

PRESS RELEASE

Almaty

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KASE presents results of the exchange market's performance in the III quarter and nine months of 2019

Kazakhstan Stock Exchange (KASE, the Exchange) presents results of the exchange market's performance in the III quarter and nine months of 2019.

- The total amount of trading on KASE in 9 months of 2019 made up KZT90.3 trln decreasing by 6.2 %, or KZT5.9 trln, YoY.
- The securities market showed positive dynamics, with the amount of trading reaching KZT4.3 trln, i.e. 23.6 % more YoY.
- 43 issuers underwent the listing procedure, with securities of 24 companies included in the Exchange's official list for the first time.
- Since the beginning of the year the total number of issuers rose by 19 companies: from 157 to 176.
- Since the beginning of 2019 the equity market's capitalization went down by 0.3 % to KZT15.4 trln.
- KASE Index decreased by 5.8 % to 2,170.9 points.
- Initial offerings in the corporate bond sector amounted to KZT1.4 trln, in the GS sector – to KZT1.3 trln, in the sector "IFI securities" – to KZT408.5 bn.
- The amount of corporate debt traded increased by 12.8 % to KZT12.2 trln.
- As of October 1, 2019 the Central Securities Depository maintained 120,414 personal accounts opened by individuals, which is by 3,590 accounts more than at the beginning of this year.

KEY PROJECTS AND EVENTS

During the third quarter of 2019 KASE implemented the following projects and conducted the following events:

- To develop services of the central counteragent on the currency market KASE attracted liquidity providers which will allow the Exchange to settle situations with violation of the settlement mode on said market and guarantee to the market participants a timely fulfillment of obligations (Chinese yuan – "INDUSTRIAL & COMMERCIAL BANK OF CHINA (ALMATY)" JSC, Russian ruble and euro – Eurasian Development Bank, euro – "Kaspi Bank" JSC.

- A new methodology of building the risk-free yield curve was put into effect, which is based on the Nelson-Siegel model that is going to promote the growth of the representativeness of the market valuation of non-indexed government securities (GS) of the Republic of Kazakhstan.
- From September 30, 2019 trading in currency swap transactions with execution terms of six months and one year was opened with regard to the currency pair USD/KZT.
- "KASE Day in Tashkent" was held on September 11, 2019 in Tashkent (Uzbekistan), whereby possibilities of cooperation between professional participants of both countries were presented and discussed, including the possibility of mutual access to exchange markets.
- Introductory and advisory meeting with prospective issuers and investors were conducted in September 2019 in Shymkent and Aktobe: "KASE Day in Shymkent" and "KASE Day in Aktobe".
- As part of KASE's project "Issuer Day", Housing Construction and Savings Bank on July 10 and KEGOC's executives on September 5, 2019 conducted meetings for shareholders, investors, professional markets and media.
- From September 1 to October 1, 2019 KASE held a competition among retail investors. 454 participants concluded more than 2,800 transactions in the amount of KZT137 mln this year.
- KASE and the Structure "UN-Women" on September 19, 2019 held a joint conference-meeting in Almaty, devoted to issues of implementing Sustainable Development Goals (SDG) in Kazakhstan and promoting the gender equality.
- KASE conducted an open lecture as part of the project "KASE Talks" with Galim Khusainov, the Chairman of the Management Board of Bank CenterCredit.

EQUITY MARKET

The equity market's capitalization decreased by 0.3 %, or by KZT51.4 bn, since the beginning of the year, making up KZT15.4 trln.

As at end of September 2019 month there were 142 stocks of 126 issuers in KASE trading lists, with four stocks of four companies being in the "unlisted securities" sector.

The period under review saw the inclusion of 19 stocks of 18 new issuers in KASE's official list: "North Caspian Petroleum" JSC, Yandex N.V., Apple Inc., Facebook, Inc., FORD, Intel Corporation, The Coca-Cola Company, Microsoft Corporation, NIKE Inc., Pfizer Inc., Starbucks Corporation, Tiffany & Co., Tesla Inc., Exxon Mobil, "GMK "Norilsk nickel" PJSC, "Lukoil" PJSC, "Novolipetsk Steel" PJSC and "Commodities exchange "Caspiy". Stocks of "People's company "Altyn Kalkan" JSC and "Investment house "Astana-Invest" JSC were included in the "unlisted securities" sector.

