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**ANNUAL REPORT**


**2021**



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A portrait of Aliya Moldabekova, Chairperson of the Board of Directors. She is a woman with dark hair, wearing black-rimmed glasses and a light-colored, textured tweed jacket with a ruffled collar. She is looking directly at the camera with a slight smile. The background is dark and out of focus. A green rectangular overlay is positioned in the lower-left quadrant of the image, containing a quote and her name and title.

“ Summing up the 2021 operating results of Kazakhstan Stock Exchange JSC, I would like to note that despite the remaining challenges, KASE has implemented the objectives of its Development Strategy for 2019-2021.

**Aliya Moldabekova**  
Chairperson of the Board of Directors



# MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

## Dear shareholders, clients and partners!

On behalf of the Board of Directors, I am delighted to welcome you to the pages of the 2021 Annual Report of Kazakhstan Stock Exchange.

Summing up the 2021 operating results of Kazakhstan Stock Exchange JSC, I would like to note that despite the remaining challenges, KASE has implemented the objectives of its Development Strategy for 2019-2021.

The Exchange has implemented strategic projects, including the modernization of its trading and clearing systems, the introduction of Central Counterparty services and trading on omnibus accounts, opened a foreign shares trading sector called “KASE Global”. Systematic work on the introduction of new functionality has been carried out over the past three years, with two of them complicated by working conditions during the coronavirus pandemic.

The Exchange has demonstrated high performance both in terms of quantity and quality portrayed in KASE’s annual report. The most important figures are as follows: the total trading volume on Kazakhstan Stock Exchange exceeded KZT174.4 trln, having increased by 47.8 % in 2021; the value of KASE Index increased by 37.4 % to 3,675.28 points; the number of personal accounts of individuals in the Central Securities Depository reached 218,336.

Qualitative changes in the Exchange’s infrastructure, the development of a range of new instruments had a positive impact on the corporate debt market: the number of issuers increased, including new ones represented by microfinance and leasing companies. The investment funds securities sector has significantly expanded. Of course, the development of the green financing conditions and promotion of the ESG principles have been part of our proactive approach.

The work carried out in 2021 strengthened the image of KASE as the most technologically advanced and forward-looking exchange platform in the Central Asian region. In terms of technical equipment, KASE today keeps up with the world’s leading stock exchanges.

Kazakhstan Stock Exchange continues systematic work to include shares and bonds of Kazakh companies in international indices. The MSCI and FTSE index services have confirmed that Kazakhstan meets the key quality criteria for the Emerging Markets category in terms of regulation, infrastructure and legislation as far as the regulated securities market concerned. There is work ahead to achieve quantitative parameters to match the level of Emerging Markets.

The Exchange will have to implement new projects in the near future. A new KASE Development Strategy for the next three years has been developed and adopted.

The strategy is based on such key areas as increasing liquidity in exchange markets by expanding the range of financial instruments and services; establishing trading and clearing links with partner exchanges, expanding the range of issuers and investors; development of the Central Counterparty as a key infrastructure element; continuing the modernization of external and internal infrastructures and implementation of innovations; increasing the value of the exchange for stakeholders.

These are ambitious tasks that are going to require support of professional exchange market participants and close cooperation with financial regulators. Last year, KASE demonstrated high professional potential, the ability to find effective and efficient solutions in complicated situations. I express my deep gratitude to the staff of Kazakhstan Stock Exchange for their well-coordinated, highly professional work, and to the shareholders and clients for their trust, support and effective cooperation.

Sincerely,

**Aliya Moldabekova**

Chairperson of the Board of Directors





“ As part of the Development Strategy for 2019-2021, we have completed, in partnership with the Moscow Exchange, the implementation of three new trading and clearing systems and central counterparty services in all markets.

**Alina Aldambergen**  
Chairperson of the Management Board



# MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

## Dear shareholders, clients and partners!

2021 was the final year of the implementation of the development strategy for another three-year period and the year when we set new goals and objectives. Kazakhstan Stock Exchange, facing global challenges, purposefully and successfully implemented strategic tasks, ensured the high-quality and uninterrupted provision of its services. The Exchange not only retained its good stability as a financial institution of the country, but also entered a new technological stage of development. This allowed us to strengthen the leading position of KASE amongst exchanges in Kazakhstan and Central Asia and let us receive a prestigious award – “Best Exchange in Central Asia” – from the financial magazine CFI.co in March 2022.

As part of the Development Strategy for 2019-2021, we have completed, in partnership with the Moscow Exchange, the implementation of three new trading and clearing systems and central counterparty services in all markets. This allowed KASE to introduce new trading instruments and settlement cycles, increase the reliability of the Exchange’s IT infrastructure, reduce risks and create opportunities for high-frequency trading. As of January 01, 2022, 904 instruments are listed on the stock market, while over 260 instruments are traded in the T+2 mode.

The central counterparty service made it possible to provide investors with guarantees of timely receipt of assets under transactions, to introduce risk management and adequate assessment of instruments in real time. For the first time on the regulated market of the country, netting of participants’ positions has been introduced for all types of stock market transactions, including the purchase and sale and repo sectors. Currently, exchange trading participants use the FIX data transfer protocol, which is an international standard, to exchange data in real time. The FAST-based market data provision service ensures the optimization of the electronic exchange of financial information, in particular, the distribution of large amounts of data with minimum delay.

The timeliness and importance of the projects being implemented were reflected in the growing indicators of KASE and the exchange market.

The total volume of trades on KASE reached KZT174.4 trln, having increased by 47.8 %, or KZT56.5 trln, over the year. KASE Index has also increased significantly: by 37.4 % to 3,675.28 points. As of January 1, 2022, KASE trading lists included corporate securities of 558 titles of 228 issuers. The capitalization of the equity market increased by 51 % to KZT28.8 trln over the year; positive dynamics was observed in almost all exchange segments.

We consider the debut of our new sector, KASE Global, to be inspiring, where trading in foreign shares of 25 titles, admitted to circulation on KASE for the first time, started on November 15. As of the end of the year, 43 titles of shares of American issuers were available for investors at KASE Global.

Important events in 2021 were also such projects as providing members of the Exchange with the opportunity to trade using omnibus accounts, transferring the derivatives market to the new trading and clearing system SPECTRA, launching programs to increase liquidity in the stock market, and creating a new platform called “Private Placement”. In general, the digitalization processes introduced at the Exchange have simplified the listing procedures for issuers, who can now use the service online.

Thanks to the intensive development of the range of exchange-traded instruments, as well as extensive educational work among the public, the segment of private investors is growing at KASE.

Since the beginning of 2021, the local market has seen a significant increase in the number of retail investors in the stock market. For instance, if at the beginning of 2021 there were 132,861 personal accounts of individuals in the Central Securities Depository, a year later 218,336 personal accounts opened for 199,306 individuals were listed as investors in the CSD database. During 2021 the daily number of transactions on the Exchange’s stock market went up 2.4 times YoY, the number of active accounts – 2.5 times. While about 800 transactions worth an average of KZT1.2 mln each were concluded daily on the equity market in 2020, in 2021 their number increased to 1.9 thousand transactions worth KZT0.9 mln each, which indicates a growing interest of retail investors in stock market instruments.

The Exchange is actively working to improve financial literacy together with professional participants of the exchange market and the media. We use various forms of cooperation – speeches and publications in newspapers and social networks, TV shows, workshops, webinars on various aspects of the stock market. Also as part of the Global Money Week project, which is aimed at improving the financial literacy of schoolchildren and students. Since 2008 we have also been regularly holding the “Stock Exchange Simulator” competition, which in 2021 attracted more than 3,000 students from over 100 universities.

Another core direction of KASE’s activities is the promotion of ESG standards in Kazakhstan. During 2021, the Exchange created an ESG infrastructure, determined minimum listing fees, signed agreements with a number of companies to verify bonds for compliance with ESG criteria. As of January 1, 2022, there were already six issues of sustainable development bonds on KASE’s official list: three “green” bond issues totaling KZT34 bn and three social bond issues worth more than KZT29 bn. The green finance market has grown several times over the recent years and become more complex due to the variety of financing instruments and purposes. Therefore, market participants note the need for additional clarifications regarding ESG practices in the capital market, as well as international sustainable development standards. We see that companies still need time to adapt and move to such standards. And we will continue this promising work.

We are also developing issues of creating new products and services in the field of sustainable development and their application in Kazakhstan’s financial market, as well as the possibility of introducing a “green indicator” that would reflect the level of compliance of companies with ESG criteria. We believe that the emergence of a sustainability index will encourage more companies to disclose information according to ESG criteria.

In 2022, we will start implementing the new Development Strategy for 2022–2024, which was approved at the end of 2021. The strategy is aimed at working in four key areas: increasing liquidity in exchange markets by expanding the range of financial instruments and services, establishing trading and clearing links with partner exchanges, expanding the range of issuers and investors; development of the Central Counterparty as a key infrastructure element; modernization of external and internal infrastructure and introduction of innovations; increasing the value of the Exchange for stakeholders.

In 2022–2023, we plan to actively develop technological solutions for market access, exchange services and market data that will allow investors to maintain their portfolios, test investment hypotheses, and try their hand as players in the exchange market.

For the Exchange, as one of the key infrastructure elements of the financial market, the introduction of advanced technological solutions in accordance with the best world practices is of particular importance. For this reason, we plan to continue automating our services, bringing our information technologies and information security in line with international standards.

This is a serious claim for future success. And expressing my deep gratitude to colleagues, partners, shareholders for our well-coordinated and effective work in 2021, I am confident that we will cope with the tasks set. I believe that our stable partnership, vast experience, including crisis management, will serve as a guarantee of further progress in the development of not only Kazakhstan Stock Exchange, but the entire stock market of the country.

Sincerely,

**Alina Aldambergen**

Chairperson of the Management Board



# MISSION, VISION AND GOAL



## Mission

Promoting the economic growth of the Republic of Kazakhstan through:

- ▶ providing a wide range of fundraising instruments for local issuers;
- ▶ providing a platform for the redistribution of liquidity in the financial system;
- ▶ providing a transparent investment environment for local and foreign investors.



## Vision

KASE is a high-tech trading platform providing a full range of exchange services, available to local issuers and open to local and international investors.



## Goal

Achieving and maintaining the status of a leading stock exchange in the region and increasing the value of KASE for stakeholders.







**KASE**

ABOUT THE EXCHANGE



Kazakhstan Stock Exchange JSC (KASE, or the Exchange) was established in 1993, two days after the introduction of the national currency – the tenge. Over 28 years, the Exchange has evolved from voice trading to a full-fledged modern well-established trading, clearing and settlement infrastructure that meets international standards. Currently, the Exchange runs a diversified business, built over 28 years, thanks to the operation of four main markets: the foreign exchange market, the stock (securities) market, the money (repo and swap transactions) market and the derivatives market. The versatility of KASE's platform gives the trading participants the opportunity to actively conduct transactions in several markets. The ability to work with various types of financial instruments provides the best conditions for managing the liquidity and implementing the investment strategies of trading participants and their clients.

**The Exchange is a fully-fledged member of international exchange associations such as WFE, FEAS and MAE CIS, which confirms the compliance of the main aspects of activities of the Kazakh trading platform with international standards and best world practice.**

The Exchange carries out the following types of activities based on licenses issued to it by the authority for regulation and development of the financial market:

- ▶ activities for operating trading in securities and other financial instruments (License No. 4.2.3/1 dated July 19, 2012);
- ▶ clearing activities for transactions in financial instruments on the securities market (License No. 4.2.3/1 dated July 19, 2012);
- ▶ conducting banking operations in national and foreign currencies (License No. 4.3.8 dated January 30, 2020).

The Exchange provides a full range of services: membership, listing, trading and post-trading services (clearing, settlements by the Central Counterparty), dissemination of market data, as well as calculation and maintenance of indices and indicators.

As of January 1, 2022, 50 professional participants were members of the Exchange, including all licensed banks and brokerage organizations of the Republic of Kazakhstan, four foreign participants, two international financial organizations.

## The Exchange's official list is divided in four markets:


1. Main
2. Alternative
3. Mixed
4. Private placement

The **"MAIN"** market is intended for large companies with a proven track record, the **"ALTERNATIVE"** market is for companies with small and medium capitalization, with requirements simpler than those of the **"MAIN"** market. Dividing the list in such a way allows both large companies and small and medium-sized businesses to raise funds on the stock market.

Such financial instruments as Islamic securities, derivatives, as well as government securities and securities of international financial organizations, which can be denominated both in national and foreign currencies, are traded on the **"MIXED"** platform.

The **"PRIVATE PLACEMENT"** market was launched in 2021 and is intended for listing of corporate securities subject to private placement. A private placement is a non-public placement of corporate bonds among a limited number of qualified investors; the conditions for issuing such securities are determined by a private memorandum.

KASE Global sector of the **"MIXED"** market, launched in 2021, is intended for trading in the most liquid securities of foreign issuers. Stocks listed on NYSE Equity, the main market of New York Stock Exchange, and NASDAQ Global Select and included in the Standard & Poor's 500 and NASDAQ 100 stock indices are admitted to trading in the new sector.



**KASE provides a wide range of information products, including real-time market data, archival and reference data.**

The Exchange independently calculates and maintains several stock and money market indicators. Kazakhstan's stock market is represented by indices and indicators reflecting the stock and bond market of the Exchange. To describe the stock market, the Exchange calculates the main indicator – KASE Index, which currently de facto acts as the main indicator of the national stock market. In addition, the Exchange calculates and publishes the total capitalization of the equity market – the total market value of all companies whose shares are admitted to circulation on KASE.

**KASE Index reflects the change in the total market value of the most liquid shares of the Exchange's official list, issued by major financially stable resident companies of the Republic of Kazakhstan.**

To analyze the bond market, the Exchange has determined a number of indices: KASE\_BM\* for the main market and KASE\_BA\* for the alternative market, which show the change in “clean” prices and yield indicators of the most liquid issues of bonds of Kazakh companies. In the first quarter of this year, the Exchange plans to additionally introduce a number of indicators for the market of government securities of the Republic of Kazakhstan.

Indices and indicators reflecting the repo market are represented by the following indicators: TONIA is the main risk-free benchmark in the money market, also, the repo market is additionally represented by such indicators as TRION, TWINA, TCI, TCR\_1m, TCR\_3m, TCR\_6m. For the currency swap market, the Exchange calculates such indicators as SWAP-1D, SWAP-2D, as well as the composite repo and currency swap market index – MM Index.



## The main advantages of KASE are:



the universality of the market, since business diversification helps to sustain fluctuations in the economic cycle, at different phases of which market participants demand different classes of financial instruments;



KASE ranks second among the CIS stock exchanges in terms of trading volume and third in terms of equity market capitalization, third among FEAS exchanges in terms of equity market capitalization, 40th in terms of equity market capitalization among WFE member exchanges;



quantitative parameters of trades on KASE are used when shares are included in the FTSE and MSCI emerging market share indices, as well as for the rating of Kazakhstan's equity market;



KASE is the source of market data for foreign investors and interacts with key providers of market information on international financial markets: Bloomberg, Refinitiv and others;



KASE has modern technologies, a well-established trading and settlement infrastructure, provides CCP services, has a fully-fledged T+2 mode, repo market;



availability of a T+2 trading and clearing cycle, which facilitates access to the market for foreign investors;



availability of its own correspondent network for making money settlements in exchange markets;



KASE Index acts as a key indicator of Kazakhstan's stock market for the international community;



the possibility of expanding the geography of investors through participation in the activities of international exchange associations, being a key source of information about Kazakhstan's capital market;



all banks and broker-dealer organizations of Kazakhstan are members of KASE.





**KASE**

**KEY MARKET TRENDS**



**174.4** trln  
tenge **+47.8%**

The total trading volume for 2021 amounted to **174.4 trillion tenge**, having increased by **47.8 %**, or **56.5 trillion tenge**.

**837** bln  
tenge **+85.3%**

The volume of trading in the secondary bond market increased by **85.3%**, or **385.3 billion tenge**, to **837 billion tenge** compared to 2020.

**152.7** trln  
tenge **+55%**

A steady growth in trading volume was observed in the money market, over the year its value increased by **55 %** to **152.7 trillion tenge**. In the foreign exchange market, the growth amounted to **34 %**, having reached **15.6 trillion tenge**.

**55** new  
issuers

In 2021, securities of **55 new issuers went through the listing procedure**: 3 in the equity sector, 33 in the KASE Global sector, 17 in the corporate bonds sector and 2 ETFs.

**429.2** bln  
tenge **+80%**

On the stock market, steady growth was observed in the equity sector: an increase compared to 2020 made up **80 %**, having reached **429.2 billion tenge**. The equity market capitalization made **28.8 trillion tenge**, having increased by **51 %** compared to 2020.

**558** titles  
of trading lists

As of January 1, 2022, corporate securities of **558 titles of 228 issuers were in KASE's trading lists**.

**3,675.28** points

Since the beginning of the year, KASE index has grown by **37.4 %**, having reached **3,675.28 points**.

**218** thousand  
personal accounts

As of January 1, 2022, there were **218 thousand personal accounts** opened by 199 thousand individuals in the Central Securities Depository (CSD), while as of January 1 last year – about **133 thousand personal accounts** opened by individuals.

**38.1** bln  
tenge **+87.8%**

In 2021, the volume of trading in the “Securities of investment funds” sector amounted to **38.1 billion tenge**, having increased by **87.8 %**, or **17.8 billion tenge**, compared to 2020

**88** thousand  
accounts

During 2021 individuals opened almost **88 thousand accounts**, with at least one transaction made through about 26 thousand of them, while during 2020 a little more than **17 thousand accounts** were opened by individuals in the CSD.

**15,4** trln  
tenge **+4,8%**

The volume of corporate debt in circulation in 2021 increased by **4.8 %**, or **709.3 billion tenge**, to **15.4 trillion tenge**.





**K▲SE**

**STRATEGIC REPORT**



## Implementation of the development strategy for 2019–2021

In 2021, the Exchange successfully implemented KASE's Development Strategy for 2019-2021 approved by the Exchange's Board of Directors on May 28, 2019.

The strategy identified four key areas:

**1 IT modernization, including the tasks of implementing a phased IT modernization of trading and clearing systems, the introduction of certified protocols for market data exchange, as well as the introduction of new trading modes on exchange markets**

This line of development was focused on improving the technical reliability and performance of the exchange infrastructure, reducing operational risks, introducing new trading modes, using standardized channels for connecting to the trading and clearing system in order to increase the number of trading participants, and introducing certified market data exchange protocols.

**2 Consistent implementation of the Central Committee for all classes of financial instruments in all markets of KASE.**

The purpose of launching CCP services on all exchange markets of KASE was to promote the growth of market liquidity by reducing participants' credit risk, guaranteeing the completion of settlements on deals, reducing participants' transaction costs through cross margining and netting, as well as introducing a unified risk management system.

**3 Increasing the liquidity and depth of the exchange market.**

The third strategic direction provided for measures aimed at increasing the liquidity in the stock market, stimulating the development of the bond market as an alternative to bank lending, increasing the involvement of the public in investing in the stock market, expanding investment opportunities for institutional investors and attracting foreign participants.

**4 Implementation of the principles of sustainable development.**

This direction was a new vector of development of the exchange business under the Strategy, aimed at improving the corporate governance system, introducing environmentally friendly business and social responsibility standards in order to contribute to the sustainable development of KASE and increase investment attractiveness.

On the whole, the Exchange's Development Strategy for 2019-2021 was focused on facilitating Kazakhstan's exchange market to achieve the best global industry standards, creating an effective fundraising channel for domestic companies, increasing the trading volumes on all markets of KASE and increasing confidence of all stakeholders in these markets.

## Strategic direction 1.

### IT modernization

As part of this strategic direction, the Exchange has consistently implemented a phased IT modernization of trading and clearing systems in the stock, currency and derivatives markets, introduced certified market data exchange protocols, as well as introduced new trading modes on exchange markets.

During the modernization of its trading and clearing systems, KASE in two stages, in December 2019 and August 2020, commissioned the new trading and clearing system ASTS+ in the stock market and began to act as the CCP in this market, launched the netting of claims and obligations of market participants on their deals, which gave trading participants additional flexibility since settlements on each particular transaction, which were previously carried out during the entire trading day, were scrapped.

As a next step, the Exchange successfully launched the “currency version” of ASTS+ in November 2020. Since that date, trading in all 38 financial instruments has become available, including five currency pairs (USDKZT, RUBKZT, CNYKZT, EURKZT, EURUSD) with different settlement periods (T+0, T+1 and T+2), currency swap transactions involving the US dollar, Russian ruble, Chinese yuan, euro with settlements in tenge and the KZT/USD deliverable futures.

In addition, a mode of negotiated deals was opened on the foreign exchange market, which enables conclusion of negotiated deals in the same way as it happens on the over-the-counter market. E.g., deals and orders, on the basis of which they were concluded, can be seen in the trading system only by the agreed parties. The unified netting and risk management system of KASE as the CCP in the currency market began to be applied to deals concluded in different modes. In addition, ASTS+ features an expanded range of derivative financial instruments available for trading on the foreign exchange market and a significantly improved risk management system. The upgrading of trading and clearing systems to MOEX trading technologies was completed by the introduction of the new TCS SPECTRA in the derivatives market from July 2021.

In the TCS SPECTRA, derivative financial instruments became available for trading, such as: the US dollar futures, KASE Index futures and certain titles of shares without delivery of the underlying asset.

In the future, the Exchange plans to expand the range of futures with other underlying assets, as well as introduce options, which is going to ensure the interests of a wide range of participants based on a reliable and high-performance system.

