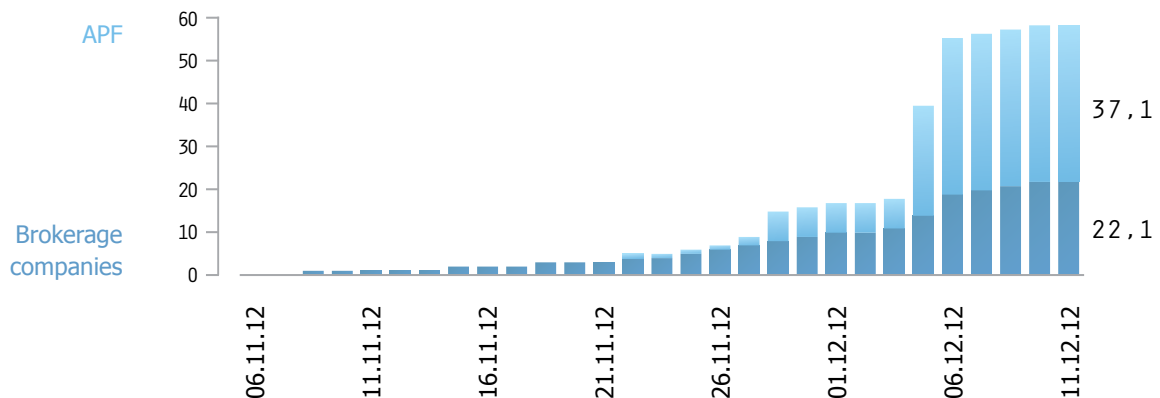
pension funds was KazTransOil JSC. This project is capable of giving substantial positive momentum to the country's stock market and, as the experience shows us, its beginning was more than successful.

Flow of orders submitted to Exchange trading system

Order quantity, th. pieces



Cumulative order volume, bn tenge



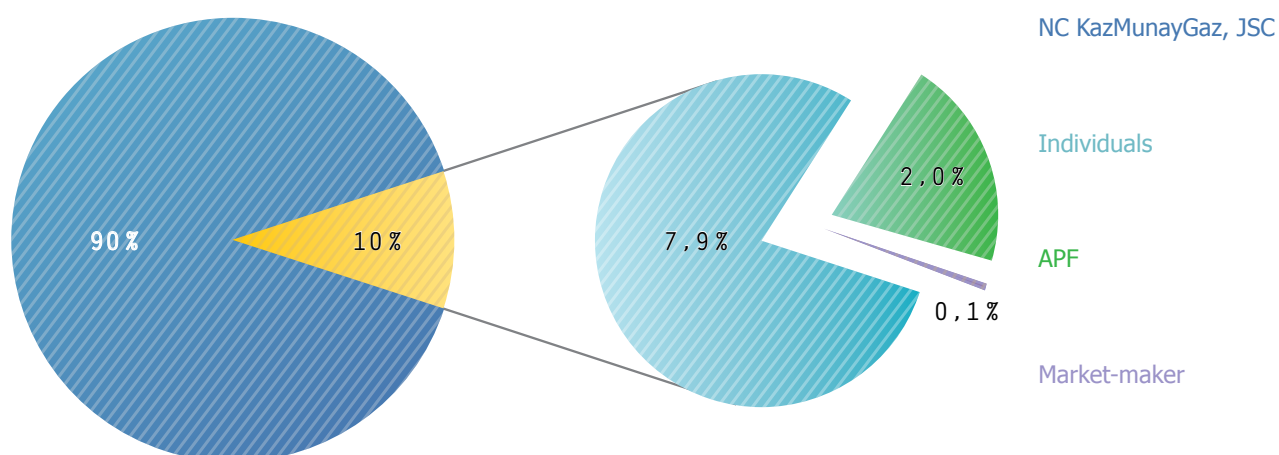
We point out the following positive effects of this program:

- an increase in the number of retail investors on KASE stock market: 34 thousand individuals were involved in KazTransOil share offering;
- an opportunity for the broad public to invest in sound enterprises and the real sector of Kazakhstan’s economy with adequate expectations of dividends and stock value increase;
- increasing the transparency of government companies offering their shares on the regulated stock market on account of the full disclosure of information about their operations through a listing on KASE and later while operating as listed companies;

- gaining experience in introducing state enterprises to the stock market – a positive factor for next offerings of securities issued by the government and private companies;
- practical method of establishing an investment culture amongst the broad public and improving the financial literacy;
- an additional tool for diversification of people’s savings;
- enhancement of the role of the retail sector in the business practice of financial companies – members of the stock market.

The purchase order book for ordinary shares of KazTransOil, the state monopolist in the field of oil transportation, was opened on November 6, 2012. As a rule

KazTransOil shareholder structure after the IPO



when an IPO is made, specially hired investment banks maintain the order book and carry responsibility for a successful execution of the offering. However, considering the importance of the government program, as well as the particulars of Kazakhstan's securities market, the building of the purchase order book for KazTransOil ordinary shares was carried out by the Exchange. Individuals and APFs that are not members of the Exchange were submitting their orders via brokers – members of KASE stock market. 22 brokerage companies and 10 APFs took part in building the purchase book for KazTransOil shares.

The total demand for KazTransOil ordinary shares more than two times exceeded the supply and amounted to KZT59.4 bn. According to the subscription results, 100 % of orders from individuals were satisfied with the maximum allowed purchase amount per person being as much as KZT7 mln. The volume of unsatisfied demand on orders in excess of the KZT7 mln limit made up KZT71.6 mln. The final distribution of shares looked as follows: shares to

a total of over KZT22 bn were purchased by individuals; APFs bought securities to the amount of KZT5.7 bn; a market-maker pursuing his obligation to maintain the liquidity, acquired KZT157 mln worth of shares.

Secondary trade in KazTransOil ordinary shares was opened on December 25. Within a week of trading the mentioned shares increased in value to KZT837.00 per share, which is 14 % higher than the offering price (KZT725.00 per share). At the same time, many players including pension funds were building up their positions in excess of the volume they bought during the offering, expecting a further increase in the price.

The successful offering of KazTransOil shares under the "People's IPO" program was a result of measures unprecedented for Kazakhstan's stock market. Due to the uniqueness of the project work was done along several lines of KASE business: development and comprehensive reconciliation of the subscription rules, development

Opening of the trading in KazTransOil ordinary shares on the secondary market (on the left: Bulat Zakirov, deputy General Director for Development, KazTransOil JSC; on the right: Kadyrzhan Damitov, President of KASE)



of special software including a special purpose trading module called "Subscription", testing of the trading system for receipt and processing of a large quantity of orders. The technological and rule-making activities were accompanied by information and educational support for KASE members and the broad public. A series of informing and explanatory events were conducted for KASE stock market members, prospective and existing retail investors, as well as for mass-media. In addition, KASE executives took part in KazTransOil road-show. All these measures represented a unique chance for the Exchange to raise its operations to a whole new level and prepare its infrastructure for further development and company offerings to follow. It should be added that there was not a single technical or operational failure on the Exchange during the entire time of the subscription.

Listed companies and instruments

The total number of listed companies increased by 21 over the year and made up 125 companies as of January 1, 2013, of which 78 were issuers of equity securities and 72 – issuers of debt securities. For comparison: in 2011 the number of listed companies went down by five. As of the end of 2012 KASE lists included corporate securities of 333 titles – 102 share issues and 231 corporate bond issues. Compared with 2011, the number of instruments increased by 7.8% (+ 24).

That increase was a result of regulatory changes, as well as the more active move of corporate issuers onto KASE stock market.

In 2012 according to new legal requirements, APFs were obliged to undergo a listing on KASE. This prerequisite was fulfilled by pension funds. Thus, at the time

this report was prepared, shares of ten APFs were quoted in the third category of KASE official list's share section, which is a positive moment in terms of full disclosure of information related to pension asset managers.

Investor base

2012 was unprecedented in terms of increase in the investor base of the securities market. The number of new investor accounts set up in the Central Securities Depository, as well as the number of citizens involved in the "People's IPO" witness of a considerable potential and outlooks for development of retail investment on KASE stock market. The large campaign for attracting the broad public to the stock market conducted in association with the Exchange certainly produced a positive result.

