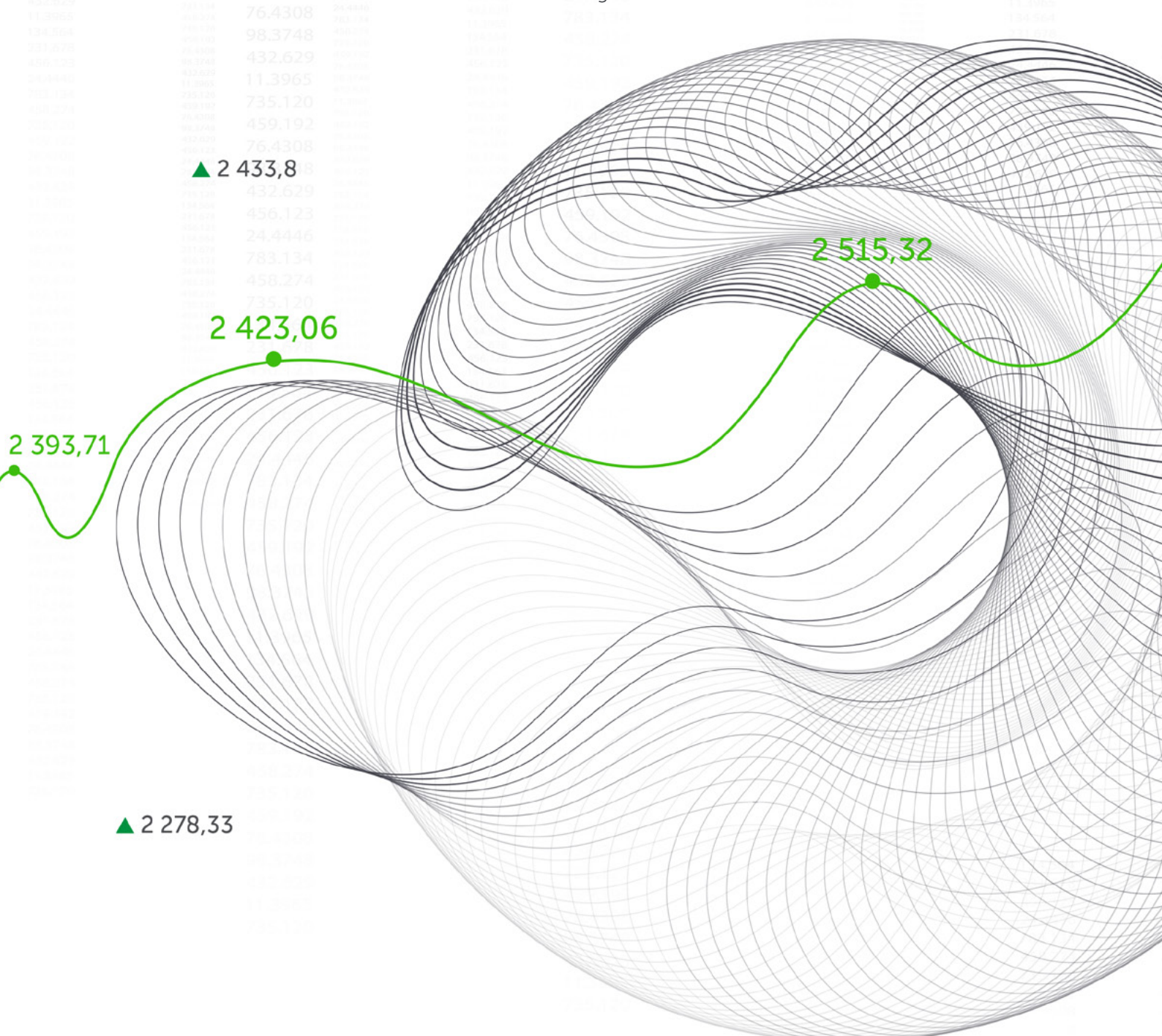




Қазақстан қор биржасы
Казахстанская фондовая биржа
Kazakhstan Stock Exchange

▲ 2 514,45



ANNUAL REPORT 2019

LONG TRADITIONS –
MODERN TECHNOLOGY

134.564	231.678	456.123	24.4446	783.134	458.274	735.120	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965
134.564	231.678	456.123	24.4446	783.134	458.274	735.120	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965
134.564	231.678	456.123	24.4446	783.134	458.274	735.120	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965
134.564	231.678	456.123	24.4446	783.134	458.274	735.120	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965
134.564	231.678	456.123	24.4446	783.134	458.274	735.120	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965
134.564	231.678	456.123	24.4446	783.134	458.274	735.120	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965
134.564	231.678	456.123	24.4446	783.134	458.274	735.120	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965
134.564	231.678	456.123	24.4446	783.134	458.274	735.120	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965
134.564	231.678	456.123	24.4446	783.134	458.274	735.120	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965
134.564	231.678	456.123	24.4446	783.134	458.274	735.120	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965	735.120	459.192	76.4308	432.629	11.3965



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CHAIR'S STATEMENT



DEAR SHAREHOLDERS AND PARTNERS!

Kazakhstan's stock market continued its dynamic development in 2019. Stable funding base represented by the Kazakh institutional investors' assets has attracted new issuers to the bond market, the number of issues has increased. We saw stable interest rates, recovery of amounts being borrowed by the Ministry of Finance of the Republic of Kazakhstan, and the emergence of new borrowers represented by international financial institutions. The past year marked a new stage in the development of the Kazakh exchange market's infrastructure. During the year, two major projects were implemented: the transfer of trading in liquid financial instruments (stocks, Eurobonds, units, depositary receipts) to the Moscow Exchange's ASTS+ trading and clearing system and the introduction of the Central Counterparty services on the stock market. This has helped the Exchange expand functionality of trading and clearing systems, use more advanced market risk management systems necessary for organizing the operation of the Central Counterparty and switch to qualitatively new technologies, increase the failure tolerance and uninterrupted operation of IT systems.

New ASTS+ trading and clearing system is designed for operation by participants

of various risk levels, which allows attracting broad range of investors to Kazakhstan's stock market. The system supports multiple trading modes and methods and provides for the use of services of the Central Counterparty, which allows concluding transactions between large and small financial institutions and guaranteeing transactions and settlements.

Trading schedule has changed to simplify access to foreign exchange transactions by foreign investors and more convenient working conditions for participants in the foreign exchange market: the duration of the trading day for foreign currency pairs was extended until 5:00 pm, and trading sessions in this market segment were combined.

The Exchange remains the main platform for raising the capital required by the national economy. During the year, we saw a positive development trend in the stock market. The total amount of trading during the year exceeded KZT118 trillion. The securities market grew by 8.5% to KZT5.3 trillion. The volume of funds raised on the corporate debt market reached KZT2 trillion, and the total amount of funds raised via the Exchange reached a record high of KZT3.9 trillion. Accordingly, the level of capitalization of the corporate bond market increased to a record KZT12 trillion. In the equity market, the capitalization rose to KZT17 trillion.

The number of issuers and instruments has grown. As at the end of 2019, KASE's trading lists featured 141 stocks of 125 issuers, 256 corporate bond issues of 71 issuers, 30 bond issues of five international financial institutions, two GDR issues, 11 instruments in the sector "Securities of investment funds".

To provide market participants with access to additional instrument for liquidity management, the Exchange launched new instruments – long-term swaps. Overall, more



than 600 securities, as well as about 30 money market instruments, five currency pairs, and six derivatives market instruments are available for trading on KASE.

One of the important areas of the Exchange's operations is attracting new market participants, expanding the investor base, improving financial literacy of the public. We continued our work on conducting information and explanatory events covering all regions of Kazakhstan and aimed at popularizing the Kazakhstan stock market and providing target audiences with information about the benefits of going public. As part of the mentioned activities, seminars were held together with national development institutions, such as the DAMU Entrepreneurship Development Fund, Development Bank of Kazakhstan, NCE RK Atameken, and industry associations.

We continue active work on promoting the Kazakhstan stock market and attracting investors from the near and far abroad. During the year, KASE held several international events in Tashkent, Minsk, Moscow, and London, where the participants received information about investment opportunities in the Kazakhstan market, financial instruments, terms of membership, and participation in tenders, obtaining market information and the Exchange's services. Opportunities for cooperation between professional participants of the countries including reciprocal access to exchange markets were discussed during these events.

Last year, we updated KASE's corporate culture standards and adopted new Code of Corporate Ethics. Together with the staff of the Exchange, we have done significant work and adopted new corporate values that are in line with the current spirit of the team, business goals, and the positioning of the Exchange to our partners and customers.

The mobilization and harmonious work of our team is a key advantage, thanks

to which we manage to achieve our goals and make ambitious plans for the future.

The Exchange, as a unique business, requires in-depth knowledge in the field of finance and IT, which, at times, are formed over a considerable period of operation in the financial market. Our team values every professional player, and it is important to us that the corporate culture and values of KASE meet the needs of each team member and create the basis for their professional growth.

Next year, we plan to continue working according to the chosen strategic areas of development to achieve high performance indicators and to improve the position of Kazakhstan's stock market in the international community, which will enhance its competitiveness. We will continue the implementation of projects within the framework of the strategic partnership with the Moscow Exchange and the transition to the MOEX's trading and clearing systems in the money, foreign exchange and derivatives markets.

In conclusion, I want to express our gratitude to the market participants, the regulator and the shareholders for the constructive cooperation during the year, support and trust.

Alina Aldambergen
Chairperson of the Management Board



ABOUT THE EXCHANGE

Key Information

Members of the Exchange

Timeline of Events

2 455,29

2 443,00

2 429,15

2 310,85

2 233,40

2 426,73

2 283,65

2 278,33

2 271,34

2 224,75

2 297,27

2 282,51

2 251,52

2 392,61

2 399,20

2 382,69

2 355,89

2 266,41

2 242,15

2 243,80

2 268,51

2 376,95

2 367,60

2 333,00

2 348,95

2 319,18

2 301,06

ABOUT THE EXCHANGE

KEY INFORMATION

Kazakhstan Stock Exchange (KASE, or the Exchange) is a high-tech trading platform that provides full range of exchange services in accordance with accepted international standards.

Due to the multifunctionality of the Exchange, Kazakh companies, local and international investors are provided with an opportunity to trade stocks, corporate and government bonds, foreign currencies, money market instruments and futures.

The Exchange carries out its operations based on the following licenses:

1. license No. 4.2.3/1 for carrying out activities on the securities market issued on July 19, 2012, which means the right to carry out:
 - activities on organizing trading in securities and other financial instruments;
 - clearing activities on deals in financial instruments on the securities market;
2. license No. 4.3.8. for conducting banking operations in national and foreign currency issued on January 30, 2020 (due to changes in the legislation, the license No. 4.3.8 for conducting banking operations in national and foreign currencies issued on September 5, 2018 was reissued).

KASE has trading, clearing and settlement systems that meet modern standards of reliability, security and business continuity. Since 2012, the Exchange has been acting as the Central Counterparty in the derivatives market, and since October 1, 2018 – in the foreign exchange market.

From December 2019, the Exchange began a step-by-step transfer of trading in financial

instruments from the current trading system to the ASTS+ trading and clearing system, developed based on the trading and clearing system of the Moscow Exchange (MOEX) and began to perform the functions of the Central Counterparty for financial instruments, which began trading in the new system. At the first stage, trading in shares, USD-denominated bonds, securities of investment funds, international bonds of the Republic of Kazakhstan, securities of international financial institutions, derivative securities was opened in the ASTS+. The transfer of trading in other instruments of the stock exchange market to the new system using services of the Central Counterparty is scheduled for the first half of 2020.

KASE provides a broad range of information products, including real-time market data, historical and reference data.

KASE's main advantages compared with the competitors are as follows:

- universality of the market, since business diversification helps it to smoothly go through fluctuations of the economic cycle, at different phases of which market participants require different classes of financial instruments;
- experienced and professional staff;
- availability of own correspondent network for making monetary settlements on exchange markets;
- availability of the license for carrying out clearing activities and providing clearing services in the foreign exchange, securities and derivatives markets;



- availability of the T+2 trading and clearing cycle, which facilitates access to the market for foreign investors;
- extended trading sessions to provide access to trading for participants from regions with different time zones;
- the possibility of expanding the geographic representation of investors through participation in the activities of international exchange associations, being a key source of information about Kazakhstan's capital market, cooperation with MOEX;
- availability of own IT systems and implementation of the MOEX's trading and clearing systems, which have capacity reserves, provide maximum flexibility for improvements and settings to meet the needs of customers and changes in the regulatory environment, allow improvement of the quality of services and offer new instruments;
- availability of the Central Counterparty functions in all segments of the exchange market.

MEMBERS OF THE EXCHANGE

As of January 1, 2020, members of KASE were represented by 52 companies that had the status of a member in one or several categories, in particular: 32 companies had the status of members of "foreign exchange" category, 44 – of "stock market" category and 23 – of "derivatives" category.

In 2019, KASE terminated membership of First Heartland Bank because of its voluntary reorganization by merging with another member of KASE, First Heartland Jýsan Bank.

The following companies became KASE members under "foreign exchange" category: CAIFC INVESTMENT GROUP, Freedom Finance, Kazpost and Shinhan Bank Kazakhstan. Bank RBK became a member of KASE in "derivatives" category.

2 326,30
2 322,28
2 319,18
2 321,51

TIMELINE OF EVENTS

JANUARY

January 17

The book released on the occasion of KASE's 25th anniversary and dedicated to the history of KASE and Kazakhstan's financial market was presented. The book is published in three languages.



January 29

KASE and Moscow Exchange made a deal on the sale of 32,360 shares of KASE as part of the implementation of the Strategic Cooperation Agreement. As a result of the deal, MOEX's stake in the capital of the Exchange amounted to 3.32 % of outstanding shares.

FEBRUARY

February 18

New instruments – long currency swaps with execution terms of one week, one month and three months – were introduced on the money market to provide participants with access to additional instrument for liquidity management.

February 19

An award ceremony was held for the most distinguished members of the Exchange, listed companies and media representatives, based on results of 2018. The winners in various nominations were: Freedom Finance, Halyk Savings Bank of Kazakhstan, Kazkommerts Securities (subsidiary of Kazkommertsbank), Halyk Finance, a subsidiary organization of Halyk Savings Bank of Kazakhstan, SkyBridge Invest, Citibank Kazakhstan, Development Bank of Kazakhstan, National Company KazMunayGas and KazTransOil. Among those from media representatives who received an award were the Kursiv newspaper, website forbes.kz, LS TV agency.

February 26

The Exchange held joint seminar "Stock market fundamentals" with Damu Fund and NCE Atameken for owners and the management of companies, employees of development institutions and local executive bodies in order to provide information on the structure and instruments of the securities market.

MARCH

March 5

A roundtable was held in Nur-Sultan on the topic "Fundraising opportunities at the Kazakhstan Stock Exchange". This event was the first in a series of events held during the year in various regions of Kazakhstan, which were aimed at providing detailed information to owners and managers of businesses on funding opportunities in the securities market.

March 7

The Exchange, jointly with the UN Women in Kazakhstan, the World Bank and the IFC, held the ceremony for opening trading "Ring the Bell for Gender Equality" as part of the UN SSE Initiative. The event was timed to International Women's Day



and was meant to emphasize the importance of promoting gender equality, extending rights and economic opportunities for women.

March 19

A seminar called "Investor Relations: Effective Communication with Investors" was organized and conducted at the Exchange's venue, during which IR experts shared with the participants information about the tools for effective interaction with investors and other interested parties.

March 28

A roundtable was held in Almaty on the topic "Fundraising opportunities at the Kazakhstan Stock Exchange".

APRIL

April 4

An event was held in Moscow for banks and brokerage firms that are members of KASE for introduction of features of MOEX's technological solutions. During the event, the participants received detailed information about technical specifications of MOEX's trading and clearing systems, exchange products and post-trade services, which will be used at KASE markets. Participants also had an opportunity to study the operation of Russia's exchange market in more detail.

April 10

The Exchange held a roundtable in Atyrau region on the topic "Fundraising opportunities at the Kazakhstan Stock Exchange".

April 19

The Issuer Day was held at the Exchange, during which a meeting of KEGOC's management team with shareholders, investors, professional market participants and the media dedicated to the results of the company's operations in 2018 was held.

April 24

A round table dubbed "Refinitiv Day on KASE: Relations between investors and issuers" was held. Representatives of Refinitiv and the Exchange's employees attended the event. The issues of corporate analysis, enhancing the role of sustainable development and drawing up a report according to ESG criteria were discussed during the roundtable.