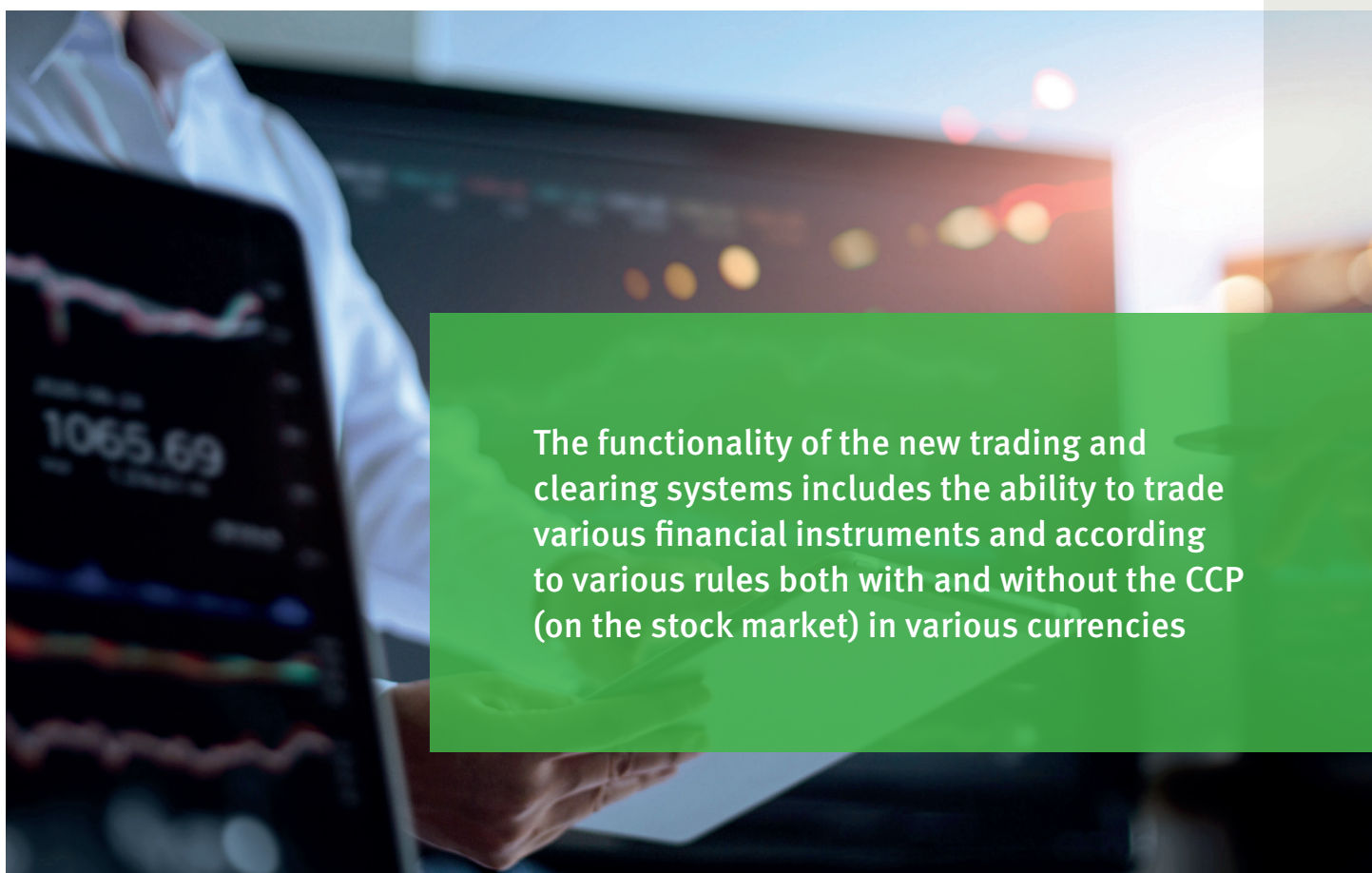
TCS SPECTRA ensures the necessary level of risk management, as it includes levers for managing market and credit risks.

The merger of the Central Counterparty and TCS enabled trading participants to intensify the building of positions in large volumes, but at the same time the risk management instruments significantly reduced the credit risk and risk of defaults.

**The introduction of new TCS in all markets contributes to the improvement of KASE's functionality as the trade operator and the Central Counterparty.**

The functionality of the new trading and clearing systems includes the ability to trade various financial instruments and according to various rules both with and without the CCP (on the stock market) in various currencies, supports a wide range of trading methods and rules, there are no blocking of most securities on auto repo transactions with the CCP (securities may be the underlying asset of other transactions), monitors the current positions of trading participants in real time, calculates indices and indicators in real time, and provides users with real-time information about the course of trading.





The functionality of the new trading and clearing systems includes the ability to trade various financial instruments and according to various rules both with and without the CCP (on the stock market) in various currencies

The implementation of projects for the introduction of new trading and clearing systems and the launch of the Central Counterparty in all markets of KASE were a key, but by no means the only element of the Exchange's technological modernization. The transition to new IT platforms involved a huge amount of work associated with a general improvement of the design of manufacturability and digitalization, a significant modernization of the back office, and the automation of many business processes, including new ones.

The IT modernization also provided for the transfer to the digital mode of the Exchange's services related to the listing of securities and the disclosure of information by members of the Exchange. In particular, the electronic document management system for interaction between the Exchange, its members and is2in issuers was further developed.

At the same time, the Exchange expanded the list of information products of the Exchange by launching the "KASE Mobile" application, aimed at simplifying access to market data for retail and professional investors. In addition, this application provides the opportunity to participate in simulated trading.

Thus, in March 2021, the Exchange introduced the upgraded is2in system, which made it possible to carry out internal procedures, such as listing, admission to KASE membership or inclusion of auditing firms in the list of auditing organizations recognized by KASE in electronic format, which significantly reduced paperwork and let the Exchange and its clients save time.

## Strategic direction 2.

### Launch of central counterparty services

The introduction of new TCS laid the technological foundation for the implementation of the second important area of the Development Strategy for 2019–2021 – the launch of CCP services in all exchange markets.

The Exchange already had experience in providing such services: since 2011, it has acted as the CCP in the derivatives market, and since October 2018 – in the foreign exchange market, including the short-term currency swaps market. However, in order to guarantee the completion of settlements for all financial instruments traded on the Exchange, to create conditions for launching the netting mechanism in the stock market and in the repo sector, as well as to launch the multi-instrument collateral for transactions (single limit), an appropriate IT infrastructure was needed, and the launch of the second release of TCS ASTS+ on the stock market provided such an opportunity.

The introduction of the CCP on all exchange markets allowed trading participants, when opening positions on a particular market, to assess only the risk profile of KASE as their only counterparty, which contributes to the growth of limits on the corresponding KASE market. Another important fact was the introduction of the netting clearing for obligations with a common due date for identical financial instruments. Thus, there was no need to execute each previous deal before the conclusion of a new deal during the day. All this, along with the introduction of multi-instrument collateral for transactions, significantly increased the efficiency of asset management, reduced costs of brokers and their clients while working on the exchange market, and inevitably had a positive effect on the liquidity of traded instruments.

In order to build adequate “lines of defense”, the Exchange, as the only counterparty for all transactions, improved, and for some groups of instruments developed from scratch, a system of default management and disposal of open positions of trading participants who failed to fulfill their obligations to the Central Counterparty. In particular, the Exchange has developed a system for determining risk parameters, as well as monitoring their adequacy and timely revision.

The asset management system of the Central Counterparty and the rules for selecting liquidity providers to attract assets necessary to fulfill obligations have been revised. In addition, in order to cover market risk in conditions of high volatility when liquidating positions of defaulted participants on each exchange market, clearing funds were formed both from the money of clearing participants of these markets, and from funds specially allocated by KASE.

The Exchange itself, thanks to the modernization and implementation of the Central Counterparty, has gained a serious competitive advantage in the market. On the one hand, a systemic approach to managing credit and market risks contributes to increased confidence and growth in the number of participants, especially foreign investors for whom the availability of a Central Counterparty is a primary requirement for entry to the local market. On the other hand, the services of the Central Counterparty have become a new and very promising line of business.



**268**  
financial instruments  
on the terms of partial  
collateral

As of January 1, 2022, the number of stock market financial instruments admitted to transactions with the Central Counterparty on the terms of partial collateral (List T+) was 268, while the number of financial instruments of the stock market accounted for as collateral for obligations under transactions with partial collateral (Collateral List T+) – 227.



## Strategic direction 3. Increasing the liquidity and depth of the exchange market

Growth in trading volume on KASE markets for 2018-2021 by

# 36.4 %

The qualitative results of the third strategic direction of increasing the liquidity and depth of the exchange market were such indicators as the growth in trading volume on KASE markets by 36.4 % from 127.8 trillion tenge in 2018 to 174.4 trillion tenge in 2021; the exponential growth of private investors: while as of January 1, 2019 private investors opened 116.8 thousand accounts in the Central Securities Depository, as of January 01, 2021 – 218.3 thousand accounts with a simultaneous characteristic increase in the number and frequency of transactions by private investors, as well as an increase in the number of financial instruments available for trading.

The third strategic direction of the Exchange aimed at increasing the liquidity and depth of the exchange market was implemented in several main areas.

### Trading using omnibus accounts

From July 1, 2021, the Exchange provided trading participants with the opportunity to trade using omnibus accounts. The launch of the project became possible due to changes in the legislation of the Republic of Kazakhstan. An omnibus account opened at the Central Securities Depository is an account for accounting for financial instruments, on which a trading participant can account for assets of several clients at once. These accounts are an alternative to the segregated accounting of brokers' client assets in the Central Securities Depository, in which a separate account is opened for each client.

The project was launched in order to improve the convenience of brokerage companies and their clients. The introduction of omnibus accounts is designed to optimize the costs for trading participants, as well as those of their clients, to simplify the procedure for accounting for securities and registering transactions, and to bring the accounting of securities in line with international practice.

The introduction of omnibus accounts-based trading on KASE means that market participants will be able to cut transaction costs when making settlements with a clearing organization on account of reducing the number of transactions with financial instruments and money. A feature of concluding transactions using omnibus accounts is the obligation to provide the Exchange with the code of the client on whose behalf each order is submitted from the omnibus account. KASE on the basis of information on client codes received from the Central Securities Depository checks the crossness of orders for the purpose of excluding the possibility of making deals on offset orders of the same client.

Brokerage organizations brought their information systems in line with the specified features, and by the end of 2021, a number of brokerage organizations offer their clients the functionality of omnibus accounts and use it to trade on KASE.





## Platform for private placements of bonds

From July 1, 2021, the Exchange has also introduced a new product for bond issuers - private placement. A separate platform was created in the structure of the Exchange's official list for private placement. A private placement is a non-public offering of corporate bonds among a limited number of qualified investors. Conditions for issuing such securities are determined by a private memorandum, after registration of which the issuer can go through the listing procedure on KASE.

Listing and offering of securities admitted to the "Private Placement" of KASE official list are characterized by the minimum listing requirements for securities and their issuers, a reduced package of documents, a shortened listing procedure period (seven business days), smaller listing fees, as well as no financial advisor is required.

Offering of bonds through a private placement will be carried out by subscription, whereby there mustn't be more than 50 investors, the minimum order volume is 100 thousand tenge.

**As of January 1, 2022, two issuers have already used this new product, passed the simplified listing procedure and placed their bonds on the Exchange.**

## KASE Global

On average

**138 deals were made daily**

On November 15, 2021, for the purpose of expanding the range of financial instruments available for trading, the Exchange launched a new sector called KASE Global, in which the most liquid foreign shares traded on foreign exchanges are admitted to trading.

At the first stage, shares listed on NYSE Equity, the main market of the New York Stock Exchange, and NASDAQ Global Select, a market of the NASDAQ exchange, and/or included in the Standard & Poor's 500 and NASDAQ 100 stock indices were admitted to trading in the new sector.

Trades in the KASE Global sector are held from 11:20 to 22:00 o'clock (Nur-Sultan time) in US dollars on T+2 terms with the participation of the Central Counterparty. As the market's liquidity increases, an extension of the trading time will be considered. The listing procedure at KASE Global was simplified, and the tariffs for inclusion and maintenance of securities in the lists were cancelled for issuers of the new sector. In the new sector, trading participants are given the opportunity to carry out short sales and repo transactions. Short sales and repo transactions will be suspended for the duration of the dividend payment to avoid tax consequences during the transfer of dividends.

Since the start of trading in KASE Global sector, 4,167 deals were made for a total of KZT6.4 bn, or USD14.8 mln. On average, 138 deals were made daily in the amount of 207.7 mln tenge, or 477.7 th. US dollars.



## KASE Startup

# 55 start-up businesses

are currently registered on the information platform KASE Startup

The Exchange launched a new platform called KASE Startup in April 2018 as an information resource designed to support the new direction of the economy of hi-tech organizations with the potential for rapid scaling.

One of the priorities for supporting this segment is the prospect of growth of start-up companies in the future and their transition as issuers to larger KASE markets both for borrowing capital and through issuance of stocks.

55 start-up businesses are currently registered on the information platform KASE Startup, with 21 of them admitted in 2021. A total of over 200 applications from admittance initiators were considered in 2021. The Exchange provides access only to those companies that meet the criteria specified in the Rules for Information Access of KASE Startup.

### Sectoral distribution of companies admitted to KASE Startup looks as follows:

- ▶ IT – 12 companies;
- ▶ manufacturing – 2 companies;
- ▶ “green technologies” – 1 company;
- ▶ marketing/sales – 2 companies;
- ▶ consumer sector – 1 company;
- ▶ other – 3 companies.

### The partners of the Platform at the moment are as follows:

- ▶ Business incubator “MOST”;
- ▶ International IT-startups technopark “Astana Hub”;
- ▶ Business accelerator “Astana Business Campus”;
- ▶ KBTU Startup Incubator;
- ▶ Consulting company “Reach Partners”;
- ▶ “KazConsulting Partners”;
- ▶ “Redfern Partners”;
- ▶ “Social-Entrepreneurial corporation “Almaty” JSC.

## Market-makers attraction program

For the purpose of increasing the liquidity in exchange markets, the Exchange in 2020–2021 implemented several programs to attract market-makers: for shares of domestic “blue chips” – KASE Privilege Market-Maker, for foreign shares – KASE Global, as well as programs in the market for government securities of the Republic of Kazakhstan and the derivatives market.

For the purpose of increasing the liquidity in the GS market in 2020, the Exchange actively worked on attracting market-makers to this market by negotiating with the most active participants and introducing new market-maker programs. In particular, an incentive program was introduced, which established requirements for the volume and level of the spread for mandatory quotations, whereby a compliant member of the Exchange is exempt from paying commission fees on transactions in which he fulfills the obligations of a market-maker, and pays fees reduced by 50% on transactions with other government securities. In turn, the Exchange pays remuneration to this market-maker as much as 50 % of the amount of the Exchange’s commission fee received from the counterparty on the transaction.

Under this program, three members of the Exchange act as a market-maker for government securities: Halyk Savings Bank of Kazakhstan JSC and Bank CenterCredit JSC – for five issues each, Freedom Finance JSC – for nine issues.



The KASE Privilege Market-Maker program, aimed at increasing the liquidity of domestic shares, was approved by the Exchange’s Board of Directors in September 2021. In order to implement this program, the Exchange held preliminary negotiations with existing and potential market-makers for shares, developed a matrix for distributing monthly remuneration for market-makers, developed a draft individual agreement for concluding agreements with existing and potential market-makers, and prepared a list of financial instruments to participate in it.

Simultaneously with the introduction of KASE Global sector for trading foreign shares from November 15, 2021, a market-maker program in this sector was launched in order to increase its liquidity. Investors’ interest in trading foreign shares emerged, among other things, due to the presence of market-makers for these securities. For a number of foreign shares, market-maker services are simultaneously performed by several brokerage organizations.

It is worth noting the narrowing of the average spread for all securities: not only for market-makers’ transactions, but also for transactions of other trading participants. The success of this sector and related program will be seen in the longer run.

At the end of December 2021, in order to boost the derivatives market, the Exchange’s Board of Directors approved a market-maker program on the derivatives market, which involves the payment of remuneration to program participants.

Initially, it is planned to attract market-makers for non-deliverable KZT/USD exchange rate futures already included in the trading lists, futures on common shares of liquid issuers, as well as for KASE Index futures.

## Money market indicators

The Exchange, together with the European Bank for Reconstruction and Development, the National Bank of the Republic of Kazakhstan, as well as market participants, in order to create a risk-free benchmark in the money market of the Republic of Kazakhstan, based on the principles of reliability of indicators in line with the best international practices, has developed a new methodology for calculating the TONIA, TRION, TWINA indexes and implemented their calculation from the end of 2020.

Additionally, from September 15, 2021, the Exchange introduced derivative indicators based on the main money market indicator TONIA – TONIA Compounded Index (TCI) and TONIA Compounded Rate (TCR). The TCI indicator is a composite TONIA index calculated every calendar day, while the TCR indicator is calculated based on TCI for rolling periods of one, three and six months.

The new TCI and TCR indicators serve as a benchmark at establishment of prices for financial products and give financial market participants the opportunity to diversify their product lines.

**Implementation of KASE Privilege-Market Maker program is scheduled for 2022.**







Continuous improvement of the customer service is an important area of the Exchange's development.

## Improving customer service of the Exchange

Continuous improvement of the customer service is an important area of the Exchange's development.

**As part of this area, the Exchange introduced the following services.**

- 1** Since March 2021, it has become possible to withdraw funds from the CCP to several broker accounts in STBs at the choice of a broker. Now a broker, when making cash settlements on deals with the central counterparty in the stock market, can use several bank accounts to credit money received from the Exchange as a result of trading on the stock market.
- 2** In June 2021, the Exchange implemented the possibility of conducting special trading sessions (gross settlements), which can be settled in foreign currencies EUR, RUB, CHF, GBP. From the same date, a mechanism has been implemented for transferring income on repo transactions, as well as auto-compensation for purchase and sale transactions in securities, for which income is paid in foreign currencies EUR, RUB, CHF, GBP, as well as the possibility of transferring the collateral of clearing participants between different types of exchange markets. Now clearing participants have the right to apply to the Exchange for the transfer of all or part of the collateral between exchange markets.
- 3** Additionally, at the end of 2021, the Exchange launched the possibility of an initial offering of MEKAM with the T+2 settlement date.



## Training, consulting, market promotion

KASE pays special attention to the in-depth study of financial services and improving financial literacy among all stakeholders. 2021 was no exception, and the Exchange continued to organize educational programs for issuers and investors, students, media representatives and the public. Using the experience of the previous year, when due to the coronavirus pandemic, KASE quickly and efficiently switched to an online format of events, in 2021 the Exchange also held all its conferences, webinars and seminars online. Overall, the Exchange held about 70 events in 2021, including seven media briefings and four press conferences.

### Events for issuers

One of the most important initiatives of KASE is the regular conduct of the “Issuer Day”. This event is designed to strengthen communication between market participants, listed companies with investors and other stakeholders.

In 2021, as part of the Issuer Day project, online events were held with representatives of major national companies and holdings. Akimat of large cities of the republic were involved, too. In particular, in February, an online meeting was held with officials of the Akimat of Shymkent for investors, professional participants of the securities market and media representatives, dedicated to the proposed issue of the city’s bonds.

Throughout the year, the Exchange also regularly provided a platform for its major issuers, such as Kazakhtelecom JSC, KEGOC JSC, Kcell JSC.

## Overall, the Exchange held about **70** events in 2021

During these meetings, the heads of the companies provided an update on operational and financial performance in the reporting period, talked about promising projects. Similar events were also organized with the participation of Bank Center Credit JSC, MFO KMF LLP, Eurasian Development Bank, Industrial Development Fund JSC.

### Educational programs

The Exchange annually spends significant resources on activities aimed at improving the financial literacy of the public, as this contributes to the development of the stock market and the involvement of the public in investing. To this end, a number of projects of various scale were organized in 2021.

One of the striking examples of this initiative is the annual KASE competition “Exchange Simulator”, which last year was held for the thirteenth time. The project is being implemented by the Exchange as part of improving financial literacy among students. To increase the level of students’ awareness of the stock market, the Exchange’s experts conducted more than 30 lectures at Kazakhstan’s universities.

Leading Kazakh brokerage companies acted as partners and sponsors of the project in 2021. The total prize fund of the competition amounted to 2.6 million tenge. Thirteen winners of the “Exchange Simulator” received 200 thousand tenge on their real accounts at brokerage companies.

In 2021, KASE also launched an educational program called “Fall sessions of Financial Literacy” as part of an international information campaign to improve financial literacy. The opening of trades as part of the program started with the traditional strike of the exchange gong – Ring the Bell for Financial Literacy, marking the accession of KASE to the global initiative of the World Federation of Exchanges and the International Organization of Securities Commissions (IOSCO). In 2021, 78 exchanges around the world supported this initiative. In support of financial literacy projects, the Exchange held a series of six free educational webinars on the essentials of the stock market “Investing on KASE”.

The total prize fund of the competition  
amounted to **2.6** mln  
tenge



For journalists, KASE, together with Fingramota.kz, a training project on financial literacy improvement of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (ARDFM) and the representative office of the international organization Internews Network in Kazakhstan, held an online seminar “Stock market: we cover it competently.”

In addition, the Exchange resumed the cycle of training programs “Stock Markets with KASE” on radio “Business FM”. In 2021, the hosts of the program, Andrey Tsalyuk, Deputy Chairman of the Management Board of the Exchange, and Rustam Maksutov, General Director of the Business FM radio station, conducted eight broadcasts on relevant topics related to the stock market: from repo transactions to manipulation in the securities market.

### Events for investors

In order to popularize the exchange trading in shares of the representative list in the Republic of Kazakhstan, the Exchange held an annual competition among retail investors in the equity market. In accordance with the terms of the competition, the winners are investors who have earned the highest yield as a result of concluding at least two deals in shares of from the KASE representative list. The competition saw the participation of 1,150 investors who managed to make 3,700 deals worth 155 million tenge.

Investing is always associated with risks, so the Exchange annually holds thematic events dedicated to various aspects of investing. In 2021, in particular, a webinar called “Principles for Responsible Investment, PRI” was held. During the webinar, experts spoke about current trends and principles of implementation, practical methods for analyzing ESG factors at global, regional, industry and corporate levels, as well as about the practice of developing ESG at KASE.

### PR events

The Exchange recognizes that active and effective interaction with the media enables information exchange with all partners and stakeholders of the Exchange and contributes to the creation of a favorable investment climate. The Exchange annually holds events aimed at disclosing information about the situation on the exchange market and financial instruments traded on it, the Exchange’s initiatives, as well as trends in global markets.

In 2021, KASE held a series of events, in particular: an online event called “Inclusive Leadership: The New Reality in Business”, which highlighted the main objectives of the global initiative “Women’s Empowerment Principles, WEP – Business means equality”.

A series of lectures at the platform KASE Talks has become one of the Exchange’s most popular information projects recently. In 2021, there were five live broadcasts with speakers represented by financial market professionals, which focused on various issues related to the securities market development and financing instruments of the financial sector as a whole.

To inform the public about the dynamics of KASE’s exchange markets, the Exchange continued broadcasting the program “Exchange News of KASE” on radio “Business FM”. 40 episodes of the program were aired in 2021.

To promote the brand KASE, the Exchange continues to produce digital content on a regular basis in social networks: LinkedIn, Facebook, Instagram, Telegram.



## Strategic direction 4.

### Implementation of sustainable development principles

The mission of the Exchange as an infrastructural organization of the stock market of the Republic of Kazakhstan is to promote the economic growth of the Republic of Kazakhstan by providing a wide range of instruments for raising capital by domestic issuers, providing a platform for redistributing liquidity in the financial system and providing a transparent investment environment for local and foreign investors.

The Exchange in its activities uses the following sustainable development principles laid down in the Corporate Governance Code and other internal documents of the Exchange: openness, accountability, transparency, ethical behavior, observance of the interests of stakeholders, legality, observance of human rights, intolerance to corruption, availability of procedures.

#### The Exchange in its activities adheres to the following principles of the United Nations Global Compact:

- 1 in the field of human rights protection: the Exchange ensures and respects the protection of human rights proclaimed at the international level; the Exchange ensures non-involvement in human rights violations;
- 2 in the field of labor relations: the Exchange supports the policy of eradicating forced and child labor, discrimination in the field of labor and employment;
- 3 in the field of environmental protection: the Exchange adheres to the precautionary principle in environmental matters; the Exchange takes initiatives aimed at increasing responsibility for the state of the environment; the Exchange welcomes the development and dissemination of environmentally friendly technologies;
- 4 in the field of combating corruption: the Exchange declares zero tolerance of all forms of corruption and other illegal actions, including extortion and bribery.

Implementation of sustainable development principles is a strategic direction of the Exchange's activities as part of KASE's development strategy for 2019–2021. Its emergence among the Exchange's key priorities not only was in line with the general vector of the global exchange industry, but also made it possible to combine into a single system a range of tasks aimed at increasing the investment value of KASE and increasing confidence in the Exchange of its partners and stakeholders. These included improving the quality of risk management, internal control and audit, increasing the transparency of KASE's activities, introducing environmentally friendly business standards and strengthening social responsibility.