As of the end of December 2012 the number of individual accounts set up in the Central Depository totaled 52,231, increasing by 42,343 accounts, or 5.3 times, over the year.

The work on expanding the investor base in 2012 mainly involved measures on popularization of the stock market by means of conducting public events, comprehensive counseling of the broad public, presentations held by KASE in higher education

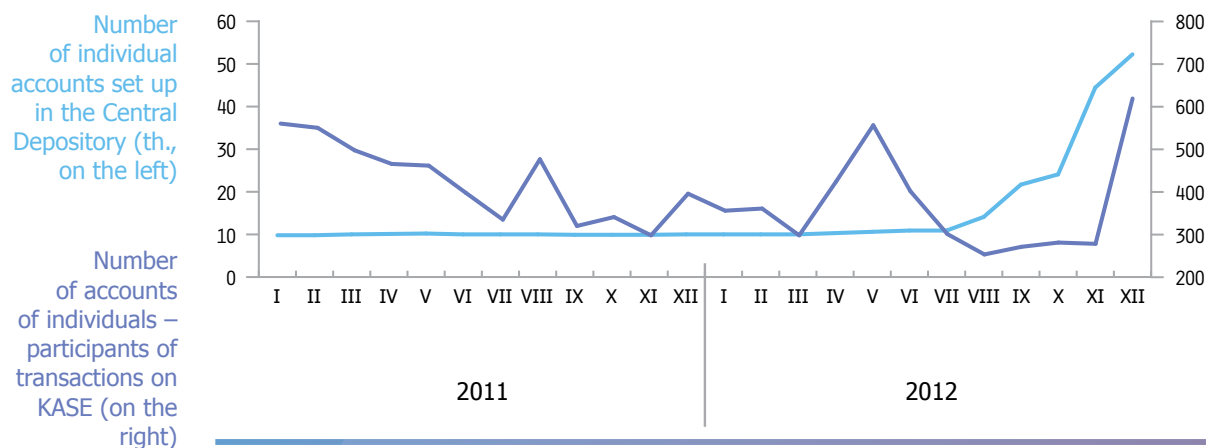
establishments, as well as work with mass media.

PR-campaign of the Exchange

Last year was extremely full of events and projects involving public relations. The most important of them was the information support of the "People's IPO", whereas:

- a counseling group on IPO issues was established;
- a special section on "People's IPO" was set up on KASE website;
- arrangements were made aimed at supporting the promotion of resources and information on the "People's IPO" program; a large number of explanatory materials were prepared and published;

Number of individual accounts set up in the Central Depository and that of exchange trade participants over time





Open Door Day of the Stock Market at KIMEP University

- seminars and educational workshops were organized for market participants, mass-media and investors;
 - the first solemn ceremonies were conducted to mark the opening of trading in KazTransOil and Kcell ordinary shares on the secondary market.
- Apart from the continuous information support of the "People's IPO" the Exchange was conducting active work with



At an event marking the opening of trading in Kcell ordinary shares on the secondary market (from the left to the right: Arnat Abzhanov, member of Management Board of Halyk Finance JSC; Veysel Aral, CEO of Kcell JSC; Kadyrzhan Damitov, President of KASE; Erkebulan Tulibergenov, CEO of Halyk Finance JSC; Andrey Tsalyuk, Vice-president of KASE)

issuers and Exchange members to enhance the partnership. Several round tables were organized for market participants and listed companies on issues regarding changes in the legislation, seminars on corporate government, as well as technical workshops for KASE employees were arranged.

On May 19, 2012 the first large-scale event for prospective retail investors was conducted on premises of KIMEP University – “Open Door Day of the Stock Market” with lively support from the country’s leading brokerage companies. The event was attended by more than 300 people, which showed a certain level of the public interest in stock market issues.

In spring and autumn of the year under review the information agency IRBIS supported by KASE conducted “Exchange simulator” competitions powered by KASE trading system, in which over 300 people took part, and the total number of transactions concluded during the competitions exceeded 12.5 thousand deals. The “Exchange simulator” covered 9 cities and more than 20 higher education establishments in Kazakhstan. The winners of those competitions were rewarded with a training course in various structural units of KASE.

With the above-mentioned PR-projects implemented, the year 2012 can be viewed as successful in terms of popularization of the stock market amongst various groups of the public, KASE brand promotion and building of investment culture in the country.

Working on liquidity improvement

Serious work was done in 2012 in terms of reforming the market-makers institute.

It resulted in a new internal document – “Regulations on Market-Makers” (hereinafter – the Regulations), approved by KASE Board of Directors’ decision of November 26, 2012. The Regulations were drawn up for purposes of improving the terms and procedure of market-makers’ activities on KASE. In comparison with the previous similar document, the Regulations contain a few fundamental distinctions as follows.

For purposes of increasing the liquidity of securities and fulfillment by market-makers of their “market making” functions maximum values of spreads on mandatory market-maker quotations on securities were reduced: from 7% to 4% on first class liquidity shares or highest category shares of the official list, from 10% to 5% on shares of the second and third liquidity classes, from 4 to 3 basis points on the yield of bonds trading in “net” prices, and from 8% to 5% of the price of bonds trading in “dirty” prices.

Requirements for minimum volumes of the best mandatory market-maker quotations on securities were reduced: to the 1,000-fold of MCI on debt securities and to the 2,000-fold MCI on equity securities from the previous 2,000-fold and 3,000-fold MCI, respectively. However, requirements for transaction amounts upon reaching which market-makers for securities may refuse to display mandatory quotations (up to the five-fold of one minimum mandatory quotation on particular securities) were raised;

The amounts of fines for non-fulfillment of market-maker obligations and (or) their undue fulfillment were changed. In accordance with the Regulations they make up 50, 100 and 200 MCI depending upon the duration of the registered violation – respectively up to 60 minutes, in excess of 60 minutes, but less than the trading session duration, and throughout the entire

trading session time. At the same time additional possibilities were introduced for market-makers refusing to display mandatory quotations due to a deviation in financial instruments' prices.

The Regulations were agreed upon with the FSC NBK on December 28, 2012 and made effective as of April 1, 2013.

Project development

Remote KASE membership

In the course of executing the action plan on project "Remote KASE membership" (Remote Membership, hereinafter – project RM) approved by the Exchange Management Board in October 2011 the following tasks were completed:

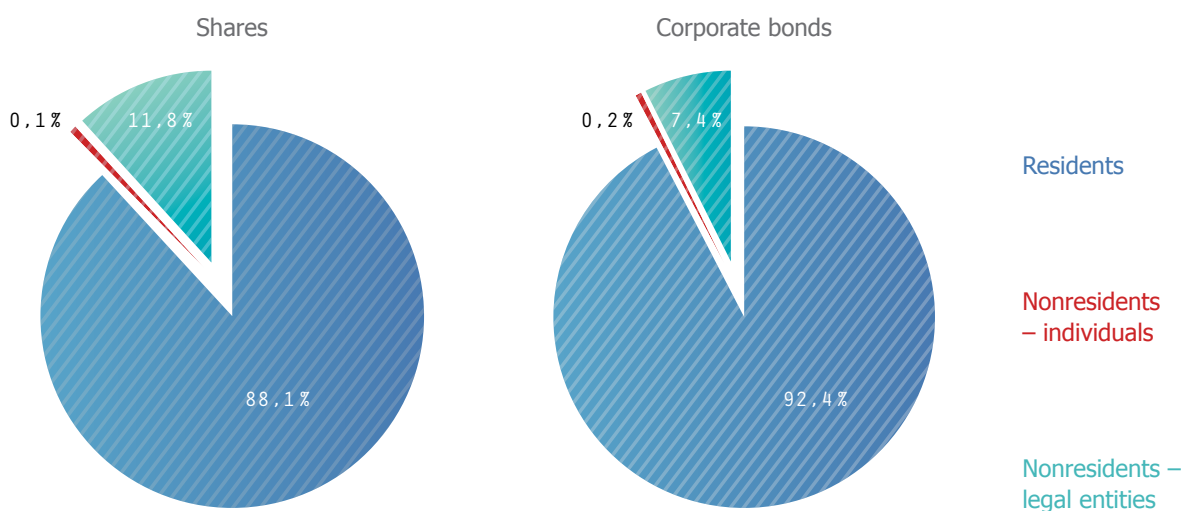
- draft requirements for those seeking Exchange remote membership were developed;

- the standard agreement on KASE membership for foreign legal entities was developed and approved by KASE Management Board;
- risks of remote membership and indicative measures to reduce them were determined;
- mechanisms in the form of a transactional FIX-gateway were provided for technical facilitation of remote Exchange members' access to participation in exchange trading.