MAY

May 16-17

The 12th Astana Economic Forum (AEF) on the topic "Inspiring Growth: People, Cities, Economies" was held in the city of Nur-Sultan. The session dubbed "The Role of a Retail Investor in the Economy" moderated by Alina Aldambergen, Chairman of the Management Board of the Kazakhstan Stock Exchange, was held within the framework of the AEF.



May 20–23

The Exchange jointly with the Subsidiary Bank "Bank of China in Kazakhstan", with the assistance of the People's Bank of China, organized a conference on the territory of the Khorgos International Center for Cross-Border Cooperation on the topic "Successful future in close cooperation: cross-border settlements in national currencies of the Republic of Kazakhstan and China with the assistance of the People's Bank of China". The issues of direct conversion and settlements in the tenge and the yuan were highlighted during the event.

May 29

A seminar for local retail investors called "How to trade in the securities market" was held at the Exchange with the support of the Damu Fund. An interactive game "Financial Tasting" was conducted as part of the event.

JUNE

June 12

The Exchange's employees took part in the 10th Mining and Metallurgical Congress "Astana Mining & Metallurgy" in the city of Nur-Sultan, within the framework of which, as well as participating in other industry and regional events, the Exchange's employees provided the participants of the event with detailed information about fundraising opportunities using stock market instruments.

June 25

The Exchange's representatives participated in an international exhibition of technologies and equipment for mining and metallurgical sector dubbed "Mining Week Kazakhstan 2019" held in Karaganda.

June 27

The Exchange conducted the Issuer Day, which also featured a meeting of the management of the IFC Treasury Head Office in London and the head

of the IFC office in Kazakhstan with investors and professional participants of Kazakhstan's securities market.

June 28

The Exchange jointly with Uchet.kz LLP held an online training webinar for employees of finance departments of Kazakh companies on stock market issues.

JULY

July 1

Foreign currency trading regulations were changed on July 1. The duration of the trading day was extended until 5:00 pm, Nur-Sultan time. Trading in foreign currencies is conducted as part of single continuous session with interim rate fixing on USDKZT_TOM at 11:00 am.

July 10

The Exchange held the Issuer Day within the framework of the planned offering of coupon bonds of Housing Construction Savings Bank. Lyazzat Ibragimova, Chairperson of Management Board of the bank, has met potential investors and professional participants of the securities market during the event.

SEPTEMBER

September 5

Bakytzhan Kazhiev, Chairman of KEGOC's Management Board, met investors and professional participants of the securities market as part of the Issuer Day. The participants of the event were updated on the company's operating results for the first half of 2019.

2 382,15
2 375,50 2 376,95

2 377
2 376,28

2 368,58
2 367,60 2 367,60

September 11

The Exchange held KASE Day in Tashkent within the framework of the memorandum of cooperation between KASE and the Republican Stock Exchange Tashkent. During the event, the Exchange has briefed the participants on current situation and development prospects of Kazakhstan's exchange market, KASE's financial instruments and services, conditions for raising capital on the Kazakh stock market for Uzbek companies.



September 19

The Exchange organized a roundtable on the topic "Principles of Women's Economic Empowerment as part of the Implementation of the Gender-Linked Goals of the 2030 Agenda for Sustainable Development" jointly with the UN-Women.

September 25

A roundtable was held in Nur-Sultan on the topic "Fundraising opportunities at the Kazakhstan Stock Exchange".

September 25

A seminar on the topic "The Exchange's products and services" was held in Aktobe region for employees of Kazpost branches and their customers.

September 26

A business breakfast "KASE Day in Aktobe" was held in Aktobe for entrepreneurs of Aktobe region, the city of Aktobe and for partners of the Exchange. A training seminar for media representatives was held as part of the business breakfast.

September 18

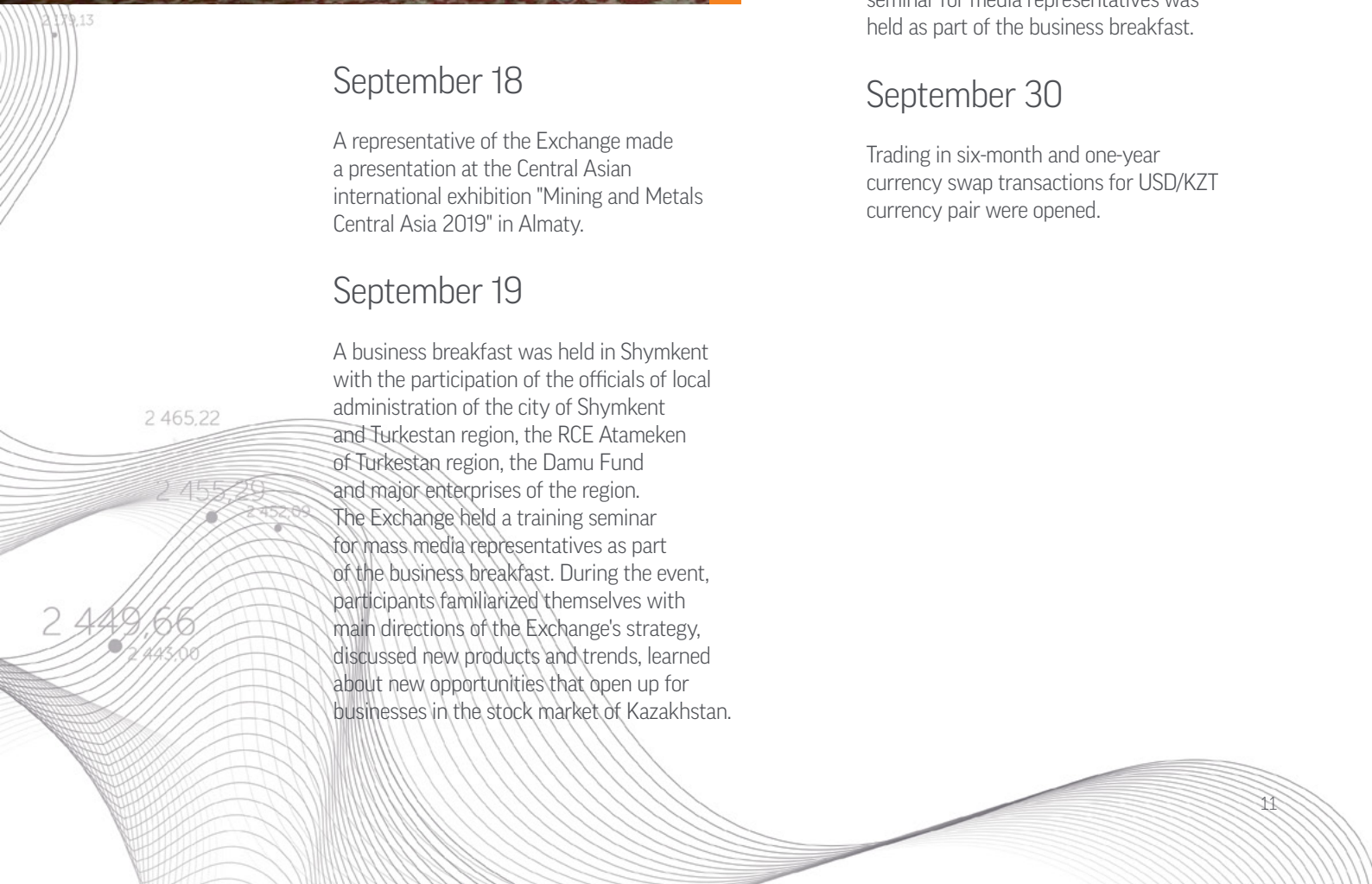
A representative of the Exchange made a presentation at the Central Asian international exhibition "Mining and Metals Central Asia 2019" in Almaty.

September 19

A business breakfast was held in Shymkent with the participation of the officials of local administration of the city of Shymkent and Turkestan region, the RCE Atameken of Turkestan region, the Damu Fund and major enterprises of the region. The Exchange held a training seminar for mass media representatives as part of the business breakfast. During the event, participants familiarized themselves with main directions of the Exchange's strategy, discussed new products and trends, learned about new opportunities that open up for businesses in the stock market of Kazakhstan.

September 30

Trading in six-month and one-year currency swap transactions for USD/KZT currency pair were opened.



OCTOBER

October 4

A representative of the Exchange made a presentation at the panel session called "Effective business tools for investments profitability" of the International investment forum "Zhetysu Invest 2019" in the town of Taldykorgan.

October 4

At an event organized to celebrate the announcement of the winner of the competition among retail investors in the equity market as part of the IOSCO's global initiative called "World Investor Week", the Exchange conducted the ceremony "Ring the Bell for Financial Literacy". This event is intended to emphasize the importance of increasing the level of financial literacy and ensuring the availability of financial services for all groups of the population.



October 8

The WFE's annual meeting was held on October 8 in Singapore, followed by the clearing and derivatives conference "IOMA WFE's 36th Clearing & Derivatives Conference 2019" and a meeting of the WFE's working committee. During the two conferences, representatives of the Exchange spoke on the status and prospects of Kazakhstan's exchange market.

October 11

The Exchange held a seminar "Stock market fundamentals" for owners and executives of companies and employees of the Damu Fund.

October 15

An additional session in the money market was introduced for the National Bank to provide and withdraw liquidity in the national currency through swap and repo transactions. The session is held from 5:00 pm to 5:30 pm Nur-Sultan time.

October 21 and 22

The Exchange held a roundtable "Raising capital on KASE" in the city of Ust-Kamenogorsk with the support of local administration of East Kazakhstan region. Representatives of KASE, Freedom Finance and Tau-Ken Samruk spoke at the event. Representatives of the Exchange spoke about instruments of fundraising through the stock market, which will allow the company to increase capital for the development and implementation of plans and at the same time to improve the company's image and its position among customers and partners. Representatives of Regional Chamber of Entrepreneurs Atameken of East Kazakhstan region, local executive bodies and large industrial enterprises attended the event.

October 23

A roundtable was held together with Refinitiv on the topic "ESG: a new reality or a hype?" in order to conduct a public discussion on information disclosure in accordance with the environmental, social and governance principles (ESG).



October 24 and 25

A roundtable was held in Kostanay region on the topic "Fundraising opportunities at the Kazakhstan Stock Exchange" and a seminar "The Exchange's products and services" for employees of Kazpost branches and their customers. At the seminar, KASE representatives talked about working with financial instruments and introduced the range of instruments available on the Exchange to the participants.

October 25

A roundtable "Development prospects for Kazakhstan's government securities market" was held with participation of ADB experts and professional stock market participants as part of the technical support of the Asian Development Bank under the project on the improvement of public debt management.

November 5

A roundtable was held in Pavlodar region on the topic "Fundraising opportunities at the Kazakhstan Stock Exchange" and a seminar themed "Products and services of the Exchange" for employees of Kazpost branches and their customers. A mini-seminar for media representatives on the stock market and working with information on the official website of the Exchange was held as part of the event.

November 6

KASE Day in Moscow was held with the assistance of the Moscow Exchange. The event is aimed at raising the awareness of the current situation and development prospects of Kazakhstan's stock market. Possible cooperation between professional participants of the two countries was discussed.

NOVEMBER

November 5

KASE Day in Minsk was conducted with the assistance of the Belarusian Currency and Stock Exchange. The purpose of the event was to update the participants on current situation and development prospects of Kazakhstan's stock market, KASE's financial instruments and services, conditions for raising capital in Kazakhstan's stock market.



November 12

A seminar "Stock market fundamentals" was held at the Exchange for teachers and students of Kazakh universities.



November 15

A roundtable was held in Akmola region on the topic "Fundraising opportunities at the Kazakhstan Stock Exchange" and a seminar "Products and services of the Exchange" for employees of Kazpost branches and their customers.

November 16

KASE held a panel discussion "Capital Markets. Opportunities and Growth Points" as part of the conference "The Financial Market and the Real Sector of the Economy of Kazakhstan" organized by the National Bank jointly with the Association of Financiers of Kazakhstan.



November 19

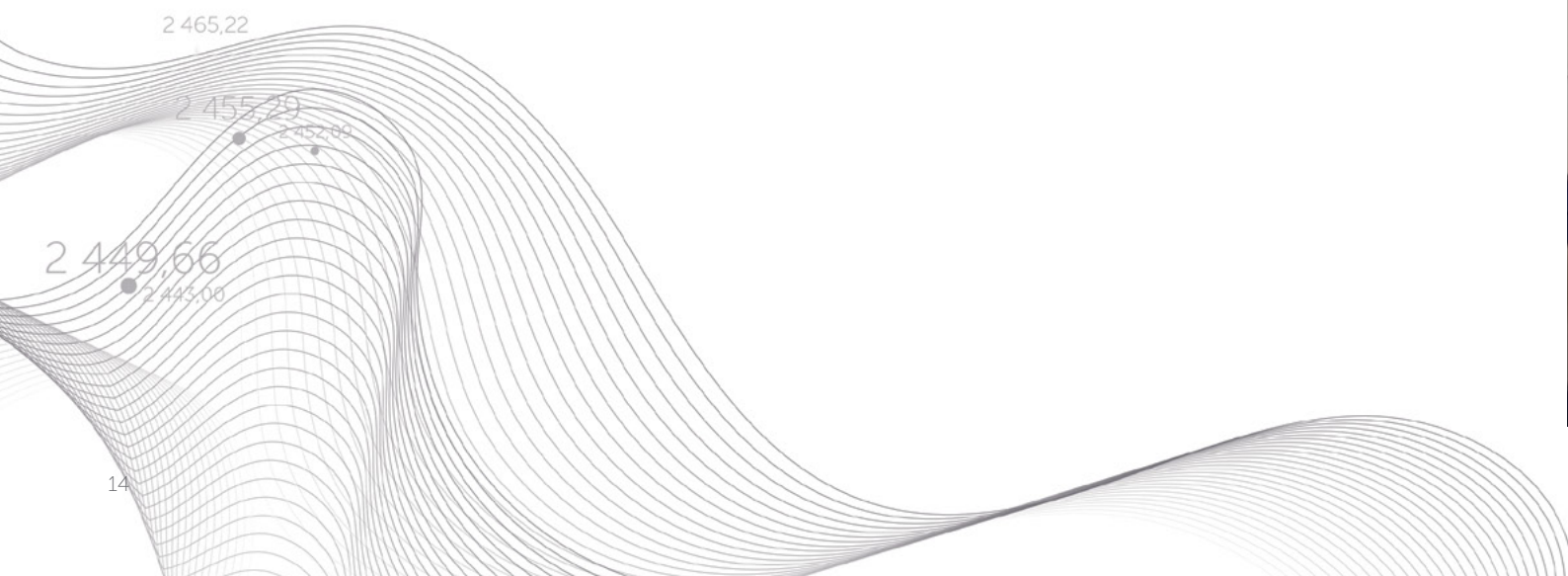
On November 19, a roundtable was held in West Kazakhstan region on the topic "Fundraising opportunities at the Kazakhstan Stock Exchange" and a seminar "Products and services of the Exchange" for employees of Kazpost branches and their customers. Representatives of local executive bodies and large industrial enterprises attended the event.

November 21

KASE Day in Almaty business breakfast was held in the city of Almaty. Participants were given the opportunity to learn about ways of raising capital for companies through stock market instruments, to get to know about the benefits of new products in the stock market, as well as to discuss the latest trends in the development of Kazakhstan's stock market with experts. The officials of local administration of the city of Almaty, RCE Atameken of the city of Almaty, the Damu Fund, enterprises of Almaty and media representatives participated in the business breakfast.

November 26

A roundtable was held in Mangystau region on the topic "Fundraising opportunities at the Kazakhstan Stock Exchange" and a seminar "Products and services of the Exchange" for employees of Kazpost branches and their customers. Representatives of Regional chamber of entrepreneurs "Atameken" of Mangystau region, local executive bodies and large industrial enterprises attended the event.





DECEMBER

December 3

The ASTS+ trading and clearing system developed on the basis of the Moscow Exchange's trading and clearing system, was implemented on KASE's stock market. From the same date, KASE began to perform the functions of the Central Counterparty on financial instruments, the trades in which were opened in the new trading system.

December 5

Joint event with the National Bank of the Republic of Kazakhstan and Citibank N.A. "Kazakhstan: Local Markets Development" was held. During the event, the Exchange informed foreign institutional investors about the potential of Kazakhstan's stock market and ways of gaining access to it.

December 5

A seminar for local retail investors "How to trade in the securities market" was held on the Exchange's venue with the support of the Damu Fund. The speakers were employees of the Exchange and brokerage firms. An interactive game called "Financial Tasting" was conducted as part of the training program.