### ESG disclosure by listed companies

By joining the United Nations Sustainable Stock Exchanges Initiative, KASE is promoting the use of best practices in non-financial reporting as well as sustainable development reporting. As part of these efforts, KASE, in partnership with international financial institutions, develops and promotes methodological recommendations for these reports, and also consistently implements the rules for compiling non-financial reporting and ESG criteria reporting into the mandatory disclosure requirements for listed companies. In February 2020, KASE updated the requirements for annual reports, providing for additional disclosure of information on social responsibility and environmental friendliness for companies whose securities are in the "Main" category of the Exchange's official list. The Exchange's initiative was important to companies and provided an opportunity to build the potential needed to produce good quality sustainability reports. Already based on results of 2020, 80 out of 155 listed organizations provided annual reports with disclosure of ESG or its main elements.

In 2021, the Exchange produced a separate document – "Information Disclosure Rules", which includes key disclosure requirements for listed companies. And if earlier KASE insisted on disclosing only the main points, now full disclosure of information in the field of sustainable development has begun, including certain tabular specifications.



Appendices have emerged that include a list of key performance indicators for general, environmental and social issues. Also fully included is the assessment of key performance indicators for corporate governance and such an important element as guidance on industry specifications.

In the reporting year, the Exchange held a contest of annual reports for the purpose of developing the practice of preparing non-financial reporting in Kazakhstan. During the competition, annual reports and reports on sustainable development of legal entities – residents of the Republic of Kazakhstan, who submitted applications for participation in the contest, were evaluated. To conduct this contest, the Exchange developed a procedure for evaluating annual reports, taking into account the assessment of various characteristics of the reports of the competition participants. A total of 150 criteria were evaluated. Organizations from the financial and non-financial sectors submitted a total of 27 applications for participation in the competition. Based on the results of the competition, the winners were determined and an awards ceremony was held.

## ESG infrastructure

The growing interest in the ESG topic from investors is also an opportunity to expand the product line with a focus on green and other bonds to finance sustainable development projects. In the first half of 2021, KASE created an infrastructure necessary for the issuance of ESG bonds on its market, having also defined requirements for such debt instruments, and having provided for discounts on listing fees.

The first issuers also appeared – in November 2020, Asian Development Bank issued the first green bonds and raised 14 bn tenge (\$32 mln), which are aimed at financing the bank's projects on adaptation to the climate change and mitigation of its consequences in Kazakhstan. In February 2021, Asian Development Bank raised almost 8.4 bn tenge (about \$20 mln) on KASE as part of the first social bonds to provide affordable mortgage lending for female borrowers living in the regions.

Social bonds of "Damu" Entrepreneurship Development Fund JSC to fund small and medium-sized businesses from sectors of the economy most affected by the COVID-19 pandemic, as well as two issues of sustainable development bonds of Eurasian Development Bank in the amount of 40 bn tenge (about \$95 mln) to finance ESG-projects in Kazakhstan were placed on KASE in September 2021.

In 2021, the Exchange's Board of Directors approved four auditing organizations that can carry out an independent assessment of sustainable development projects, and two auditing organizations were included in the List of auditing organizations recognized by the Exchange by the second level.

Successful promotion of ESG requires the involvement of different stakeholder groups. In July 2021, as part of the Green Financing and Debt Capital Market conference, KASE, together with the ARDFM and PwC Kazakhstan, signed a memorandum of cooperation to promote the principles of sustainable financing. Under this memorandum, PwC Kazakhstan, as an independent consulting organization, undertook to provide methodological support and advice on international practice in creating an infrastructure for financing ESG projects. In turn, the ARDFM has laid out its intention to take measures to stimulate the transition of financial institutions and listed companies to ESG standards at a systemic level by integrating them into the regulation of risk management and reporting systems. In the future, rating agencies Expert RA and ACRA, as well as the AIFC Green Finance Center, expressed their readiness to confirm the ESG goals on bonds placed on KASE.



## Information policy

Information dissemination channels should provide free and easy access to information being disclosed.

### The Exchange adheres to the following principles when disclosing and distributing information:

- ▶ regularity, consistency, efficiency and timeliness;
- ▶ completeness of information disclosure within the capabilities and competence of the Exchange;
- ▶ neutrality and objectivity;
- ▶ equal opportunities for access and availability of public information of the Exchange for regulators, partners and stakeholders;
- ▶ ensuring control over confidentiality and use of insider information of the Exchange;
- ▶ observance of confidentiality: a reasonable balance between openness of information and observance of interests of the Exchange as a commercial organization;
- ▶ observance of the rights of the Exchange's partners to information about changes in their activities, provided to the Exchange as the trades operator in accordance with the requirements of the legislation of the Republic of Kazakhstan.

## Information services

By now, KASE has not only introduced and improved a full range of standard information products supplied by exchanges worldwide, but also created and develops atypical own data distribution channels for the convenience of retail and corporate consumers using KASE information in their activities.

In 2021, the trend of accelerated digitalization, the widespread use of data-driven approaches in the activities of both foreign and Kazakh companies, have become drivers of demand for large data arrays, including stock exchange data, used by companies to develop customer services. Thus, the circle of consumers of KASE's information in 2021 expanded with such subscribers as Halyk Bank of Kazakhstan JSC, Forte Bank JSC, Sberbank JSC, VTB Bank JSC, whose services use, among other things, market data and KASE's technical infrastructure. As a result, the number of corporate clients subscribing to KASE's information services grew to 32 companies.

The number of clients distributing KASE's trade data has reached 15, of which three companies represented by Bloomberg, Refinitiv, and Citigroup Global Markets LTD, global financial information providers, distribute KASE's real time market data with a total audience of 211 end subscribers as of the end of 2021.

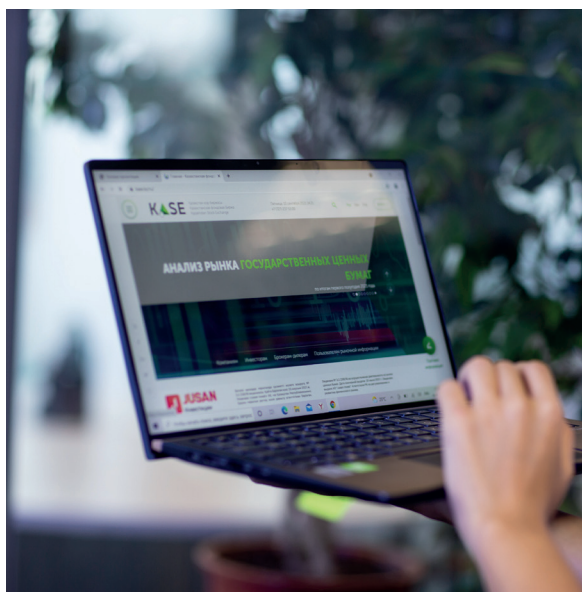
In 2021, service packages for retail clients were integrated in the @KASEInfoBot in the Telegram app in order to improve the quality of service and data update speed, as well as the possibility to pay for service packages via Internet acquiring was implemented, which allows making payments using bank cards, reducing to a minimum the time required to gain access to the service. The total number of @KASEInfoBot subscribers as of the end of 2021 was 4,389, which confirms the demand for this service.

Users who prefer to receive extended content of real time market data, monitor the course of trades on KASE through the corporate website of the Exchange. The number of such subscribers as of the end of 2021 was 163.

KASE intends to further develop financial information dissemination activities through information products. For instance, a browser-based version of the IRIS Finance information platform is expected to be launched in the first quarter of 2022. KASE's plans also include the development of a service for obtaining archived data and other products, which ultimately means new opportunities of a broader market analysis for users.







## Assessment of the quality of KASE services

Increasing the level of satisfaction of the Exchange's customers, maintaining high positions in the assessment of exchange services and searching for new ways to improve them are among the main priorities of the Exchange. By implementing new projects and introducing new products for members of the Exchange, listed companies and other service consumers, KASE also seeks to receive feedback on these projects and products and build communication with exchange service consumers. To this end, KASE introduces SLA standards, and also annually conducts an assessment of customer satisfaction with the Exchange's activities.

For the purpose of assessing the quality of exchange services, the internal documents of the Exchange provide for an annual survey of the main business processes. To assess the level of satisfaction, open and closed questions with provided answer options are used. By conducting a survey of its customers, the Exchange seeks to continuously improve the quality of services it provides and determines a set of measures to improve the Exchange's services, which are included in the list of tasks for the next year.

41 members of the Exchange (82%), 124 listed companies (78%) and 128 consumers of the Exchange's information services out of 181 (70.7 %) took part in a survey based on results of 2021. The overall rating of the Exchange's customer satisfaction in 2021 was 91.99 % out of 100 %, compared to 2020 (91.61 %), demonstrating a slight increase of 0.38%.

## Environment protection

In its activities, the Exchange seeks to reduce excessive consumption of resources and minimize the existing negative impact on the environment through the introduction of energy efficient technologies, reducing water consumption, reducing paper consumption for office needs through the introduction of an electronic document management system and the practice of two-sided printing. The main resources consumed by the Exchange are electricity, heat, paper products and water.

In 2021, the Exchange introduced the Green Office program, which implies an integrated approach to managing an organization and includes a number of technical, motivational and educational activities based on the generally accepted principles of the three Rs:

- ▶ **REDUCTION** – reasonable consumption of energy, water, electricity etc.;
- ▶ **REFINEMENT** – reuse of office materials, paper and other consumables;
- ▶ **REPLACEMENT** – environmentally responsible procurement and purchase of goods and services that minimize the impact on the environment, promotion of alternative and/or efficient use of transport. For the purpose of implementing the “Green Office” program, the Exchange has created a headquarters of eco-activists from among the Exchange's employees called KASE GREEN.

**Separate waste collection will be introduced in the second half of 2021. During the year, about 100 kg of waste paper, more than 24 kg of glass and 24 kg of plastic were collected, also the Exchange's employees planted trees in Almaty.**



## International activity

For the purpose of studying international experience and increasing the awareness of foreign issuers and investors about the domestic stock market, the Exchange continues its activities in the international arena.

**The Exchange is a fully-fledged member of international exchange associations – WFE, FEAS and MAE CIS and takes an active part in activities of these organizations.**

In March 2021, Deputy Chairperson of the Exchange's Management Board – N. Khoroshevskaya was included in the WFE's Women Leaders 2021 list.

In September 2021, the Exchange took part in the 60th WFE General Assembly and Annual Meeting, where the participants defined the main directions of the WFE's activities for the next year.

The Exchange is a member of the WFE Working Groups on cybersecurity, sustainability, SMEs, emerging markets, operational risks, and central counterparty Issues.

Active participation in FEAS means studying the international experience and opportunity to strengthen the Exchange's international relations with foreign exchanges and their participants. As part of its membership in FEAS, the Exchange takes part in several working groups on regulatory issues, investor relations systems and sustainable development.

In 2021, the Exchange took part in a number of FEAS events covering the development of regional capital markets, the improvement of post-trading infrastructure and the use of best exchange practices.

In June 2021, during the 32nd FEAS General Assembly, the Chairperson of the Exchange's Management Board Alina Aldambergen was elected as the Deputy Chairman of FEAS for a period of two years. The Exchange, together with FEAS and EBRD, organized a webinar "Going for an IPO" for issuers and companies of the Republic of Kazakhstan. More than 112 listeners took part in the event.

In December 2021, Freedom Finance JSC, a company from Kazakhstan, previously nominated by the Exchange, won the bronze award of the FEAS Champions League 2021 in the "Fixed Income Market" category among exchange brokers of FEAS member countries.

As part of its activities to promote responsible and efficient investing, the Exchange participates in working groups, whose purpose is to unite and coordinate efforts in the application of sustainable development principles. The Exchange also takes an active part in UN SSE events and initiatives. Thus, in 2021, the Exchange, as part of joining the UN initiative for sustainable development and the annual opening ceremony of trading Ring the Bell for Gender Equality held an online event called "Inclusive Leadership: A New Reality in Business" in association with the International Finance Corporation (IFC).

In August 2021, the Exchange held a meeting with experts from the Organization for Economic Cooperation and Development (OECD) on an OECD scheme for studying the prospects for issuing Green Bonds in Kazakhstan.

In November 2021, the first certified online training on financial disclosure related to climate change was held for the capital markets of Kazakhstan and Kyrgyzstan. This training was the result of cooperation between the UN SSE initiative, IFC, the Climate Disclosure Standards Board (CDSB), the Exchange and the Kyrgyz Stock Exchange CJSC.

The Exchange also takes a direct active part in the meetings of the MAE CIS as a member of the MAE Council and working groups of the association.

During the XVII International Conference of the Association of Eurasian Central Securities Depositories (AECSD) in October 2021, the Exchange presented its report on development of the stock market infrastructure in Kazakhstan.



# The Exchange's Development Strategy for 2022–2024



KASE's Development Strategy for 2022-2024 was designed as a continuation and development of the initiatives laid down in the previous three-year period. When working on the strategy, KASE was following global and local macroeconomic trends and best international practices of stock exchanges.

On December 3, 2021, the Exchange's Board of Directors approved KASE's Development Strategy for 2022–2024, which defines four key areas:

- ▶ increasing the liquidity in exchange markets;
- ▶ development of the central counterparty as a key infrastructure element;
- ▶ introduction of innovations and technological modernization;
- ▶ increasing value for stakeholders.



## Strategic direction 1.

### Increasing the liquidity in exchange markets

This strategic direction is going to be implemented in several main areas: expanding the range of financial instruments and services, establishing trading and clearing links with partner exchanges, expanding the range of issuers and investors.

For the purpose of attracting local and foreign investors, new instruments are going to be introduced: repo in foreign currency, ESG instruments, clearing participation certificates, ETFs for KASE instruments, boost of short sales and securities lending, introduction of trading and clearing links.

Small and medium-sized businesses will be encouraged to go public. Large-scale training programs, further development of the KASE Startup platform is in the pipeline. All of that will make it possible to equalize the terms of financing between the banking sector and the stock market, diversify the funding sources for growing businesses, and increase the transparency and stability of their business.

Another important development focus will be on attracting retail investors through the implementation of sponsored market-making programs, financial literacy programs, and the development of a mobile application. The possibility of introducing new digital products based on blockchain technologies will also be explored.

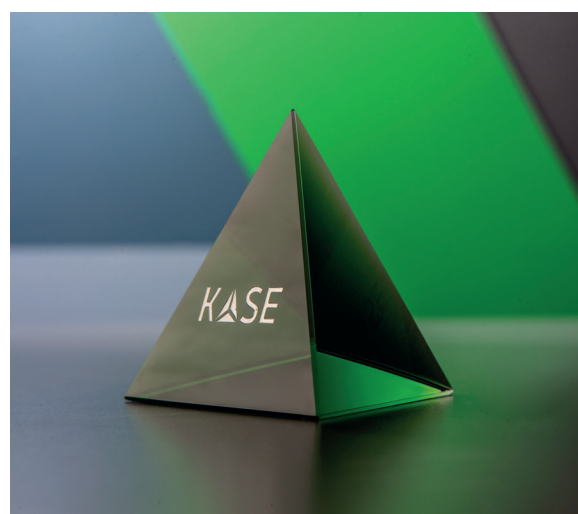
Recently launched KASE Global, the foreign securities sector, is supposed to be further developed by increasing the range of instruments, improving trading conditions, as well as settlements in this sector.

The Exchange, being one of the conductors of the ESG policy in the corporate market of Kazakhstan, consistently promotes ESG standards among its companies, and also creates opportunities for financing “green”, social projects on its platform. Work on creation of new products and services in the field of responsible investment and their application in Kazakhstan’s financial market will continue. There are plans to hold events among issuer companies listed on the Exchange and potential issuers to promote the sustainable development agenda and determine the availability of interest in ESG tools.

## Strategic direction 2. Development of the Central Counterparty as a key infrastructure element

The launch and development of the Central Counterparty services reduces the credit risk of participants, guarantees the settlement of transactions, and reduces transaction costs for participants due to cross-margining and netting.

As part of the strategic direction, measures will be taken to put the functionality of the Central Committee into a separate subsidiary. In addition, the Exchange plans to improve risk management in accordance with the best international practices, establish links with international CCPs and depositories, develop the CCP correspondent network, and gain international recognition.





## Strategic direction 3. Introduction of innovations and technological modernization

For the Exchange, as one of the key infrastructure elements of the financial market, the introduction of advanced technological solutions in accordance with the best world practices is of particular importance.

As part of this strategic direction, the Exchange plans to continue automating services, bringing the exchange IT infrastructure in line with international standards, including achieving its high fault tolerance.

The application of the new technology for detecting suspicious behavior of trading participants will be implemented through the introduction of the new surveillance module SCILA.

The Exchange plans to implement pilot projects based on blockchain technologies and other promising digital technologies, as well as ensuring technological readiness for integration with similar projects as part of the Digital Kazakhstan Development Strategy.

Modernization of the internal infrastructure will be carried out through the introduction of a new back office system, as well as improving the information and marketing content of the Exchange's website using a microservice architecture based on a modern java-platform.

New market data products are going to be introduced as part of the IT products development. An increased emphasis will be put on individual corporate subscribers (including NDU, derivative information, customized access to information, promotion of the new version of IRIS Finance).

## Strategic direction 4. Increasing the value for stakeholders

The Exchange, as an important building block of the financial market, will continue to make efforts to increase own value for its stakeholders.

As part of the new Strategy, work will continue to improve the level of corporate governance, brush up on the management reporting, apply new approaches to project evaluation taking into account their marginality, as well as introduce new approaches to the dividend policy.

These events will contribute to KASE's sustainable development and increasing of its investment attractiveness, the strengthening of strategic and competitive advantages of the Exchange.

Successful implementation of the Strategy will help Kazakhstan's exchange market to achieve global industry standards, allow KASE to become an effective fundraising platform for domestic companies, as well as lead to an increase in trading volume in all markets of the Exchange and increase stakeholders' confidence in these markets.





The image shows a woman with long dark hair and glasses looking at a laptop screen. In the background, a large wall features the KASE logo, which consists of the letters 'K' and 'SE' in a bold, sans-serif font, with a green triangle pointing upwards between them. The scene is set in a professional environment, likely a conference or meeting room, with microphones and other equipment visible on a table in the foreground.

KASE

The KASE logo is displayed in a white, semi-transparent rectangular box. It features the letters 'K' and 'SE' in a bold, black, sans-serif font, with a green triangle pointing upwards between them.

KASE

REVIEW OF RESULTS



According to international forecasts, 2021 should have been a period of strong recovery growth due to the continued ultra-loose monetary policy of major central banks. China was one of the first to start stimulating the economy, announcing a 738 bn USD package of subsidies.

The US House of Representatives approved the first \$1.9 trln subsidies package in March, the second package of \$715 bn in July, and the third package worth \$1.2 trln in November.

The European Central Bank has increased its Pandemic Emergency Procurement Program (PEPP) launched in 2020 from €750 bn to €1.9 trln. The Japanese government disbursed \$708 bn in December 2020 and \$490 bn in November 2021 to stimulate economic activity.

Strong fiscal stimulus allowed most countries to restore the main macroeconomic indicators, but since the summer, the pace of economic growth began to slow down.

Increasingly, the question of accelerating inflation was raised.

The central banks of developing countries have moved to a policy of raising key rates, while in developed countries they spoke of inflation as a temporary phenomenon.

In December, the US Fed acknowledged that inflation was no longer temporary and announced the start of tapering. The asset buyback program was supposed to be completed by March 2022 and in the second half of 2022 to move to an increase in the interest rate. The Bank of England, in turn, immediately began raising the rate to 0.25 %. Some European countries also raised the rate, while the European Central Bank limited itself to a gradual reduction in the asset buyback program. According to results of 2021, China and Japan were among the few countries whose inflation rate fell, so their central banks, in contrast to the rest, decided to maintain an eased monetary policy.

**Tab. 1. Real GDP and inflation (YoY %)**

	Real GDP (YoY %)				Inflation (YoY %)			
	2020 (F)	2021 (OH)	2022 (P)	2023 (P)	2020 (F)	2021 (OH)	2022 (P)	2023 (P)
USA	-3.4	5.7	3.8	2.5	1.2	4.7	4.8	2.4
European Union	-6.4	5.2	4.0	2.5	0.3	2.6	3.2	1.6
England	-9.4	7.1	4.5	2.2	0.9	2.6	4.8	2.2
Japan	-4.6	1.7	2.9	1.5	0.0	-0.3	0.8	0.7
China	2.2	8.1	5.2	5.1	2.5	0.9	2.3	2.2
India	3.7	-6.6	9.2	7.8	6.6	5.1	5.4	5.0
Russia	-2.7	4.2	2.6	2.1	3.4	6.7	6.4	4.1
<b>Kazakhstan</b>	<b>-2.7</b>	<b>4.0</b>	<b>3.9</b>	<b>4.2</b>	<b>6.8</b>	<b>8.0</b>	<b>7.5</b>	<b>5.7</b>
Brazil	-3.9	4.7	0.7	2.0	3.2	8.3	7.4	3.8
Mexico	-8.2	5.4	2.5	2.1	3.4	5.7	5.1	3.7
Turkey	1.6	10.3	3.5	3.8	12.3	19.4	31.4	17.0
UAE	-3.5	2.3	4.4	3.7	-1.0	0.1	2.0	2.0
Saudi Arabia	-4.1	2.6	5.9	3.1	0.9	3.1	2.0	2.0
Argentina	-9.9	9.4	2.2	1.9	42.0	48.5	52.0	44.2
Georgia	-6.2	7.7	5.7	5.0	5.2	9.3	4.6	3.5
<b>World</b>	<b>-3.1</b>	<b>5.9</b>	<b>4.3</b>	<b>3.6</b>	<b>3.2</b>	<b>4.3</b>	<b>4.2</b>	<b>2.8</b>

Source: Bloomberg economic forecast, 09.02.22

Some of the unresolved problems of the past year have moved into 2021: new strains of coronavirus, sudden outbreaks of the disease in different countries, lockdowns and disruptions in supply chains. All this, in one way or another, contributed to the limited supply. Meanwhile, a large amount of free liquidity, generated in the market, contributed to the accelerated growth of global demand for goods, energy and food. As a result, in 2021, there was a strong inflation of assets in all spheres of life.

Energy prices were rising for most of the year. At the end of October, the price of oil reached its highest level in the last seven years, while the prices of natural gas and coal renewed their historical highs. These price increase partly reflected an unexpectedly brisk recovery in demand (primarily in China and India); in addition, prices were strongly affected by shocks related to supply chain disruptions and weather conditions.