In June of the year under review the Exchange introduced the concept of this project to current KASE members and conducted a poll regarding the importance thereof to KASE customers. The poll showed that the majority of respondents (87%) approved the need to implement the RM project on the Exchange.

Consultative meetings on terms and procedure of RM implementation were conducted

Foreign capital on stock market and corporate bond market, % of the gross return



with experts from Korea Exchange (KRX) as part of the bilateral cooperation between the Exchange and KRX; KRX Consultancy report "Development of Kazakhstan's security market" containing chapter "Requirements for remote membership" was discussed among other things.

In addition intensive rule-making activities were carried out during the year: a list of internal documents subject to change following the implementation of RM project was drawn up; proposals and additions to the main document on Exchange membership were developed in part of special requirements, restrictions and terms for those seeking remote Exchange membership and remote members.

Direct access to Exchange markets for second-tier trade participants

In 2012 KASE continued working on the project of direct access to Exchange markets for second-tier trade participants or Exchange members' clients (Direct Market Access, hereinafter – project DMA).

In April 2012 the Exchange Board of Directors took into consideration the concept of direct access to regulated financial instrument markets for Exchange members' clients. The action plan of that concept was approved following the May 30, 2012 decision of the Exchange Management Board.

In the year under review KASE received a positive approval from Kazakhstan's National Bank regarding the procedure of project DMA implementation; throughout the year we were working on the draft internal document governing the direct access to exchange trading for second-tier participants.

In the course of implementing the technical component of this project, a version

of the FIX 2.0 transactional gateway was commissioned in which the following changes and additions were introduced in comparison with the previous version:

- support of the Java-library was added;
- the system of notifications accompanying the process of order submission and deal conclusion was improved;
- reliability of the service was enhanced.

In addition, in the year under review KASE launched the test server "Transactional FIX-gateway" based on a virtual working station for external users.

In 2013 KASE will continue to work on this project, in particular, there is an intention to present the draft agreement on the use of TS to facilitate retail investors' access to the regulated securities market for consideration by the Exchange Board of Directors and Management Board. That document is further supposed to be forwarded to "eTrade.kz" for accomplishment.

Attracting foreign investors

The share of foreign capital in Kazakhstan's stock market tends to decrease. Despite some interest in Kazakhstan's market from foreign investors with the launch of the "People's IPO" in the background, there is no significant volume of trade on KASE powered by foreign capital.

Amongst important events in terms of attracting foreign investors is participation of KASE representatives in events covering the development of the stock market in the Russian Federation. So, in May 2012 during an online-trading fair in Moscow, KASE executives conducted negotiations with several Russian brokers (BKS, Finam, Bank Zenit) on the subject of their

interest in Kazakhstan's market and terms of their business there. KASE marketing department in May 2012 took part in the VIII Russian IPO Congress, presenting attractive aspects of doing business on Kazakhstan's stock market for foreign investors and conducting a few meetings with prospective investors.

In addition, KASE continuously makes efforts to attract foreign investors as a member of international exchange associations (see chapter International cooperation).

Development of derivative financial instruments market

In 2012 KASE executed a set of measures to develop the derivative financial instruments market (DFI), in particular, expanding the list of exchange market instruments. Despite the fact that those measures did not have a direct effect on the intensity of trade, their implementation was necessary for further development of that exchange market sector.

The trading, clearing and settlement systems for the exchange DFI market were overhauled during the year. Upon completing those modifications in autumn of the year under review KASE for the first time opened trading in futures on the most liquid shares of KASE index – ordinary shares of KazMunaiGas Exploration Production JSC, Halyk Savings Bank of Kazakhstan JSC, KAZAKHMYS Plc and Eurasian Natural Resources Corporation Plc. Specifications of those futures were approved by the Exchange's Management Board on October 24, 2012 and put into effect the next day.

In addition, discussions were held with AFK members and the authorized body regarding necessary changes in normative legal acts to remove obstacles for development of the exchange DFI market. The

Exchange participated in working meetings conducted by the AFK on issues of law improvement, development of the securities market and accumulative pension system, possibility of concluding transactions in derivative instruments by second-tier banks. Efforts were made to attract derivatives market members to operating as market-makers for stock market futures.

At the beginning of November 2012 the Exchange conducted a training seminar on the derivatives market for representatives of professional securities market participants, and at the end of November – for investors.

Settlement system based on T + n scheme

In accordance with the Plan of main actions the Exchange in the year under review continued working to solve a set of issues related to introduction of clearing and settlement systems based on the T + n scheme (where $n > 0$) with partial pledge to the organized security market (project T + n).

The main condition for starting the implementation of the project T + n is the availability of appropriate legal framework; however cooperation between the Exchange and the regulator and market operators had been far from intensive since 2012, since considerable resources of the professional securities market community had been engaged in other lines of activity, in particular, in implementing norms of the Risk minimization act.

Nonetheless, the following work was done on the project T + n:

- meetings of the AFK special working group were conducted, where the Exchange made presentations, proposals

on changing the legislation and other documents related to the project T + n;

- international experience in security lending systems (SLS) was studied and the Central Depository's draft documents regulating the system of financial instrument lending necessary to implement the project T + n were considered;
- since one of the defending lines in the risk management system of the central counteragent is insurance of his professional liability, the Exchange has studied Kazakhstan's insurance market for insuring the professional liability of various financial institutions, as well as insuring against electronic and cybercrimes as applied to the Exchange's operations as a trade operator, clearing institution and organization executing particular types of banking transactions;
- consultancy meetings were held with experts from Korea Exchange on terms and procedure of implementing the project T + n;
- as for the general scheduling of acts on clearing and T + n on the securities market necessary for implementation of the project T + n, the Exchange participated in the work of AFK working groups on development of necessary changes and additions to regulations on clearing activities, brokerage and dealing activities, on activities of the trade operator on the securities market.

Taking into account the above-mentioned the Exchange will continue working on the project T + n, including improvement, discussion and agreeing with operators of the regulated security market and the authorized body on draft changes and additions to Kazakhstan's normative legal acts necessary for implementing this project.

Clearing operations

Following changes in Kazakhstan' legislation clearing of transactions in financial instruments has become a licensed activity on the securities market in Kazakhstan. Due to this fact the Exchange had to obtain a license for clearing of transactions in financial instruments. For this purpose the Exchange has drawn up a series of internal documents whose main purpose was setting out rules, procedure and schedule of Exchange clearing operations, in particular the following was developed:

- Regulations on clearing of transactions in financial instruments;
- Procedure for monitoring and control of clearing participants;
- Regulations on clearing fees;
- Methodology of evaluation of clearing participants;
- Regulations on the clearing system operations;
- List of financial instruments accepted for clearing service;
- Methodology for calculation of risk parameters on the derivative financial instruments market.

On July 19, 2012 the Exchange obtained license No. 4.2.3/1 for operations on the securities market, issued by the FSC NBK, which gives it the right to execute the following operations on the security market:

- organizing of trading in securities and other financial instruments;
- clearing of transactions in financial instruments on the securities market.

In the year under review the Exchange Management Board set up a new structural unit – the Clearing department responsible for the immediate execution of all clearing procedures on the Exchange.

Following a decision of the Management Board dated July 23, 2012 the status of a clearing participant on the currency market was assigned to 32 members of the Exchange currency market, and the status of a clearing participant on the derivatives market – to 10 members of the Exchange derivative market.

During the year 2012 the Exchange carried out several modifications of its internal data systems and business-processes to comply with the current legislation on clearing activities on the securities market.

Transparency of the exchange market and protection of investor interests

Activities aimed at increasing the exchange market transparency and protection of investor rights were carried out in 2012 as part of implementing norms of the Risk minimization act. As was said above, this act affected virtually all aspects of the operation of Kazakhstan's financial market. On the one hand we see a tightening of regulations on professional market participants, on the other hand there is increased responsibility for actions on the market, and consequently, reduced risks for investors – main participants of the financial system's capital flow "mechanism".