December 12

A business breakfast called "KASE DAY in Nur-Sultan" was held in the city of Nur-Sultan. At the event, the Exchange's management made presentations on key areas of the Development Strategy for 2019-2021, new products and services, trends in the financial market, as well as information on the launch of the new trading and clearing system and the Central Counterparty in the stock market. The event was attended by representatives of state bodies, members of Parliament of the Republic of Kazakhstan, officials of local administration of the city of Nur-Sultan, top managers of national companies that are part of national management holdings, and executives of large private companies.

December 20

The Exchange held a roundtable "The role of internal audit in corporate governance", where representatives of the Institute of Internal Auditors and representatives of internal audit units of large companies told representatives of listed companies and professional market participants about the novelties, international standards and advantages of this activity in public companies.



STRATEGY IMPLEMENTATION REPORT

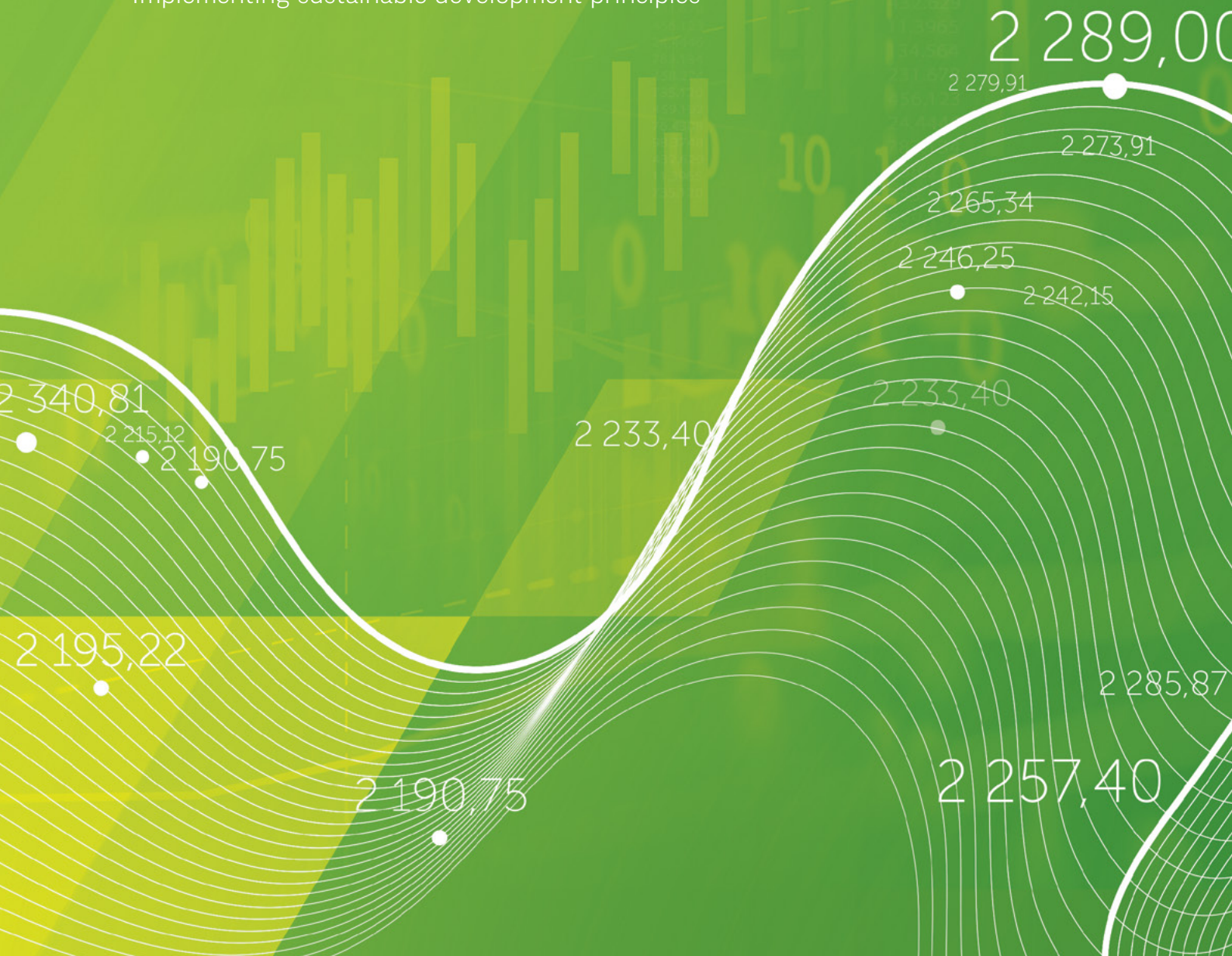
Strategic Cooperation with the Moscow Exchange

Strategic Direction 1.
IT modernization

Strategic Direction 2.
Launch of the Central Counterparty services

Strategic Direction 3.
Increasing liquidity and exchange market depth

Strategic Direction 4.
Implementing sustainable development principles



STRATEGY IMPLEMENTATION REPORT

DEVELOPMENT STRATEGY FOR 2019-2021

KASE adopted a development strategy for the next three-year period during the reporting year. The strategy was approved by the Exchange's Board of Directors on May 28, 2019.

KASE's new development strategy is based on the results achieved while implementing the development strategy for 2016-2018, under which the Exchange carried out projects in the following strategic areas:

- development of the exchange market;
- making the Exchange and its services more focused on the customer;
- increasing the efficiency and competitiveness of the exchange business.

When developing new development strategy for 2019-2021, KASE was aligning it with government programs and plans, in particular, with key elements of the Joint Action Plan of the Government of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan on the development of the national stock market for 2018-2020¹, which provides for the improvement of the infrastructure and regulation of the stock market and increasing the competitiveness of the regulated securities market, as well as projects under the strategic partnership with MOEX.

When developing the strategy, the Exchange's mission, key goal, main strategic directions and tasks on their implementation were determined, as well as the Exchange's corporate values as a team aimed at the most effective implementation of the strategy were taken into account.

MISSION

Promoting economic growth of the Republic of Kazakhstan:

- providing local issuers with a broad range of instruments to raise funds
- providing a platform for redistributing liquidity in the financial system
- providing a transparent investment environment for local and foreign investors

GOAL

Maintaining KASE's leading position among Kazakhstan's exchanges.





VALUES

INNOVATION, SUSTAINABILITY AND ADAPTATION TO CHANGES

We work on the principles of innovation and sustainability for the common good, constantly adapting ourselves to changes

RESPONSIBILITY, PROFESSIONALISM AND QUALITY

We are responsible for our decisions, confirming the professionalism of our team and the high quality of services

COOPERATION, OPENNESS AND TRANSPARENCY

We work with our partners, customers and each other on the principles of openness and transparency

CARING FOR THE FUTURE AND DEVELOPMENT

We care about the future of our country, customers and employees, creating conditions for development



STRATEGIC DIRECTIONS AND TASKS

1. IT MODERNIZATION:

- carrying out phased IT modernization of the trading and clearing systems;
- implementation of certified protocols for the exchange of market data;
- introduction of new trading modes on exchange markets.

2. LAUNCH OF THE CENTRAL COUNTERPARTY SERVICES:

- consistent implementation of the Central Counterparty services for all classes of financial instruments traded on the Exchange.

3. INCREASING LIQUIDITY AND STOCK MARKET DEPTH:

- enhancing equity market liquidity;
- stimulating the development of the bond market as an alternative to bank lending;
- enhancing stock market participation of households;
- expanding investment opportunities for institutional investors;
- expanding the investor base by increasing the number of foreign participants;
- increasing trading volume and expanding the set of instruments in the foreign exchange, money and derivatives markets.

4. IMPLEMENTING SUSTAINABLE DEVELOPMENT PRINCIPLES:

- increasing the investment value of KASE;
- improving the quality of risk management, internal controls and audit;
- increasing the transparency of KASE operations;
- implementing standards of the environmental-friendly way of doing business;
- increasing social responsibility.

STRATEGIC COOPERATION WITH THE MOSCOW EXCHANGE

The Strategic Cooperation Agreement between KASE and MOEX was concluded on October 10, 2018. The main objectives and areas of cooperation under this agreement are as follows:

- adaptation and implementation of MOEX's trading and clearing systems in KASE's markets;
- developing KASE's markets, increasing the volume of exchange trading and expanding the circle of trading participants, as well as sharing MOEX's experience in exchange trading and clearing technologies, risk management, and the creation of new exchange instruments;
- improving the regulation of exchange markets, clearing and Central Counterparty's activities, as well as alignment of principles for regulating the financial markets of Kazakhstan and Russia, taking into account international standards;
- providing mutual access of trading participants and investors to exchange markets of KASE and MOEX in accordance with the exchanges' rules, attracting international investors to exchange markets of KASE and MOEX;
- setting up an infrastructural clearing organization operating in accordance with the requirements of the laws of the Republic of Kazakhstan, based on the IOSCO's principles and meeting international requirements for clearing organizations.

The agreement also provides for the MOEX to become a shareholder of KASE by acquiring its shares in the amount of up to 20% of outstanding shares of KASE. Therefore, on January 29, 2019, KASE and MOEX made a deal to sell 32,360 previously unissued shares of KASE, as a result of which MOEX's share in the Exchange's capital amounted to 3.32% of outstanding shares.

During 2019, the main project on KASE and MOEX cooperation agenda was the introduction of the MOEX's trading and clearing system in KASE's stock market.

In January, the Terms of Reference specifying requirements of the Exchange for software of the trading and clearing system of the stock market were agreed and signed.

Throughout the year, these Terms of Reference were implemented and KASE employees were trained to operate and administer this system. Also, capabilities and features of this system were presented to KASE customers.

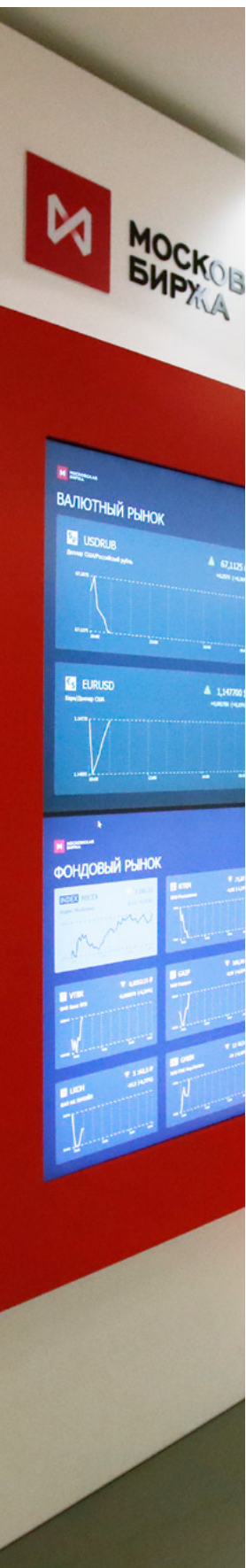
In addition, KASE internal documents were updated to facilitate the introduction of the new trading and clearing system. Also, a number of amendments to statutory legal acts regulating activities in the securities market were initiated.

KASE successfully put MOEX's trading and clearing system ASTS+ into operation on **DECEMBER 3, 2019.**

Trading in some stock market instruments was transferred to the new trading and clearing system during the first stage. At the second stage, the implementation of which is expected in the first half of 2020, it is planned to transfer all stock market instruments to the new trading and clearing system.

Simultaneously with the launch of the ASTS+, the Exchange began to perform functions of the Central Counterparty on stock market instruments, the trading in which was transferred to the new system (more detailed information on introducing the ASTS+ and the Central Counterparty in the stock market is described in sections dedicated to strategic directions 1 and 2).





In 2019, the parties worked on the preparation and approval of the Terms of Reference on the implementation of MOEX's trading systems in the foreign exchange and derivatives markets as part of the implementation of the Strategic Cooperation Agreement between KASE and MOEX.

Also, the MOEX provided KASE with advisory services on a number of issues related to the assessment of credit and market risks, requirements for clearing members; requirements for the Central Counterparty as an infrastructure organization and an organization that provides guarantees for the execution of transactions to market participants; application of the legislation on counteracting legalization (laundering) of illegally obtained proceeds

and financing of terrorism (AML/CFT) when a financial institution performs functions of the Central Counterparty; attracting foreign participants and investors.

During 2020–2021, the Exchange plans to complete phased modernization of the foreign exchange market and derivatives market systems based on the Terms of References developed for trading and clearing systems of these markets. It is planned to provide CCP services on an updated platform.

STRATEGIC DIRECTION 1. IT MODERNIZATION

TECHNOLOGIES. REVIEW OF IMPLEMENTED TASKS

KASE on an ongoing basis works to improve the reliability of its infrastructure, reduce operational risks, develop new trading modes and instruments, implement certified protocols for the exchange of market data.

To implement the work along the above-mentioned directions, resources were identified and the corresponding calendar plans were developed. The following priority tasks were successfully implemented and put into commercial operation:

- February – a matrix of access to the Exchange's Information systems was developed; the application "Exchange Simulator" based on the sTrade solution was launched;
- February-March – launch of long currency swaps with maturities of up to one year;

- June – expansion of the functionality of the official information channel KASE @KASEInfoBot in the Telegram application;
- July – technical implementation of the continuous session of the foreign exchange market in the NEXT trading system, the Exchange's information systems;
- July-October – technical implementation of the introduction of an additional session in the NEXT trading system, the Exchange's information systems;
- July – implementation of the Frankfurt auction's functionality in the NEXT trading system;
- December – the introduction of the first release of the ASTS+ system for the stock market, which was preceded by several stages of testing together with the Central Securities Depository and market participants;
- December – the user's personal account has been introduced on the Exchange's website.

INTRODUCTION OF THE NEW TRADING AND CLEARING SYSTEM OF THE STOCK MARKET

KASE improved and installed the new ASTS+ trading and clearing system with the integrated Central Counterparty functionality during the reporting year.

The ASTS+ system was developed on the basis of the MOEX's TCS as part of the implementation of the Strategic Partnership Agreement with the Moscow Exchange. One of the key advantages of the ASTS+ system is the ability to work with counterparties with different levels of credit risk.

The ASTS+ system has high reliability – its availability level is 99.99%, speed – the processing speed is about 30 thousand transactions per second, and functionality – it supports wide range of trading methods and rules for a wide variety of financial market instruments.

The ASTS+ system provides the broker's clients with the opportunity to submit orders directly to the trading system through SMA access (sponsored market access). For the exchange of data between the exchange trading participants in real time, the FIX-protocol for data transfer is used, which is an international standard. This FAST protocol based exchange information provision service helps improve electronic exchange of financial information, in particular, the dissemination of large volumes of data with minimum delay.

Additionally, the ASTS+ system is provided with robust protective measures, including software-based, technological, organizational, as well as physical protection measures.

The work on customizing the ASTS+ for Kazakhstan's stock market and the refinement of its functionality was finished in the fourth quarter of the reporting year. After a comprehensive testing by specialists and members of the Exchange, the first release of the system was commissioned on December 3, 2019. From said date, trading in the following

financial instruments was transferred to the ASTS+:

- shares, securities of investment funds and ETFs with settlements in tenge;
- Eurobonds and depositary receipts with settlements in US dollars.

Internal documents governing the rules, terms and conditions of trading in the ASTS+ trading and clearing system were put into effect.

In addition, during the reporting year, an upgrade of the server and telecommunications equipment for our own IT systems and the MOEX system was completed.

Upgrading the trading and clearing system is an important step in KASE's operation and requires well-coordinated work not only of the Exchange's divisions, but also active involvement of all organizations that use this system and are participants of the trading, clearing and settlement processes, including members of the Exchange, the Central Securities Depository, and the National Bank of the Republic of Kazakhstan as a the regulator and a trading participant. During the work on customizing and implementation of the ASTS+, the Exchange cooperated closely with the above-mentioned organizations. Throughout the year, introductory presentations, meetings and working discussions were held on aspects of operation and capabilities of the ASTS+. The aim of the Exchange was to provide comprehensive information about the ASTS+ to all interested parties and to ensure their active participation in the testing of the system and preparing it for commissioning.

After introducing the first release of the ASTS+ in the stock market, KASE began preparing itself for the introduction of the second release of the system, by means of which all stock market instruments not included in the first release will be transferred to trading in the ASTS+. The launch of the second ASTS+ release is scheduled for the first half of 2020.



NEW INFORMATION EXCHANGE PROTOCOLS

Due to the transfer of trading of certain types of securities to the ASTS+ system, the Exchange switched to a new protocol of real-time exchange of data between exchange trading participants – the FAST protocol (FIX Adapted for Streaming). The syntax of this protocol is based on the FIX message format, which helps to optimize the electronic exchange of financial information and ensures the dissemination of large amounts of data with minimum delay.