Since the beginning of the year KASE official list lost shares of eight titles: preferred shares of Kaspi.kz due to their swapping for ordinary shares; ordinary and preferred shares of "Kaspi Bank" JSC, ordinary shares of "ALATAU-QUS" JSC and JUPITER ENERGY LIMITED, preferred shares of "Tsesna" Corporation JSC and "KazMunaiGas Exploration Production" JSC following the issuer's request, ordinary shares of "Scipio" JSC due to annual listing fees owed to KASE. Ordinary shares of "GLOTUR DS MULTIMEDIA" JSC were removed from the "unlisted securities" sector due to absence of deals for 90 calendar days.

The amount of stock trading in 9 months of 2019 made up KZT118.1 bn decreasing by 75.2 %, or KZT357.6 bn, on 2018. That decrease followed the large number of irregular deals in 2018, including deals involving repurchase of ordinary shares of Kaspi.kz and "KazMunaiGas Exploration Production" JSC.

The average daily amount of trading made up KZT645.4 mln. The average daily number of deals – 429. The average amount of one deal – KZT1.5 mln.

The primary market's volume is estimated at KZT5.2 mln: Ferro-Alloy Resources Limited offered ordinary shares in the first quarter of 2019.

The amount of trading on the equity secondary market plunged 75.1 % to KZT118.1 bn. KZT70.5 bn of them fall on transactions concluded in the third quarter.

Among main investor categories the share of individuals made up 50.9 % of the total amount of deals in stocks on the secondary market. Second-tier banks (STB) accounted for 0.6 %, brokers and dealers – for 25.6 %, other institutional investors – for 5.3 %, other legal entities – for 17.6 %. Non-residents' participation is estimated at 21.3 %.

KASE INDEX

Since the beginning of the year KASE Index decreased by 5.8 %, or 134.04 points, to 2,170.90 points.

Prices of stocks from KASE Index universe

Issuer	Ticker	Price change		
		as of 01.01.2019	as of 01.10.2019	Since the beginning of the year
Halyk Savings Bank of Kazakhstan	HSBK	100.41	121.50	+21.00%
Kcell	KCEL	1,850.00	2,170.00	+17.30%
KEGOC	KEGC	1,600.64	1,606.12	+0.34%
Bank CenterCredit	CCBN	234.21	229.99	-1.80%
KAZ Minerals PLC	GB_KZMS	2,530.00	2,034.97	-19.57%
KazTransOil	KZTO	1,342.00	994.00	-25.93%
Kazakhtelecom	KZTK	33,499.00	23,173.00	-30.82%

Among stocks from the index universe securities of Halyk Savings Bank of Kazakhstan grew the most in three quarters of 2019. The issuer occupies a leading position on the banking services market after acquiring Kazkommertsbank, possesses sustainable high profitability and high level of capital with lots of liquidity.

Halyk Savings Bank of Kazakhstan earned a consolidated net income of KZT164.2 bn (IFRS) in January-June 2019, which is 1.9 times more YoY. In addition to favorable operating indicators of the bank, the investor community positively reacted to the revision of the dividend policy. At the end of June it became known that the Board of Directors of Halyk Savings Bank of Kazakhstan approved amendments to the bank's dividend policy saying that at least 50% and up to 100% of the consolidated net income for the reporting year will be spent on dividends (previously it was between 15 and 50 %).

In the middle of May 2019 the international rating agency S&P Global Ratings affirmed the long-term credit rating of the Bank at "BB" and short-term rating at "B", outlook "Stable". The bank's rating on the national scale was affirmed at "kzA+".

Kcell stocks appreciated 17.3% this year. Among main positive factors moving the company's shares upwards was the growing potential of the company's revenues based on the strengthening strategic position on the market. Becoming part of Kazakhtelecom may contribute to a more competitive environment with more focus on the services quality.

KEGOC shares barely changed since the beginning of the year. KEGOC earned a net income of KZT22.574 bn (IFRS) in January-June 2019, which is 13.7% up YoY, it is said in the company's consolidated non-audited financial statements. During the first half of 2019 the company plans to allocate 77.3% of the net income, or KZT17.4 bn, to dividend payout, which is by KZT20.1 bn less than last year.