As part of implementing norms of the Risk minimization act, KASE in 2012 fundamentally changed the procedure of monitoring and disclosure of information about Exchange members in terms of promptness and disclosure extent.

Activities involving collection of data and monitoring of Exchange members' condition are separated from the process of interaction with KASE members. As was mentioned above, a new unit was set up within the structure of the trade operator, whose main function is gathering of information provided by Exchange members in accordance with legal requirements and internal documents of the Exchange, control over timely disclosure of information about Exchange members' condition.

To reach an appropriate level of coverage of Exchange members' operations KASE has modified its website www.kase.kz, which now enables disclosure of information about Exchange members' operations at a level matching the level of disclosure on listed companies.

In addition, some efforts were made on increasing the transparency of listed companies and control of their compliance with legal requirements in terms of securities offering.

Amongst other things changes were made in the specifying internal document, which increase the transparency of ownership in securities issuers, as well as enable control of compliance with legal norms on securities offering on the regulated market, if the issue terms of particular securities provide for their circulation on the regulated market.

Technological development

Following altering demands of the local market and legislative changes, a broad range of activities was carried out in 2012 aimed at KASE technological development.

Trading system

Throughout the year the Exchange's trading system was modified twice.

In June KASE commissioned version 2.33 of its trading system, whose creation involved modernization of some segments of the trading system, in particular:

- rules of conducting special trading sessions were changed;
- the mechanism for changing parameters of market-maker orders was modified;
- displaying of the respective modal window in case of the long waiting for the server response was introduced;
- additional attribute was introduced to display the repo-liability structure enabling control of the time left to the repo deal close;
- storage of log-files in the local user directory was implemented enabling recording of user transactions in the trading system.

In addition, the system of trade terminal automatic update was improved; the Exchange trading system's data exchange module and library of access from external applications to the Exchange trading system for operation of version 2.33 of the trading system were improved and commissioned.

To ensure the continuity of processes related to the operation of trades and market data processing, test trades facilitated by the remote backup center were conducted on KASE, as well as the full cycle of processing data generated by the Exchange as trade operator was tested in the second half-year.

Version 2.34 of the trading system was commissioned in October, whereas the faults detected during the operation of previous versions were rectified.

Trading system. Version "Subscription"

In the course of preparing for the launch of the "People's IPO" the Exchange developed a special version of the trading system called "Subscription".

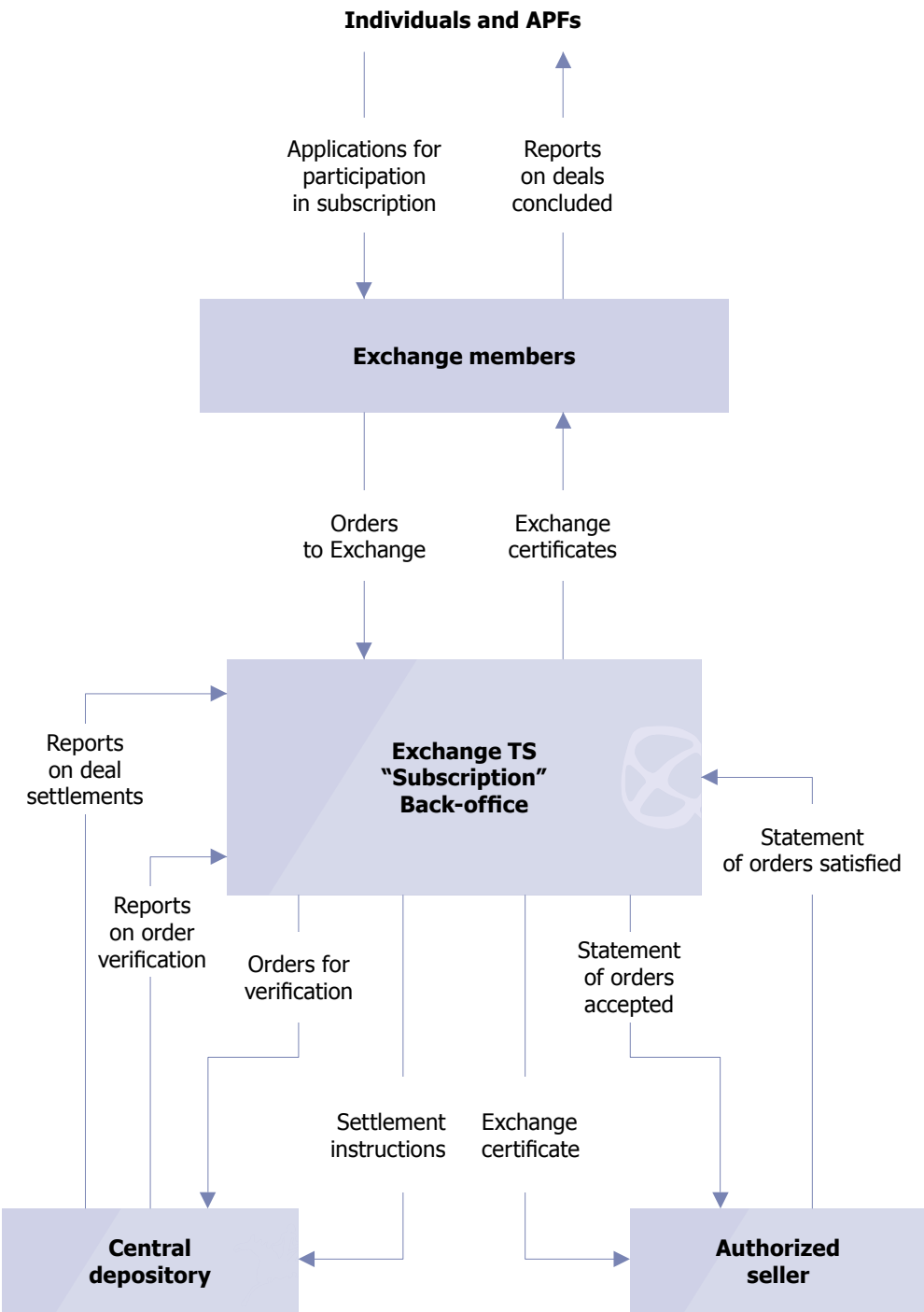
This version was developed in accordance with the Rules of subscription to shares, which were duly agreed upon with all divisions involved in the share offering under that program at all stages of the development.

Thus, the special version of the trading system, the "Subscription", fully meets the applicable normative regulations and enables the fulfillment of functions assigned to the Exchange under the implementation of the "People's IPO" program. In addition, it features improved capacity parameters and a great potential with regard to expected load.

In particular, this version of trading system enables simultaneous subscription to shares of several titles; at that up to 300 thousand accounts may be involved. The system functional allows processing of 20 times more orders a minute than the maximum load registered during the subscription to KazTransOil and Kcell shares in 2012.

The "Subscription" and the concurrent functional of the Exchange's back-office system power the interaction with subscription participants, the issuer's authorized seller and Central Depository.

Interaction between the Exchange and market operators during the subscription



The system was commissioned in September 2012 with the test terminal of the trading system "Subscription" available as of September 6, 2012 – two months prior to the beginning of the subscription to KazTransOil shares, i.e. all market participants had a chance to examine the terminal functional in advance.

KASE website

Information support of events on the exchange market has always been KASE's strong point – the level of information disclosure at the moment is the highest in the history of Kazakhstan's stock market. The Exchange website is a monitor of exchange market events and a source of main information about Exchange members, listed companies and financial instruments trading on KASE. In particular, the Exchange website features more than 300 thousand information messages composing KASE newsfeed which is generated in real time in three languages: the state language, Russian and English; as well as

22.3 thousand documents of listed companies and KASE members.

In 2012 the Exchange carried out a large-scale modernization of its website in order to ease the search and data collection processes for website users. The website was moved to and configured on new servers and new software.

To optimize the navigation and improve the user convenience the website structure was changed. An additional menu was placed on the website's title page, where the most popular resources of the website are displayed depending on topic.

The Exchange was supplementing its website with new sections and pages throughout the entire year.