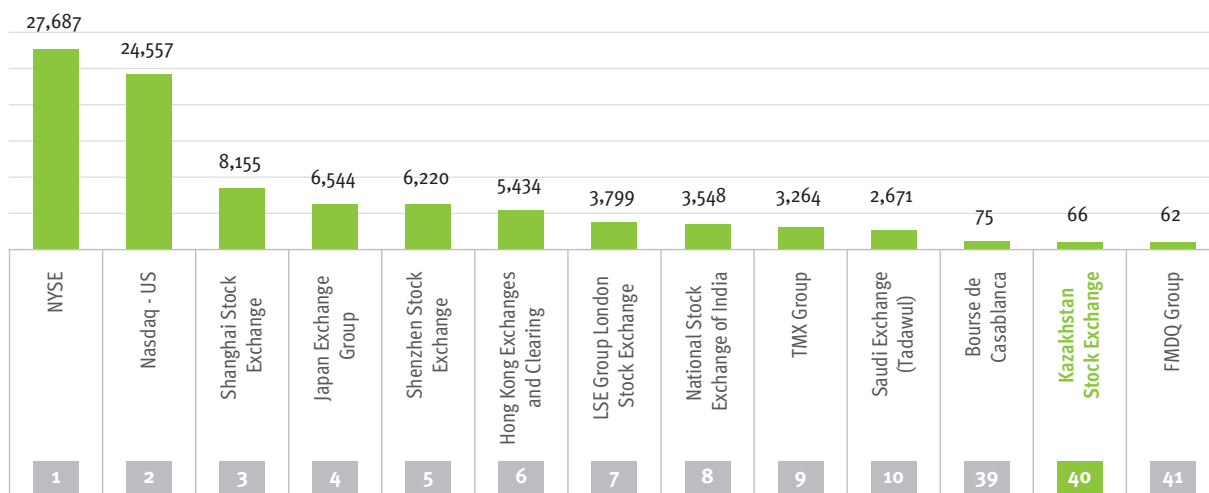
A large amount of free liquidity in 2020–2021 also came to stock markets, partly through the growth of corporate profitability, partly through a boom of private investors around the world. For the second year in a row, stocks of almost all sectors closed in the green zone with the largest growth in the energy (+50%), technology (+43%) and financial (+32%) sectors. At the same time, a record inflation ate up a significant part of profits, and the dynamics of bond market yields did not keep pace with inflation, so investors showed less interest in the traditional instrument for reducing volatility in the portfolio. Concerns about the coming correction have also grown.

Key indicators of the global exchange market, compiled on the basis of WFE data, showed the following results:

- ▶ global capitalization of the equity market increased by 16.6 % compared to 2020 having amounted to 124.5 trln US dollars. Growth was observed in all regions of the exchanges – members of the WFE. Capitalization in the EMEA regions (Europe, Middle East and Africa), in America (North and South America) and in the Asia-Pacific region grew by 14.3 %, 23.9 % and 8.9 % respectively;
- ▶ the global volume of trading in shares in 2021 compared to 2020 increased by 14.7 % and amounted to 162.1 trln US dollars. Volume growth was observed in the Americas and the Asia-Pacific region, while in EMEA there was a decrease. The volume of trading in the Americas increased by 12.0 % to 82.5 trln US dollars, in the Asia-Pacific region – by 24.2 % to 65.5 trln US dollars. In the EMEA regions, trading volume decreased by 5.9 % to \$14.1 trln.

Based on results of 2021, KASE ranks 40th among 58 WFE members in terms of equity market capitalization. The trading volume on KASE’s stock market reached \$14.6 bn, which is by 22.3 % less than in 2020. Following results of 2021, KASE ranks 52nd in terms of equity trading volume and 18th in terms of bond trading volume among WFE member exchanges.

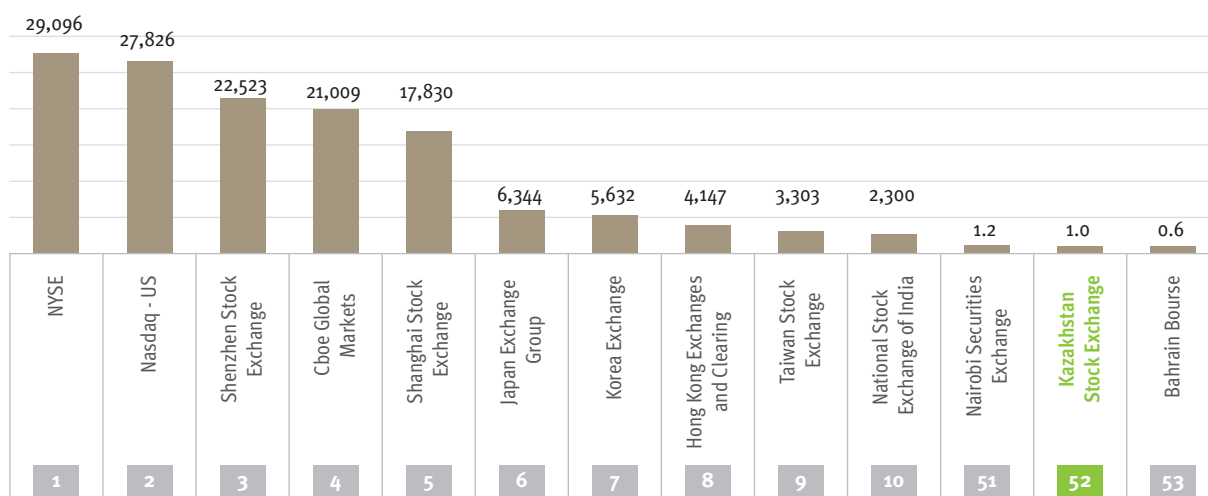
**Fig.1. Capitalization of stock exchanges, bn US dollars**



Source: WFE

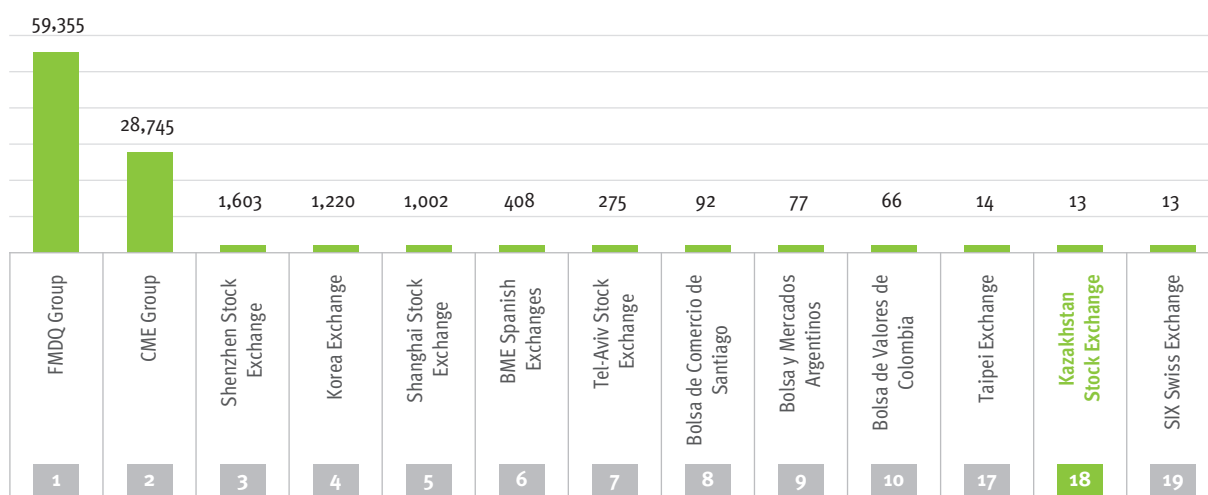


**Fig.2. The volume of trading in shares on the stock exchanges of the world, bn US dollars**



Source: WFE

**Fig. 3. Volume of trades in bonds on the stock exchanges of the world, bn US dollars**



Source: WFE

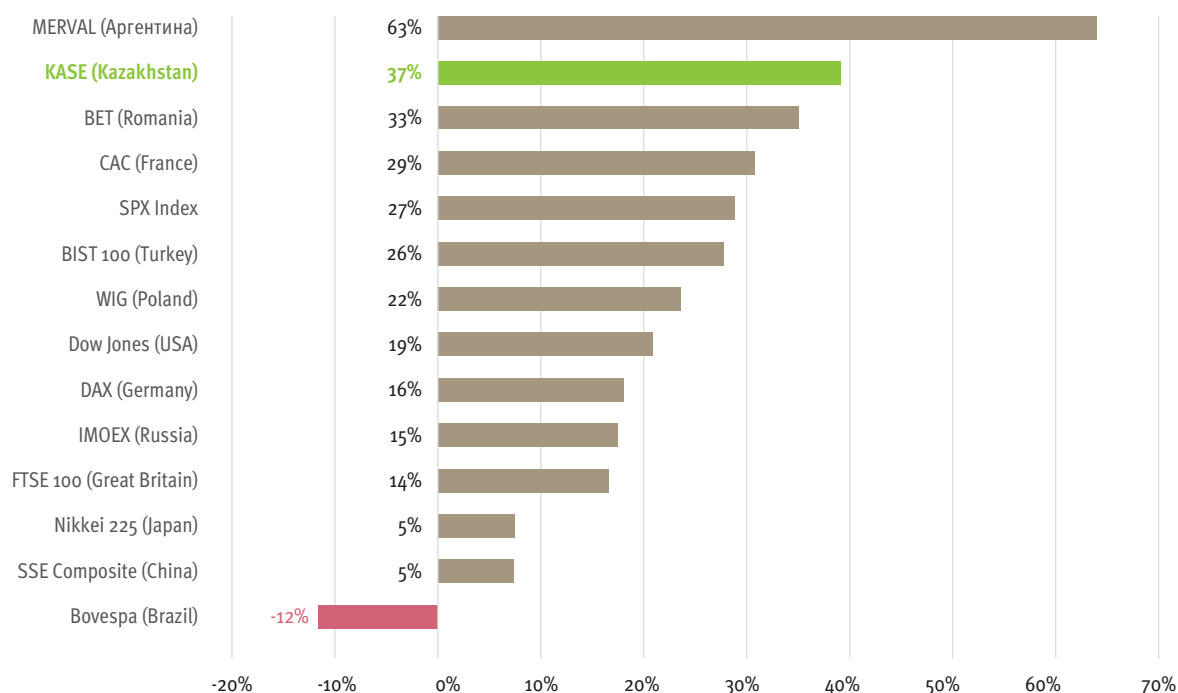
Argentine Stock Market Index leads by far in terms of growth rates, having grown by 63 % in 2021. At the same time, inflation in the country reached 50 %, significantly leveling the profitability on the stock market. The second place belongs to KASE Index with the result of 37 % per annum. The key stock index of Romania BET closes the top three with 33 %. Most indices of developed countries are in the range of 14–30 %.

In 2021, China’s stock market developed against all the odds. For most of the year, the Chinese government was taking tough measures to regulate certain sectors of the economy and only at the end of December switched to a policy of quantitative easing. This explains the fact that China’s index was behind the rest in terms of growth rates.

One of the few countries whose stock market has been declining for the second year in a row is Brazil. In addition to political instability, the country is heavily dependent on the slowing Chinese economy. Following results of 2021, the Bovespa index decreased by 12 %.

Below is a chart of changes in the main stock indices and KASE Index over 2021.

**Fig. 4. Growth indicators of the main world stock indices and KASE Index in 2021, %**



Source: Bloomberg

Kazakhstan’s economy finished 2021 with strong economic growth. According to current statistics, the country’s GDP increased by 4.0 % having reached 81.3 trln tenge.

At the same time, pro-inflationary risks persisted throughout the year both on the demand and supply side. From January to October, inflation rose from 7.4 % to 8.9 %, but in the last months of the year, inflationary pressures began to weaken.

As part of its measures to tackle inflation, the National Bank of the Republic of Kazakhstan raised the base rate three times in 2021 from 9 % to 9.75 %.

The adaptation of Kazakhstan’s economy to the realities of Covid-19, as well as the recovery in global demand, contributed to an increase in foreign trade turnover by 18.1 % to US\$99.6 bn. This growth was caused by an increase in exports of 27.2 % to 60.2 bn US dollars and imports – by 6.6 % to 39.4 bn US dollars. As a result, the trade balance had a surplus of \$20.7 billion.

The current account deficit in 2021 was USD 5.7 billion. The gradual return of the global economy to its long-term growth trend has led to an increase in demand for raw materials and higher prices for Kazakhstan’s main export items. As a result, the current account has slightly improved - the deficit has decreased by 12.7 % or by USD 0.8 billion compared to 2020.

The state budget deficit for 2021 was 2.5 trillion tenge, an increase of 341 billion tenge compared to the previous year. Tax revenues from increased business activity and higher world prices for key export commodities were the key contributors to the increase in revenues.

The vibrant phase of economic recovery has had a direct impact on a number of sectors of the country’s stock market.



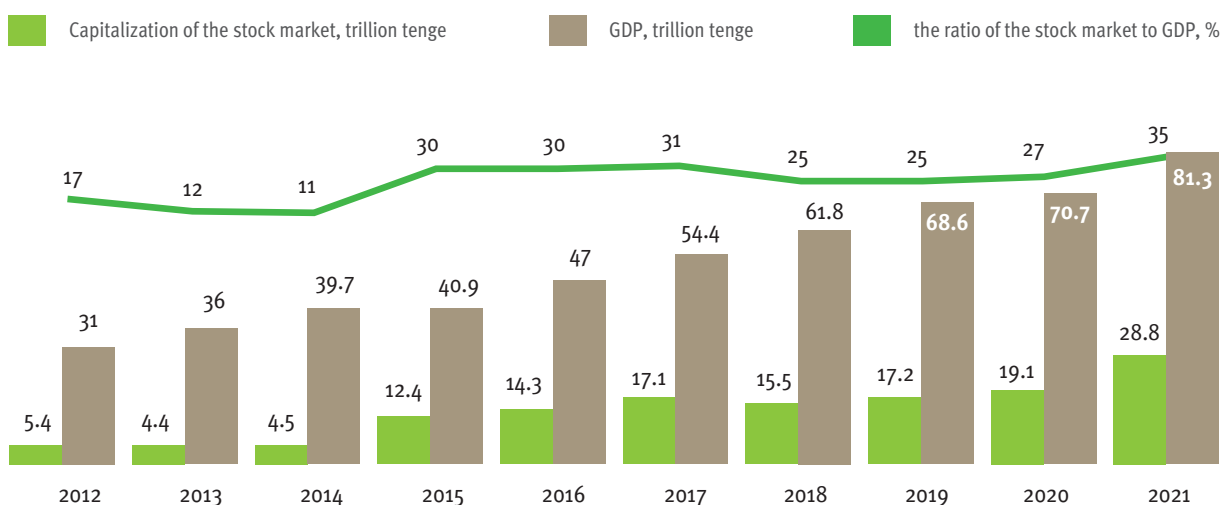
## KASE markets

### Stock market capitalisation hits all-time highs

The equity market capitalisation rose by 51.0% to 28.8 trillion tenge in 2021, marking an all-time high. The share of the equity market as a share of GDP was 35.4%, the highest in ten years.

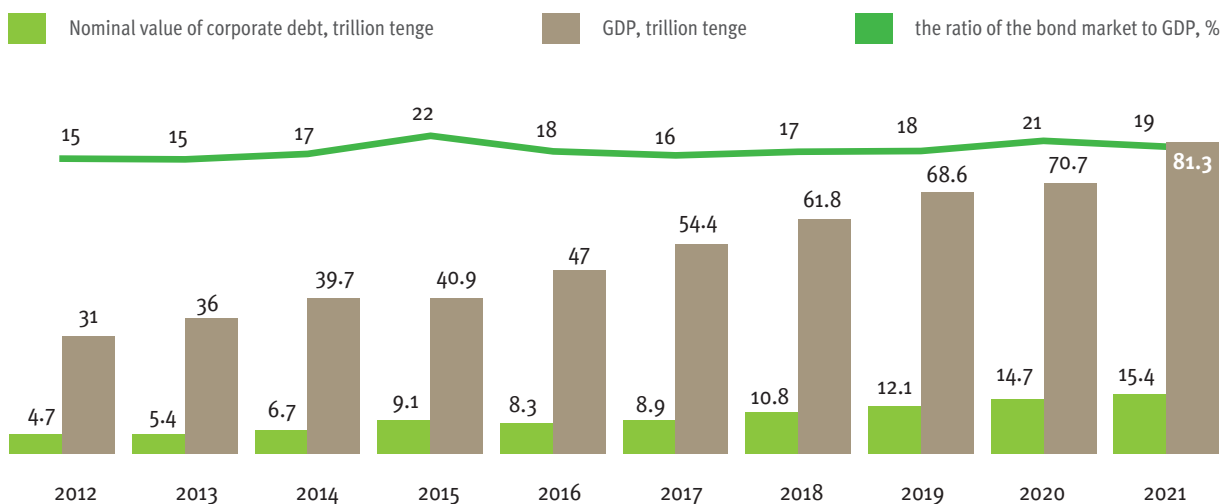
By the end of 2021, the main contribution to the growth of share market capitalisation was made by the resumption of transactions on KASE and the increase in the price of Kaspi.kz ordinary shares, as well as the growth in the price of most companies in the index list.

**Fig. 5. Ratio of KASE stock market capitalisation to GDP over the last 10 years, %**



The volume of corporate debt in circulation in 2021 amounted to 15.4 trillion tenge, which is 4.8% higher than last year. The share of the corporate debt market in relation to GDP is quite stable and by the end of 2021 amounted to 19.0 %.

**Fig. 6. The ratio of the volume of the nominal value of corporate debt in circulation of KASE to GDP, %**





The list of the first class of liquidity has significantly expanded due to the growth of trading volume

The total volume of trading on the Kazakhstan Stock Exchange for the year increased by 47.8% or 56.5 trillion tenge and amounted to a record 174.4 trillion tenge. Such results were achieved due to the significant activation of the foreign exchange market and the money market, trading on which reached 15.6 and 152.7 trillion tenge, respectively.

In turn, securities trading in 2021 accounted for 6.2 trillion tenge. This is 21.1% lower than last year. At the same time, the decline is mostly due to a reduction in placements by the Ministry of Finance on the government securities market and quasi-state companies on the corporate bond market, which is quite natural in the post-pandemic period. Meanwhile, several trends have been noted in the securities market that may determine the development of the market in the future. These include an increase in the number of retail investors, a multiple increase in the number of transactions concluded, the opening of trading in foreign shares on KASE Global platform, the entry into the market of small and medium-sized businesses, the expansion of the list of securities of investment funds.

The total volume of trading on the Kazakhstan Stock Exchange for the year increased by **47.8%** and amounted to a record **174.4 trln tenge**

The increase in trading volume is reflected in the expansion of the depth of KASE stock market and an increase in the number of securities included in the list of the first class of liquidity.

As of January 1, 2022, there were 43 securities in the lists of the first class of KASE liquidity. Of these, 11 names of shares of Kazakhstani issuers, 20 names of shares of foreign companies, nine names of securities of investment funds and three GDRs. At the beginning of 2021, this list consisted of 22 instruments. Over the year, it has expanded significantly due to the growing interest of investors in mutual funds and foreign securities, which, obviously, was facilitated by the expansion of the list of securities on KASE Global platform.

Fig .7 Dynamics of trading volume by sector over the past ten years, trillion tenge

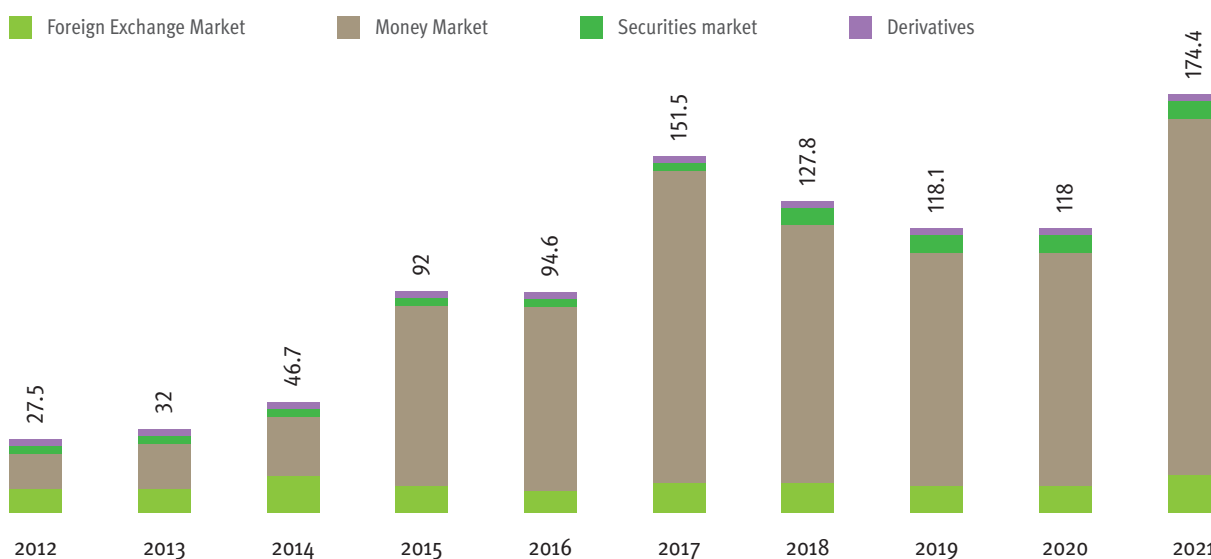


Table 2. Dynamics of trading on KASE stock exchange over the past five years, trillion tenge

	2017	2018	2019	2020	2021	change. 2021 to 2020	change 2021 to 2020, %
<b>Securities market</b>	<b>3.5</b>	<b>4.9</b>	<b>5.3</b>	<b>7.9</b>	<b>6.2</b>	<b>-1.7</b>	<b>-21.1</b>
▶ Shares	0.3	0.5	0.2	0.2	0.4	+0.2	+80.0
▶ Corporate debt securities	1.2	2.3	2.7	2.7	2.0	-0.7	-26.4
▶ GS	2.0	1.6	1.8	4.7	3.6	-1.1	-23.1
▶ Bonds of IFO	<0.1	0.1	0.5	0.3	0.2	-0.1	-43.3
▶ Securities of investment funds	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	+87.8
▶ Derivative securities	-	0.3	<0.1	<0.1	<0.1	<0.1	+1,032.8
<b>Foreign Exchange Market</b>	<b>12.3</b>	<b>13.4</b>	<b>11.1</b>	<b>11.6</b>	<b>15.6</b>	<b>+4.0</b>	<b>+34.1</b>
<b>Money Market</b>	<b>135.7</b>	<b>109.5</b>	<b>101.7</b>	<b>98.5</b>	<b>152.7</b>	<b>+54.2</b>	<b>+55.0</b>
▶ Repo operations	73.8	75.9	72.7	88.6	141.6	+53.1	+59.9
▶ Currency swap operations	61.9	33.7	29.0	9.9	11.0	+1.1	+11.0
<b>Derivatives Market</b>	<b>&lt;0.1</b>	<b>-</b>	<b>&lt;0.1</b>	<b>&lt;0.1</b>	<b>&lt;0.1</b>	<b>&lt;0.1</b>	<b>+348.3</b>
▶ Futures	<0.1	-	<0.1	<0.1	<0.1	<0.1	+348.3
<b>TOTAL trading volume</b>	<b>151.5</b>	<b>127.8</b>	<b>118.1</b>	<b>118.0</b>	<b>174.4</b>	<b>+56.5</b>	<b>+47.8</b>

Source: KASE



## Stock market liquidity boosted by inflow of retail investors

The unprecedented influx of retail investors into the stock market has become a landmark trend for 2020-2021, not only in Kazakhstan, but everywhere in the world. The active growth of retail investment in stock market instruments is due to the emergence of new opportunities during the pandemic, such as the possibility of remote investing (implementing remote client identification, developing mobile applications, “zero” commissions from some brokers); the use of new customer engagement tools, for example - “gamification” of investments, which involves brokers encouraging clients with a high transaction frequency; the use of popular social networks as additional channels to re-invest. In general, these trends have been evolving over the last few years, but the global pandemic has accelerated them. In Kazakhstan, the digitalisation

of financial services and brokerage activities, as well as easier access to the market for private investors through the adoption of amendments by the Agency regarding remote customer identification, also contributed to the significant increase in retail client participation in the stock market.