Shares of three companies fell the most this year: KAZ Minerals PLC (-19.6%), KazTransOil (-25.9%), Kazakhtelecom (-30.8%). In August KAZ Minerals PLC (one of major producers of copper in Kazakhstan, who also produces zinc, silver and gold as associated products) released H1 2019 financial indicators, according to which the company achieved very good operating and financial results, increasing the copper production by 6 % with the net cash cost of production kept low. However, the net income of KAZ Minerals in January-June 2019 went down by 18 %, to \$227 mln. Besides, currently the group of KAZ Minerals PLC goes through a period of substantial investments

due to an increase in capital expenditures associated with fields Aktogai and Baiym. Another negative factor for the company's securities was the management's intention to pay out H1 2019 interim dividends at \$0.04 per share. For comparison, last year it was \$0.06 per share.

Kazakhtelecom's ordinary shares are prone to volatility amidst a series of important corporate news. Investors estimate the company's current standing in different ways, taking into account the massive capital expenditures, increase in stocks trading and attracting additional external funding in form of bonds. The company plans to invest proceeds raised from selling bonds in developing its mobile business. At the same time, on June 28 agency Fitch Ratings improved forecasts on Kazakhtelecom JSC and Kcell JSC to "Positive", affirming the long-term default rating on each company at "BB+" and "BB", respectively. Agency points out that Kazakhtelecom's ratings are caused by the company's dominance on the market, generation of a stable free cash flow, a moderate leverage and favorable regulatory environment.

CORPORATE BONDS

In nine months of 2019 the amount of corporate debt traded on KASE increased by 12.8 %, or KZT1.4 trln, to KZT12.2 trln.

As of October 1, 2019 KASE trading lists featured 258 corporate bond issuances of 67 issuers. Over nine months of 2019 KASE official list was extended by 33 bond issuances of 19 issuers, with 20 issuances of 14 issuers successfully listed in the third quarter.

KASE_BMY (index of yield of corporate bonds of the main market) dropped by 51 b.p. since the beginning of the year, reaching 10.63 % p.a.

The total volume of the corporate bond market on KASE made up KZT2.1 trln, increasing by 59.9 %, or KZT801.5 bn, YoY. Growth was seen both on the primary and secondary corporate bond markets.

The average daily amount of trading made up KZT11.7 bn. The average daily number of transactions – 11. The average amount of one transaction was KZT1 bn.

A total of 30 bond issuances of 22 issuers were sold on KASE. The total amount of bonds raised reached KZT1.4 trln, increasing by 34.9 %, or KZT361.2 bn. KZT458.5 bn of them were raised in the third quarter.

In terms of main investors on the primary corporate bond market, the share of STB made up 19.6 %, that of brokers and dealers – 0.8 %. Other institutional investors accounted for 75.1 %, other legal entities – for 4.4 %. Non-residents' share was 16.6 %.

The amount of trading on the secondary corporate bond market increased 2.4 times, or by KZT440.3 bn, to KZT744.2 bn. More than 80 % of the volume on the secondary market was represented by offerings of three issuers as part of a trading session.

In terms of main investors on the secondary corporate bond market, the share of STB made up 37.9 %, that of brokers and dealers – 1.7 %, other institutional investors accounted for 27.2 %, other legal entities – for 32.2 %, individuals – for 0.9 %. Non-residents' share was 1.5 %.

GOVERNMENT SECURITIES (GS)

The face value of the government debt being traded on KASE increased by 9.7 %, or KZT1.1 trln, to KZT12.4 trln since the beginning year.

From September 18 international bonds of the Republic of Turkey and international bonds of the Ministry of finance of the Russian Federation were included in the GS sector of KASE official list. Freedom Finance is the initiator of said bonds' admission. Trading in those bonds was opened on KASE secondary market.

The total amount of GS trading on KASE made up KZT1.6 trln, increasing by 22.3 %, or KZT296.8 bn, YoY.

The average daily amount of trading made up KZT8.9 bn. The average daily number of transactions – 3. The average amount of one transaction was KZT2.6 bn.