Section "People's IPO" was set up in the first half-year of 2012. This section was developed and is being maintained by the Exchange as part of its assignment under the information campaign supporting the implementation of the "People's IPO"

Website section "People's IPO"



Website section "Clearing activities"



program. It features information about the said program, its participants and progress, as well as references to data resources which may be useful for users of the Exchange's website seeking information about the mentioned program.

In summer of the year under review the website launched a new section dedicated to the Exchange's clearing activities. This section presents information about clearing participants and financial instruments accepted for clearing service, as well as references to applicable internal documents of the Exchange.

The section dedicated to Exchange members was substantially overhauled to comply with legislative norms requiring more disclosure on Exchange members. The new version of this section significantly differing from the previous one was opened for the website users in May. Each Exchange member is provided with a separate page in this section. The mentioned pages contain a broad range of information including data on KASE members'

main financial indicators, their contacts, membership categories and level activity in those categories, as well as other information subject to disclosure in accordance with the legislation and Exchange internal rules.

For purposes of improving the information content and drawing attention to main events on the exchange market, the block "main event" is placed on the website's title page. This block is used to focus the website users' attention on the most significant events occurring on the Exchange. In particular, information on special trading sessions and public events conducted by the Exchange is released in this block.

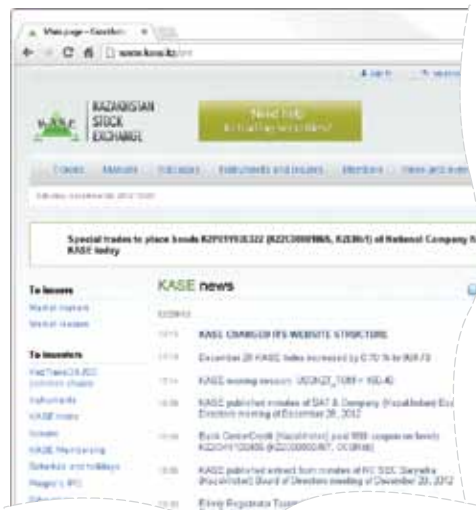
Electronic document management system IS2IN

In 2012 KASE commissioned the electronic document management system "Is2in" (Issuers to Investors). This system is software designed by Exchange experts. The development of this system began at the

Page of an Exchange member



Title page with block "main event"



end of 2010, and already in August 2011 it was ready for testing. From August to September 2011 the working version of the system Is2in was tested by exchange employees, from September to November – in association with nine listed companies.

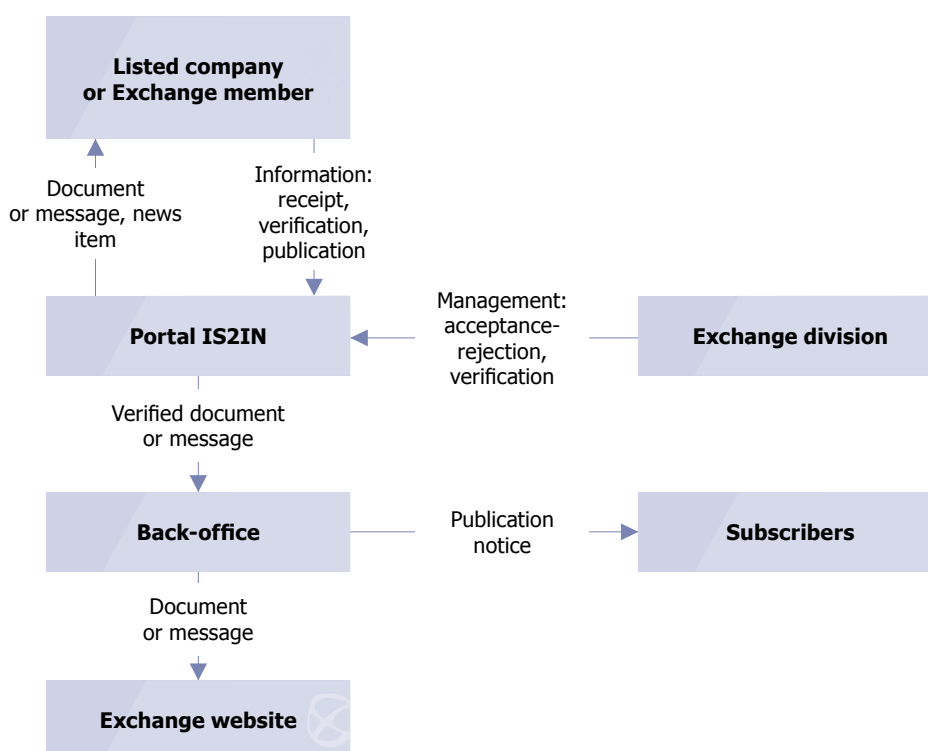
After completing the testing, at the beginning of 2012 the system Is2in was commissioned and since then available for use by listed companies. In the first half of the year under review all security admittance initiators were provided with a testing period during which they could provide documents via the system, as well as bypassing it – through electronic mail or in hard copy. That period was used by the Exchange to

conclude agreements on the use of that system with listed companies.

Since July 1, 2012 the system Is2in is a mandatory tool for listed companies disclosing their information according to listing requirements.

The system Is2in allows users to transmit their documents (periodical financial statements, meeting minutes, securities issue prospectuses etc.) in automatic mode without providing hard copies to KASE and generate standardized information messages later displayed on KASE website. In addition, the functional of the system Is2in includes notifying Exchange employees of

Operational algorithm of Is2in



arrival and transfer of documents and information, as well as notifying users of the document and information delivery, their going through verification stages, their acceptance or rejection by the Exchange.

Introduction of this system has allowed working without hard copies of documents coming from listed companies, increasing the speed of processing the incoming information and its posting on the Exchange website, as well as reducing operating costs of both the Exchange and listed companies.

From the beginning the system was designed to operate the document flow only with listed companies and securities admittance initiators.

Following legislative changes at the beginning of the year under review the list of documents and information subject to presentation to the Exchange by its members was substantially extended. That was the reason for making necessary improvements and adjustments to Is2in allowing KASE members to use the system for transmission of documents and information according to Exchange information disclosure requirements. These improvements and adjustments were completed in the first half-year and Exchange members were provided with the same system user options as the listed companies.

At the end of 2012 a special electronic digital signature (EDS) module was added allowing the signing of Exchange member documents with the EDS conform to GOST 34.310-2004.

In 2013 KASE intends to continue developing of the system, in particular, the third edition of the system using the EDS is supposed to be introduced for listed companies and admittance initiators.

KASE back-office system

The Exchange back-office system was developed in 2012 along several key lines at the same time.

In the course of preparing for share offering under the "People's IPO" program concurrently with development of the "Subscription", a special version of the trading system, necessary resources and mechanisms were created in the Exchange back-office system for fixing, storing and processing of orders submitted to the Exchange during a subscription and transactions concluded based on such orders. In particular, ledgers for storage of information about such orders and transactions were developed, mechanisms for generation of summary statements on orders accepted and processing of summary statements on orders satisfied by the seller were designed; a special form of the exchange certificate was introduced; calculation of the commission fee for the administration of a subscription as well as a series of statistical reports were implemented.

Following the receipt by the Exchange of the clearing license a resource was provided by the back-office system based on which the Exchange clearing system was developed. This system includes a data storage facility, as well as a functional for carrying out clearing procedures and generating appropriate documentation, reports and statistics. Currently, the Exchange clearing system complies with applicable legislative norms and internal documents of the Exchange.

In order to minimize user errors while operating the back-office system, some improvements were made on the system in 2012, e.g. a warning mechanism to avoid duplication of table characteristics in the back-office data base was incorporated;

the functional for setting limits on currency market members' positions was improved, whereas the limit entering option for all currency market instruments was implemented, as well as a ban on generation of entries with zero and doubled values was introduced; a mechanism was implemented to verify the uniqueness of TRN and BIN values while entering data on new listed companies and Exchange members in the back-office; additional mechanisms to check the correctness of the market price calculation were implemented.

The back-office was modified in terms of its harmonization with other information systems of the Exchange: a functional was designed for uploading settlement participants' accounts into the system "1S: Enterprise"; the mechanism of interaction with electronic document management system IS2IN was improved.