The speed, which is a special advantage of the FAST protocol, allows it to be used in high-speed trading systems that require low transmission delays.

CALCULATION OF INDICES AND INDICATORS

In connection with the launch of trading in currency swap transactions with maturities from one week to one year, a Methodology for determining indicative GG-spread indicators was developed to assess the estimated prices of swap transactions, which was put into effect on January 28. The Methodology establishes the procedure for determining GG-spread indicative indicators as the values necessary for calculating and determining risk parameters of financial instruments of the foreign exchange market, according to which KASE carries out clearing activities in accordance with its internal documents.

In accordance with the Methodology, the indicative GG-spread indicators are calculated as the difference between the values of the yield of government securities of the Republic of Kazakhstan and the yield of US treasury bonds with the same maturity.

As part of the implementation of the ASTS+ trading and clearing system, which incorporates the Index server, KASE took necessary measures to transfer part of the indicators to the calculation on the new server, in particular, the methodology of KASE Index calculation was adapted to such calculation. Since the mathematical substance of this indicator did not change after adapting to the Index server, KASE continued the number series of the index after the date of transfer of its calculation to the new server.



STRATEGIC DIRECTION 2. LAUNCH OF THE CENTRAL COUNTERPARTY SERVICES

CLEARING ACTIVITIES AND THE CCP

The introduction of the functions of the Central Counterparty in the exchange markets is inextricably linked with the clearing of transactions in financial instruments carried out by the Exchange on the basis of the respective license issued in 2012.

The Exchange carries out the clearing through multilateral netting of transactions concluded by clearing members, determines net claims and net obligations by the type of financial instrument, settles them in terms of money and provides information for securities settlements to the Central Securities Depository, as well as clearing on a gross basis, providing information on the claims and obligations to be performed on each transaction concluded to the Central Depository for the execution of settlements on money and securities. The Exchange carries out the clearing on a net basis in the foreign exchange, stock and derivatives markets and the clearing on a gross basis for certain instruments of the stock market.

KASE's clearing members are current members of the Exchange who meet requirements established for obtaining the status of a clearing member in a particular exchange market. In total, as of January 1, 2020, 29 members of the Exchange had the status of a clearing member in the foreign exchange market, 42 members of the Exchange had the status of a clearing member in the stock market, and 16 members of the exchange the status of a clearing member in the derivatives market.

By the beginning of the reporting year, KASE performed functions of the Central Counterparty in the foreign currency markets, including currency swap operations, and derivatives.

The first market in which the Exchange began to perform functions of the CCP for all transactions is the derivatives market. In the foreign exchange market, the Exchange introduced the functionality of the CCP in October 2018 for all transactions in this market, including swap transactions.

The availability of the Central Counterparty, which provides guarantees for the execution of transactions in the foreign exchange market, allowed expanding in 2019 of the range of traded instruments and opening of the trading in long-term swap transactions (from one week to one year). To implement this project, the Exchange carried out work to improve the risk management system in the foreign exchange market, developed mechanisms for calculating interest risks on foreign currencies, methods for determining the estimated forward prices for the US dollar and carried out respective improvements in automated systems of control of the adequacy of margin collateral for clearing members.

In order to ensure the stability of the operation of the default management, an agreement was reached with the National Bank of the Republic of Kazakhstan on the readiness to be a liquidity provider for forward transactions on the USD/KZT currency pair with the Exchange, as the Central Counterparty, within the limit requested by the Exchange. As a result, the risk management system in the foreign exchange market guarantees fulfillment of obligations to clearing participants on swap operations with terms of up to one year.





In addition, the Exchange signed service agreements on provision of liquidity in foreign currencies traded on the exchange market: on the yuan – with Commercial and Industrial Bank of China in Almaty (ICBC); on the Russian ruble and euro – with the Eurasian Development Bank (EABR); on euro – with Kaspi Bank. Under the agreements, ICBC, EABR and Kaspi Bank are ready to provide KASE with liquidity in the mentioned currencies to settle default situations in the foreign exchange market. The availability of liquidity providers on all foreign currencies traded on the exchange market significantly increases the reliability of KASE as the Central Counterparty for participants of the foreign exchange market and serves as an additional guarantee of the timeliness and completeness of settlements on exchange transactions, which is especially important in the context of the development of the foreign exchange market, increasing its liquidity and representativeness of market rates of currencies.

CCP ON THE STOCK MARKET

During 2019, KASE was preparing for the introduction of the new trading and clearing system on the stock market ASTS+ of the Moscow Exchange, as well as preparing for the launch of services of the Central Counterparty in the stock market.

While working on the project, large-scale work was carried out to change the Exchange's rules. Changes were made to 17 internal documents of the Exchange, three documents were revised, nine new documents were developed and put into effect.

With the launch of the CCP services on December 3, 2019 in the stock market, as part of the ASTS+ introduction, trading modes involving sale-purchase and repo transactions with the CCP were opened for shares, securities of investment funds with tenge settlements, as well as Eurobonds and global depositary receipts denominated in US dollars with settlements in US dollars. The functionality of the Central Counterparty is based on the use of single clearing on a net basis for transactions with securities traded in the regimes with the CCP, with settlements both in tenge and US dollars. The ASTS+ in real time calculates, records and monitors

the adequacy of collateral for clearing members at the time when orders are submitted, which ensures high level of assurance of the fulfillment of obligations of the CCP on transactions concluded to clearing members.

Single clearing during clearing settlement sessions is carried out using the Settle CCP software module linked with the ASTS+, which is part of a single software complex that provides pre-trading, trading and post-trading operations.

Management and control of risks on transactions with the CCP is carried out by means of the software module International Risk Monitoring, which provides calculation and loading of risk parameters of financial instruments to control the adequacy of collateral for clearing members, as well as price limits when clearing members submit applications to the ASTS+.

The Exchange carries out clearing on a gross basis for transactions without the CCP in securities traded in the AST trading system.

As part of the launch of the CCP on the stock market and building of the risk management system, the Exchange, in order to manage market and liquidity risks, developed requirements for the reliability and liquidity of each financial instrument for which settlement obligations arise. The compliance of the financial instrument with the established requirements determines the condition for its inclusion in the list of instruments admitted to trading in the modes with partial collateral of obligations arising as a result of the trading. Financial instruments not included in this list are traded on a full prepayment basis (with full coverage).

From December 3, 2019, the following settlement organizations carry out settlements on transactions in the stock market:

- on money on transactions with the CCP – the Exchange, using the correspondent account at the Central Depository, which was opened on October 14, 2019;
- on securities on all transactions, as well as on money on transactions without the CCP – Central Securities Depository.

RISK MANAGEMENT SYSTEM

As part of the efforts to introduce the CCP's risk management system on the stock market, elements of management and control of various types of risks were introduced.

In order to manage credit risk, depending on the financial condition of the clearing members and compliance of these members with requirements of the Exchange's internal documents, the categories of clearing members of the stock market were determined – "with partial security" and "with full security", which determine the method of securing the obligations of the clearing member controlled by the CCP.

Due to the implementation of the functionality of the CCP, operational procedures for transferring positions were developed allowing ensuring not only the fulfillment, but also timely settlement, and including the following basic settlement mechanisms:

- "Self-regulation" trading modes with settlements in tenge and US dollars were introduced, allowing the member to independently conclude repo transactions in order to transfer the execution of net obligations to the next settlement day;
- automated procedures of transferring to the next day of fulfillment of the net obligations of clearing member who failed to fulfill their obligations on time, by concluding repo transactions and (or) swap operations on established conditions between the Exchange and such participant, were introduced;

- in order to ensure the fulfillment of net obligations to clearing member, a methodology of settlement both at the expense of the Exchange's own funds and on account of transactions with bona fide clearing member carried out in the automated mode, has been developed.

The default settlement procedures are in line with international experience used by foreign clearing organizations.

In the reporting year, the Exchange conducted a self-assessment of the Exchange's activities for compliance with the following principles of the International Organization of Securities Commissions (hereinafter – IOSCO):

- fundamental principles for financial market infrastructures;
- fundamental principles for financial indicators.

The Fundamental Principles for Financial Market Infrastructures published by the IOSCO and the Committee on Payment and Settlement Systems on April 12, 2012, represent the basic system of principles for financial market infrastructures. These principles establish the rules that must be followed by organizations acting as central counterparties, trading repositories, central securities depositories, securities clearing and settlement systems, and payment systems.

Based on results of the self-assessment, the Exchange is considered as compliant with all fundamental principles for financial market infrastructures and is a modern clearing organization that aspires to provide world-class services to clearing members and their clients.

The IOSCO's "Fundamental Principles for Financial Indicators" of July 17, 2013 represent the basic system of principles for indicators used in financial markets. These principles establish the rules that must be followed by organizations – administrators of financial indicators, in the calculation and formation of financial indicators.





To bring in line with the principles for financial indicators, it is necessary to carry out additional work on making amendments to the rules and change the construction of the Exchange's business processes as an administrator of financial indicators.

ACCOMPANYING PROJECTS

As part of joint projects with the National Bank of the Republic of Kazakhstan on the introduction of the continuous and additional trading sessions on currency swap transactions in relation to the US dollar, amendments to the Rules of Execution of Settlements on Foreign Currency Trading regarding changes to the regulations on executing payments upon foreign currency trading have been developed and approved. The updated regulations determine the timeframes for clearing members and the Exchange to execute payments based on results of the additional trading session (6:30 pm ALT and 7:00 pm ALT, respectively), and for the convenience of clearing members, the deadline for payments by clearing participants to fulfill their obligations under margin requirements is extended to 7:00 pm ALT.

In the process of transferring trades in certain types of securities to the ASTS+ system and introducing the CCP on the stock market, a concept was developed for organizing such settlements by the Exchange, measures were taken to refine the Exchange's information systems and develop draft internal documents of the Exchange regulating the organization of trading, clearing and cash settlements, acting as the Central Counterparty in the stock market. A draft of the Exchange's new internal document called "Rules of Execution of Cash Settlements of Transactions with the Central Counterparty in the Stock Market" was developed.

In order to diversify KASE's correspondent network, on March 11, 2019, a new correspondent account of the Exchange in Russian rubles was opened at Eurasian Development Bank, in addition to the current correspondent account of the Exchange in Russian rubles with "Sberbank of Russia" (Moscow). This correspondent account of the Exchange has been successfully operating since April 2, 2019 for settlements of the exchange trading in the currency pair Russian ruble/tenge.

STRATEGIC DIRECTION 3. INCREASING LIQUIDITY AND EXCHANGE MARKET DEPTH

NEW PRODUCTS AND SERVICES

In 2019, trading in new financial instruments was launched on the Exchange's foreign exchange market – long currency swaps with maturities of one week, one month, three months, six months and one year.

In order to extend the trading day as part of the expansion of the possibility of settlements in the Kazakh tenge for foreign

and international participants, the continuous session was launched on the foreign exchange market from July 1, 2019, as a result of which the trading day was extended: the end time of foreign exchange trading was changed from 3:30 pm to 5:00 pm, Nur-Sultan time.

From July 1, when conducting trading in the instrument USDKZT_TOM, it became possible to use the Frankfurt trading method. According to amendments to the Regulations on trading in the trading systems ACT and NEXT, the Frankfurt trading method is used in two cases:

- if the price of the proposed transaction deviates from the last price by 1.5% or more;
- if the proposed transaction deviates from the cut-off price fixed at the last Frankfurt auction of the current trading day by 1.5 % or more.

The maximum duration of the auction is set by said regulations and lasts 7 minutes. The Frankfurt auction mechanism allows determining the cut-off price at which the maximum possible volume of transactions is concluded.

In order to develop the institution of market-makers for government securities, the conditions for announcing and maintaining quotes for government obligations were changed. As a result, a new market maker for these types of securities, represented by Halyk Savings Bank of Kazakhstan, appeared on the stock market.

From October 15, 2019, on business days daily from 5:00 pm to 5:30 pm, Nur-Sultan time, an additional session is held at which the following instruments are available for trading:

- one-day currency swap transactions with the US dollar;
- one-day repo transactions with the GS basket carried out by the "automatic" method.

In the derivatives market, trades in one-month futures were opened.

With the transition to the new trading and clearing system ASTS+, an additional scheme for announcing and maintaining quotes by market-makers was developed,

which provides for incentive measures in the form of payment of remuneration to market-makers.

INTERACTION WITH MARKET PARTICIPANTS

During the reporting year, the Exchange continued working on raising awareness and financial literacy of entrepreneurs in issues concerning the stock market, corporate governance and investor relations. All events were held by the Exchange in close cooperation with professional participants of the securities market, international financial and non-financial organizations, RCE Atameken, national development institutions, the Damu Fund, KazakhExport, AFK, regional local executive bodies and other organizations. Diverse work was carried out, in particular, field events, the organization of training programs, participation in various professional business forums and consulting and introductory meetings. Individual consulting meetings with representatives of more than 80 companies were held. As a result of the work done, seven new Kazakh companies underwent listing on KASE, of which four were issuers of debt securities:

Samruk-Kazyna Construction, Baiterek Development, MetallInvestAtyrau, Transtelecom, and three issuers of shares: Transtelecom, Mining Company Benkala and Caspiy Commodity Exchange.





EVENTS FOR ISSUERS

During 2019, nine meetings in the form of a roundtable were held on issues concerning the use of stock market instruments.

With the support of regional local administrations, a number of events were held for entrepreneurs of Kazakhstan's regions on the topic "Fundraising opportunities at the Kazakhstan Stock Exchange". A total of seven regions and the cities of Almaty and Nur-Sultan were involved:

city of Nur-Sultan

March 5, 18 participants;

city of Almaty

March 28, 22 participants;

Atyrau region

April 10, 28 participants;

East Kazakhstan region

October 22, 25 participants;

Kostanay region

October 25, 28 participants;

Pavlodar region

November 5, 21 participants;

Akmola region

November 15, 20 participants

West Kazakhstan region

November 19, 20 participants;

Mangystau region

November 26, 21 participants.

These events were attended by executives, financial directors and owners of companies, as well as representatives of the regional branches of the Damu Fund, RCE Atameken and local executive bodies.

At the same time, during 2019, individual events were held with the owners and executives of Kazakhstan's companies, who can be issuers, to provide advice on the use of stock market instruments. Such events were organized during the participation of delegates from other regions in public events in Almaty, and during working trips to the regions, including:

Aktau	_____	4 companies;
Aktobe	_____	8 companies;
Almaty	_____	23 companies;
Atyrau	_____	9 companies;
Karaganda	_____	3 companies;
Kokshetau	_____	2 companies;
Kostanay	_____	2 companies;
Nur-Sultan	_____	11 companies;
Taldykorgan	_____	3 companies;
Oral	_____	4 companies;
Oskemen	_____	4 companies;
Shymkent	_____	6 companies.

In the course of the work to increase interest in the stock market from potential issuers and in order to establish feedback with investors, the Exchange held business breakfasts annually in major cities of Kazakhstan. During 2019, four such events took place:

September 19 in Shymkent;

September 26 in Aktobe;

November 21 in Almaty;

December 12 in Nur-Sultan.

TRAINING PROGRAMS

On February 26, the Exchange's employees, together with the Damu Fund and RCE Atameken, held a seminar called "Stock market fundamentals" for owners and management of companies, employees of development institutions and local executive bodies.

On March 19, a seminar on the basics of investor relations called "Investor Relations: effective communications with investors" was organized and conducted on the Exchange.

On June 28, together with the company Uchet.kz LLP, an online training webinar was held for employees of financial departments of Kazakh companies.

On October 11, a seminar called "Stock market fundamentals" was held for owners and executives of companies and employees of the Damu Fund.

On December 20, together with the Institute of Internal Auditors, a roundtable was held on the subject of "The role of internal audit in corporate governance", where representatives of the Institute of Internal Auditors and representatives of the internal audit of large companies talked about innovations, international standards and advantages of this activity.



MORE THAN 200 PARTICIPANTS

attended training events of the Exchange.

PARTICIPATION IN FORUMS, FAIRS AND CONFERENCES

During the year, the Exchange made presentations at five public events – forums, industry exhibitions, themed conferences – in regional centers, in the cities of Almaty and Nur-Sultan. The Exchange's employees spoke on the topic "KASE is a fundraising platform". Among such events are the 18th North Caspian Regional Exhibition "Atyrau Oil and Gas", which took place on April 9 in Atyrau; the 10th Mining and Metallurgy Congress "Astana Mining & Metallurgy" (June 12, Nur-Sultan); the 15th international exhibition of technologies and equipment for the mining and metallurgical complex "Mining Week Kazakhstan 2019" (June 25, Karaganda; Central Asian international

exhibition "Mining and Metals Central Asia 2019" (September 18, Almaty); International investment forum "Zhetysu Invest 2019", panel session "Effective business tools for investment profitability" (October 4, Taldykorgan).