The amount of trading on the primary GS market increased by 78.2 %, that on the secondary market went down by 47.5 %, YoY.

In nine months of 2019 the amount of Kazakhstan's GS offerings on KASE made up KZT1.3, with KZT87.8 of them raised by akimdiks of 12 regions, cities of Almaty, Nur-Sultan and Shymkent; the Ministry of finance raised KZT1.2 trln at 8.46–9.75 % APR, by selling bonds with current maturity of 1.8 to 19.8 years.

In the third quarter the amount of offerings made up KZT426.8 bn, with KZT414.8 bn of them raised by the Ministry of finance at 8.46–9.75 % APR, and KZT12 bn – by akimdiks of 6 regions, cities of Almaty, Nur-Sultan and Shymkent.

In terms of main investors on the primary market, the share of STB made up 0.6 %, that of other institutional investors – 92.2 %, other legal entities accounted for 7.2 %.

The amount of trading on the secondary market was KZT310.1 bn, decreasing by 47.5 %, or KZT280.8 bn. Trading in notes of the National Bank on the secondary market remains high – 95.7 % of the total trading amount.

In terms of main investors on the secondary market, the share of STB made up 39.6 %, that of brokers and dealers – 2.8 %, other institutional investors accounted for 34 %, other legal entities – for 23.3 %, individuals – for 0.3 %. Non-residents' share was 0.1 %.

IFI BONDS

As at the end of the period under review there were 26 issuances of five international financial institutions: Asian Development Bank, Eurasian Development Bank, European Bank for Reconstruction and Development, International Finance Corporation (IFC).

Since the beginning of 2019 14 issuances of five issuers have been included in the official list.

During the elapsed period the amount of trading made up KZT414.3 bn, which is up 6.8 times, or by KZT353.7 bn, YoY.

On the primary market the amount of trading made up KZT408.5 bn, with KZT75.4 bn raised in the third quarter:

- Asian Development Bank raised KZT15.4 bn, by placing a 5-year bond issuance with a margin to quarterly coupon of 0.375 %;
- European Bank for Reconstruction and Development raised KZT60 bn through subscription, by placing 8-year bonds with a margin to semi-annual coupon of 0.5 % APR.

In terms of main investors on the primary market, the share of STB made up 4.5 %, that of brokers and dealers – 0.1 %, other institutional investors – 93.3 %, other legal entities accounted for 2.1 %, individuals – for less than 0.1 %.

The amount of trading on the secondary market made up KZT5.8 bn.

Overall, in terms of main investors on the secondary market, the share of STB made up 1.1 %, that of brokers and dealers – 3.7 %, other institutional investors accounted for 48.9 %, other legal entities – for 46.3 %.

SECURITIES OF INVESTMENT FUNDS

As of October 1, 2019 there were seven instruments managed by six companies in sector "Securities of investment funds".

During the elapsed period the amount of trading made up KZT563 mln, which is up by 99%, or by KZT280 mln, YoY.

In terms of main investors, the share of individuals made up 32.5 %, that of brokers and dealers – 9.9 %, other institutional investors accounted for 2.6 %, other legal entities – for 55.1 %.

INDIVIDUAL ACCOUNTS ON THE SECURITIES MARKET

As of October 1, 2019 there were 120,414 personal accounts opened by individuals at the Central Securities Depository, which is by 3,590 accounts more than at the beginning of the year.

FOREIGN CURRENCY MARKET

The amount of trading on the foreign currency market reached KZT8.5 trln, which is by 18.7 %, or KZT1.9 trln less YoY. The average daily amount of trading made up KZT46.3 bn, the average daily number of transactions – 333, the average amount of one transaction – KZT139 mln.

Despite factors specific for each particular year, the USD/KZT pair demonstrates the seasonal character of dynamics. The tenge predominantly strengthens against the dollar in the first half-year – after the New Year holidays, making a U-turn in the run-up to summer holidays. However, the exchange rate's volatility has been moderate this year. The spread between the bid and ask rates for KZT/USD on the exchange market, beginning from April, consolidated in a corridor of KZT0–0.4 compared with KZT0–1 in the first quarter of 2019.