Other improvements on the back-office included:

- separating the registration of guarantee fees on the derivatives market by sector;
- designing a functional for detecting suspicious deals in real time;
- development of the map of user access to back-office systems;
- development of the mechanism for registering commercial users of the Exchange website and calculation of user fees;
- development of the bank accounts operation mechanism in the back-office trial version according to the Exchange's existing bank account opening and maintenance license;
- automation of calculation of theoretical initial and final futures prices.

Exchange of trading data via FIX market data and FIX-gateway

Following the need for extending of KASE capacities in terms of trading data distribution using the FIX (Financial Information eXchange) protocol, in the first half-year an additional module for FIX market data was created – a protocol used for provision of trading data to subscribers. This module enables delivery of the trade development data to particular customers with a certain delay. That allowed the Exchange to extend the range of information products and enabled the distribution of information in various time modes – in the real time mode and deliberate configurable delay mode.

In the year under review KASE improved its monitoring system for FIX Market Data, whose updated version is a more effective tool for detecting failure points, which together with the setting up of an alternative communication channel and other measures to increase the reliability of the service provided ensures a high level of reliability and failure-free delivery of market data to users and vendors.

Another important novelty is incorporation of the "blotter" in the FIX-server and its consequent transmission via the FIX-protocol.

In addition, the following jobs were carried out during 2012:

- improvement of the service for handling new versions of the trading system;
- improvement of the system of notifications made during submission or removal of orders, as well as during deal conclusion;

- improvement and commissioning of FIX 2.0 version of transactional gateway supporting a Java-library;
- implementation of measures on the launch of the trial server for external users on a virtual working station.
- implementation of a functional to check orders for compliance with some criteria classifying proposed transactions as suspicious in terms of manipulations on the securities market.

Training trading system (TTS)

As was mentioned earlier, two series of the “Exchange simulator” games were conducted amongst university students in 2012. Those games were powered by an improved TTS. Improvements on the TTS were made along the following lines:

- establishing the process of random order generation;
- improvement of the registration page;
- implementation of a functional allowing the filtering of data from the current game;
- improvement of means of archived data visualization.

Online trading system “STrade”

Versions 1.07, 1.07.05 and 1.08 of online trading system “STrade” were consecutively commissioned during 2012. The main changes and additions included:

- modernization and improvement of the user interface – adding of data fields, setting of data filtering;
- simplification of the certificate import;
- implementing the means of information message sending into the trading system using the “STrade”;

Data transfer system “eTransfer.kz”

Version 1.37.27 of the system “eTransfer.kz” powering Central Depository operations was commissioned in the third quarter of the year under review. The main stages of the work done:

- implementation of additional checking at the user’s signing in the “eTransfer.kz” for the user certificate match in both the data base and CC KCIS;
- implementation of the optional forwarding of any format files;
- correction of faults detected during the operation of previous versions.

In the fourth quarter of 2012 KASE released version 1.37.27 of the system “eTransfer.kz” – this time for clearing participants, which featured a functional for data exchange between the Exchange’s clearing system and clearing participants.

Telecommunications

In the course of overhauling the hardware and telecommunications the following work was done:

- setting up of a back-up Internet-channel for Exchange member connection;
- activation of the back-up radio channel between Exchange offices;

- activation of the back-up channel for executing payments in the national currency up to KCIS back-up center;
- parallel connection to the new network of the Exchange's information and technical services with Internet-access and their trial;
- launch of the new communication channel L2 reaching up to KCIS for services FASTI and Bank-client;
- adjustment and trial of the Exchange website on new servers and hardware;
- adjustment, trial and launch of the transactional FIX-gateway powered by new hardware;
- moving of the IP/VPN channel to the server facilities – back-up center from optics to WiBAS (passive optic network).

Documentation

All main technological novelties were accompanied by the drawing up of appropriate documentation. In particular, the following documents were developed: Procedure of making changes in the Exchange information systems, Rules of documenting of information systems, Instruction on the procedure of technical operation of the Exchange hardware. A few other documents were supplemented with amendments following the improvement and modernization of technologies and hardware utilized at the Exchange.

International cooperation

The strategically important project for increasing the cross-border cooperation and further development of KASE is receiving the status of a fully-fledged member of the World Federation of Exchanges (WFE) in

2013; currently, KASE is an affiliated WFE member. In order to attain the full membership, the Exchange has been taking measures to remove earlier incompliances with WFE criteria. In particular, that refers to the implementation of additional software capable of detecting suspicious transactions in real time to avoid manipulations on the securities market; increasing the quality of information support, establishing an information and counseling desk at the Exchange. Almost all incompliances with WFE criteria were rectified during 2012, except for criteria not applicable to the local market due to specific distinctions.

During its operations KASE actively cooperates with foreign stock exchanges. In 2012 KASE representatives visited Bulgarian, Tehran and Istanbul stock exchanges to get familiarized with operations of foreign exchanges and swap experience. KASE in 2012 continued its cooperation with Korea Exchange (KRX) in pursuance of the project providing for KRX rendering counseling services to KASE on a free-of-charge basis. KRX experts presented a report containing recommendations on KASE's further development. Those recommendations referred to development of KASE information systems, clearing and settlements, as well as systems of supervision and remote access of KASE members. In the course of implementing that project the parties set up a working group consisting of both KASE and KRX employees. Bilateral visits took place, during which meetings were held with representatives of regulatory bodies, depositors, brokerage companies and other financial institutions.

In 2012 KASE continued active cooperation with international institutions and stock exchange associations. The Exchange continues to take part in events arranged by international stock exchange associations, such as the World Federation of Exchanges (WFE), Federation of Euro-Asian Stock Exchanges (FEAS), South Asian Federation of

Exchanges (SAFE) and International Association of Exchanges of the Commonwealth of Independent States (IAEx of CIS), being a member of all of them. Employees of KASE attended FEAS events aimed at

experience sharing and further cooperation enhancement. So, the Eurasian investment summit was held in May in Istanbul, where main development problems of capital markets in countries – FEAS members were



Visit of KASE delegation to KRX



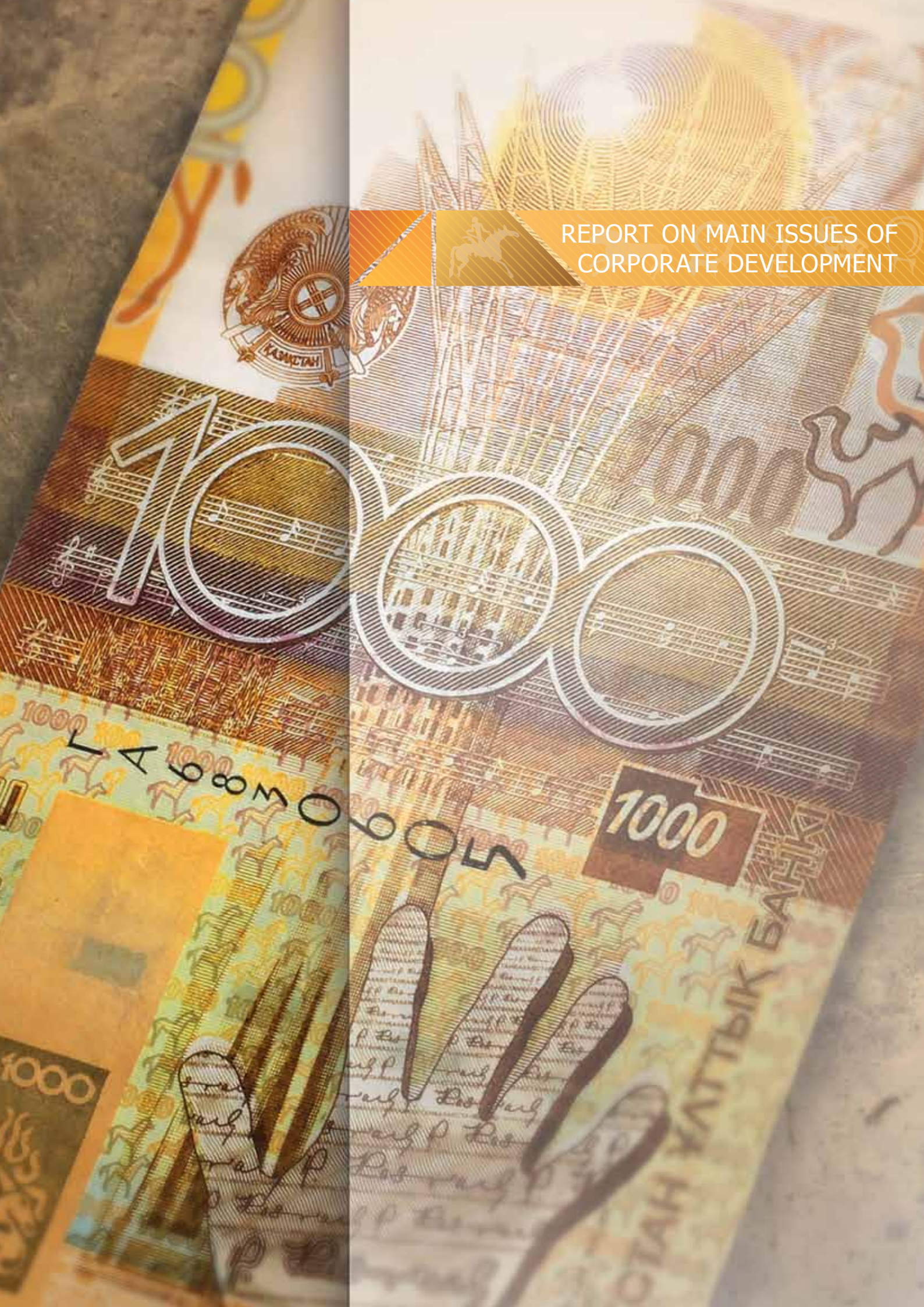
KASE presentation during the Eurasian investment summit