ISSUER SUPPORT EVENTS

The Exchange holds the Issuer Day events on its premises to improve communications between market participants, listed companies with investors and other interested parties.

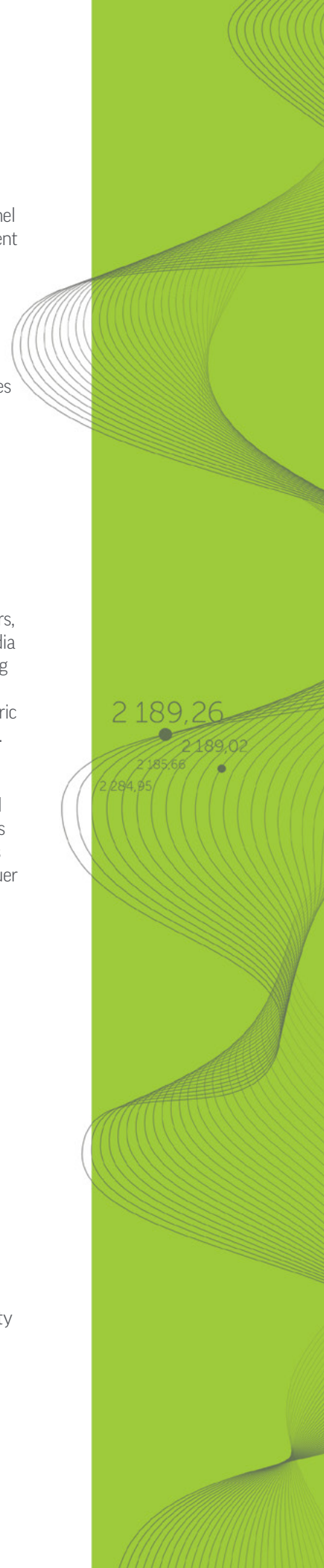
During 2019, four such events were held, whereby institutional investors and shareholders met with the management of companies listed on the Exchange.

On April 19, the Issuer Day for KEGOC took place on the Exchange. The company's management informed shareholders, investors, professional market participants and the media about results of operations in 2018, promising projects planned for implementation and aimed at improving the reliability of the electric power system of the Republic of Kazakhstan.

A meeting of the management of the IFC Treasury Head Office in London and the head of the IFC office in Kazakhstan with investors and professional participants of Kazakhstan's securities market was held as part of the Issuer Day on June 27.

The Issuer Day within the framework of the planned offering of coupon bonds of Housing Construction Savings Bank was held on July 10, where Lyazzat Ibragimova, Chairperson of Management Board of the bank, has met potential investors and professional participants of the securities market.

On September 5, a meeting of Bakytzhan Kazhiev, Chairman of KEGOC's Management Board, with investors and professional participants of the securities market took place in an interactive form. The participants received answers to the most relevant questions of the company's development strategy, increasing the company's profitability and the reliability of investments in KEGOC.



Events for Investors

TRAINING PROGRAMS

The Exchange conducted free-of-charge educational events for broad public in 2019 in order to expand the investor base and increase the financial literacy of the population.

On May 29, a seminar for local retail investors called "How to trade in the securities market" was held at the Exchange with the support of the Damu Fund. An interactive game "Financial Tasting" was conducted as part of the event.

On October 4, 2019, the trading closing ceremony "Ring the Bell for Financial Literacy" and the closing ceremony of the Competition among retail investors took place at the Exchange within the framework of the event "Investor Day on KASE". The ceremony "Ring the Bell for Financial Literacy" is an initiative of the World Federation of Exchanges under the IOSCO (International Organization of Securities Commissions) global initiative called "World Investor Week", designed to emphasize the importance of improving the financial literacy and making financial services accessible to all groups of the population.

On November 12, a seminar "Stock market fundamentals" was held at the Exchange for teachers and students of Kazakh universities.

On December 5, a seminar for local retail investors "How to trade in the securities market" was organized and held at the Exchange with the support of the Damu Fund. The speakers were employees of the Exchange and brokerage firms. An interactive game "Financial Tasting" was conducted as part of the event.

Seminars on products and services of the Exchange for employees of branches and customers of Kazpost were held in seven regions of Kazakhstan

Aktobe region, September 25;
East Kazakhstan region, October 21;
Kostanay region, October 25;
Pavlodar region, November 5;
Akmola region, November 15;
West Kazakhstan region, November 19;
Mangystau region, November 26.

To form practical experience and increase the financial literacy of the student community and other retail investors, the Exchange annually holds two competitions: the Exchange Simulator and the Retail Investors Competition.

The competition among retail investors in the stock market was conducted from September 1 to October 1, 2019. A total of 454 retail investors who are clients of brokerage firms that are members of KASE, took part in the competition. During the competition, its participants concluded more than 2,800 transactions in the amount of more than KZT137 mln.

The educational project "Exchange Simulator" is carried out for students of finance and economics and other faculties who want to broaden their professional knowledge in the framework of the curriculum, as well as their practical skills in the stock market. In 2019, training sessions were held from April 1 to April 30. 1,167 students from 46 universities participated in the project. The total volume of transactions reached KZT5,989.9 mln.



EVENTS FOR MEMBERS OF THE EXCHANGE

During 2019, there were 11 meetings with members of the Exchange. These meetings focused on issues like the introduction of the ASTS+ trading and clearing system and the services of the Central Counterparty, as well as issues related to the development of exchange markets and programs for market-makers on equity and debt securities on the stock market.

In particular, the conditions of announcement and maintenance of quotations for government securities were changed. As a result, new market-maker for the mentioned types of securities represented by Halyk Savings Bank of Kazakhstan, appeared in the stock market.

With the transition to the ASTS+, an additional scheme of announcing and maintaining quotations was developed for market-makers, which provides incentive measures such as payment of remuneration to market-makers.

Under the technical support of the Asian Development Bank for the project on improving public debt management, a roundtable was held on October 25, 2019 on the topic "Development prospects for local government securities market" with the participation of ADB experts and professional participants of the stock market.

KASE AS AN INFORMATION PLATFORM FOR PROMOTING THE NATIONAL MARKET

Proactive work continued in 2019, to maintain the image of the Exchange as an esteemed and transparent organization. One of the important aspects of building the KASE brand remains the interaction with the media. The Exchange's efficiency and professionalism were the basis for the Exchange's mutually beneficial cooperation with the press.

In total, five press conferences and eight media briefings were held in 2019. The Exchange held seminars on handling the financial information for media representatives in the cities of Shymkent, Aktobe, Kostany, Pavlodar, Oral and Aktau.

Within the framework of increasing financial literacy and investment culture of the public, as well as promoting Kazakhstan's stock market, nine interviews with KASE management, 32 articles in various mass

media with comments of the Exchange's experts were published in the media.

Another channel for promoting information about Kazakhstan's stock market is a series of television programs on the Atameken Business Channel. During the reporting period, Atameken Business Channel released 14 television programs "Stock Market. Status Pro", 106 television programs as part of the daily program "Stay Tuned" and the weekly program "KASE Weekly".

The most common tool for transmitting news about KASE are still press releases. In 2019, 31 press releases were prepared and published.

The information platform KASE Talks is gaining popularity. It is a series of public lectures with the participation of well-known financiers of the country, which the Exchange launched in 2018 to popularize the financial market. During the period under review, eight open lectures KASE Talks were held. About 500 listeners on average – students, teachers, independent experts, and journalists visit KASE Talks annually.

Under the Exchange's development strategy for 2019-2021 on IT modernization of KASE's trading and clearing systems, as well as the promotion of new instruments and services, an event called "Professional networking of employees of the trading and treasury divisions of members of the Exchange" was conducted.





In addition, the Exchange co-organized two panel discussions – as part of the Astana Economic Forum and the conference “Financial Market and the Real Sector of Kazakhstan’s Economy” in 2019.

ANALYTICAL PRODUCTS

In 2019, a new direction was fostered – analytical products, which are regular reviews of the market situation, trading structure, key events in the business of listed companies. KASE Weekly newsletter, information bulletin, sectoral reports are freely available on the Exchange’s website.

From January 4, the Exchange’s website features a new section called “Disclosure of information by companies”. The purpose of this product is to promptly notify market participants of incoming documents and messages from issuers and initiators of securities admission as part of fulfillment of their information disclosure obligations established by the Listing Rules. An online feed for links to newly published documents is available on the main page of the website.

PROMOTION OF MARKET DATA

In 2019, the analytical company S&P Dow Jones Indices signed up to KASE’s information services. As a result, the number of companies using exchange information in their operations amounted to 26. In addition to mentioned companies, KASE data is received by clients of thirteen vendors of KASE, which include world news agencies Bloomberg and Refinitiv. The number of those subscribed to viewing the trades in real time through the Exchange’s website as of January 1, 2020 amounted to 156.

KASE has been continuously modernizing its technical infrastructure in order to improve the quality of the service of providing exchange information, and has also been working on the creation of new information products and services. In particular, in 2019, the information bot @KASEInfoBot in the Telegram, launched in 2017, was supplemented with new features. The bot users, whose number exceeded 4,000, can view information about special trading sessions and their results, official cross-rates

of the National Bank of the Republic of Kazakhstan in addition to real-time trading information and can use the notification function when the certain price of an instrument is reached.

BUILDING THE YIELD CURVE. NEW METHODOLOGY

The government debt’s yield curve is a benchmark and the main landmark for the cost of borrowed capital for all companies issuing debt securities, as well as for debt market investors. A liquid government securities market is needed to build a curve and ensure its representativeness. For several years, the Ministry of Finance and the National Bank have been making efforts to ensure liquidity in this market segment.

After the National Bank switched to the inflation targeting regime, a stabilization of interest rates was observed in the market, which eliminated the most acute problems in the pricing of the debt market and reduced the discrepancy in bid and ask prices. In addition, the National Bank began to regularly offer notes to withdraw excess liquidity as part of its interest rate management policy. This allowed increasing the liquidity of up to one year. Market participants formed expectations on this horizon, and the yield curve on the segment of up to one year reflected expectations that were as close as possible to the market. However, for periods of more than one year, liquidity in the secondary market remained low. Accordingly, the methodology for building the GS yield curve required improvement. KASE together with the National Bank

conducted research and determined the Nelson-Siegel mathematical model as the most suitable for building the GS yield curve. A curve building methodology was developed that was implemented in the information system "IRIS" of the Exchange. After carrying out trial retrospective calculations of the GS yield curve and optimizing the program code for its building, the Exchange announced the start of building the GS yield curve based on the new methodology, as well as using the updated curve data for market valuation of securities traded on KASE. From September 30, 2019, the daily calculation of data according to the new methodology began and during the month KASE amortized the values of market prices from the previous methodology to the new one. Such amortization was carried out in order to avoid sharp fluctuations in market prices and to exert pressure on the value of collateral in the repo market.

The new methodology was developed using generally accepted mathematical apparatus. The methodology shows a stable result at times of low liquidity and maximally reflects current market conditions. When building a curve, the degree of influence of parameters of each transaction included in the calculation depends on its volume and recentness. To eliminate abnormal price values, the methods of statistical processing adopted in the world are used.

From November 4, KASE began releasing on its website the calculated parameters used to build the yield curve, which allow any market participant to independently reconstruct the curve.

IMPROVING THE SERVICE QUALITY

One of the most important goals of the Exchange is to increase the level of satisfaction of its customers, to maintain high positions in the evaluation of exchange services and to find new ways to improve them. Assessment of the quality of exchange services is carried out on the basis of the Methodology for assessing the level of customers' satisfaction with the activities of the Exchange, which provides for an annual questionnaire on the main business processes. To assess the level of satisfaction, open and closed questions are used with the answer options provided. Over the past two years, the Methodology has been supplemented by the requirements for self-assessment, and a section on information services, as well as changes have been made to the content of the questionnaire, which was divided into classes of consumers of the services: members of the Exchange, listed companies and users of information services of the Exchange.

29 members of the Exchange out of 52 (55.8%), 96 issuers out of 157 (61.1%) and five customers of the Exchange's information services out of 184 (2.7%) took part in the survey of 2019 results. The latter were not included in the calculation of the overall assessment due to the insignificant participation share. The overall rating of the Exchange's customers satisfaction based on 2019 results was 93.3%, which is 3.8% higher than in 2018.

Based on results of the survey, a set of measures to improve the Exchange's services was identified, which were included in the list of main tasks for 2020.



STRATEGIC DIRECTION 4. IMPLEMENTING SUSTAINABLE DEVELOPMENT PRINCIPLES

KASE consistently promotes the best international practices in the field of sustainable development, including in terms of improving the disclosure of ESG information among exchange-listed companies, conducting trainings and training seminars on responsible investing (PRI) and disclosing information on ESG criteria, expanding products that comply with sustainable development principles.

KASE is one of 39 exchanges – members of the World Federation of Stock Exchanges that disseminate the ESG-based reporting methodology and one of 48 exchanges promoting ESG criteria.

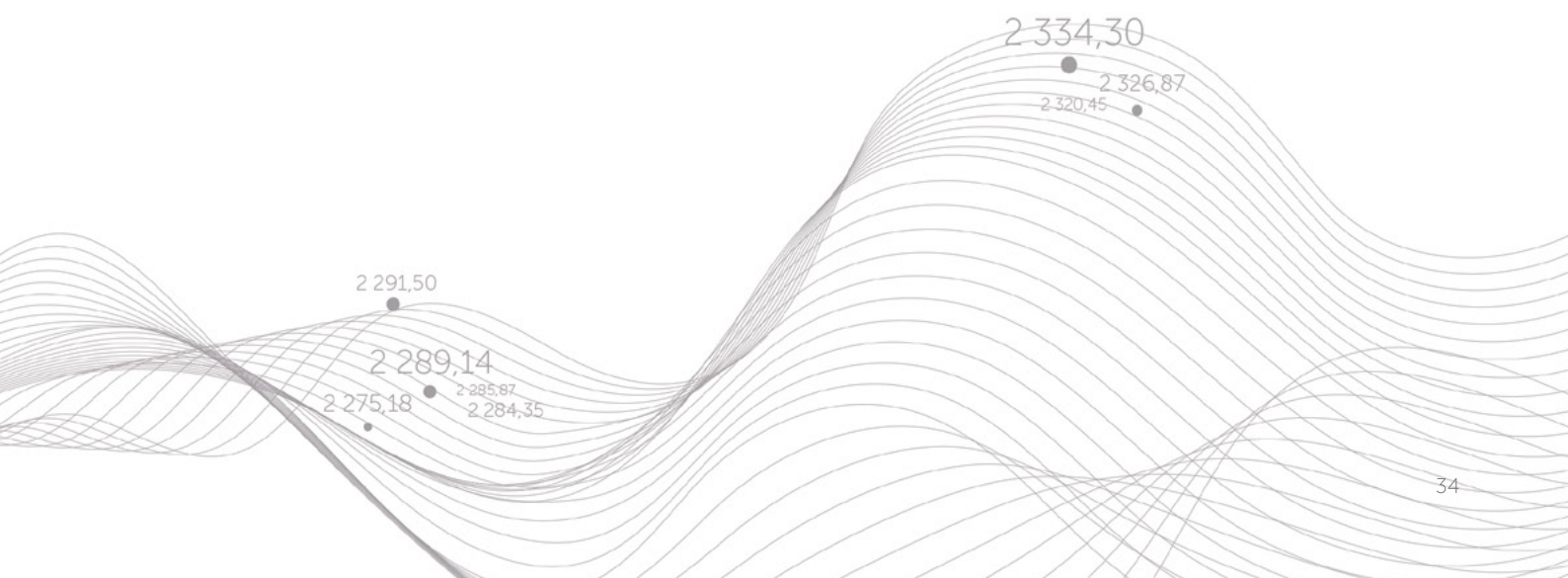
As part of the implementation of sustainable development principles, KASE is developing a corresponding policy, which is supposed to be implemented in 2020.

As a legal entity and infrastructure organization, KASE pays special attention to compliance with high standards of corporate governance, ecological friendliness of business and social responsibility and discloses information about these aspects

of its operation, and this information is also presented in this report (section "Corporate Report").

KASE strives for the most efficient management of risks inherent to its business and ensuring of its continuity.

