

JSC "KAZAKHSTAN STOCK EXCHANGE"

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Results of Kazakhstan Stock Exchange activities in 2012

HIGHLIGHTS:

1. **Main projects of Kazakhstan Stock Exchange (KASE).**
2. **"People's IPO" on KASE and exchange trading technologies.**
3. **Performance indicators of the exchange and exchange market.**

Projects of the year

Main projects implemented by KASE in 2012 include, in the first place, improvement of the Exchange's operational quality in order to align it with requirements of the new legislation on risk reduction. In the course of that work KASE had to notably change its organizational structure and internal regulatory base. The restructuring process turned out to be labour-intensive and influenced virtually all structural units of the Exchange.

The most important project in this field is the implementation of a new system to monitor KASE members – their financial strength and solvency which are checked continuously. One of apparent results of that monitoring are the new 60 pages of Exchange members on KASE website disclosing a big volume of open data necessary for investors seeking a partner on Kazakhstan's financial market.

Another remarkable project of the year was the implementation of the first stage of the "Peoples' IPO" program, the main nationwide project on Kazakhstan's stock market in 2012. During the preparation and conducting of the IPO the Exchange accomplished a lot of work, including measures on a scale unprecedented for Kazakhstan, which made the first share offering under the "People's IPO" a success. Due to the project's uniqueness many aspects of KASE activities were overhauled: rules of subscription were developed, special software (including a separate trading module) was designed, and a comprehensive testing of the trading system was conducted in terms of accepting and processing of a big number of orders. The technical and standard-setting activities were accompanied by the information and training support of KASE members and the population. The Exchange conducted a series of events designed for KASE members (workshops and meetings for brokerage companies), as well as for prospective and real retail investors (Day of open doors on the stock market, seminars for investors and media). In addition, KASE executives took part in the road-show of KazTransOil.

In addition to the above-mentioned most important projects KASE completed many other tasks in order to develop and strengthen the infrastructure, as well as to improve the capacity of the home stock market. The most important of them are the following:

- the set of events aimed at listing and offering of the debut issue of Islamic securities on Kazakhstan's stock market;
- setting up of the Clearing department and obtaining of the state license to execute clearing;
- modernization of KASE technological facilities including the commissioning of the electronic document system IS2IN for listed companies, as well as the special trading module "Subscription";
- preparation and execution of procedures associated with the listing of securities of accumulative pension funds on KASE;
- overhaul of KASE website to improve its informativeness and functionality;

- resumption of the tradition of solemn ceremony at opening of securities trading on KASE secondary market (two ceremonies were held: for KazTransOil and Kcell);
- opening of trading in futures on the most liquid shares of KASE Index representative list (ENRC, Kazakhmys, JSC "Halyk Savings Bank of Kazakhstan", JSC "KazMunaiGas Exploration Production").

All the year round activities were marked by an increasing cooperation with KASE members, issuers and investors reflected in active joint and individual pin-pointed PR events.

Financial results of KASE operations

The Exchange's financial position remains sustainable. According to preliminary non-consolidated financial statements non-audited statements, KASE's total assets increased by KZT297.7 m, or 11.4 % within the year making up around KZT2.9 bn at the end of 2012. The liabilities rose by KZT82.9 m, or 26 %, reaching KZT395.1 m at the end of the year, which corresponds with the financial leverage of 0.15. KASE's equity went up by KZT214.7 m, or 9.4 %, making up KZT2.5 bn at the end of the year. Preliminary figures for the net income 2012 made up KZT215.6 m rising 32.2 % on 2011 with the target set at KZT114.8 m.

KASE Exchange market indicators

The total volume of exchange trading compared to 2011 decreased by 6.7 % to KZT27.5 trln. The decrease originated in the first place from the foreign currency market (down KZT1.2 trln) and repo transactions market (down KZT960 bn). Least of all the total trading volume was affected by the reduced activity on the government securities (GS) secondary market, whose volume decreased by KZT230 bn.

Meanwhile, the corporate securities market (CS) displayed a notable growth. Share trading on KASE rose by 28.4 % in 2012, thanks largely to investors' transactions in Kazakhtelecom shares in the first quarter, one-off major deals, as well as to the general increase in the activity on the market by the end of the year which was directly related to the IPO of KazTransOil and Kcell. Corporate bond market grew by 6.4 % which in no small measure was caused by the introduction of a ban on over-the-counter offerings of KASE-listed companies' bonds.

On the whole the volume of CS trading on KASE increased by KZT64 bn (14.1 %) to KZT518 bn in 2012. Trading in all types of securities (including GS) rose by 14.3 % on 2011 reaching KZT1,815 bn.

At the end of 2012 333 titles of securities issued by 125 issuers were listed on KASE. The number of instruments increased by 7.8 %, that of issuers did by 20.2 % on 2011.

Capitalization of KASE share market as of December 31, 2012 was estimated at USD35.6 bn (-17.7 % at the end of 2011), that of the corporate bond market – at USD31.5 bn (-21.4 %), GS market – at USD20.2 bn (+14.8 %).

KASE Index's 12.3 %-decrease within the year was caused by unfavorable market conditions against the background of the persisting volatility on global markets, as well as by particular problems in Kazakhstan's banking industry, the drastic decrease in the value of Kazakhtelecom's ordinary shares after the dividend payout and the short list of securities included in KASE Index, whose representative list included merely seven titles.

As at the end of the reporting year there were 68 KASE members compared to 82 at the end of 2011. The decrease was caused by the fall in the number of stock market members after requirements for the authorized capital of brokerage firms were stepped up.

KASE is one of key institutions of the financial sector.

The daily capital turnover on KASE markets in 2012 exceeded the equivalent of USD1.2 bn. In addition the country's stock exchange is at the same time an information monitor of Kazakhstan's entire financial market. The number of news articles only in Russian released on KASE website in 2012 made up 7,985 (in 2011 – 6,260); most part of information on KASE website is published today on its website in three languages.

The exchange website's databases currently contain 142.7 thousand news items in Russian, 136.5 thousand – in English, 9.0 thousand – in Kazakh (publishing began in 2011); 22,282 documents

(21,780 issuer documents and 502 Exchange member documents) – charters and codes, securities prospectuses, Listing commission conclusions, meeting minutes, financial statements and many other information necessary on the market.