discussed and road-shows of FEAS member markets were conducted. KASE attended the event jointly with VISOR Capital JSC and Commodity exchange Eurasian trading system JSC. Also, KASE continued cooperation with the Organization for Economic Cooperation and Development (OECD) under the project on development of corporate governance in Eurasian countries. We remind you that the first joint meeting of the Exchange working group and OECD was held in Almaty in September 2011 and it was an excellent beginning of that international project. During the year activities were going on with regard to exchange of statistics which is published on the exchange associations' websites.

At the end of May KASE took part in the IX Bond congress of CIS and Baltic countries held in Yalta (Ukraine). That traditional event arranged by the information agency Cbonds, is one of major happenings on CIS debt securities market. At the event the Exchange presented a report on the current situation on Kazakhstan's corporate debt market and its development outlooks. As a member of the International Association of Exchanges of the Commonwealth of Independent States (IAEx of CIS), KASE actively cooperates with financial institutions from CIS countries, sharing statistics and analytical reviews.

As its future plans KASE considers the possibility of advancing to a new level of relations in the CIS exchange community. Enhancement of the interaction between capital markets is particularly relevant in terms of prospects of the Common economic space (CES) as the next step after emergence of the Customs union. It is assumed that an integration of CIS financial markets can facilitate a more efficient use

of "surplus" savings in some circumstances and raising of additional investments – in others. On account of crossing the borders of national markets, issuers of financial instruments may enjoy lower costs of investment; investors will take advantage of a higher investment portfolio diversification and lower investment risks. Also, funds raised on integrated capital markets of CES members can be used to fund all development projects possible.



REPORT ON MAIN ISSUES OF
CORPORATE DEVELOPMENT



REPORT ON MAIN ISSUES OF CORPORATE DEVELOPMENT

Information about shareholders

As of January 1, 2013 the total number of authorized common shares of Kazakhstan Stock Exchange JSC made up 5,000,000 pieces; 544,999 shares were outstanding. KASE has 56 shareholders including banks, brokerage and dealing firms, asset management companies, accumulative pension funds, other financial institutions and individuals. The largest shareholder is Centras Invest LLP, holding 91,527 shares, or 16.79 %, of all outstanding Exchange shares.

On August 8, 2012 the government stake in KASE represented by 74,935 ordinary shares (13.7495 % of all outstanding Exchange shares) formerly held by RFCA JSC, was transferred to the National Bank of the Republic of Kazakhstan.

Development planning

According to the Development strategy of Kazakhstan Stock Exchange JSC for 2011–2013, main strategic lines of Exchange development include increasing the exchange market capitalization, improving the liquidity of securities quoted on the Exchange, extending the list of services and financial instruments, as well as implementation of international standards in all Exchange activity fields for brand enhancement purposes, increasing the value of shares and gaining international recognition of the Exchange. In the year under review the Exchange continued to pursue strategic goals. In this regard we'd like to point out the following:

- joint actions of Sovereign wealth fund Samruk-Kazyna JSC, infrastructural organizations of Kazakhstan's securities market, including the Exchange, and market

List of persons which bought KASE shares in 2012

KASE shareholder	Quantity of shares bought, pieces
National Bank of Republic of Kazakhstan	74,935
HALYK FINANCE JSC, subsidiary of Halyk Bank of Kazakhstan	10,068
ARLAN SI LLP	8,300
Bank CenterCredit JSC	16,497
Individuals	4,863
Total, six shareholders	79,798

operators gave a successful start to the „People’s IPO” program;

- the necessary conditions were created for the pioneering offering of Islamic securities – sukuk al-Murabaha bonds of Development Bank of Kazakhstan JSC on markets of Malaysia and Kazakhstan;
- Exchange member monitoring service was established whose main responsibilities include control over timely disclosure by Exchange members of information about their operations, as well as control of their financial position;
- technological development of the Exchange was continued, in particular new versions of the trading system was launched; IS2IN, the system of electronic document flow between the Exchange and its members and securities issuers, was commissioned; „Subscription”, the special version of the trading system, was developed and commissioned; the Exchange website was restructured and supplemented with new sections;
- PR-campaign for popularization of the stock market was geared up, featuring a large-scale event called „Open Door Day of Stock Market”.

More details on the above-mentioned projects of the Exchange and others are available in section „Progress report on projects and Exchange development”.

In spite of the volatile internal and external market conditions the Exchange intends to continue doing its best to fulfill its strategic tasks. In accordance with the Exchange strategy the work along the following lines will be continued in 2013.

1. Extending the number of listed companies: arranging of securities trading under the „People’s IPO” program.

2. Expanding the investor base:

- conducting of events aimed at expanding the investor base – seminars, competitions; upgrading of the trading system simulator and the educating Internet-resource edu.kase.kz;
- drawing up of requirements for foreign legal entities, prospective and current Exchange members, in order to be able to monitor their financial position and manage risk;
- development of the project DMA and drawing up of relevant rules.

3. Extending the list of instruments traded and increasing their liquidity:

- efforts on the launch of exchange-based trading in the currency pair Chinese yuan/Kazakh tenge;
- development of the concept and implementation of actions for introduction of long currency swaps;
- working on the launch of new instruments on the derivatives market.

4. Increasing the exchange market’s transparency:

- development and implementation of the concept for dissemination of market data via mobile devices and social networks;
- setting up of a contact-center (user support center) at the Exchange.

5. Increasing the investor protection:

- issuing regulations on business ethics and diligent conduct during operations on the regulated financial instruments market;
- development and commissioning of a system of notification about suspicious transactions, supervision systems preventing an unlawful use of inside information during conclusion of deals, as well as systems for analysis of Exchange members' reports.

6. Technological development

- improvement of regulations necessary for the introduction of the T + n settlement scheme with partial collateral;
- improvement of the Exchange trading system – extending functional options and improvement of the interface, as well refining the control over entry of data in the trading system;
- implementing the EDS of CC KCIS in conformity with GOST 34.310-2;
- development of the trading system based on NEXT, the new platform.

7. International cooperation: pursuing the status of a full member of the World Federation of Exchanges (WFE).

8. Improvement of the corporate structure and governance: development of the Strategy and Business-plan for 2014–2016

Internal audit

In the course of 2012, the Internal audit service (hereinafter – the IAS) was playing an active part in improving the corporate structure and governance, developing

and enhancement of the Exchange's internal control system. Over the year under review, the IAS carried out as many as seven audits; in addition, the implementation of decisions made by the Exchange Management Board was regularly monitored, based on results of audits.