The process of risk management on the Exchange has a preventive nature, and is carried out throughout the Exchange under the control and with the direct participation of the management body. The Exchange has built a model of interaction within the framework of the risk management system in such a way that all organizational levels are involved in the risk management process – from the Board of Directors to specialists of units. Detailed information on the risk management system and ensuring business continuity is disclosed in this report (section "Risk Management System").



INTERNATIONAL ACTIVITIES



INTERNATIONAL ACTIVITIES

PARTICIPATION IN INTERNATIONAL EXCHANGE ASSOCIATIONS

For purposes of learning international practices and increasing awareness of foreign issuers and investors about domestic stock market, the Exchange continues its activities in the international arena.

As a member of international exchange associations like the World Exchange of Exchanges (WFE), the Federation of Euro-Asian Stock Exchanges (FEAS) and the International Association of Exchanges of CIS (IAEx of CIS), the Exchange takes an active part in activities of these organizations.

The Exchange is a member of the WFE's working groups on financial technologies, small and medium-sized businesses, emerging markets and sustainable development. In order to learn about developing clearing activities and functionality of the Central Counterparty, the Exchange's employees took part in the annual clearing and derivatives conference "IOMA: WFE's 36th Clearing & Derivatives Conference 2019" (Mumbai, India).

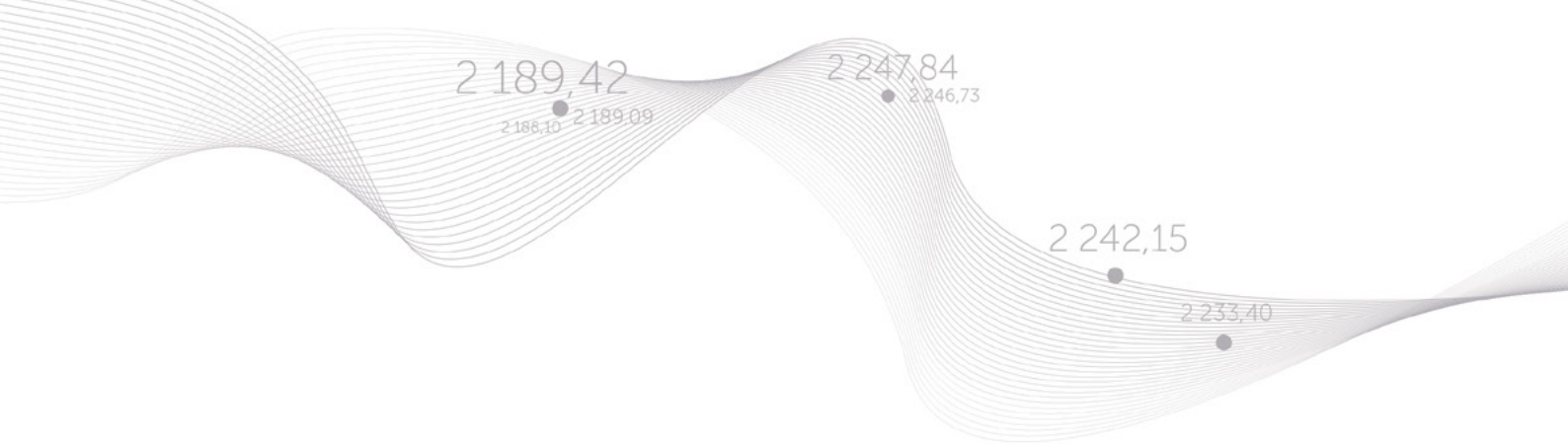
In June 2019, in the city of Zurich (Switzerland), the Exchange took part in the development of action plans for these directions. During the annual conference of WFE members (Singapore) in October 2019, the chairperson of the Exchange's Management Board took part in a panel discussion on the fragmentation of market liquidity.

As a member of the FEAS, the Exchange is part of a number of working groups on regulatory issues, investor relations systems and sustainable development. In June 2019, the Exchange participated in the annual conference ConFEAS 2019

in Bucharest (Romania), where topics concerning the development of financial technologies, the growing role of sustainable development issues, the development of the settlement infrastructure, and issues of attracting the retail investor to the stock market were discussed. Additionally, the results of the competition held among professional participants of exchanges of FEAS-member countries were announced at the conference. According to the results of the competition, Freedom Finance, a Kazakh company, ranked third in the equity market among brokers of exchanges of FEAS-member countries.

Active participation in the FEAS is accompanied by the study of international practices, and allows strengthening the Exchange's international relations with foreign exchanges and their participants. In this regard, the Exchange's employees participated in a series of events organized by the FEAS during 2019.





KASE employees took part in the training event "FEAS Onsite Training" in Tehran organized by the FEAS for the Republican Stock Exchange Tashkent and Iran Fara Bourse as speakers on issues concerning provision of access to KASE's exchange markets.

The Exchange takes an active part in meetings of the IAEx of CIS as a member of the Council of IAEx and working groups of the association. The Exchange took part in the conference "Integration Processes in Financial Markets: Eurasia and the Global Economy" organized by the Association of Central Depositories of Eurasia and the International Association of Exchanges of the Commonwealth of Independent States in September 2019 in Bishkek (the Kyrgyz Republic). During the event, conference participants discussed issues of integration in financial markets and issues related to the role of the financial market infrastructure in integration processes.

INTERACTION WITH FOREIGN INVESTORS

In 2019, the Exchange conducted a series of events to increase the share of foreign participants in KASE's stock market and to attract foreign brokerage firms and investment banks to Kazakhstan's market by obtaining remote membership.

The target audience for the mentioned events were asset management companies, institutional investors and professional stock market participants.

KASE Day in Tashkent took place on September 11, 2019. The event was attended by more than 60 participants. Among them were representatives of exchange markets of Uzbekistan, Uzbek brokerage companies, commercial banks of Uzbekistan, major companies and brokerage firms of Kazakhstan.

KASE Day in Minsk and KASE Day in Moscow took place on November 5 and November 6. The key issues discussed during the events were the current status and development prospects of KASE, the main trends in Kazakhstan's financial market, the range of KASE's financial instruments and services, as well as investment opportunities of Kazakhstan.



On December 5, a conference "Kazakhstan: Local Markets Development" was held in London, organized by KASE jointly with the National Bank of the Republic of Kazakhstan and Citibank N.A. The event was aimed at informing foreign institutional investors about the potential of Kazakhstan's stock market and how to gain access to it. During the event, discussions were held on the topics "Macroeconomic review and investment opportunities of Kazakhstan" and "Instruments in local currency and development of the market infrastructure". The speakers at the conference were representatives of KASE, the National Bank, Citi, European Bank for Reconstruction and Development, Clearstream Banking S.A. and Amundi Asset Management. The speakers shared with participants the information about the macroeconomic situation in Kazakhstan and KASE markets, the investment potential of the real sector of the economy, the advantages of the stock and money markets and changes in the infrastructure of Kazakhstan's capital market. The participants also discussed the issues of gaining access to Kazakhstan's capital market for foreign participants.

SUPPORTING CROSS-BORDER RELATIONS

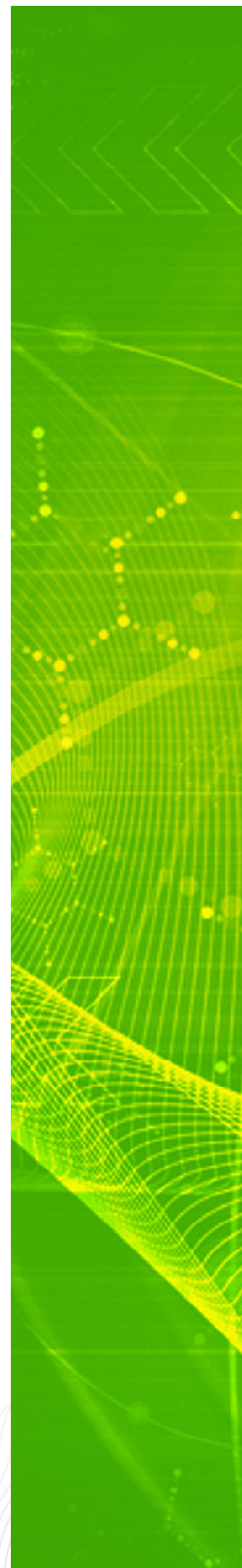
In 2019, the Exchange carried out work under the project to create a common exchange area of the Eurasian Economic Union (EAEU) and to develop cross-border settlements between the Republic of Kazakhstan and the People's Republic of China.

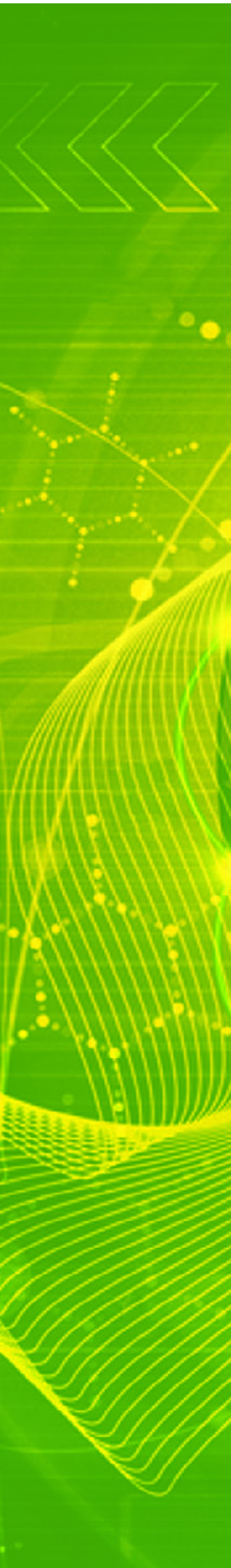
The Exchange takes an active part in the development and discussion of documents within the EAEU: "Agreement on admission of brokers and dealers of one EAEU member country to participation in regulated trading on exchanges of other member countries" and "Agreement on mutual admission to offering and circulation of securities on regulated trades in EAEU member states".

KASE took part in the 10th Exchange Forum in Moscow and the 5th International FX & MM Forum in Sochi, as well as organized roundtables with professional participants of the Republic of Kazakhstan and the Russian Federation in order to discuss issues of cooperation, development of KASE's technologies and expansion of the range of instruments of Kazakhstan's exchange market and entry thereon for participants from Russia.

As part of the efforts to increase the liquidity of trading in regional currencies, KASE participated in the working group organized by Eurasian Development Bank, which focuses on practical steps to increase the share of direct currency conversions in the region. In particular, opening of trading in these currencies on exchanges of the region, establishment of inter-exchange relations, development of the correspondent network to optimize settlements in these currencies. The Exchange also took part in the 15th Annual International Conference "Eurasian Economic Integration", where a representative of KASE acted as a speaker and reported about measures to increase the liquidity of the tenge-ruble currency pair.

In May of the reporting year, KASE jointly with Subsidiary Bank "Bank of China in Kazakhstan", with the assistance of the People's Bank of China, organized a conference in the territory of the Khorgos International Center for Cross-Border Cooperation on the topic "Successful future in close cooperation: cross-border settlements in national currencies of Kazakhstan and China". Representatives of the National Bank, the Exchange, the People's Bank of China, China's Currency Trading Center and representatives of commercial banks took part in the event and acted as speakers. Participants discussed relevant issues related to cross-border





settlement between the Republic of Kazakhstan and the People's Republic of China.

In the summer of 2019, representatives of the Exchange took part in the 10th meeting of the Subcommittee on Financial Cooperation of the Kazakhstan-China Cooperation Committee and in the seminar of the Bank of China's head office "International Financial Cooperation".

Based on results of the meeting of the Subcommittee, an action plan was adopted, which includes measures on exchanging information about the volumes of national currency conversions, cooperation in the field of disseminating market data, as well as on identifying and removing barriers while raising funds in national currencies to finance projects in the territories of the two countries.



SUPPORTING INTERNATIONAL INITIATIVES

Since September 24, 2015, Kazakhstan Stock Exchange has been a member of the United Nations' Sustainable Stock Exchanges Initiative (UN SSE). The initiative provides for exchange of experience in promoting ESG standards for issuers to disclose information, as well as in sustainable development of exchange activities and gender equality issues.

On March 7, 2019, the Exchange jointly with the UN-Women in Kazakhstan, the World Bank and the International Finance Corporation (IFC), as part of the UN SSE initiative, held the trading opening ceremony "Ring the Bell for Gender Equality". The event was conducted on the eve of the International Women's Day and was designed to emphasize the importance of promoting gender equality, extending rights and economic opportunities for women.

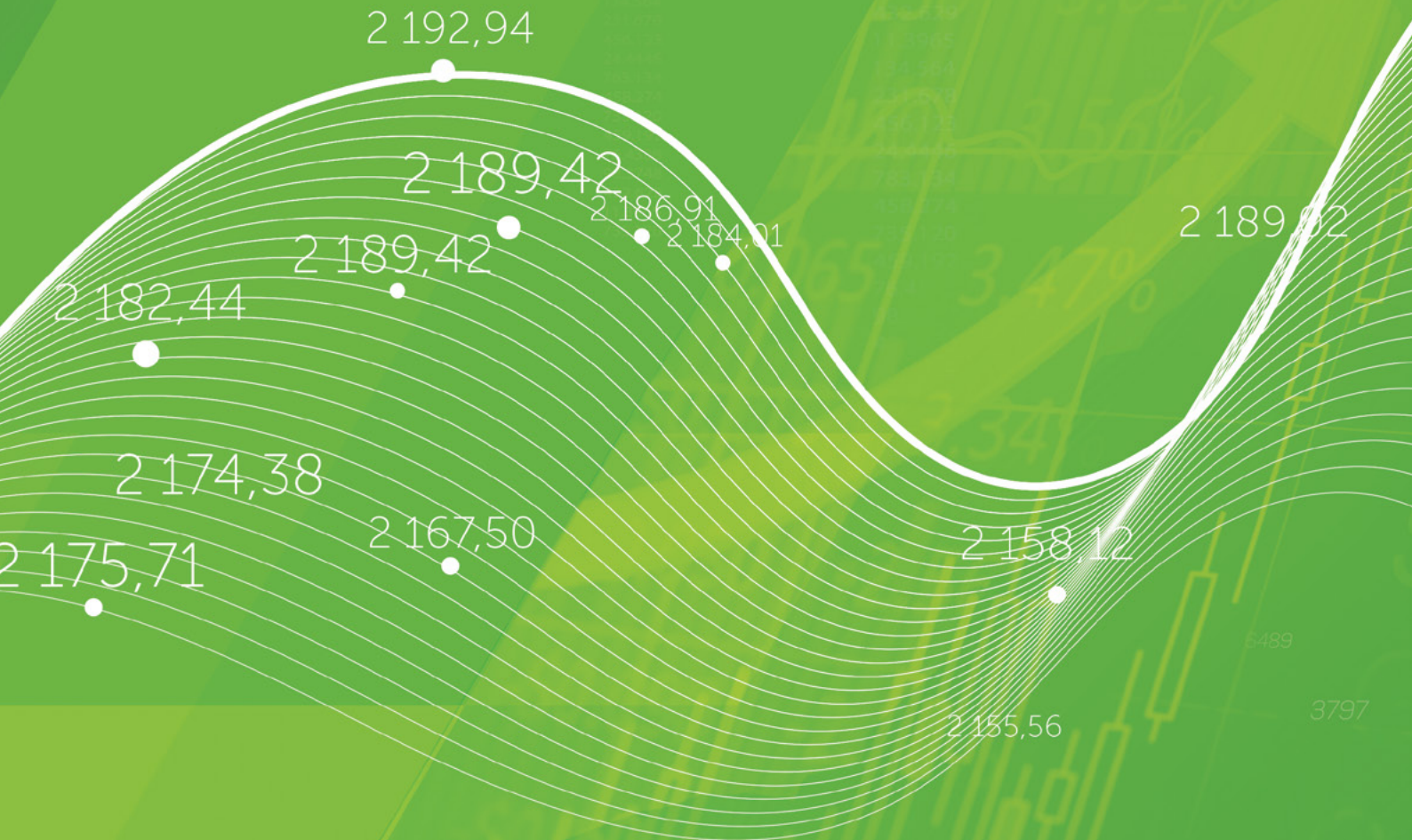
On September 19, 2019, Kazakhstan Stock Exchange, jointly with the UN-Women, organized a roundtable "Principles of Women's Economic Empowerment as part of the Implementation of the Gender-Linked Goals of the 2030 Agenda for Sustainable Development".