Brokerage organisations have promptly provided their clients with the ability to transact remotely through their mobile applications.

Already 10 out of 20 Kazakhstani brokerage organisations provide their mobile applications to retail investors, with three of them implementing this service through the infrastructure of their parent banks. During 2021, 87,822 new retail accounts were opened in the Central Securities Depository’s accounting system. By January 1, 2022, there were 218,336 individual accounts in the CD. This is an absolute historical record.

**Fig.8 The number of Accounts of individuals in the CSD**



Source: KASE, CD, Committee on Statistics of the MNE RK

In Kazakhstan, according to the CD, of all accounts, over 40% are represented by investors aged 35 to 54, 27% are aged 25 to 34 and the remaining 33% are in other age categories. The ratio of males to females is split 59% to 41% respectively. Geographically, 25.1 % live in Almaty Region, 10.1 % in Akmola region, 8.1 % in Karaganda region and less than 8 % in the remaining regions.

To further attract retail investors to the organized securities market, the Exchange is actively and consistently introducing new tools focused on the interests and needs of its customers. In particular, on November 15, the KASE Global sector opened for trading the most liquid foreign stocks. It should be noted that the foreign stock market is quite popular in a number of countries due to the active participation of individuals in investing in securities of issuers from other countries. This practice has become widespread on the exchanges of Europe and the Russian Federation.

In the new sector, foreign securities are traded – shares that have been listed on American exchanges and included in KASE lists. As of January 1, 2022, 43 shares were available for trading, in the future, a gradual expansion of this list is expected, including from European sites. The stocks presented on KASE Global are well diversified by economic sectors and include representatives of the financial sector (Citi, Mastercard, Bank of America), telecommunications (Amazon, Twitter, AT&T, Uber, Facebook, Netflix), representatives of consumer goods less affected by economic cycles (Coca Cola, Moderna, Johnson & Johnson, Biogen, Abbot laboratories), more affected by the cycles of non-core consumer goods (American Airlines, Nike, Starbucks, Tesla), representatives of the technology sector, manufacturing, energy companies (Ford, Apple, Intel, Microsoft, Exxon, Boeing, Micron, etc.). Some companies pay dividends annually, while the other part focuses only on the growth of the value of shares. Some stocks are more volatile, risky and suitable for risky investment strategies, while others are focused on long-term growth. The share prices of some companies have been declining throughout the current year, but according to consensus forecasts they remain an attractive investment object in the long term, while others have shown a large increase in value this year.

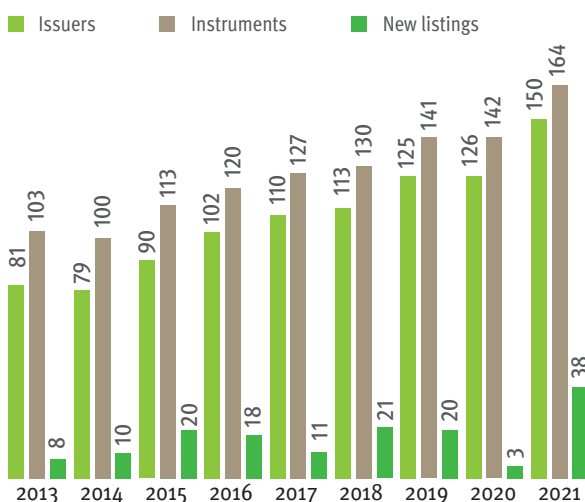
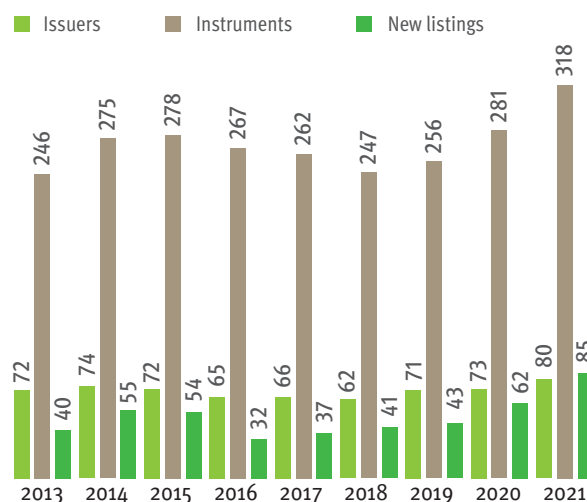
From November 15 to December 31, 2021, 4,167 transactions totaling 6.4 billion tenge or 14.8 million US dollars were concluded in KASE Global sector. On average, 130 transactions worth 201.2 million tenge or 462.7 thousand US dollars were concluded per day during this period.

## A record number of issuers and instruments are registered in the trading lists

As of January 1, 2022, a record number of instruments were on the official list of the Exchange – 901 securities of 253 issuers, including 344 securities of 96 issuers on the Main market, 90 securities of 71 issuers on the Alternative market, 468 securities of 95 issuers on the Mixed market and on the “Private Placement” market– two securities of two issuers.

In 2021, 31 meetings of the Listing Commission were held, including 9 in-person meetings and 22 correspondence meetings. During the reporting period, the official list of the Exchange included 218 issues of securities of 110 issuers (including 59 new issuers), among which:

- ▶ 85 new instruments of 37 issuers were included in corporate bonds (17 of them are new issuers), including 23 issues of bonds of microfinance and leasing companies were included in the official list of the Exchange;
- ▶ 38 issues of 38 issuers were included in the shares (of which 36 issuers were not previously KASE issuers), of which 33 names of new 33 issuers were included in the KASE Global sector in the fourth quarter of 2021;
- ▶ seven mutual funds managed by four companies and two ETFs;
- ▶ two issues global depositary receipts of two issuers;
- ▶ 22 issues international financial organization (international financial organizations) of three issuers;
- ▶ The GS included 64 issues of 24 issuers (four of them new issuers), including 13 issues of foreign GS.

**Fig.9 Dynamics of trading lists of KASE shares and bonds****Change of trading lists on the stock market, pcs****Change of trading lists on the bond market, pcs**

Source: KASE

The number of instruments in the “Securities of investment funds” sector has increased from 16 to 25. The lists included five issues of shares of interval mutual investment funds, the management companies of which are JSC “Halyk Finance”, JSC “BCC Invest”, LLC “Management Company “East-West”, one issue of shares of an open mutual investment fund, the management company of which Centras Securities JSC, one issue of shares of a closed mutual investment fund, the management company of which is LLC “East-West Management Company”, as well as shares of iShares Global Clean Energy ETF issued by the iShares Trust investment fund and Invesco Water Resources ETF, issued by the Invesco Exchange-Traded Fund Trust.

Derivative securities were replenished with two instruments: ADR, the base asset of which is common shares of Kazakhtelecom JSC, and Global Depositary Receipt, the base asset of which is common shares of ForteBank JSC.

In the sector of bonds of international financial organizations, 22 issues of bonds of international financial organizations were listed on the Exchange: two issues of bonds of Asian Development Bank, 17 issues of Eurasian Development Bank and one issue of European Bank for Reconstruction and Development. Asian Development Bank has registered the first gender bonds in Kazakhstan.

Government Securities sector includes 13 bond issues of the United States, the Russian Federation, the Republic of Kazakhstan, the Republic of Austria, the Kingdom of Saudi Arabia and the State of Qatar.

In 2021, local executive bodies issued and included in the official list of the Exchange 51 bonds issued both for the purpose of financing housing construction as part of the implementation of state and government programs, and for the purpose of financing activities provided for in the framework of the implementation of the state program “Employment Roadmap for 2020-2021”.

Due to the expiration of the circulation period and early repayment, non-government bonds of 58 issues of 31 issuers, as well as 13 issues of shares of 12 issuers, were excluded from the official list of the Exchange for other reasons.

As of January 1, 2022, 50 Exchange members were registered on KASE markets, including 40 members on the stock market, 32 members on the foreign exchange market, and 23 members on the derivatives market. During the year, four new companies were included in the lists of KASE members: three companies in the “currency” category – Tengri Partners Investment Banking (Kazakhstan), Raiffeisenbank, Alfa-Bank and one company in the “derivatives” category – First Heartland Securities.



## Securities market

### Shares

The equity market saw a second consecutive year of growth in trading volume.

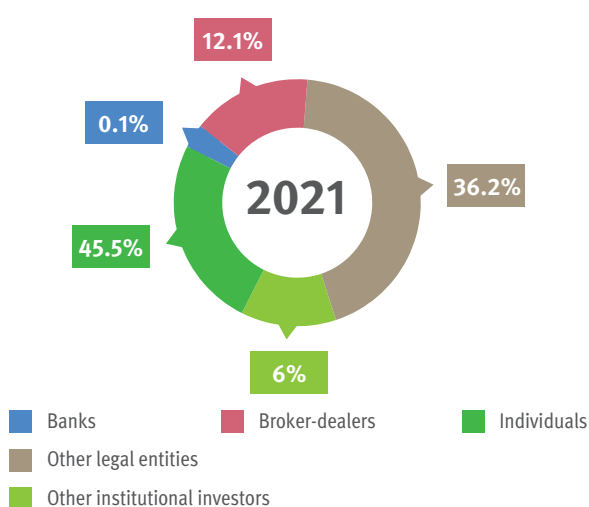
In 2021 the volume of equity trading rose by 80.0 % to 429.2 bn Tenge, 456,451 deals were concluded. This is a record number of transactions in the Exchange's history. An average of 1,863 deals were concluded on the stock market each day. At the same time, the average volume per transaction fell to 940.3 thousand tenge. For comparison, in 2018 the average volume of one deal was 3,826.7 thousand tenge

This trend is largely due to the inflow of retail investors. In terms of the main categories of investors on the secondary market, retail investors remain the most active, accounting for 45.5% of the gross turnover of share trading on the secondary market. The participation of STBs was estimated at 0.1%, broker-dealers - at 12.1%, institutional investors - 6% and other legal entities - 36.2%. At the same time, in 2021 the gross turnover of foreign investors decreased to KZT 8.9 billion (4.4% of total gross turnover). The decline in the share of non-residents in the equity market is mainly due to a decrease in the share of foreign investors in emerging markets, including Kazakhstan.

**Table 3. Key stock market trading indicators**

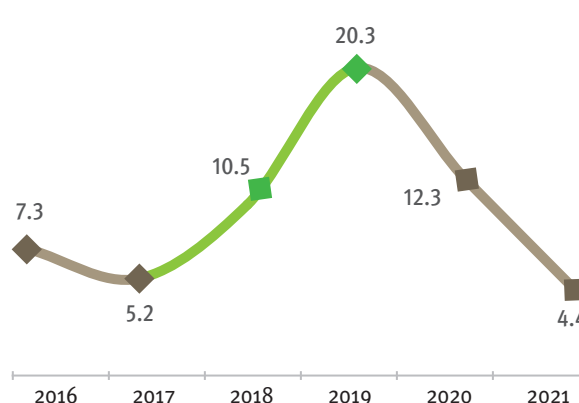
	2017	2018	2019	2020	2021
<b>Trading volume, KZT billion, incl.</b>	<b>269.4</b>	<b>539.8</b>	<b>203.6</b>	<b>238.4</b>	<b>429.2</b>
primary market	7.6	0.5	<0.1	3.5	0.9
secondary market	261.8	539.3	203.6	234.9	428.4
<b>Number of transactions, pcs.</b>	<b>111,319</b>	<b>141,072</b>	<b>103,222</b>	<b>195,687</b>	<b>456,451</b>
Average number of transactions per day, pcs.	454	573	420	795	1,863
Average volume per transaction, thousand tenge	2,420.5	3,826.7	1,972.1	1,218.2	940.3

**Fig. 10 Investor structure for 2021 \***



\* of the total gross turnover of shares traded on the secondary market, excluding large and irregular transactions

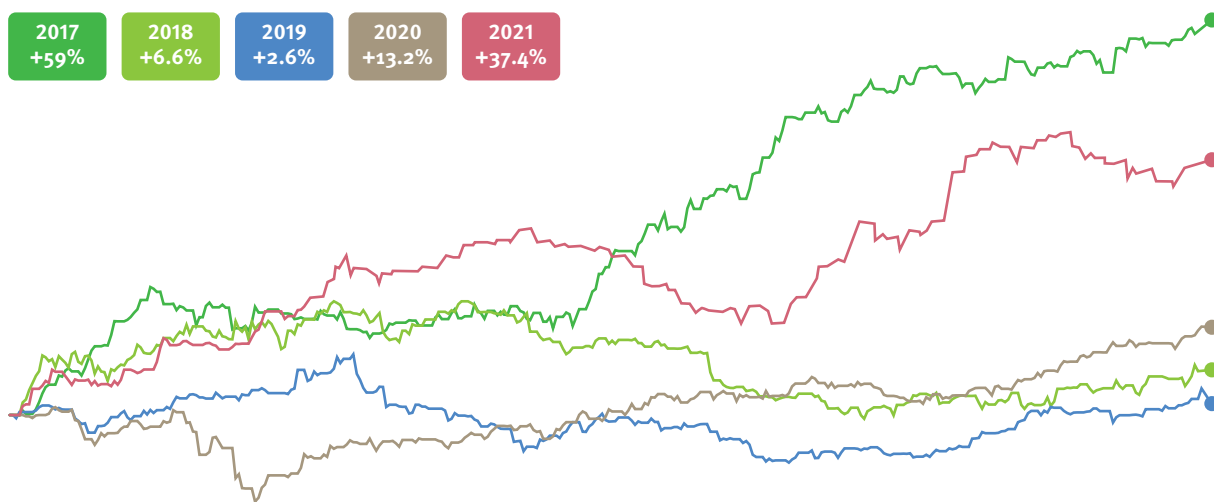
**Fig. 11 Share of non-residents in total gross turnover \*, %**



\* of the total gross turnover of share trades, the calculation excludes the position of the initiator of specialized trades and transactions of an irregular nature

The Exchange’s trading systems and infrastructure have not only made it possible to cope with the multiplied workload, but also to expand the range of instruments offered on the stock market.

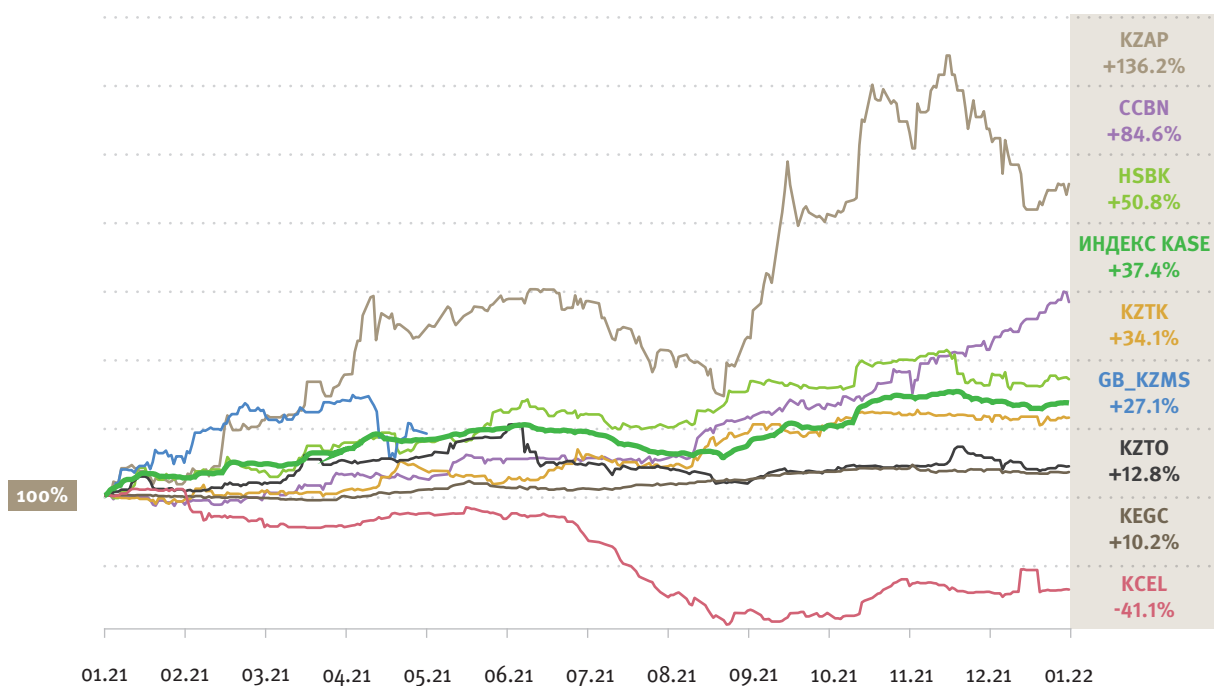
Fig. 12 KASE Index dynamics



Source: KASE

The main growth flagships were the shares of **NAC Kazatomprom JSC** and representatives of the banking sector - Bank CenterCredit JSC, Halyk Savings Bank of Kazakhstan JSC.

Fig. 13 KASE Index components



Source: KASE

Shares of NAC Kazatomprom JSC became the leader of growth among representatives of KASE Index list. Their price rose by 136.2% on KASE during the year. In 2021 the governments of more than 20 countries expressed interest in the transition to nuclear energy. Against the background of the energy transition in the stock markets, private investors became interested in a new product - trust funds investing in physical uranium. The Sprott Physical Uranium Trust began trading on the Toronto Stock Exchange on 20 July. At the end of 2021, the trust had \$1.77 billion in assets and 41.3 million pounds of uranium under management. That's about 30% of global annual consumption. With its entry into the market, uranium futures prices have risen from \$30.3 to \$50.8 a pound, reaching levels 10 years ago.

Bank CenterCredit JSC's securities rose by 84.6% over the year. By the beginning of the fourth quarter of 2021, the bank's shares had fully recovered their losses of the past years and moved to consecutive historical price highs on the back of positive reports.

**Halyk Savings Bank of Kazakhstan JSC** quarterly reported record net income in 2021, paid high dividends, reduced its debt burden by redeeming \$1.3 billion in bonds, became the first second-tier private bank in Kazakhstan to receive an investment grade rating<sup>2</sup> and spoke repeatedly about its impending transition to a new fintech strategy. At the end of the year, the Bank bought back just over 869 million of its shares from the market, or 7.4 per cent of the outstanding share capital

Kcell JSC was the only member of the index basket whose shares declined in value for the year. Its share price fell by 41.1% over the year. The company started the year 2021 by renewing historic price highs, but in early February the price began to decline after the Board of Directors decided to delist the company's global depository receipts on the London Stock Exchange and Astana International Exchange, and Bloomberg published news that Jysan Bank was considering buying 75% of Kcell JSC's stake from Kazakhtelecom. In the middle of the year, Kcell completed the GDR delisting process. At the end of September, 24% of Kcell's shares were sold to a wide range of investors on KASE.

## Corporate bonds

The total volume of trades on KASE corporate bond market in 2021 amounted to KZT2.0 trln, having decreased by 26.4 % or KZT710.4 bn compared to 2020. A 48.9 % decrease in trading on the primary debt capital market is noted at year-end and seems quite logical, given that quasi-government entities attracted a record volume in 2021 in order to support the economy. On the secondary market, in turn, the volume traded rose by KZT 385.3 billion or 85.3%. The expansion of the list of securities available as collateral on the repo market played a role in this trend. This was made possible by the development of KASE's central counterparty institution.

Both the stock market and bond market saw a record number of deals concluded in 2021 - 8,839, with a continued downward trend in the average volume per deal. Average daily trading volume amounted to KZT 8.1 bn (on the secondary market - KZT 3.4 bn), average daily number of deals - 36 (on the secondary market - 32), average volume of one deal - KZT 224.1 mn (on the secondary market - KZT 106.5 mn).







Table 4: Key bond market trading indicators

	2017	2018	2019	2020	2021
<b>Trading volume, billion tenge, incl.</b>	<b>1,153.8</b>	<b>2,309.4</b>	<b>2,715.6</b>	<b>2,691.2</b>	<b>1,980.8</b>
primary market	864.5	1,858.2	1,953.7	2,239.4	1,143.7
secondary market	289.3	451.2	761.9	451.8	837.0
<b>Number of transactions, pcs.</b>	<b>1,753</b>	<b>2,203</b>	<b>2,704</b>	<b>3,203</b>	<b>8,839</b>
primary market	191	137	363	1,033	980
secondary market	1,562	2,066	2,341	2,170	7,859
Average number of transactions per day, pcs.	7	9	11	13	36
Average volume per transaction, KZT million	658.2	1,048.3	1,004.3	840.2	224.1

A total of 85 bond issues of 37 issuers were included in KASE's official list in 2021. This is a record number of issues registered during the year on KASE. Part of the reason for the high number of listings is that in 2020 the Financial Market Regulatory and Development Authority allowed microfinance companies to raise debt financing on the stock market, and KASE simplified listing procedures.

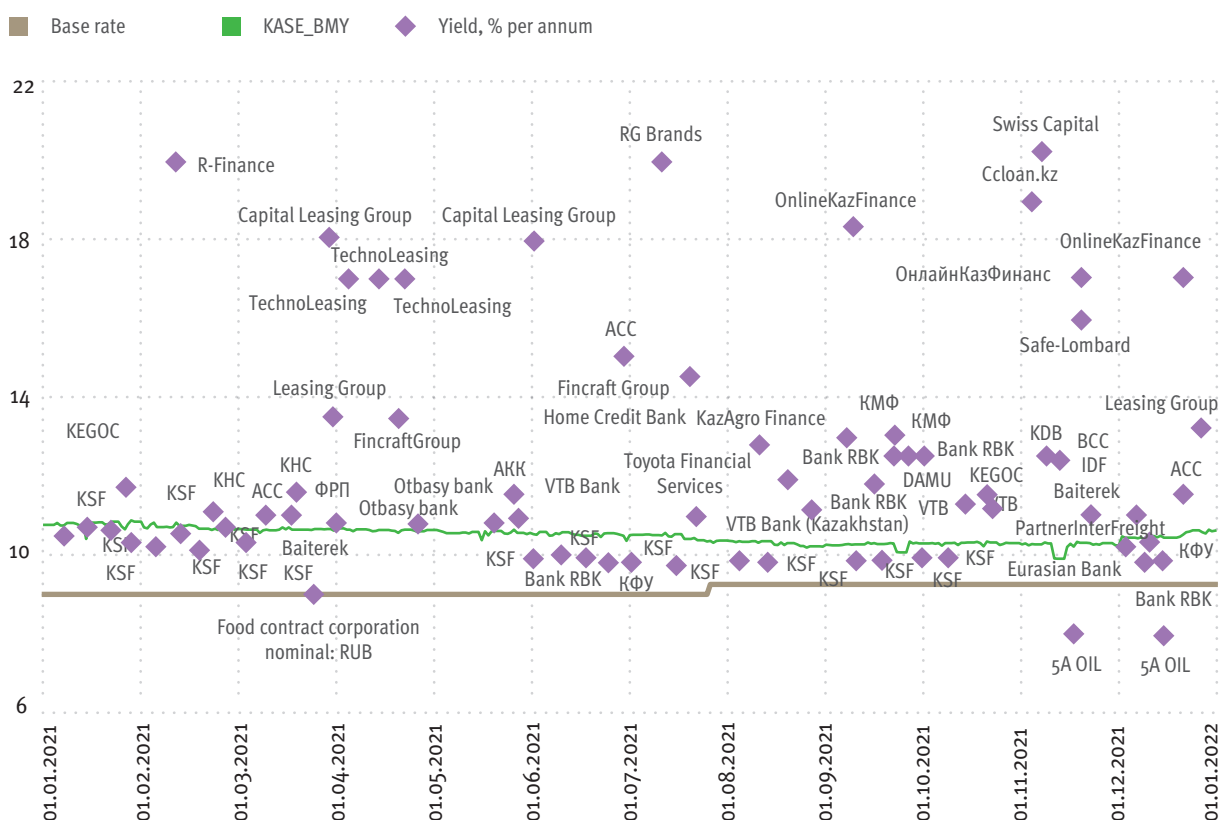
In 2021, companies also have the option of issuing securities denominated in foreign currencies on KASE. This option became particularly popular with microfinance institutions. By the end of the year, six issues denominated in US dollars and one issue denominated in Russian roubles were listed on KASE.