The IAS every quarter reported on the work done to the Audit Committee of the Exchange Board of Directors informing its members about results of audits and the implementation of recommendations and measures to correct faults detected in the Exchange's internal control system. All the above-mentioned measures were accomplished on time and in full throughout the year.

Risk management

Every year KASE risk management service (hereinafter – the RMS) carries out identification and qualitative assessment of Exchange risks. This service registers, monitors and manages Exchange risk events. Main tasks of KASE RMS in 2012 were:

- collection and maintenance of data base on materialized risk events of the Exchange;
- analysis of risk events occurred in 2010 and 2011;
- taking measures on management of potential risks and minimization of consequences of
- materialized risk events;
- control over investment activities while the financial service makes investment decisions;
- control over the right of access to Exchange payment systems;

- preparing the list of regulatory reports on risk management.

In 2012 a system of internal control over the use of inside information was introduced on the Exchange. Consequently, the RMS accomplished the following tasks:

- the List of inside information was drawn up;
- the Rules of internal control over the use of inside information were drawn up;
- a regularly updated database of Exchange insiders was set up;
- lists of legal entities and individuals having access to inside information were drawn up and are regularly updated;
- all persons having access to inside information are notified about their inclusion/removal from the insider list;
- work was conducted with the Association of Kazakhstan’s Financiers, Exchange members and issuers on issues of inside information.

In the year under review changes and additions were made to Exchange internal documents governing the risk management as part of Exchange efforts to obtain a clearing license. In this regard documents were drawn up such as the Risk management policy, Policy on management of Exchange business continuity, Rules of evaluation, monitoring and responding to risk events, as well as Rules of management of Exchange operating risks.

In the course of activities undertaken to ensure the continuity and safety of Exchange business, the RMS developed and agreed a safety concept for the office building, took part in testing the back-up center arranged by KASE IT Department,

conducted a training of Exchange employees on conduct in case of conflagration and made a respective presentation to Exchange executives.

As part of its efforts to build a compliance control, the Exchange has summed up, generalized and classified types of reports submitted to government bodies and other agencies.

Corporate governance code

The corporate governance code of Kazakhstan Sock Exchange JSC is regulated by the Corporate governance code of the Exchange. According to this document, principles of KASE corporate governance stipulate that every participant of the Exchange corporate relations should order his conduct according to the principles of professionalism, honesty, fairness, diligence, competence and responsibility based on the need to ensure a prosperous business for the Exchange, an increase in its market value and improvement of its attractiveness to investors, as well as the need to maintain the financial stability and operating efficiency of the Exchange.

Main principles of the Exchange corporate governance.

Protection of rights and interests of Exchange shareholders. This principle means that the Exchange does not prevent its shareholders from exercising ownership rights over their shares, unless those rights are not limited by the applicable legislation, contractual relations of unilateral liabilities of Exchange shareholders. At the same time the Exchange ensures that

its shareholders can exercise their right to obtain information on Exchange business, participate in general shareholder meetings and vote, take part in establishing Exchange bodies, as well as the right to receive dividends on Exchange shares.

Effective management of the Exchange by the general meeting of its shareholders, its Board of Directors and Management Board. According to this principle the Exchange annually reports to shareholders on its operating results; the annual reports contain detailed information about all aspects of Exchange operations, including reports on development and project implementation, as well as on financial indicators achieved.

By exercising control over activities of the Exchange Management Board, the Board of Directors develops and improves methods and criteria for evaluation of Management Board activities. The Exchange Management Board in its turn carries out current management of the Exchange and control of daily operations. At the same time, Management Board activities are aimed at achieving the highest operating and financial results possible.

Transparency, timeliness and objectivity of disclosing information on the Exchange and its business. KASE discloses information on itself for purposes of:

- enhancing the trust put in the Exchange by its shareholders and other operators of the financial market;
- assisting in taking investment decisions on purchase and retention of Exchange shares;

- ensuring the maximum feasibility of decisions taken by the general meeting of Exchange shareholders and the Board of Directors;

- ensuring the transparency of Exchange management.

Legitimacy and ethics. The Exchange acts in strict compliance with the applicable legislation, own charter and internal documents (developed based on the applicable legislation), as well as good business practices and business ethics.

Efficiency of the dividend policy. In conformity with this principle the Exchange uses only reliable and provable information about the real and prospective state of its operations and the real and prospective financial condition of the Exchange for purposes of detecting the availability or absence of circumstances for calculation and payout of dividends on its shares. At the same time the Exchange ensures the transparency of mechanisms for determining the size of dividends on its shares and payout procedure.

GLOSSARY

eTrade.kz	eTrade.kz LLP – subsidiary of the Exchange
DMA	direct market access – direct access to Exchange trading system for second-tier trade participants and Exchange members' clients
FEAS	Federation of Euro-Asian Stock Exchanges
FIX	financial information exchange – data transmission protocol, the international standard of financial data exchange
IPO	Initial Public Offering
KASE	Kazakhstan Stock Exchange JSC
KASE_BY	index of corporate bond yield, % per annum
KazPrime	average value of deposit interest rates offered by best credit quality banks in Kazakhstan
KTX Local	Kazakhstan Traded Index Local – KASE share market index, calculated by the Vienna Exchange by weighting the market capitalization, in euro and US dollars. Prices of shares quoted on KASE are used for calculations
KZT	Kazakhstan tenge
T + n	settlement terms when a deal is executed on the n-th day of its conclusion
TONIA	average weighted interest rate on one day repo transaction opening deals in Kazakhstan government securities on the auto repo market
TWINA	average weighted interest rate on seven working day transactions opening deals in Kazakhstan government securities on the auto repo market
JSC	joint-stock company
AFK	Association of Financiers of Kazakhstan
STB	second-tier bank (banks)
Exchange	Kazakhstan Stock Exchange JSC
GSH	government shareholding
KASE group, Exchange group	Kazakhstan Stock Exchange JSC and its subsidiaries Information agency of financial markets IRBIS LLP and eTrade.kz LLP

Risk Minimization act	Act No. 524-IV of Republic of Kazakhstan "On making changes and additions to some legislative acts of Republic of Kazakhstan on issue of regulating banking activities and financial organizations in terms of risk minimization" of December 28, 2011
FSC NBK	Committee on Control and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan
GS	government securities (of Kazakhstan, unless specified otherwise)
KASE Index	KASE share market index
IRBIS	Information agency of financial markets IRBIS LLP – a subsidiary of the Exchange
net profit margin	net profit/sales revenues ratio
Market-maker	an Exchange member recognized as such by the Exchange which undertook obligation to continuously announce and maintain bilateral quotations on particular securities
Ministry of finance	Ministry of finance of the Republic of Kazakhstan
mln	million
bn	billion
MCI	the monthly calculation index for calculation of allowances and other social payments, as well as for imposing penalties, taxes and other payments in compliance with the legislation of the Republic of Kazakhstan, the value of which is set by acts of the Republic of Kazakhstan "On the national budget" for respective years
People's IPO	the program for offering of blocks of shares of subsidiaries of "Sovereign wealth fund "Samruk-Kazyna" JSC on the securities market approved by resolution No. 1027 of Kazakhstan government dated September 8, 2011
National Bank	National Bank of the Republic of Kazakhstan
NC	national company
APF	accumulative pension fund (accumulative pension funds)
CS	corporate serial securities

Operating margin	operating income (income from main operations before tax and interest payable)/sales revenues ratio
OECD	Organization for Economic Cooperation and Development, international economic institution
RFCA	Regional Financial Centre of Almaty
IAS	Internal audit service
IC	Insurance company (insurance companies)
MM	mass media
CIS	Commonwealth of Independent States
sukuk	financial document common in countries ruled by Sharia law, so-called Islamic equivalent of bonds
RMS	Risk management service
US	United States of America
LLP	limited liability partnership
Trading system	the trading system of Kazakhstan Stock Exchange JSC
trln	trillion
TS	the trading system of Kazakhstan Stock Exchange JSC
th.	thousand
TTS	Exchange training trading system
CC KCIS	Certification Center of Kazakhstan Center for Interbank Settlements
SWF	Sovereign wealth fund
securities	securities
Central depository	Central Securities Depository JSC

If this report does not refer to the sources of information quoted, it is assumed that the Exchange has used data which were routinely collected and systematized by its personnel.

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