On October 4, 2019, at an event organized on the occasion of the announcement of the winner of the competition among retail investors in the equity market, the ceremony "Ring the Bell for Financial Literacy" was conducted as part of the IOSCO's initiative "World Investors Week".

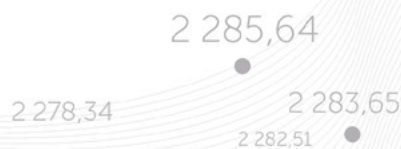
OVERVIEW OF THE RESULTS

KASE Markets

Highlights



OVERVIEW OF THE RESULTS



TRENDS IN INTERNATIONAL STOCK MARKET

The year 2019 ended with positive results for all world stock markets. Stock indices soared to record highs and their growth was the basis for the rise in market activity in 2019. The main drivers of the growth of markets were shares of companies in the technology sector, health care and consumer goods of selective demand.

The main event in the world economy in 2019 was the trade war between the United States and China. The U.S. and Chinese trade turnover amid protracted trade war between the two largest economies amounted to US \$541.2 billion in 2019, which is 14.6% lower than in 2018. The slowdown in the world economy and trade wars significantly affected European countries. The Eurozone GDP growth slowed to 1.2% and business activity in the region's industry weakened to its highest level in the last seven years. A key factor for the commodity market in 2019 was the agreement of the OPEC+ countries to cut oil production, which allowed balancing supply and demand in the energy market, and keeping prices from sharp increases.

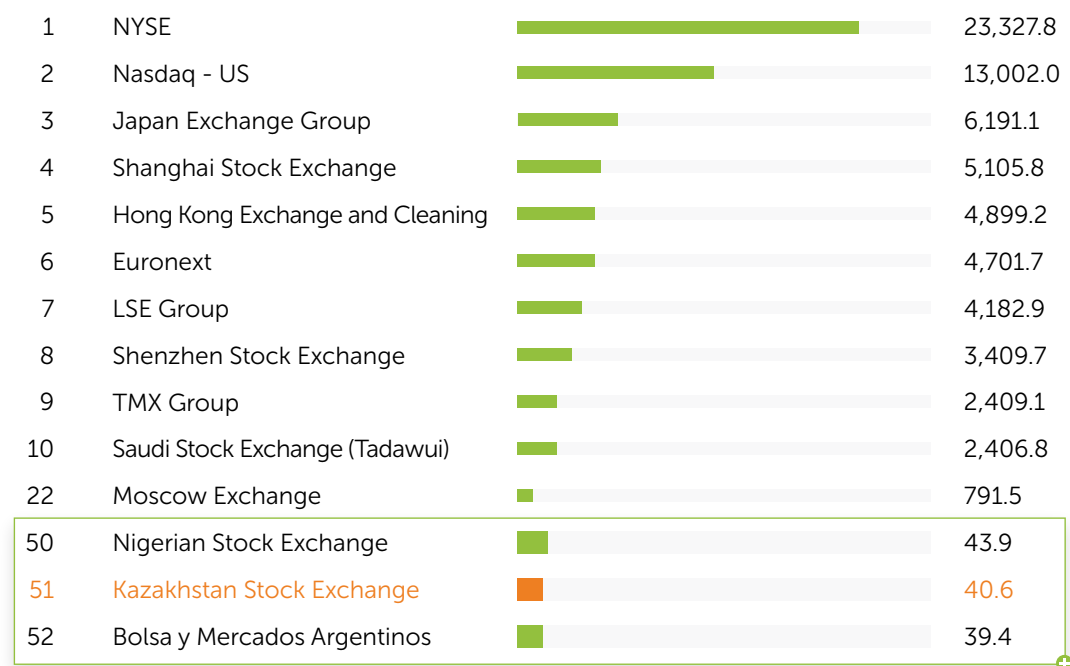
The following are the key indicators of the world stock market compiled based on the WFE data:

- Global equity market capitalization increased by 22.9% compared to 2018 and amounted to US \$94 trillion. The growth was observed in all WFE regions. Capitalization in the EMEA regions (Europe, Middle East and Africa), America (North and South America) and Asia Pacific increased by 31.48%, 21.10% and 16.69% respectively;

- Global stock trading volume in 2019 compared to 2018 decreased by 16% and amounted to US \$21 trillion. Growth in volumes was observed only in the Asia-Pacific region and amounted to US \$7.2 trillion against US \$6.1 trillion a year earlier. The main reason for the growth in this region was the Shenzhen and Shanghai stock exchanges. While the U.S. region experienced a drop from US \$16 trillion to US \$10.9 trillion.

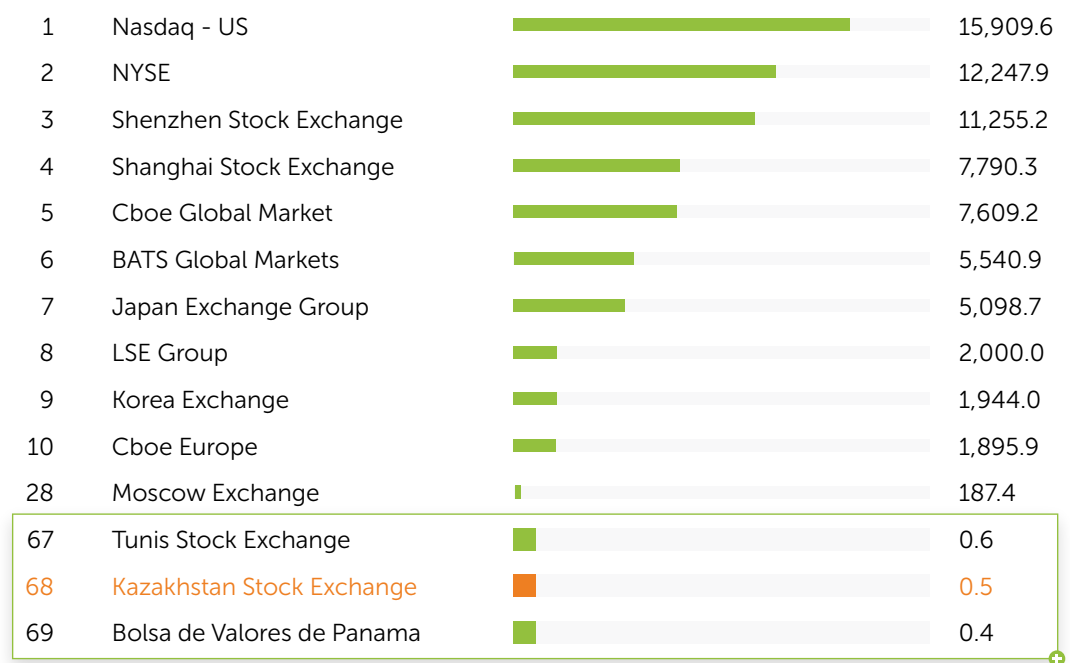
At the end of 2019, KASE ranks 51st among the 70 members of WFE in terms of equity market capitalization, showing an increase of 9.8% compared to the last year. The Saudi Stock Exchange was an absolute leader in capitalization growth for 2019, showing an increase of almost 385%. The volume of trading in bonds on KASE reached US \$13 billion, which is 25.1% more than in 2018, and made KASE the 21st among the WFE members.

Fig.1. Equity Market Capitalization of World Stock Exchange, bn USD



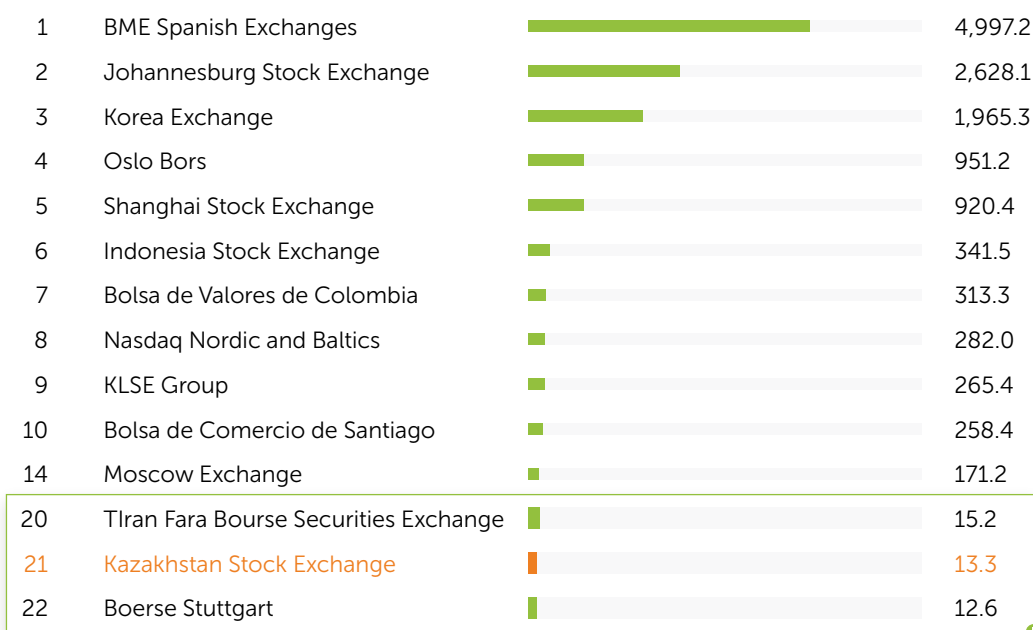
Source: World Federation of Exchanges (WFE)

Fig.2. Share Trading Volume on World Stock Exchanges, bn USD



Source: World Federation of Exchanges (WFE)

Fig.3. Trading Volume of Bonds on World Stock Exchanges, bn USD

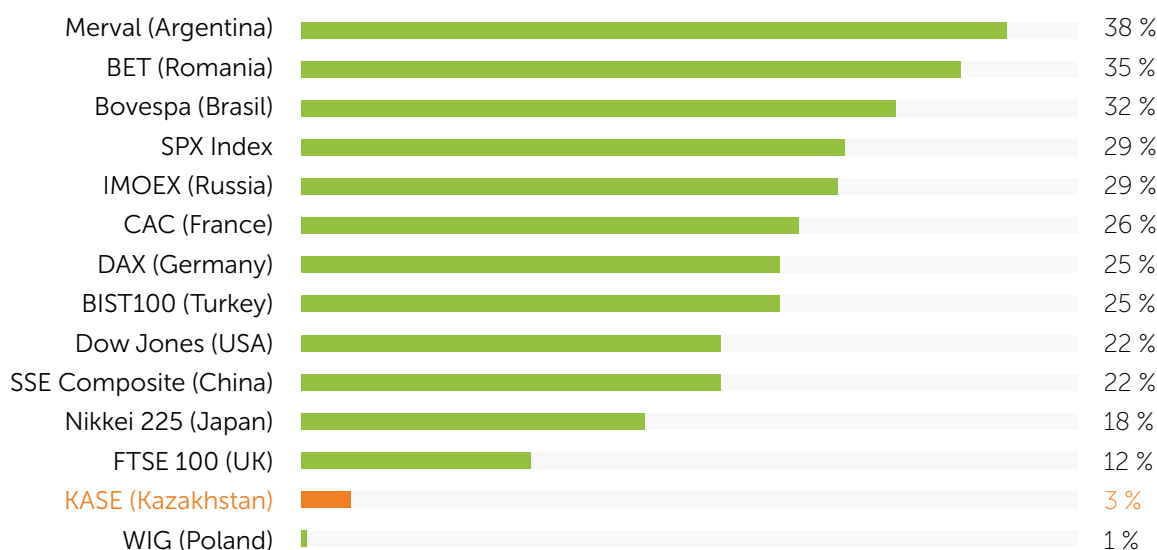


Source: World Federation of Exchanges (WFE)

KASE Index grew by 3% in 2019. Among the top three indices that showed the largest increase in 2019 were stock market indices of developing countries. Indices of Argentina, Brazil and Russia have updated their historical highs. The main driver of the growth of indices was the increase of risk appetite of local and foreign investors to the assets

of exchange markets due to the improvement of credit qualities of issuers, relative stability of exchange rates, positive macro statistics of these countries, as well as the transition of central banks to a soft "stimulating" policy. The below is a diagram of changes in major stock indices and KASE Index for 2019.

Fig. 4. Growth indicators of major global stock indices and KASE Index in 2019, %



Source: Bloomberg

KASE MARKETS

2 275,36

2 263,37

2 251,52

2 259,23

LISTING

KASE OFFICIAL LIST

As of January 1, 2020, there were 651 securities of 204 issuers in the Exchange's Official List including 307 securities of 104 issuers on the Main market, 87 securities of 66 issuers on the Alternative market and 257 securities of 38 issuers on the Mixed market.

In 2019, at the initiative of two Kazakhstani brokerage firms, the Official List of the Exchange includes 13 securities of the U.S. companies, four securities of the Russian companies, one issue of GDRs and five issues of foreign government securities (bonds issued by the governments of the Russian Federation, the Republic of Turkey, the Ukraine and the Sultanate of Oman).

Besides, three issues of the Asian Development Bank's bonds and one issue of bonds of the European Investment Bank were included in KASE lists in 2019 for the first time. In total, 19 bond issues of international financial organizations were listed on KASE in 2019.

In October 2019, bonds of local executive body of Turkestan region issued to finance housing construction as part of the implementation of state and government programs, were included for the first time in the Official List of the Exchange. A total of 22 issues of local executive bonds were included in KASE lists in 2019.

In 2019, 26 meetings of the Listing Commission were held, as a result of which 30 companies (including 12 new companies) were fully listed, 43 issues of securities included in the Official List of the Exchange including: 36 corporate bonds; three ordinary shares; three units of investment funds and one preferred share name.

According to the simplified procedure, 45 issuers (excluding securities of the National Bank of Kazakhstan and the Ministry of Finance of the Republic of Kazakhstan) were listed in 2019. Thus, the Official List of the Exchange includes 71 issues of securities, among them: 22 bonds of local executive bodies; 19 bonds of international financial institutions, 16 common shares; five foreign government bonds, four bonds with the period of maturity up to one year; three corporate bonds, one unit of investment funds and one depositary receipt.

In 2019, 37 bond issues were delisted from the Official List of the Exchange due to maturity, early repayment or annulment of issues. One issue of preferred shares of one issuer was automatically excluded due to its conversion into ordinary shares. In addition, seven issues of shares of six issuers were removed from the Official List of the Exchange at the initiative of their issuers (voluntary delisting) and one issue of shares of one issuer was delisted due to outstanding annual listing fee.

NON-LISTED SECURITIES SECTOR

In 2019, at the initiative of brokerage firms, KASE admitted three issues of shares of three issuers to trading in the Non-Listed Securities sector, two of which were excluded three months later due to the absence of transactions made with these securities at the Exchange's trading sessions for 90 consecutive calendar days.

AUDIT FIRMS

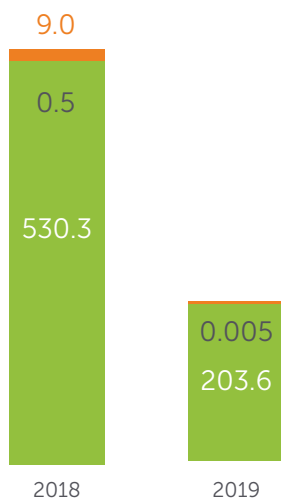
In 2019, four meetings of the Committee on Audit of Issuers of the Exchange's Board of Directors were held. As a result, two audit firms were transferred from the second to the first level of the List of Audit Firms Recognized by the Exchange.

SECURITIES MARKET

SHARES

Share trading volume in 2019 dropped by 62.3% to KZT203.6 billion compared to 2018.

Fig. 5. Trading volume on the equity market, KZT bn



- Buyback of ordinary shares RDGZ
- Primary market
- Secondary market

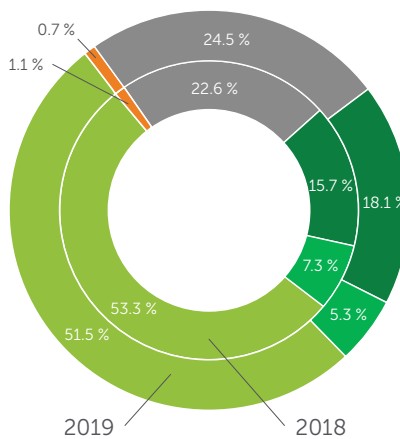
The average daily trading volume amounted to KZT827.5 mln, average number of transactions was 420, average volume of one transaction was KZT2.0 mln.

There was one placement in the primary market in 2019. Ferro-Alloy Resources Limited raised £10,435.6 (equivalent to KZT5,198,389.8), placing 14 908 shares at a price of £0,7 (equivalent to KZT348.698) per share during subscription to ordinary shares. Trading volume on the primary equity market dropped by 99.0 % compared to 2018.