In the primary market by main categories of investors the share of banks amounted to 28.8%, broker-dealer organizations - 7.0%, other institutional investors - 22.9%, other legal entities - 40.6%, natural persons - 0.8%. The share of non-residents was 3.7%.

In the secondary market, in terms of the main categories of investors, the share of banks amounted to 2.3%, broker-dealer organizations - 12.6%, other institutional investors - 25.3%, other legal entities - 56.0%, the share of individuals - 3.8%. The share of non-residents was 10.4%.

Fig. 14 Market placements in 2021

## from 9.7 % to 20.0 % per annum



### Government securities

In 2021 total trading volume on the primary and secondary government securities markets amounted to KZT 3.6 trln, down 23.1% compared to the same period last year, with both primary and secondary markets experiencing a decline in trading volume.

Table 5: Key indicators of trading on the government securities market

	2017	2018	2019	2020	2021
<b>Trading volume, KZT billion, incl.</b>	<b>1,985.8</b>	<b>1,644.8</b>	<b>1,823.7</b>	<b>4,650.7</b>	<b>3 575.9</b>
primary market	1,733.1	853.4	1,446.6	3,734.0	2,701.5
secondary market	252.8	791.4	377.1	916.8	874.4
<b>Number of transactions, pcs.</b>	<b>719</b>	<b>1,410</b>	<b>887</b>	<b>1,859</b>	<b>2,557</b>
primary market	294	162	249	793	938
secondary market	425	1,248	638	1,066	1,619
Average number of transactions per day, pcs.	3	6	4	8	10
Average volume per transaction, KZT million	2,761.9	1,166.5	2,056.0	2,501.7	1,398.5

The Ministry of Finance attracted  
**2,414.1 bln** tenge  
 weighted average  
 yield of **10.87%**

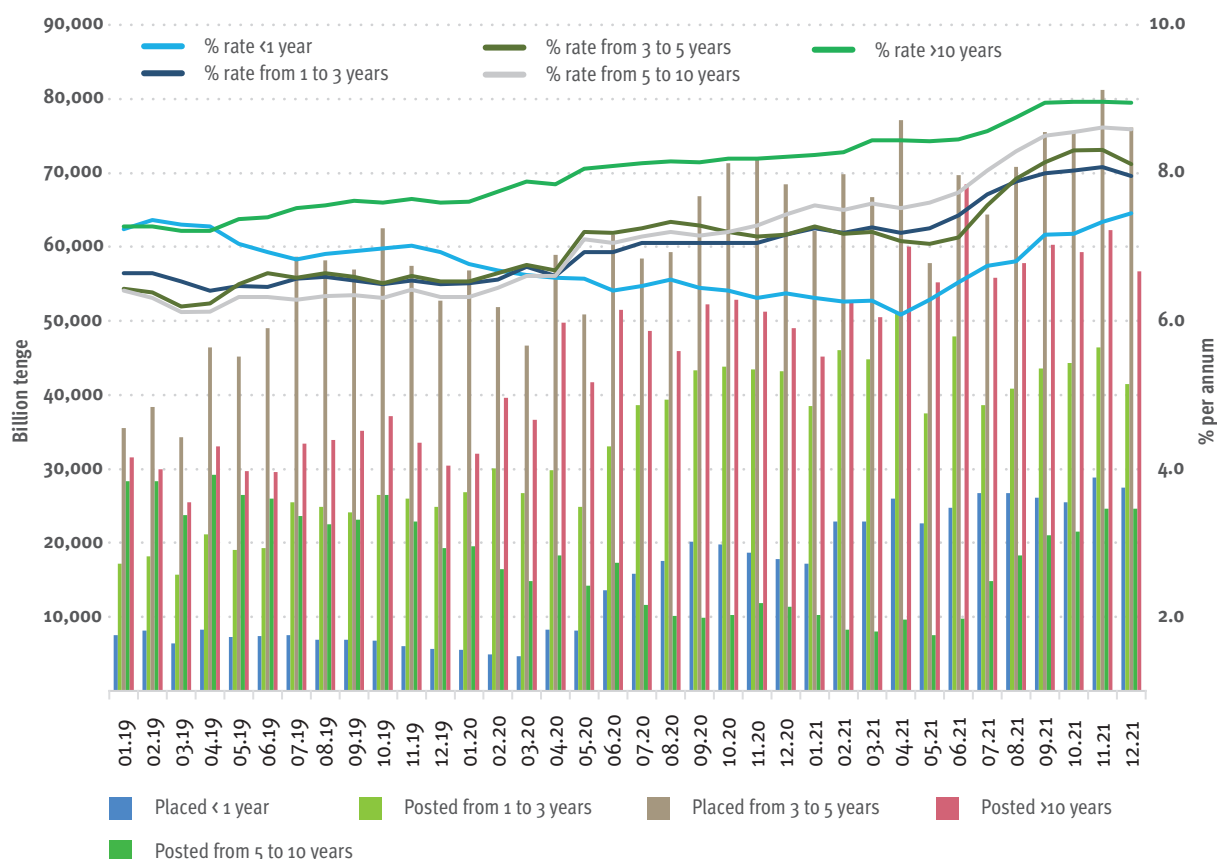
A 27.7 % decrease in primary market trading volume to KZT2,701.5bn was due to a reduction in placements by both the Ministry of Finance of Kazakhstan and local executive bodies, which is justified by the recovery of the economy after the pandemic. Locain 14 regions, Almaty, Nur-Sultan and Shymkent raised KZT287.5bn over the year. The Ministry of Finance attracted KZT 2,414.1 bn with weighted average yield of 8.99 - 10.87% per annum, having placed 23 issues with maturities of 0.9-15 years.

The amount of government debt at face value at the beginning of 2022, traded on KASE, amounted to 17.8 trillion tenge, having increased by 6.5% or 1.1 trillion tenge since the beginning of the year.

As NBK moved away from short-term NBK notes to medium- and long-term MEKAM placements in the primary market, second-tier banks began to buy an increasing proportion of the total supply of MEKAM. They accounted for 47.4 per cent of trades in the primary market, up from 21.1 per cent in 2020 and 0.6 per cent in 2019. Broker-dealers accounted for 0.7%, other institutional investors for 34.9%, other legal entities for 16.9% and individuals for 0.1%. The share of non-residents was 2.0%.

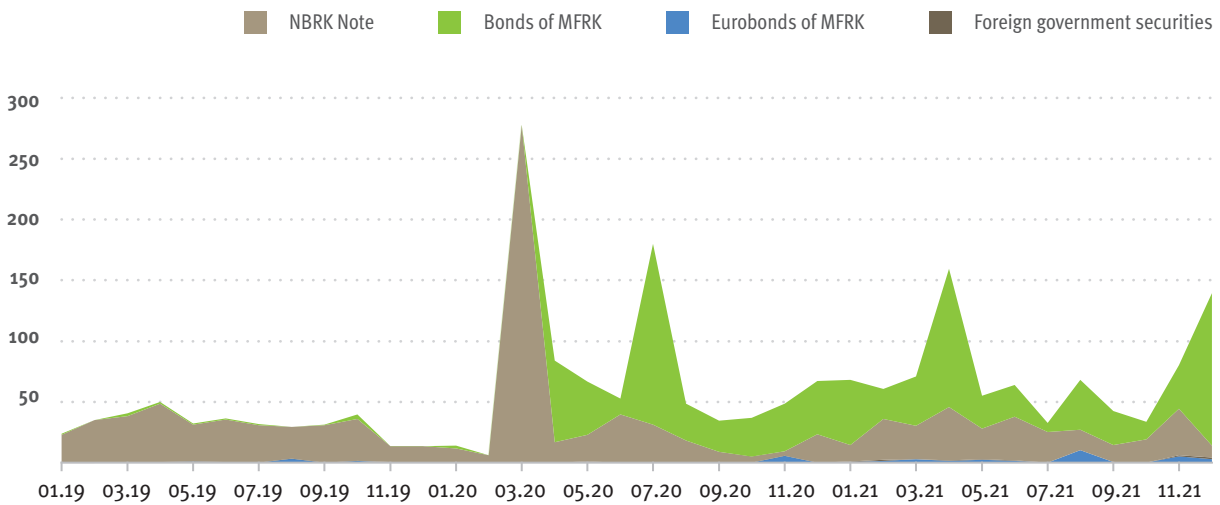
In the secondary market, the trend towards a decline in the volume of trading in NBK notes (-159.3 bn Tenge by 2020) and an increase in the volume of trading in local IFRC bonds (+91.6 bn Tenge) continued. In total, for 2021 the volume of trading in the secondary market amounted to KZT 874.4 bn, which is 4.6 % lower than in 2020.

Fig. 15 The main parameters of the IFC bond placement





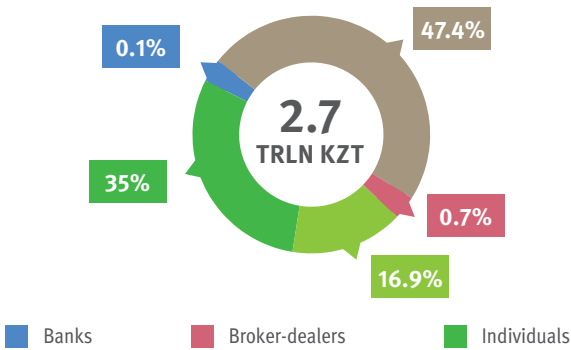
**Fig. 16 Structure of trades in the secondary GS market, billion KZT**



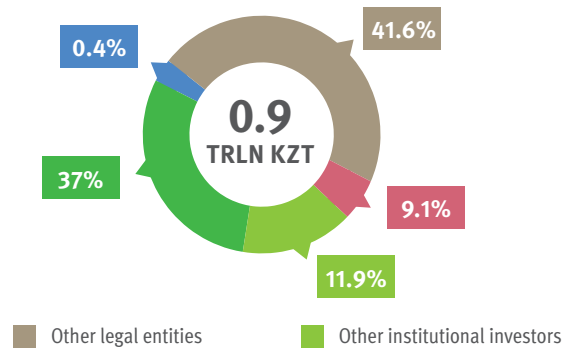
In terms of the main categories of investors in the secondary market, there was also an increase in the share of STBs to 41.6%.

Broker-dealers accounted for 9.1%, other institutional investors 11.9%, other legal entities 37.0% and individuals 0.4%.

**Fig. 17 Structure of investors in the primary market for 2021**

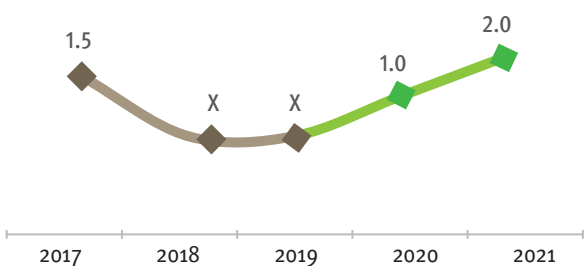


**Fig. 18 Investor structure in the secondary market for 2021**

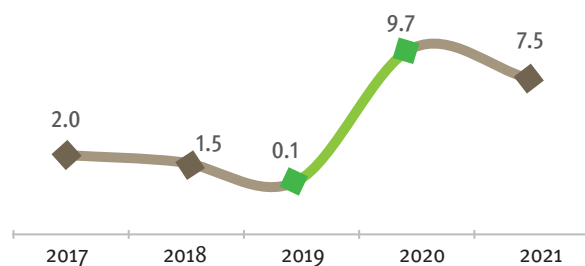


The share of non-residents on the secondary market on the buyers' side in 2021 was 6.9%, with 8.2% on the sellers' side. It should be noted that in monetary terms, compared to last year, the volume of purchases of GS by non-residents on the primary market rose from KZT37.9 bn to KZT54.3 bn, while sales on the secondary market fell from KZT85.1 bn to KZT71.6 bn.

**Fig. 19 Share of non-residents in primary market gross turnover, %**



**Fig. 20 Share of non-residents in gross secondary market turnover, %**



## Securities of international financial institutions

**At the end of 2021 KASE had 46 bond issues of four international financial institutions on its trade lists: Eurasian Development Bank, European Bank for Reconstruction and Development, International Finance Corporation and Asian Development Bank. In 2021 the sector added 22 new bond issues, including sustainable development bonds.**

The total volume of securities traded by international organizations during the period amounted to KZT 155.4 billion.

On the primary market, the volume of offerings amounted to KZT116.9 billion, which is 56.2% or KZT150.1 billion lower than in 2020. In terms of the main categories of investors, the share of banks amounted to 31.4%, broker-dealers - 8.3%, other institutional investors - 27.7%, other legal entities - 32.6%. The share of non-residents amounted to 4.7 %.

In the secondary market, the volume of trading amounted to KZT38.5 bn, which is 5.3 times or KZT31.3 bn higher than a year earlier. In terms of main categories of investors on the secondary market of bonds of international financial organizations, the share of banks amounted to 25.4 %, broker-dealers - 21.1 %, other institutional investors - 30.4 %, other legal entities - 23.1 %, individuals - less than 0.1 %. The share of non-residents was 17.5 %.

**In the secondary market, the volume of trading amounted to **38.5** bln tenge**

**which is KZT31.3 bn higher than a year earlier**

## Investment fund securities

The number of securities in KASE mutual funds sector increased from 16 to 23 instruments in 2021. In particular, new mutual funds managed by Halyk Finance JSC, BCC Invest JSC, First Heartland Jysan Invest JSC, East-West LLC, as well as ETFs on global shares of gold mining companies and companies from the clean energy sector appeared on KASE list.

The volume of trading in mutual funds, which are particularly popular with individuals, is growing exponentially, confirming the thesis that private investors are increasingly interested in stock market instruments. While last year the volume of trading in these instruments on KASE amounted to KZT 20.3 bn, in 2021 it will increase to KZT 38.1 bn.

In terms of main investor categories, 49.0% were individuals, 39.1% were broker-dealers, 0.8% were other institutional investors and 11.1% were other legal entities. The share of non-residents was 0.9%.

## ESG bonds

International financial institutions and national development institutions are mainly involved in the ESG bond sector, for which KASE has been the flagship for several years now. In 2021 the Asian Development Bank placed gender bonds on KASE, Damu Fund placed social bonds, Eurasian Development Bank placed one issue of gender and social bonds each for a record KZT40 bn. Securities from the ESG sector are popular with local institutional investors for their high credit ratings and stable financial performance.

## Money market

The volume of money market trading in 2021 reached a record 152.7 trillion tenge, an increase of 55.0% or 54.2 trillion tenge from the previous year.

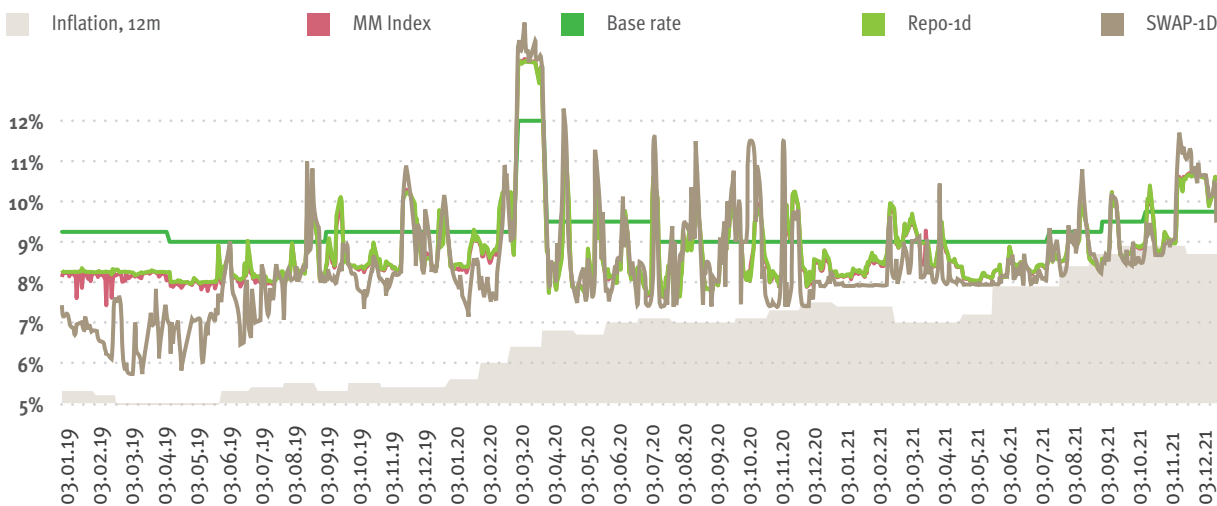
### Several factors contributed to this significant increase in money market turnover:

- 1 the emergence of credible counterparty guarantees through the introduction of a Central Counterparty in the money market in 2020. In 2021, 84.3 per cent of all trades on the repo market were conducted in regimes with the participation of a Central Counterparty;
- 2 in 2021, the base rate was increased from 9.00 % to 9.75 % and in parallel, money market rates increased, making it more attractive for liquidity providers. The money market composite indicator MM\_Index, which is a volume-weighted average of the yields on USD/KZT currency swaps and overnight automatic repos with government securities, increased by 227 bp over the year to 10.52 % p.a. from 8.25 % p.a.;
- 3 Liquidity and capital adequacy ratios of many Exchange members in 2021 exceeded regulatory values, enabling them to channel available funds into money market transactions.

The volume of money market trading an increase of **55%** and reached a record **152.7 trillion tenge**



Fig. 21. Inflation and interest rates





## Repo operations

The total volume of repo transactions for 2021 amounted to KZT141.6 trln, an increase of KZT53.1 trln, or 59.9%, over the volume of transactions in 2020. The average monthly volume of repo transactions concluded in 2021 was significantly higher than in previous years, and the gap became especially noticeable in the fourth quarter of the year. There was a sharp increase in trading volumes on the part of certain participants, including broker-dealer organizations, as well as an increase in daily borrowing volumes from mid-November.

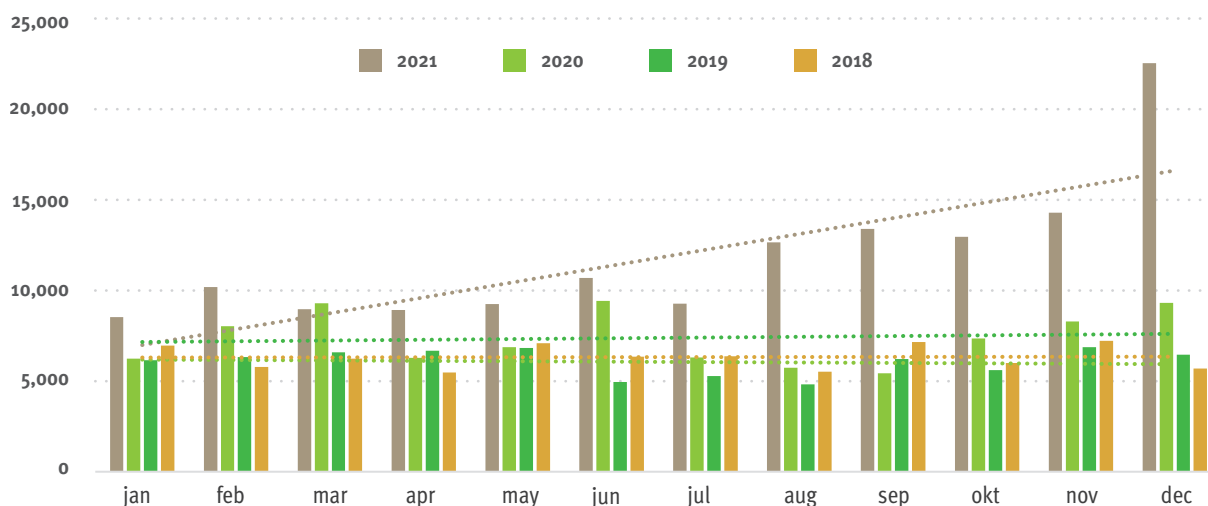
The average daily volume of transactions amounted to 578.1 billion tenge, the average daily number of daily transactions – 579, the average volume of one transaction – 997.7 million tenge. In the structure of repo operations, 93.2% or 131.9 trillion tenge were autorepo transactions with a basket of government securities, autorepo with a basket of bonds with a state participation share – 2.1% or 3.0 trillion tenge, autorepo with foreign government securities – 1.8% or 2.5 trillion tenge, autorepo with non-state equity securities - 2.9% or 4.1 trillion tenge, direct repo non-state equity securities and government securities - less than 0.1% or 0.1 trillion tenge.

The total volume of repo transactions  
an increase of **59.9%**  
or KZT 53.1 trln

The TONIA indicator for 2021 increased by 231 bps from 8.25% to 10.56% per annum, seasonal fluctuations were observed during the period of tax payments, and the pressure on the indicator increased in December 2021.

The value of the TRION indicator increased by 228 bps from 8.25% to 10.53% per annum, the value of the TWINA indicator – by 174 bps from 8.60% to 10.34% per annum

**Fig. 22. Monthly dynamics of repo volume in 2018-2021, KZT bn**



## Currency swap operations

The volume of trading in currency swaps in the long term tends to decrease in favor of an increase in the volume of trading with repo instruments. In the short term, in 2021, the total volume of currency swap transactions increased by 1.1 trillion tenge or 11.0% to 11.0 trillion tenge from 9.9 trillion tenge in 2020.

The average daily volume of transactions in 2021 amounted to 45 billion tenge, the average daily number of transactions – 13, the average volume of one transaction – 3.5 billion tenge.

