

KAZAKHSTAN STOCK EXCHANGE

PRESS RELEASE

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Results of Kazakhstan Stock Exchange (KASE) activities for the first half of 2011

THE ESSENCE:

- **Implementation of 2011–2013 Development Strategy prospected objectives has started.**
- **The new Methodology of Securities Valuation has been developed.**
- **The aggregate trades volume on KASE based on results of the first half 2011 increased by 6.7 % and reached KZT14,4 trln (USD98.4 bn).**
- **the KASE assets for the reporting period increased by 39.6 % to KZT3.0 bn, the equity capital – 11,8 % to KZT2.3 bn. the KASE net income made up KZT133.8 mln and in comparison with the first half of 2010 increased by 0.7 %.**

Among main KASE activities within the new 2011 strategy:

- preparation for implementation of the "People's IPO" program aimed at entry to the local official stock market of shares of subsidiary and subordinate organizations of the National Welfare Fund Samruk-Kazyna;
- significant increase of KASE marketing activities to attract new listed companies and investors;
- launching on the exchange securities market of the T+0 settlements system with complete delivery of securities and money;
- building up the basis for convenient operation on the local stock market of foreign investors (implementation of settlements and net clearing based on the T+3 scheme, development of the concepts of the central counterpart and the direct access of non-residents of Kazakhstan to exchange trades, including through the direct membership on KASE, extension of the KASE market data distribution to global providers);
- growth of the local investor base through the Internet trading development, improvement of the KASE trading and information services, implementation of trainings, improvement of investor protection level.

According to this, in the first half of 2011 KASE gave preference to research and counseling, results of which are not directly perceived on the market, but build up the basis for growth of securities liquidity on KASE in 2012–2013.

Within preparation for implementation of the "People's IPO" program during the reporting period KASE interacted with foreign and local consultants and contributed to development of the program of entry to the stock market of shares of subsidiary and subordinate organizations of the National Welfare Fund Samruk-Kazyna, which was approved by this fund Board of Directors and will be submitted for consideration of the Government. In addition, KASE developed and started implementation of the technical task on modernization of its trading system on acceptance of orders from KASE members during the "People's IPO", and continuously improved awareness of the population through publication of its speakers interviews in the mass media.

KASE marketing activities in the first half of 2011 covered target research that allowed detecting:

- the reason of low competitiveness of Kazakhstan stock market if compared with other sources of economic entities funding;

- factors impeding extension of the KASE list of listed companies, involvement to trading on KASE of the majority of private re-tail investors, and operation on Kazakhstan stock market of foreign investors.

The target programs aimed at elimination of detected problems will be implemented based on the research results.

KASE plans to extend the investor base through improvement of user services. By July 2011, KASE completed activities on placement in operation of the STrade software for remote trading in shares on KASE. The so-called FIX-gateway has been created that will allow investors beginning August 2011 using for the remote trading on KASE popular global trading floors, which support the FIX protocol.

In addition, among measures aimed at development of private re-tail investors KASE will launch in the second half of 2011 free educational project on exchange Internet trading for interested persons.

KASE planned activities aimed at development of market makers institution in 2011–2013. In the first half of 2011, KASE adopted new Rules of Market Makers Activities and an automated system of control on observance of these rules. These measures are aimed at the increase of liquidity of being traded securities, first of all, shares.

In order to decrease settlement risks on securities trading results, in the reporting period KASE implemented activities to launch trades with full preliminary guarantee based on the T+0 scheme in the gross settlements mode. KASE agreed on the regulatory documents, changed the KASE trading system and back office software and implemented presentation and discussions related to deals making peculiarities. The project will be launched in September 2011.

In addition, in the first half of 2011, KASE continued activities to launch on the securities market a clearing system in the form of the multilateral netting and T+n settlements (in case of n>0) with the partial guarantee and participation of the central counterpart. The need in launching this system was conditioned by the "People's IPO" program as one of the conditions of ensuring further offered within this program efficient circulation of shares.

On April 6, 2011, KASE Board of Directors approved the Methodology of Securities Valuation, which will be used for valuation of securities included to investment portfolios of Kazakhstan Accumulative Pension Funds and companies on assets management. The Methodology has been developed during almost one year and this work results impact on the cost of pension assets can hardly be overestimated. Previously existed Methodology, developed more than seven years ago did not consider many specifics of the modern market of Kazakhstan. The new document is being considered by the regulator.

TRADES STATISTICS

According to results of the first half of 2011, the aggregate trades volume on KASE increased if compared with the first half of 2010 by 6.7 % and made up KZT14.4 trln (USD98.5 bn). The indicator growth was achieved mainly at the expense of the increase of trades volume of government securities and foreign currencies.

The volume of shares trading made up KZT118.4 bn (USD811.5 mln) and increased if compared with the first half of 2010 by 3.6 times. However, the significant growth of trades volume was conditioned by big single deals on KASE rather than the shares liquidity growth.

KASE Index, reflecting the most liquid shares prices dynamics in 6 months decreased by 9.2 %, and **the shares market capitalization** decreased if compared with the beginning of 2011 y 8.4 % to USD55.7 bn. This was mainly caused by prices movement on the global market of raw materials sector shares, induced by the plans of China on toughening of its monetary policy, unstable economic situation in Eurozone and the lack of clarity on the US government debt limit.

The trades volume on the corporate bonds market in the reporting period increased 91.0 % if compared with the similar period of the last year and reached KZT173.2 bn (USD1,187.8 mln). This segment was mainly influenced by trades in bonds of the National Welfare Fund Samruk-Kazyna and Subsidiary Bank Sberbank of Russia, which turned out to be the most liquid. **The corporate bonds market capitalization** from the year beginning increased by 90.2 % and reached USD39.8 bn. This was conditioned by new securities issues in KASE lists and the receipt of updated data on listed bonds offering.

Uncertainty on international markets in the first half of 2011 resulted from destructive earthquakes in Japan and destabilization of the political situation in the Middle East and North Africa, caused the sharp growth of prices for energy resources. The increase of Kazakhstan foreign trade turnover and simultaneously rise in price of Kazakhstan export main items facilitated an active growth of trades volume on the exchange **foreign currencies market**. According to results of six months of 2011, the trades volume in this sector reached KZT7,879.9 bn (USD54.0 bn) and increased by 27.1 % against the similar period of 2010.

The trades volume on **the repo market** in the first half of 2011 descended if compared with the similar period of 2010 by 11.4 % and made up KZT5.7 trln (USD38.8 bn). This market segment affects the absence of demand for "short money". By the end of the reporting period the TONIA indicator decreased to 0.13 % APR, and KazPrime-3M – to 1.63 % APR.

On **the government securities market** trades activity on the secondary market remained relatively low. The market professional participants try to withhold government securities in their portfolios till maturity. The trades volume in this segment decreased against the first half of 2010 by 29.1 % to KZT535.9 bn (USD3.7 bn).

FINANCIAL RESULTS

According to the data on unaudited unconsolidated financial statements for the first half of 2011, KASE aggregate assets increased by 39.6 % to KZT3.0 bn, the equity capital – by 11.8 % to KZT2.3 bn. KASE net income made up KZT133.8 mln and if compared with the first half of 2010 increased by 0.7 %. At this KASE exceeded the plan on net income by 32.6 %.