The table below provides main characteristics of currency pairs traded on KASE (in the brackets: the change of the indicator on the previous month, the rate change reflects the nominal change of the weighted average market exchange rate of the foreign currency against the tenge).

Pair	Amount, mln currency units	Weight in the trading amount, %	Number of deals	Min. and max. rates, qnty. of the quoted currency per base currency	Rate at the end of the period (chg.%)
USD/KZT	22,067.0 (-28.0 %)	99.3 % (+0.17 %)	59,496 (+1 099)	373.56 – 388.33	387.99 (+1.0 %)
RUB/KZT	4,530.2 (-48.0 %)	0.3 % (-0.14 %)	719 (-465)	5.6029 – 6.1153	6.0006 (+8.4 %)
CNY/KZT	258.8 (+63.4 %)	0.2 % (+0.09 %)	554 (+162)	53.9869 – 56.6900	54.4555 (-1.5 %)
EUR/KZT	46.2 (-1.2 %)	0.2 % (+0.05 %)	215 (+54)	421.60 – 438.10	424.87 (-0.4 %)

MONEY MARKET

By the end of September the TONIA increased by 49 b.p. to 8.76 % APR. The TWINA (weighted average percentage rate on repo opening transactions with a term of seven working days) demonstrated a growth by 118 b.p. to 9.46 % APR.

The yield of the one-day dollar swap SWAP-1D (USD) as of the end of September reached 8.92 % p.a., gaining 149 b.p. since the beginning of the year. The yield of the two-day swap SWAP-2D (USD) increased by 175 b.p. to 9.13 % APR.

The indicator KazPrime-3M (KZT) kept moving along the upper limit of the base rate of the National Bank reaching 10.25 % APR.

The composite money market indicator MM_Index, representing the transaction-amount-weighted average yield on currency swap transactions USD/KZT and auto repo transactions in GS, opened for one business day, went up by 53 b.p. to 8.79 % APR by the end of September.

Repo transactions market

The amount of trading in this segment made up KZT53.8 trln, which is down by 5.5 %, or KZT3.1 trln, YoY. The average daily amount of transactions made up KZT294 bn, the average daily number of transactions – 378, the average amount of one transaction – KZT777.1 mln.

97.7 % of the total amount of opening repo transactions fell on GS autorepos. The most popular instrument on the GS autorepo market is still the one-day repo transaction, its share in the total amount of trading on the GS basket autorepo market made up 90 %.

Currency swap market

The amount of trading on the currency swap market decreased by 6.8 % to KZT23.8 trln. The average daily amount of transactions made up KZT129.8 bn, the average daily number of transactions – 45, the average amount of one transaction – KZT2.9 bn. In terms of instruments, 79.9 % of the total amount of trading (KZT19 trln, or USD49.9 bn) on the currency swap market fell on transactions in the two-day currency swap (USDKZT_0_002).

Since the opening of trading in "long" swaps, 49 transactions were concluded in one-week swaps in the amount of USD529 mln (KZT203.3 bn) at a yield of 6.6 – 9.7 % APR; and 28 transactions in one-month swaps in the amount of USD264 mln (KZT101.4 bn) at a yield of 7–8.5 % APR.

DERIVATIVES MARKET

Currently, futures, whose underlying assets are represented by the US dollar, KASE Index and particular stocks are available for trading in this sector of the exchange market. One transaction in one-week KZT/USD futures in the amount of KZT387.6 mln was concluded in August. The final settlement price of the futures made up KZT387.21 per US dollar. There were no open positions held by trading participants on the derivatives market by the beginning of October.

For reference

Kazakhstan Stock Exchange (KASE) is a leading stock exchange in the Central Asian region. KASE occupies the second place among the CIS exchanges in terms of securities trading volume, and the sixth rank in terms of the equity market capitalization among the FEAS exchanges.

It is a universal trading platform for repo market instruments, foreign currencies, government and corporate securities, bonds of international financial institutions as well as derivatives. KASE is a member of the World Federation of Exchanges (WFE), the Federation of Euro-Asian Stock Exchanges (FEAS) and other international and local professional associations, as well as a participant of the UN Sustainable Stock Exchanges initiative.

Additional information: +7 (727) 237 5342, pr@kase.kz