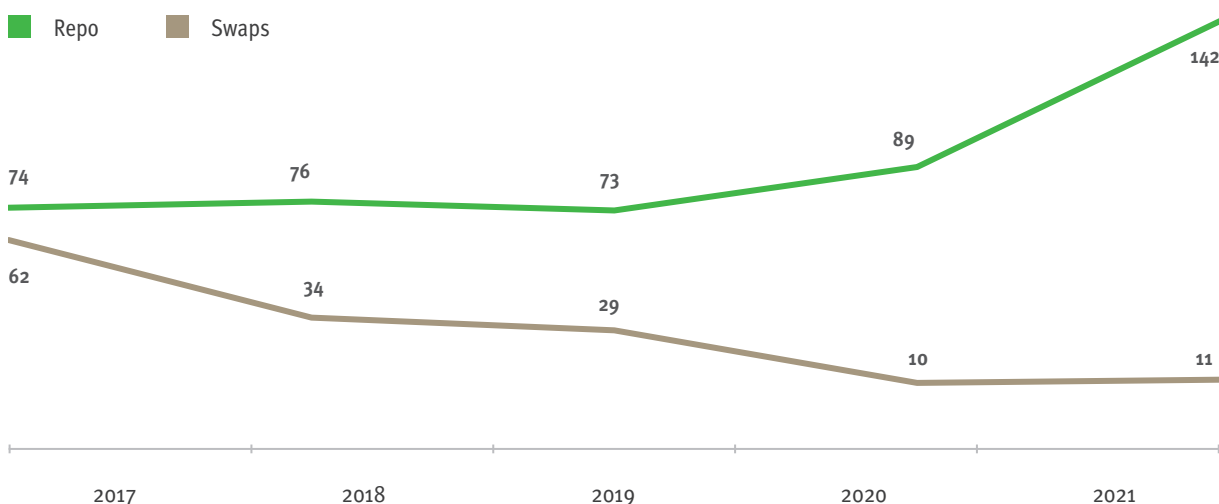
In the instrumental structure 61.6% of the total trade volume (KZT 6.8 trln or USD 15.9 bn) on the currency swap market accounted for transactions with one-day currency swap (USDKZT\_o\_001), 32.9% of the total trade volume (KZT 3.6 trln or USD 8.5 bn) on currency swap market accounted for transactions with two-day currency swap (USDKZT\_o\_002), 5.3% of the total trading volume (KZT 586.1 bn or 1.4 bn USD) was accounted for by the monthly currency swap transactions (USDKZT\_o\_01M) and 0.1% (KZT 12.6 bn or 30.0 mln USD) by the weekly currency swap transactions, less than 0.1% (KZT 261.8 mln or 45.0 mln) by the one-day currency swap transactions with Russian ruble.

The yield on the one-day SWAP-1D (USD) dollar swap reached 9.47 % p.a. at the end of the year and has increased by 120 bp since the start of the year. The yield on the two-day SWAP-2D (USD) currency swap increased by 224 bp to 10.24% p.a.

the total volume of currency swap transactions increased by **11%** or **1.1 trillion tenge**



**Fig. 23. Monthly dynamics of the volume of repo and currency swap transactions in 2017-2021, billion tenge**



## Foreign currency market



In 2021, a record was traded in foreign currencies **15.6 trln tenge**

The foreign exchange market has seen an upward trend in trading volume over the past three years, mainly due to the activity of KASE members according to their strategies and the needs of their clients. In 2021, a record 15.6 trillion tenge was traded in foreign currencies. At the same time, a gradual shift away from the total dominance of trading in the USD/KZT currency pair and the development of direct conversion transactions in the currencies of Kazakhstan's partner countries is underway. The volume of trading with the currency pair USD/KZT increased by only 28.5 %, while trading with the pair RUB/KZT increased 2.6 times- CNY/KZT by 39.8 %, EUR/KZT by two times.

In terms of the share of currency pairs in the trading volume, there was also a decline in the share of USD/KZT by 1.1 % to 97.2 %. The biggest compensation came from an increase in the share of RUB/KZT by 0.9 % to 1.7 %.

In the foreign currencies market, 103,632 transactions were concluded in 2021, an increase of 6,039 transactions compared to 2020. The largest increase was also seen in transactions in the currencies of partner countries. The number of transactions with currency pair USD/KZT increased by 3.9 %, with RUB/KZT by 2.3 times, with CNY/KZT by 79.5 % and with EUR/KZT by 27.6 %.

## The derivatives market

KASE launched a new SPECTRA trading and clearing system in the derivatives market on 07 July. In 2021 it traded non-deliverable futures on four underlying assets: the US dollar/tenge exchange rate, Halyk Savings Bank of Kazakhstan ordinary shares, NAC Kazatomprom ordinary shares and the KASE Index. Trading volumes in this sector are still modest. In 2021, 9 deals worth KZT1.8 mln were made.

## Operational and financial results

### Assets

**As of December 31, 2021 assets of KASE amounted to KZT 4,352,567.86 mln, having increased 2.89 times compared to last year (by KZT 2,846,766.02 mln).**

A significant increase in assets and liabilities is due to the fact that since October 1, 2018 the Exchange has been acting as a central counterparty on all markets, being a party for each participant in all deals concluded on the exchange and guaranteeing their execution on a net basis. In particular, in the financial statements repo transactions with the central counterparty are recorded on a gross basis as claims and liabilities on repo transactions, which amounted to KZT4,245,488.60 million each.

Cash and cash equivalents amounted to KZT 64,452.77 million, financial assets carried at amortised cost amounted to KZT 34,379.35 million and were mainly formed from guarantee fees and collateral of clearing participants.

### Assets of KASE amounted

**2.89 times**



## Liabilities and capital

The amount of liabilities of KASE increased 2.91 times and reached KZT 4,332,853.9 mln, from which 97.98 % (KZT 4,245,488.6 mln) are liabilities of the central counterparty on repo operations on the stock market, 2 % (KZT 86,830.27 mln) are guarantee fees and collateral of clearing participants, placed on KASE accounts as central counterparty and 0.002 % (KZT 87.28 mln) are liabilities of the central counterparty on currency operations.

Equity capital of KASE increased by 24.76% (KZT3,909.26m) to KZT19,713.97m in the year under review, mainly due to retained net income (KZT3,919.11m).

As of December 31, 2021, the share capital of KASE was KZT 4,189.0 million, unchanged from last year.

Clearing reserve funds were unchanged from last year's figures and amounted to KZT 3,170 million.

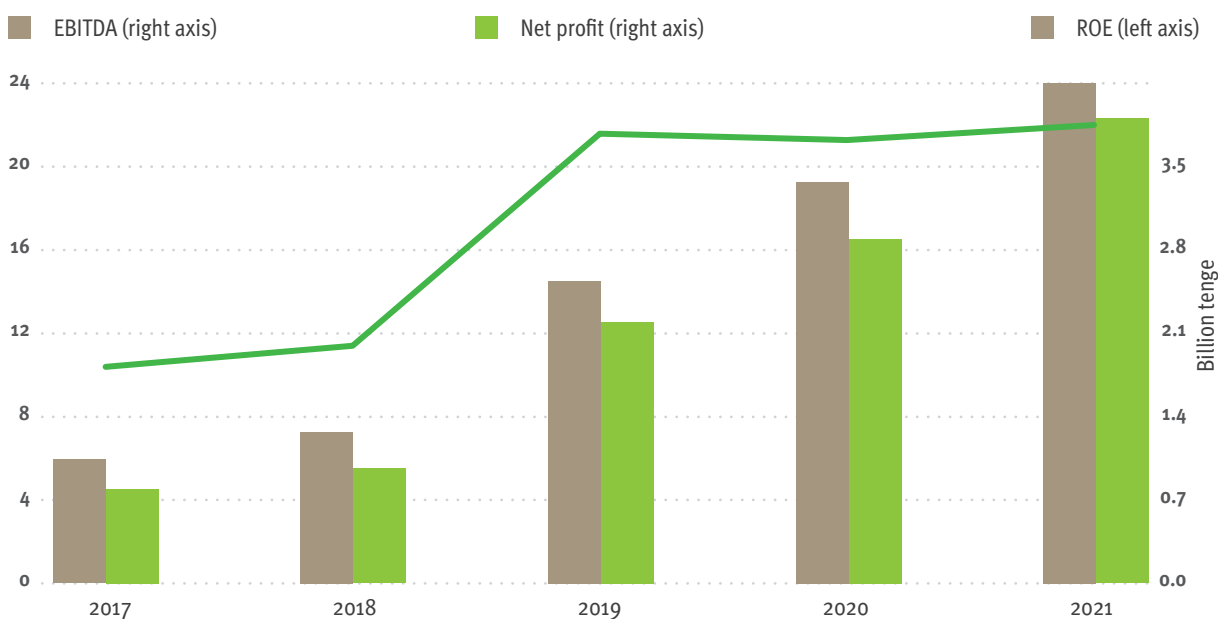
Property, plant and equipment revaluation reserves decreased by KZT 9.85 million and amounted to KZT 90,99 mln.

## Equity capital of KASE increased by

# 24.76%



**Fig. 24. Key profitability indicators**



## Income

By the end of 2021 operating revenues of the Exchange amounted to KZT 7,204.84 mln, which exceeded last year's result by KZT 1,582.32 mln or 28.14 %. Revenues from services and commissions amounted to KZT4,245.65 mln, having increased by KZT1,087.86 mln or 35 %. Interest income grew by KZT 594 mln or 24.02 % and amounted to KZT 3,067.03 mln, including income from investing margin contributions and money included into guarantee or reserve funds of the Exchange and other collateral of clearing participants amounted to KZT 2,076.81 mln.

In terms of services and commissions, fee income (36%), listing fees (20%), clearing fees (28%) and membership fee income (8%) account for the largest shares of the Exchange's fee and commission income.

Commission fees of KASE amounted to KZT1,524.04 mln, increasing by KZT152.87 mln or 35.3%. The increase in fees compared to the same period last year was due to an increase in the volume of borrowings on the stock market, as well as an increase in liquidity on the repo market.

Exchange listing fees in 2021 decreased by KZT2.12m or 0.25% to KZT837.68m.

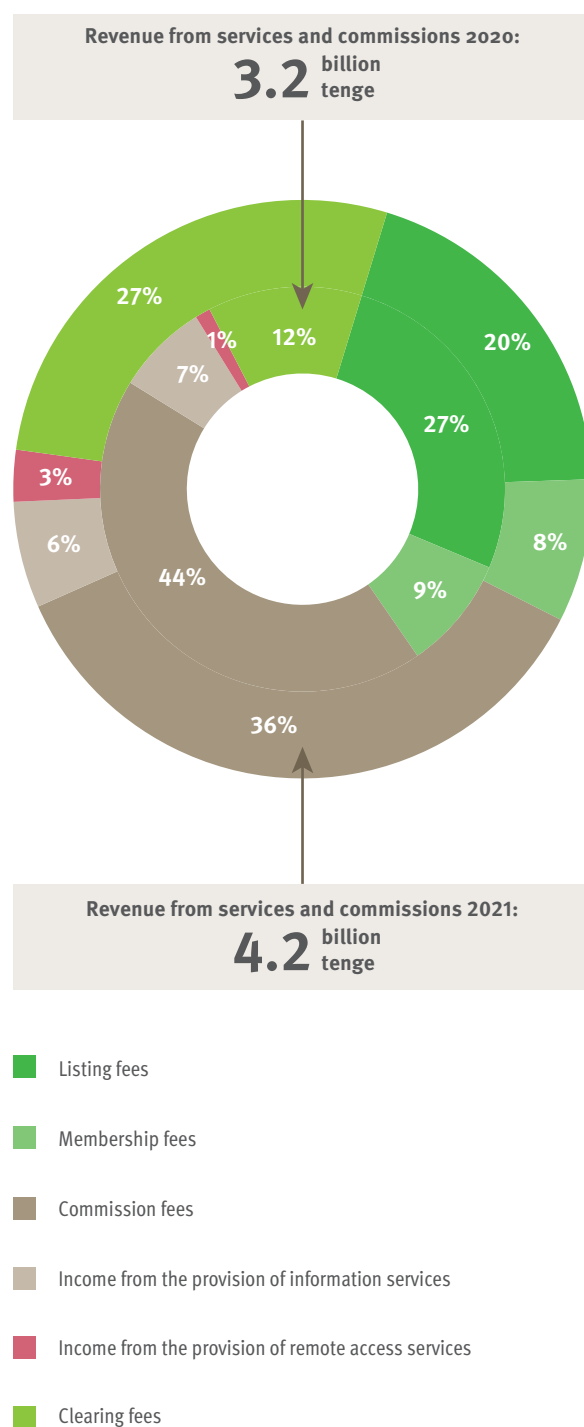
Exchange clearing fees increased by KZT779.92 mln or by 300.5 % and amounted to KZT1,168.99 mln due to expansion of the list of securities accepted by KASE for clearing services caused by introduction of new trade and clearing systems on KASE markets.

Membership fee income increased by KZT 53.17 million or 18.56% over 2021 to KZT 339.69 million.

Revenues from information services increased by KZT 20.0 mln or 9 % to KZT 252.7 mln in 2021. This increase was due to an increase in the number of recipients of exchange information.

operating revenues of the Exchange amounted to **28.14%** or KZT 1,582.32 mln

Fig. 25. Revenue structure by main service



## Expenses

Expenses of KASE based on results of the year totaled KZT2,911.67 mln and increased by KZT424.84 mln or 17.08 % compared to last year. Personnel expenses (60.03 %), depreciation and amortization (11.89 %) and maintenance of fixed assets and intangible assets (5.14 %) account for the largest shares in the Exchange cost structure.

The increase in personnel expenses was due to an increase in headcount; the increase in depreciation and amortization expenses was due to the introduction of new trading and clearing systems and the launch of corresponding server equipment.

## Results of the Exchange's operational activities

the net profit of the Exchange amounted to

# 34.96%

and amounted to KZT 3,905.14 mln

By the end of 2021, the net profit of the Exchange amounted to KZT 3,905.14 million, which is 34.96% higher than last year's result. EBITDA increased by 37.89% and amounted to KZT 4,653.25 million. The Exchange's operating income increased by 28.14%, operating expenses increased by 17.08%, operating margin increased by 59.58% in 2021 against 55.7% a year earlier. Net profit margin increased to 54.20 % in 2021 against 51.4% a year earlier.

Return on equity (ROE) by the end of 2020 increased from 21.3% to 22% due to an increase in net profit in the reporting year. Return on assets (ROA) decreased from 0.4% to 0.13% as a result of a significant increase in assets due to repo operations with a central counterparty.

Fig.26. Key operating performance indicators





The logo for KASE, featuring the letters 'K', 'A', 'S', and 'E' in a bold, black, sans-serif font. A small green triangle is positioned between the 'A' and 'S'.

# CORPORATE REPORT



## Corporate governance

### Information about shareholders

As of January 1, 2022, the total number of declared ordinary shares of the Exchange amounted to five million units, of which 1,075,231 ordinary shares were placed, the shareholders of which were 48 persons, including banks, brokerage and insurance organizations, retail investors – individuals, the National Bank owned a share of 46.99% of the total number of outstanding ordinary shares Exchanges.

### General Meeting of Shareholders and Board of Directors of KASE

In accordance with the legislation of the Republic of Kazakhstan, the General Meeting of Shareholders is the supreme governing body of the Exchange. The list of issues within the competence of the General Meeting of Shareholders is defined by the Law of the Republic of Kazakhstan “On Joint Stock Companies” and the Charter of the Exchange.

The Board of Directors is the management body of the Exchange and provides general management of the Exchange’s activities, except for resolving issues referred by the Law of the Republic of Kazakhstan “On Joint Stock Companies” and/or the Exchange’s charter to the exclusive competence of the General meeting of Shareholders of the Exchange.

**In May 2021, the decision of the General Meeting of Shareholders determined the quantitative composition of the Board of Directors of ten people, including:**

- ▶ three unelected members of the Board of Directors – a representative from the authorized body for regulation, control and supervision of the financial market and financial organizations and a representative of the National Bank of the Republic of Kazakhstan on the basis of item 4 of Article 84 of the Act of the Republic of Kazakhstan “On the Securities Market”, as well as the Chairperson of the Management Board of the Exchange (ex officio) on the basis of sub-item 2) of item 3 of Article 17 of the Exchange’s Charter;

- ▶ four representatives of the Stock Exchange shareholders’ interests;
- ▶ three independent directors of the Exchange.

**The same solution determines that:**

- ▶ the term of office of the elected members of the Board of Directors begins on the date of their election and expires at the time of the annual general meeting of shareholders of the Exchange, which will be devoted to the review of the annual financial statements of the Exchange for 2023;
- ▶ elected members of the Board of Directors representing the interests of the shareholders of the Exchange – **Abdrzakov E. S., Dronin A.V., Marich I. L., Salimov E. I.** and independent directors of the Exchange – **Y. Willems, I. Doron, Elemesov A. R.**

### Composition of the Board of Directors as of January 1, 2021:

representatives of the National Bank and the authorized body on the basis of the Act of the Republic of Kazakhstan “On the Securities Market”:

- ▶ **Aliya Moldabekova** (Chairperson of the Board of Directors) – Deputy Chairperson of the National Bank of the Republic of Kazakhstan;
- ▶ **Hadjieva Maria Zhamalovna** – Deputy Chairperson of the Agency for Regulation and Development of the Financial Market;

head of the executive body on the basis of the Exchange’s charter:

- ▶ **Aldambergen Alina Otemiskyzy** – Chairperson of the Management Board of KASE;

elected members of the management body on the basis of the Act of the Republic of Kazakhstan “On Joint Stock Companies”:

- ▶ **Abdrzakov Eldar Sovetovich** – Chairman of the Board of Directors of Centras Securities JSC; Centras Insurance Company JSC, Kommesk-Omir Insurance Company JSC, Centras Kommesk Life Insurance Company JSC;
- ▶ **Dronin Alexander Vladimirovich** – Deputy Chairman of the Management Board of JSC “BCC Invest”;



- ▶ **Elemesov Askar Raushanovich** – Independent Director of KASE;
- ▶ **Izraeli Doron** – Independent Director of KASE;
- ▶ **Igor Leonidovich Marich** – Managing Director for Sales and Business Development of PJSC Moscow Exchange MICEX-RTS;
- ▶ **Yertay Ismailovich Salimov** – Deputy Chairman of the Management Board of Halyk Bank of Kazakhstan JSC;
- ▶ **Jan Willems** – Independent Director of KASE.

In 2021, meetings of the Board of Directors were held on a regular basis in full-time and correspondence formats.

During the reporting period, the Board of Directors reviewed the strategic and current issues of the Exchange's activities related to its competence. 17 meetings of the Board of Directors and 56 absentee voting were held.

In accordance with the Act of the Republic of Kazakhstan "On Joint Stock Companies", the following committees of the Board of Directors and the Exchange Commission operate on the Exchange to consider the most important issues and prepare recommendations to the Board of Directors:

- ▶ Budget and Strategic Planning Committee of the Board of Directors;
- ▶ Internal Audit Committee of the Board of Directors;
- ▶ Human Resources, Remuneration and Social Affairs Committee of the Board of Directors.

In accordance with the Requirements for the organizational structure of the auction organizer and the composition of the listing commission of the stock exchange, as well as the Rules for the activities of the structural subdivision of the auction organizer that oversees transactions in the trading system of the stock exchange, approved by Resolution No. 249 of the Board of the National Bank of the Republic of Kazakhstan dated December 19, 2015, the Exchange operates:

- ▶ Listing commission;
- ▶ Issuer Audit Committee of the Board of Directors.

In accordance with the Procedure for Resolving Disputes and Conflicts Arising in the Course of Transactions with Financial Instruments, approved by the decision of the Board of Directors, the Dispute and Conflict Resolution Commission functions.

The procedure for the formation and work of the committees of the Board of Directors and commissions of the Exchange, their number, as well as their competence, functions, and quantitative composition are regulated by the internal documents of the Exchange approved by the Board of Directors.

#### In 2021, conducted:

- ▶ 12 meetings of the Exchange's Board of Directors Committee on Budget and Strategic Planning;
- ▶ 12 meetings of the Exchange's Board of Directors Committee on Personnel, Remuneration and Social Issues;
- ▶ 10 meetings of the Internal Audit Committee of the Exchange's Board of Directors;
- ▶ nine meetings of the Listing Commission, as well as 22 absentee votes of this commission.

The Budget and Strategic Planning Committee of the Exchange's Board of Directors included representatives of the Agency for Regulation and Development of the Financial Market and the investment company as experts.

The Board of Directors, in carrying out its activities, is guided by the goals and objectives provided for by the Exchange's Corporate Governance Code, the Exchange's Charter, the Regulations on the Board of Directors and complies with its functional responsibilities to achieve positive results of the Exchange's activities.





## Exchange Management Board

The Management Board is the collegial executive body of the Exchange and manages the current activities of the Exchange, with the exception of resolving issues referred by the Act of the Republic of Kazakhstan “On Joint Stock Companies” and the Charter of the Exchange to the exclusive competence of the General Meeting of Shareholders and/or the Board of Directors of the Exchange.

### In 2021, the Board of Directors made changes in the composition of the Board of KASE:

- ▶ the powers of the Deputy Chairperson of the Board **Mukhamedzhanov A. N.** have been terminated since February 24, 2021;
- ▶ **Sarzhakov Zhainar Naurzbaevich** was elected Deputy Chairperson of the Management Board from April 5, 2021 to July 1, 2023 (until the end of the term of office of the entire Management Board).

### Composition of the Management Board as of January 01, 2022:

- ▶ **Aldambergen A. O.**, Chairperson of the Management Board;
- ▶ **E. B. Mazhekenov**, Deputy Chairperson of the Management Board;
- ▶ **Zh. N. Sarzhakov**, Deputy Chairperson of the Management Board;
- ▶ **Khoroshevskaya N. Y.**, Deputy Chairperson of the Management Board;
- ▶ **Tsalyuk A. Yu.**, Deputy Chairperson of the Management Board.

In 2020, the term of office of the Management Board, according to the decision of the Board of Directors, is set until July 01, 2023.

## Information about rewards

Remuneration and compensation of expenses to the members of the Board of Directors and the Management Board of the Exchange are paid in accordance with the terms of the contracts concluded with them. The amounts of the bonus remuneration of these executives are determined by the General Meeting of Shareholders in respect of members of the Board of Directors and the Board of Directors in respect of members of the Management Board, depending on the results of the financial and economic activities of the Exchange in the corresponding financial year.

### Remuneration of members of the Board of Directors

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

- ▶ the monthly remuneration of the members of the Board of Directors is determined by the decision of the General Meeting of Shareholders of the Exchange;
- ▶ the amount of the annual bonus remuneration of any member of the Board of Directors should not exceed 85% of the total amount of monthly remuneration paid to this member of the Board of Directors for all months of the year for which the bonus is carried out;
- ▶ annual bonus remuneration is not paid to members of the Board of Directors who participated in less than 50% of the meetings of the Board of Directors, absentee voting of members of the Board of Directors, meetings of committees of the Board of Directors, other permanent committees and commissions of the Exchange, of which these members of the Board of Directors were members, in the reporting financial year.

**During 2021, the members of the Board of Directors of the Exchange were paid fifty-one million one hundred fifty-eight thousand two hundred fifty tenge (51,158,250 tenge).**

Members of the Board of Directors of the Exchange who are representatives of state bodies of the Republic of Kazakhstan or related to persons who cannot receive remuneration in accordance with the legislation of the Republic of Kazakhstan, remuneration is not established and is not paid:

- ▶ representatives of the National Bank of the Republic of Kazakhstan and the Agency for Regulation and Development of the Financial Market, who are members of the Board of Directors based on item 4 of Article 84 of the Securities Market Act of the Republic of Kazakhstan and sub-item 1) of item 3 of Article 17 of the Exchange Charter;
- ▶ Chairperson of the Management Board of the Exchange who is an ex-officio member of the Board of Directors on the basis of sub-item 2) of item 3 of Article 17 of the Exchange Charter.

## Remuneration of Exchange Board members

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

- ▶ the monthly salary of a member of the Management Board is determined by a decision of the Board of Directors;
- ▶ based on the results of a review of the Management Board's and the Exchange's performance in the reporting year, the Board of Directors decides on the amount of the annual bonus payable to members of the Management Board for the reporting year;
- ▶ the amount of annual bonus remuneration for members of the Management Board is determined by a decision of the Board of Directors based on an assessment of the performance of each member of the Management Board during the reporting year;
- ▶ The Board of Directors may decide to make a lump sum payment to a member of the Management Board.

**One hundred and eighty-six million two hundred and seventy-one thousand nine hundred and sixty-six tenge (186,271,966 tenge) paid to members of the Exchange Management Board during 2021.**

## Corporate responsibility and human resource management

KASE's team is its main value and main resource, and its professionalism and safety directly affect the performance of the Exchange.

### The Exchange builds employment relationships with its employees on the following principles:

- 1 Respect for the universally recognized labour rights of the employee;
- 2 Equal opportunities and non-discrimination in recruitment, remuneration, access to training, promotion and dismissal on grounds such as sex, race, language, religion, political or other beliefs, nationality, national or social origin, disability;
- 3 fair remuneration and effective motivation of staff, objectivity in the selection, recruitment, rotation and promotion of staff, creating equal conditions for the development and professional development of employees;
- 4 having a system of personnel training and development using modern technologies and information management systems, which are implemented in accordance with the requirements of the legislation of the Republic of Kazakhstan and the Exchange HR Policy.

The Exchange continuously implements measures to ensure the correct organization of employees' work in the workplace and strives to create safe working conditions that meet the requirements of the legislation of the Republic of Kazakhstan in this area.

## Corporate values

An important component of KASE functioning as a team of professionals implementing strategically important projects for the development of the exchange market is the existence of corporate values that meet the current challenges and self-identity of KASE team.

### The Exchange's corporate values are:

- ▶ innovation;
- ▶ responsibility;
- ▶ openness;
- ▶ caring.

We work on the principles of innovation and sustainability for the common good, constantly adapting to changes, cooperating with our partners, customers and each other on the principles of openness and transparency. We are responsible for our decisions, confirming the professionalism of our team and the high quality of services, we care about the future of our country, customers and employees, creating conditions for development.

In the reporting year, a number of measures were taken to develop a value approach on the Stock Exchange.

The corporate values of KASE symbolize the desire to unite the business and the team into a single whole in order to develop the stock market, introduce new technologies, products and services, improve existing services and technologies in changing modern conditions, as well as contribute to the achievement of sustainability by all market participants.

In accordance with the previously approved approach, the Exchange staff chose among their colleagues the bearers of corporate values for 2021 – KASE employees demonstrating personal qualities that best meet the key terms of corporate values: openness, innovation, responsibility and attentive attitude to others.

## Development of KASE corporate culture

One of the important components of the HR policy is the formation and development of the corporate culture of KASE, which is a system of fundamental values and standards that contribute to the formation of favorable conditions for effective work, maintaining the team spirit of the team and the commitment of employees to the goals and objectives of KASE.

### In order to form a corporate culture, various corporate events are held on the Exchange and the following tools are used:

- ▶ proof of success - letters of commendation and certificates of appreciation;
- ▶ team building and development of corporate values;
- ▶ Motivation - creating a good working mood in the team;
- ▶ Increasing employee satisfaction and awareness.

### Some of the main focuses on internal communications include.

- 1 Timely and comprehensive information to employees (ongoing communication through Townhalls, emails, social media, etc.).
- 2 Development of communication and team building among employees (team building, guest lectures, newcomer meetings, engagement survey, selection of value bearers and Exchange corporate parties).

### In 2021, Exchange employees were awarded for particularly important work and projects Exchange employees were awarded:

- ▶ Medal "To the 30th Anniversary of Independence of the Republic of Kazakhstan" was awarded to 4 employees of the Exchange;
- ▶ 4 Exchange employees were awarded the Order of Honored Financier;
- ▶ about 40 employees were awarded certificates of appreciation for implementation of KASE projects - placement of government securities under the T+2 scheme, automation of the process of obtaining Exchange membership, creation of indicators for TONIA index, introduction of ESG instruments market, launch of foreign stock trading, implementation of the plan to improve brokerage services.



## Training and development

Training and development are part of KASE’s human resources policy. KASE encourages employees to acquire new knowledge and develop existing knowledge, including through internal and external training.

Professional and mandatory training is a priority. Great attention is paid to the development of corporate competencies, leadership and project management skills required for the implementation of strategic projects of Moscow Exchange.

In the reporting year, 40 Exchange employees received training, including on improving their professional knowledge and skills, personal development and business competencies. For managerial staff, the Effective Manager training was organized, with 19 mid-level managers from Moscow Exchange taking the course and receiving a certificate.

## Personnel

As of January 1, 2022, KASE had a staffing level of 231 units, with an actual staffing level of 173 units.

## Employee education

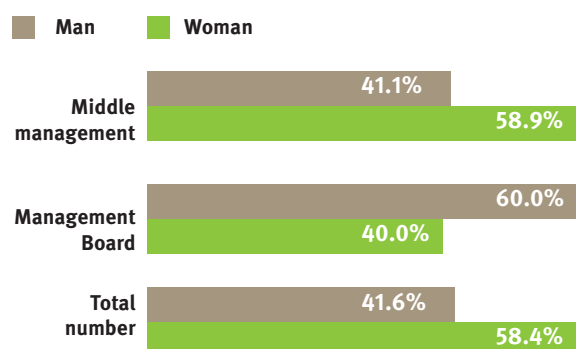
At the end of the reporting period, the majority of KASE employees (99%) had higher education, of which 29 had completed postgraduate studies.



## Gender composition of the Exchange

The total number of female employees on KASE is 58%, and 42% of male employees. At the same time, the top management (Management Board and Board of Directors) of KASE shows a high rate of female participation in management: 40% of the Management Board and 30% of the BOD are represented by women.

Fig.28. Gender composition of the Exchange



KASE has joined global initiatives to support gender equality to enhance the role of women in society, namely the global initiative “Women’s Empowerment Principles - Business Means Equality” (Women’s Empowerment Principles), developed and promoted in partnership with UN Women and the United Nations Global Compact.

## Social responsibility

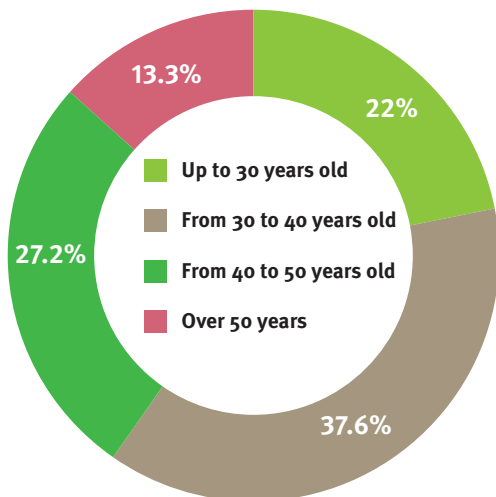
As part of the development of corporate social responsibility, the Exchange pays special attention to improving the financial literacy of young people in Kazakhstan. In this regard, the Exchange continues active cooperation with universities of Kazakhstan in terms of organizing internships and internships at the Exchange, employment of promising students, as well as conducting guest introductory lectures and seminars on the stock market on the territory of the Exchange and in universities.

In 2021 a lecture was held for undergraduates of the National Bank of the Republic of Kazakhstan. A number of students from various universities underwent practical training and internships at KASE.

## Age structure of the Exchange

In 2021, the main age group of employees is between 30 and 40 years old. The average age of employees is 37. The share of young professionals under 30 years of age was 22%.

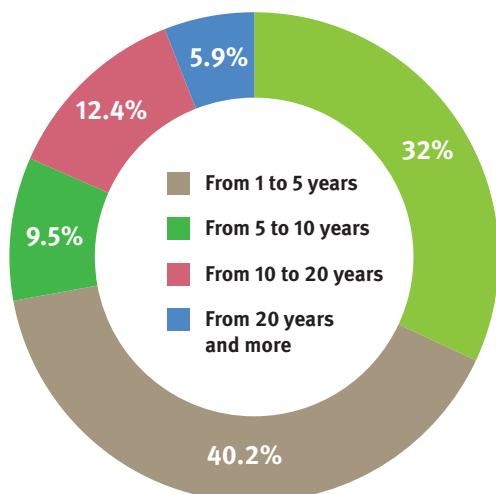
**Fig.27. Age structure of the Exchange**



## KASE staff stability

In the reporting period the composition of KASE personnel was substantially renewed. At the same time 12.4 % of employees have more than ten years of experience with KASE, 9.5 % have five to ten years of experience with KASE, 40.2 % have one to five years of experience with KASE and 32 % have less than one year of experience with KASE.

**Fig.29. KASE staff stability**



## Internal audit

The mission of the Internal Audit Service (hereinafter referred to as IAS) is to maintain and increase the value of the Exchange by conducting objective internal audits based on a risk-based approach, providing recommendations and sharing knowledge.

IAS is guided by the laws of the Republic of Kazakhstan and aims to operate in accordance with the International Framework for the Professional Practice of Internal Auditing as recommended by the Global Institute of Internal Auditing.

During the reporting period, IAS fully implemented the Audit Plan 2021. According to the internal procedures of IAS, the results of the audits were discussed with the audited entity and management on a regular basis. IAS made over a hundred recommendations to improve the internal control system and reviewed corrective action plans based on the results of the audits. Most of the recommendations were related to the need to improve internal documents regulating the organization and operation of the Exchange's internal processes

IAS monitored the implementation of these plans on an ongoing basis and provided appropriate opinions to the Audit Committee and the Board of Directors.

On a quarterly basis, IAS submitted an Audit Plan Report and improvements to the internal documents of IAS to the Internal Audit Committee and the Board of Directors for review. All IAS reports were approved by Internal Audit Committee and recommended for consideration by the Board of Directors, which subsequently approved all IAS reports submitted.

At the same time, IAS employees participated in conferences and online training to improve their skills. At the end of 2021, IAS reaffirmed its independence to the Board of Directors.

## Risk management system

The Exchange is constantly working to improve the risk management system in accordance with the recommendations of international standards such as ISO 31000, 27001, 22301 and the requirements of the authorized body in the field of risk management.

The structure of the risk management system at the Exchange is represented by risk management at several levels involving the following bodies and divisions of the Exchange: Board of Directors, the Management Board, the structural unit responsible for risk management, the compliance unit, the legal unit, the Internal Audit Service, structural units – risk owners.

Continuous development and improvement of the risk management system allows the Exchange to respond in a timely manner to changes in the internal and external environment, to increase the efficiency and effectiveness of its activities.

The risk management system is aimed at timely identification, assessment, monitoring and control, as well as reducing potential risks that may affect the achievement of the Exchange's strategic and operational goals.

In 2021, in order to improve the risk management system at the Exchange, the Risk Management Policy and Risk Management Rules were updated, defining the basic principles of the effective functioning of the risk management system, the tasks of the risk management system, risk management tools, further development of the institute of risk coordinators and increasing the risk culture of the Exchange's employees.

The Exchange's Board of Directors annually approves the risk register, key risk indicators, revises the risk map, sets the maximum allowable value of risk indicators, constantly monitors the dynamics of risk events and takes measures to minimize risk events in the future.

In the reporting period, an annual risk identification procedure was carried out. The identification of risks was carried out both from the point of view of the past period and from the point of view of future possible events, as well as on the basis of a comprehensive analysis of all business processes. With the development of new directions of the Exchange's development (including the introduction of the Spectra trading and clearing system in the derivatives market, the launch of a Central Counterparty in the foreign exchange and stock markets), the risk register has been supplemented with new identified risks.

Taking into account the work carried out, the risk register and the risk map of the Exchange have been revised, which were approved by the Board of Directors and the Management Board of the Exchange in early 2021.

Improving the risk culture at the Exchange is carried out on an ongoing basis through the involvement of structural units in the risk management process, as well as through the exchange of information between the Board of Directors, the Management Board, committees under the Management Board and employees of the Exchange.

In 2021, in accordance with the Schedule of risk management training, measures aimed at improving the risk culture of the Exchange's employees were carried out. When hiring new employees, they are familiarized with the principles of functioning of the risk management system on the Exchange. As a result of the measures taken to improve the risk culture of the Exchange's employees, there is a higher degree of understanding of the involvement of each employee in the risk management system.

In order to effectively manage the Exchange's market risks when carrying out the activities of the Central Counterparty, the Market Risk Committee functions – a permanent collegial body under the Exchange's Management Board. The functions of the Committee include approval of the values of fundamental and approved risk parameters of financial instruments, preparation of recommendations to the Board of the Exchange on the establishment and application of individual limits and restrictions to clearing participants in the Exchange markets, as well as other functions provided for by the internal documents of the Exchange.

In order to identify areas where it is necessary to improve the risk management system, the Internal Audit Service of the Exchange, in accordance with the Internal Audit Plan, evaluates the effectiveness of the risk management system.



## Managing business continuity

The Exchange is working to improve the business continuity management system. This activity is regulated by internal documents – The Business Continuity Management Policy approved by the Exchange’s Board of Directors on April 24, 2020, the Rules for the Organization of Business Continuity and Restoration and the Business Continuity Plan approved by the Exchange’s Management Board on July 30, 2020, developed taking into account the requirements of international standards to ensure the continuity of critical activities in the event of incidents and emergencies, as well as minimization of their impact on the main activity in order to quickly restore the activity of the Exchange.

During the reporting period, work was carried out to update the internal documents of the Exchange regulating the business continuity management system. The need to update internal documents regulating the business continuity management system is associated with a change in IT infrastructure of the Exchange. The Exchange has a system of several data processing centers, as well as an upgraded business continuity management scheme. The business continuity management system being built up to date, which includes an optimal IT infrastructure, ensures the restoration of critical activities within a set time from the moment of occurrence of a critical situation.

Business continuity plans are regularly tested (including testing the operation of trading and clearing systems in backup data centers using virtual workstations and a backup office) by specialized divisions of the Exchange.

As part of the change in approaches to the business continuity management system, it is planned to modernize the system of virtual workplaces that are created on the Exchange’s servers and provide access to all information systems of the Exchange, regardless of the user’s location. Workplace virtualization allows you to quickly respond to emergencies.

The continuity of the Exchange’s activities is ensured by the organization of internal work, but there is also the influence of external factors of a natural, social, economic and technological nature. In particular, certain key aspects of the Exchange’s activities depend on the uninterrupted supply of services by critical suppliers, which are regularly analyzed by the Exchange for their fault tolerance and the availability of measures taken by them to ensure the continuity of the supply of services of appropriate quality, taking into account the requirements of international standards.

The year 2021 has shown that a full-fledged business continuity management system is the key to the successful operation of the Exchange even in an unfavorable epidemiological situation.

The Exchange’s activities were effective during the state of emergency and under quarantine conditions. The management of the Exchange has taken maximum measures to counter the spread of coronavirus infection (COVID-19) in a pandemic.

The main aspects of the Exchange’s Work Plan in the conditions of COVID-19 coronavirus infection (minutes of the meeting dated March 13, 2020 No. 27) are related to the organization of the Exchange’s work remotely, including employees carrying out critical activities using virtual workplaces. Remote and/or in-office shift work of the Exchange’s employees is provided in accordance with the regulatory legal acts of the health authorities and the authorized body.

The Exchange has also taken a number of measures to ensure the physical safety of employees. These include the purchase of personal protective equipment, the organization of testing of Exchange employees in identifying cases of contact with coronavirus infection, the development of rules and instructions for organizing the workflow in a pandemic, as well as ensuring information security with remote access to personal computers and information systems of the Exchange.

The measures taken by the Exchange have shown their effectiveness during the state of emergency and quarantine. The Exchange prevented mass infection in the workplace, and also ensured the full availability of its services and systems for participants in the exchange markets.



## Information security

In order to increase the level of protection and minimize the risks of information security of the Exchange, software for preventing information leaks and information security event management systems were put into operation in the reporting period. The processes of checking computer and server equipment for vulnerabilities have been revised. To increase the level of protection against various kinds of cyber threats, an external audit of the Exchange's information systems is carried out.

The security of the Exchange's Wi-Fi network has been improved, a unified authentication system for administrative access to the Exchange's servers using the Exchange's domain controller has been configured and is functioning.

In addition, as part of the improvement of the information security system in the reporting period, training was conducted on the topic "How not to become a victim of phishing", information about new threats and information security requirements is regularly sent out, a number

of checks for compliance with internal documents were carried out, as well as a set of other measures related to strengthening user discipline in the Exchange's network and systems.

As part of the plan to improve regulatory documentation in accordance with the ISO 27001:2013 information security standard and the requirements established by the authorized body, changes and additions have been made to the internal documents of the Exchange that determine the functioning of the Exchange's information security management system.

The combination of these measures made it possible to improve the level of information security of the Exchange and reduce the risks of the Exchange in this area.

In order to improve the physical security of the Exchange, the procedures for monitoring the provision of security services have been improved, security and alarm alarms are used.





**KASE**

## ABBREVIATIONS AND TERMS



<b>ASTS+</b>	KASE trading and clearing system, developed on the basis of the Moscow Exchange trading and clearing system
<b>CDSB</b>	Climate Disclosure Standards Board (Climate Disclosure Standards Board)
<b>COVID-19</b>	acute respiratory infection caused by SARS-CoV-2 coronavirus
<b>EBRD</b>	European Bank for Reconstruction and Development (European Bank for Reconstruction and Development)
<b>ESG</b>	Environmental, Social and Governance – criteria of environmental friendliness, social responsibility and corporate governance
<b>ETF</b>	Exchange Traded Fund, a traded exchange- traded fund
<b>FAST</b>	FIX Adapted for Streaming (data transfer protocol in trading systems)
<b>FEAS</b>	Federation of Euro-Asian Stock Exchanges
<b>FIX</b>	data transmission protocol, which is an international standard
<b>Frontier Market</b>	Border Market
<b>FTSE</b>	Financial Times Stock Exchange International Index Service
<b>IFC</b>	International Finance Corporation
<b>IOS, Android</b>	a mobile operating system for smartphones, electronic tablets, wearable players and some other devices
<b>IOSCO</b>	International Organization of Securities Commissions
<b>IPO</b>	Initial Public Offering (initial public offering)
<b>IR</b>	Investor Relations (building communications with investors)
<b>IRIS</b>	exchange information terminal
<b>ISO</b>	International Organization for Standardization
<b>IT</b>	Information Technology (information technologies)
<b>KASE</b>	abbreviation of the name of JSC Kazakhstan Stock Exchange
<b>MOEX</b>	Moscow Exchange PJSC
<b>MNE RK</b>	Ministry of National Economy of the Republic of Kazakhstan
<b>MSCI</b>	Morgan Stanley Capital International Index Service
<b>IOSCO</b>	International Organization of Securities Commissions
<b>PRI</b>	Principles for Responsible Investment
<b>RUONIA</b>	indicative weighted overnight ruble denominated loans (deposits) rate, which reflects an estimate of the cost of unsecured overnight ruble denominated borrowings by a standard borrower among Russian banks with minimum credit risk.

<b>S&amp;P</b>	Standard & Poor's international index service
<b>SLA</b>	Service Level Agreement
<b>SMA</b>	sponsored market access (access to submit orders directly to the trading system)
<b>SOFR US</b>	the interest rate on the money market in US dollars, which is the weighted average median rate for the volume of transactions of three different types of REPO on overnight terms secured by government securities of the US Treasury
<b>SONIA UK</b>	It is based on real transactions and reflects the average interest rate that banks pay for borrowing in pounds sterling on "overnight" terms from other financial institutions and institutional investors
<b>SPECTRA</b>	trading and clearing system in the derivatives market
<b>sTrade</b>	Internet platform for remote access to trading, developed by KASE
<b>TCI</b>	TONIA Compounded Index – TONIA composite index calculated every calendar day based on the last calculated value of the TONIA indicator
<b>TCR</b>	TONIA Compounded Rate – composite TONIA rate calculated every calendar day based on TCI values. The calculation uses a sliding window equal to the actual number of calendar days in the settlement period
<b>TOD</b>	the settlement condition under which the transaction is executed on the day of its conclusion (from the English word "today")
<b>TOM</b>	a settlement condition in which the transaction is executed on the next business day from the date of its conclusion (from the English word "tomorrow")
<b>TONIA</b>	the main indicator of the repo market, which is the weighted average interest rate on repo transactions with a Basket of government securities for a period of one day, calculated at the end of each trading day
<b>TRION</b>	weighted average interest rate on repo transactions with a Basket of government securities carried out with the participation of a Central Counterparty for a period of one day, calculated during each trading day
<b>TWINA</b>	weighted average interest rate on repo transactions with a Basket of government securities carried out with the participation of a Central Counterparty for a period of seven days, calculated during each trading day
<b>UN SSE</b>	Sustainable Stock Exchanges
<b>VDI</b>	virtual workplace system
<b>WEP</b>	Women's Empowerment Principles
<b>WFE</b>	World Federation of Exchanges
<b>JSC</b>	joint-stock company
<b>ARDFM</b>	Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market
<b>ACDE</b>	Association of Central Depositories of Eurasia
<b>STB</b>	second-tier bank(s)
<b>Stock Exchange</b>	Kazakhstan Stock Exchange JSC

<b>Broker-dealers</b>	Brokerage and/or dealer organizations licensed by an authorized body
<b>GDP</b>	gross domestic product
<b>HEI</b>	higher education institution
<b>GS</b>	government-issued securities
<b>DAMU</b>	Damu Entrepreneurship Development Fund JSC
<b>EMEA</b>	Europe, Middle East and Africa
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>KASE Index</b>	KASE Stock Market Index
<b>CCP</b>	clearing certificates of participation
<b>IAE CIS</b>	International Association of Exchanges of the Commonwealth of Independent States
<b>million</b>	Million
<b>Billion</b>	Billion
<b>Moscow Stock Exchange</b>	PJSC "Moscow Exchange"
<b>IFO</b>	international financial organization (international financial organizations)
<b>NBRK</b>	National Bank of the Republic of Kazakhstan
<b>NCE RK "Atameken"</b>	National Chamber of Entrepreneurs of the Republic of Kazakhstan "Atameken"
<b>НҚБ</b>	non-state equity securities
<b>GOB</b>	government-owned bonds
<b>UN</b>	United Nations
<b>OPEC+</b>	an international intergovernmental organization established by oil-producing countries in order to control oil production quotas.
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>COVID-19 pandemic</b>	the current pandemic of coronavirus infection caused by the SARS-CoV-2 coronavirus
<b>PJSC</b>	Public Joint Stock Company
<b>MIF</b>	mutual investment fund
<b>SP</b>	software program



<b>Government</b>	Government of the Republic of Kazakhstan
<b>RCE</b>	regional chamber (chambers) of entrepreneurs
<b>IAS</b>	Internal Audit Service
<b>CIS</b>	Commonwealth of Independent States
<b>USA</b>	United States of America
<b>T+2</b>	the settlement condition under which the transaction is executed on the second business day from the date of its conclusion
<b>TCS</b>	trading and clearing system
<b>LLP</b>	limited liability partnership
<b>Trillion</b>	Trillion
<b>thous.</b>	Thousand
<b>FRS</b>	federal reserve system
<b>CD</b>	Central Depository
<b>CC</b>	central counterparty
<b>Data Center</b>	Data Processing Center

## Contacts and banking details

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