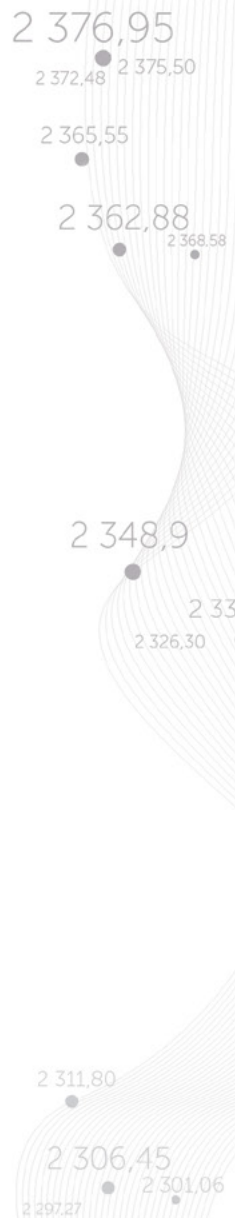
Trading volume on the secondary equity market reduced by 62.3% and made up KZT203.6 bn. This significant reduction was largely due to a large volume of major transactions of irregular nature in the secondary market caused by the change of shareholders of several companies and KazMunayGas Exploration Production's shares buyback.

Individuals remain the most active investors in secondary market among main types of investors; their share accounted for 51.5% of the total gross turnover of share trading. The share of second-tier banks (STBs) was

Fig.6. Shares of Major Investors Categories on Equity Market



- Banks
- Brokers
- Other legal entities
- Other institutional investors
- Individuals



0.7%, broker-dealers accounted for 24.5%, other institutional investors accounted for 5.3%, and the share of other legal entities was 18.1%. The share of non-residents amounted to 20.3%.

KASE Index rose by 2.6 % to 2,363.79 points in 2019. Total trading volume of index shares amounted to KZT108.4 bn, down 36% compared to the same period of 2018.

In 2019, the shares of Kazatomprom National Atomic Company were included in the KASE Index representative list. Thus, at the end of the reporting year, the KASE Index included shares of eight names.

Halyk Savings Bank of Kazakhstan's securities grew most of all among index stocks at the end of the reporting year. The issuer holds the largest share in the banking services market after the acquisition of Kazkommerzbank and has consistently high profitability and high level of capital adequacy. In January-June 2019, Halyk Savings Bank of Kazakhstan received a consolidated net profit of KZT164.2 bn according to IFRS, which is 1.9 times more than in January-June 2018. In addition to the favourable operating results of the bank, the investor community reacted positively to the renewal of its dividend policy. Late June, the news broke that the Board of Directors of the Halyk Savings Bank of Kazakhstan approved changes and amendments to the bank's dividend policy, according

to which at least 50% and up to 100% of the consolidated annual net income of the bank will be spent on dividends (earlier, it was from 15% to 50%).

Kcell's shares, which rose by 25.9 %, rank the second in terms of price growth. The potential to increase the company's revenues due to the strengthening of the strategic position in the market is among the main positive factors driving the company's shares up. The company's entry into the Kazakhtelecom structure has created more stable environment with a stronger emphasis on quality of services.

KEGOC's share price rose by 1.5 % in 2019. At the end of the first half of the year, the company reported a 48% increase in revenues to KZT191 bn compared to the same period of 2018, while net profit for the period under review decreased by 7% to KZT29.7 bn. Revenue growth was based more on revenues of KZT52 bn from new type of services (ensuring capacity readiness for load), as well as thanks to moderate revenue growth in other areas.

The largest price decline in 2019 was recorded on shares of Kazakhtelecom (-19.1%) and KazTransOil (-22.8%).

Fig. 7. Movement of the KASE Index in 2017-2019, %

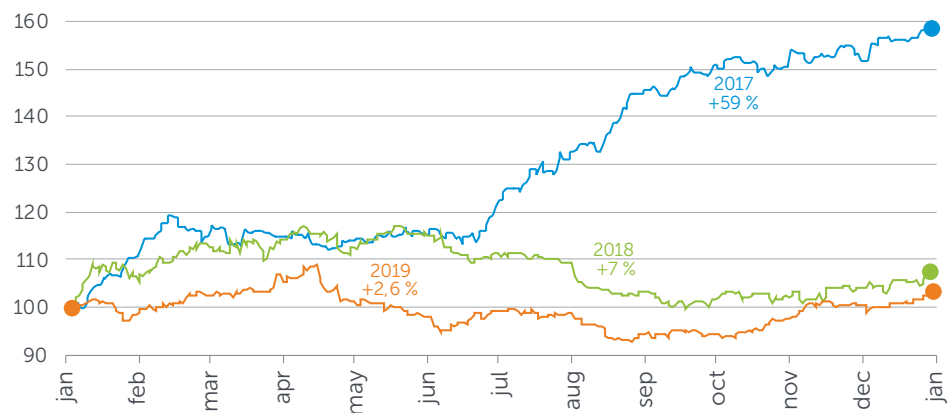
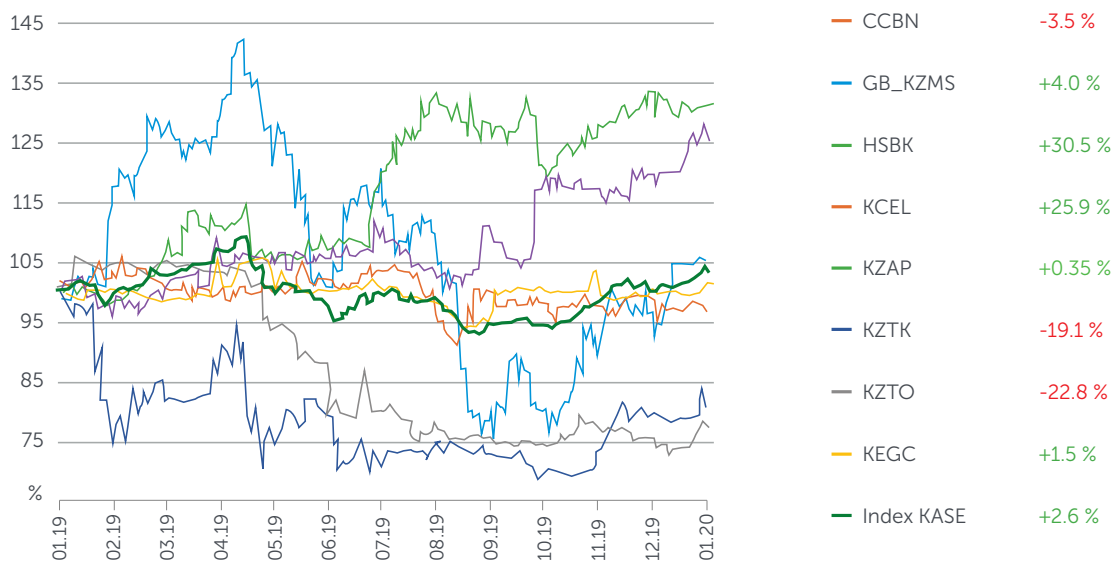


Fig.8. Dynamics of KASE Index Components, %



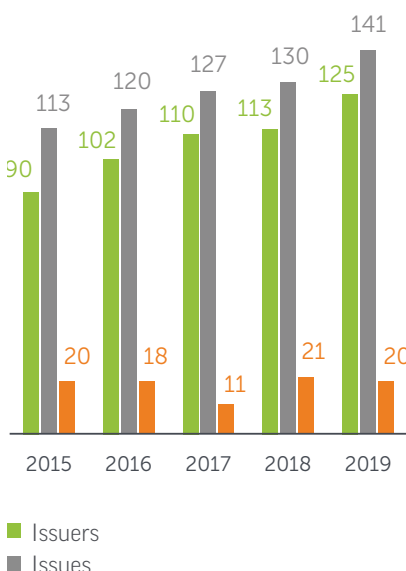
The prices of ordinary shares of the national telecom operator Kazakhtelecom in the reporting year were subject to high volatility amid a number of important corporate news. Investors differently assess position of the company taking into account large-scale capital expenditures, growing equity trading volume and attracting additional external financing in the form of bonds.

The share price began to recover in November 2019 amid publication of strong interim financial statements. For the nine months ended September 30, 2019, Kazakhtelecom's revenue increased by 90% to KZT298.6 bn compared to the same period of 2018. Revenue growth was mainly due to the growth of income from mobile telecommunications. IFRS net profit rose by 26.6%.

The shares of KazTransOil were under bears' pressure during the reporting year due to the release of a number of negative corporate news. The main reason for the negative reaction of the market was the inconsistency of the volume of dividend payments, which in 2019 for the first time since the IPO have not increased, with the expectations of shareholders.

Equity market capitalization rose by 11.2% to KZT17.2 trillion in 2019. The change in the indicator was due to the inclusion of shares of a number of companies in the calculation of this indicator and a significant increase in the share prices of some items.

Fig. 9. Dynamics of the number of listed shares over the past 5 years



2 382,15
2 375,50 2 378,95

2 377

2 376,28

2 368,58

2 367,60

2 367,60

CORPORATE BONDS

Total trading volume on KASE corporate bond market in 2019 amounted to KZT2.7 trillion having increased by 17.6% or by KZT406.1 bn compared to 2018. The increase of volume was observed both at the primary and the secondary markets.

The average daily volume amounted to KZT11,038.9 mln (KZT3,097.1 on the secondary market); average number of transactions was 11, average volume of one transaction was KZT1,004.3 mln (KZT325.5 mln on the secondary market).

A total of 42 bond issues of 27 issuers were placed on the KASE market. The total volume of funds raised reached KZT2 trillion and grew by 5.1% or by KZT95.5 bn. Market rates of amounts raised ranged from 9% to 12.0% APR.

Main categories of investors on the primary corporate bonds market were as follows: the share of STDs accounted for 18.3%, broker-dealers – 1.5%, other institutional investors – 75.5%, other legal entities – 3.7%, individuals – 0.9%. The share of non-residents was 8.9%.

Fig. 10. Trading volume on the corporate bond market, KZT bn

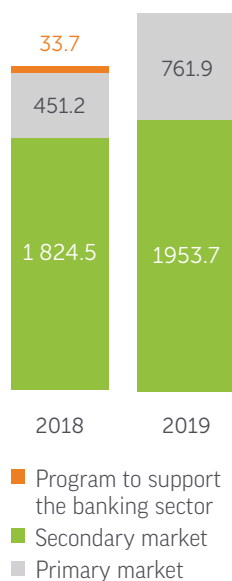
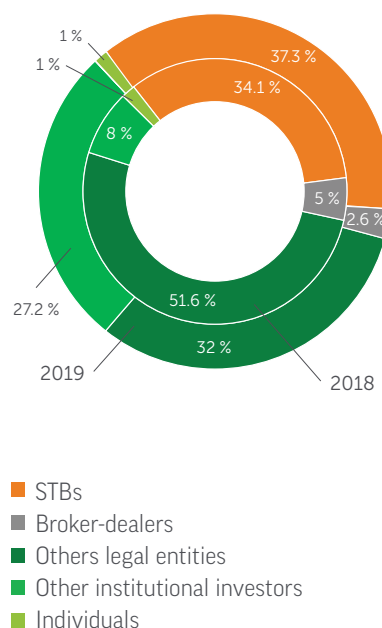


Fig.11. Shares of main investor types in the secondary corporate bond market, %



The volume of trading on the secondary corporate bond market increased by 68.9% to KZT761.9 bn in the reporting year. In terms of the main categories of investors, the largest share of the total gross turnover was taken by STDs that accounted for 37.3%, legal entities ranked the second with 32%, other institutional investors – 27.2%, brokers-dealers – 2.6%. The share of individuals in this market segment amounted to 1%. The share of non-residents amounted to 1.7%.

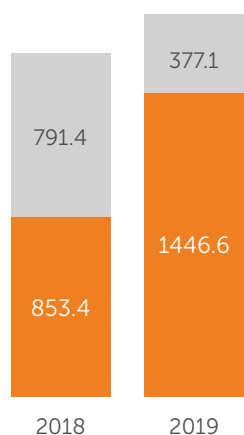
GOVERNMENT SECURITIES (GS)

The trading volume of government securities on KASE amounted to KZT1.8 trillion and rose by 10.9% compared to 2018.

The average daily volume amounted to KZT7,413.4 mln (KZT1,532.8 mln on the secondary market); average number of transactions was four, average volume of one transaction was KZT2,056.0 mln (KZT591.0 mln on the secondary market).

In 2019, the primary market reached KZT1.4 trillion, which is 69.5% higher than in 2018. Of these, KZT108.9 billion was raised by local administration of 14 regions, cities of Nur-Sultan, Almaty and Shymkent as part of state and government programs.

Fig. 12. The volume of trades on the government bond market, KZT bn



- Primary market
- Secondary market

The amount raised by the Ministry of Finance on the KASE market came to KZT1.3 trillion. This amount corresponded to the targeted amount of borrowing for 2019 and is higher than in 2018 by KZT592.3 bn (80%). The yield on the Ministry of Finance's placements ranged from 8.46% to 9.9% APR. The maturity of the bonds placed is from two to 20 years.

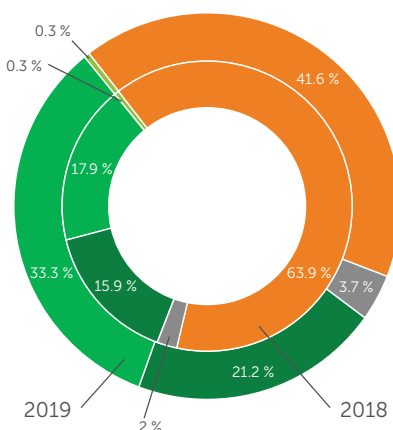
Main categories of investors on the primary market were as follows: the share of STDs accounted for 0.6%, other institutional investors – 91.4%, other legal entities – 8%.

Trading volume in the secondary market dropped by 52.4% or KZT414.3 bn to KZT377.1 bn. The share of trading in notes of the National Bank on the secondary market amounted to 89% of the total turnover of trading against 85.5% in 2018, while the volume of outstanding notes decreased slightly to KZT3.4 trillion.

Since September 2019, foreign government securities - bonds of the Ministry of Finance of the Ukraine, the Republic of Turkey and the Sultanate of Oman - have been included in the Official List of the Exchange. The volume of transactions with these bonds reached KZT686.9 million, 81 deals were concluded.

Main categories of investors on the secondary market were as follows: the share of STDs accounted for 41.6%, broker-dealers – 3.7%, other institutional investors – 33.3%, other legal entities – 21.2%, individuals – 0.3%. The share of non-residents amounted to 0.1%.

Fig.13. Shares of main investor types in the secondary government securities market, %



- STDs
- Broker-dealers
- Others legal entities
- Other institutional investors
- Individuals

There were 30 bond issues of five international financial institutions in KASE trading lists as at the end of the reporting period: the Asian Development Bank, the Eurasian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the International Finance Corporation (IFC).

In 2019, the volume of trading amounted to KZT540.2 bn, which is 5.3 times higher than in 2018.

2 382.15
2 375.50 2 376.95

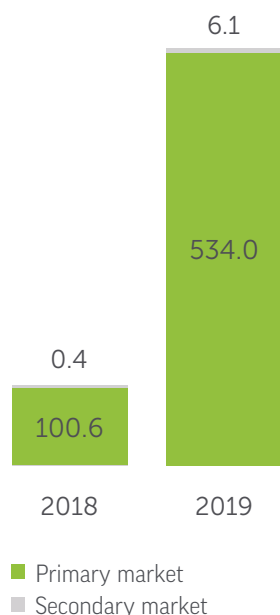
2 377
2 376.28

2 368.58
2 367.60 2 367.60

Trading volume on the primary market reached KZT534.0 bn. During the year, the Asian Development Bank raised KZT45.9 bn and placed one issue of seven-year and two issues of five-year bonds setting a margin of 1.3%, 1% and 1.5% APR above inflation rate, respectively. The International Finance Corporation raised KZT32.4 bn through subscription on KASE by selling two issues of two-year international bonds at 8.95% APR and 9.5 % APR. The Eurasian Development Bank raised KZT79.8 bn by placing three-year, five-year bonds and three-month discount bonds at 9.7%, 9.5% and 9.2032% APR, respectively. The European Bank for Reconstruction and Development raised KZT376.0 bn through subscription by placing five-, six-, seven- and eight-year international bonds with a margin of 1.0-1.5 % APR.

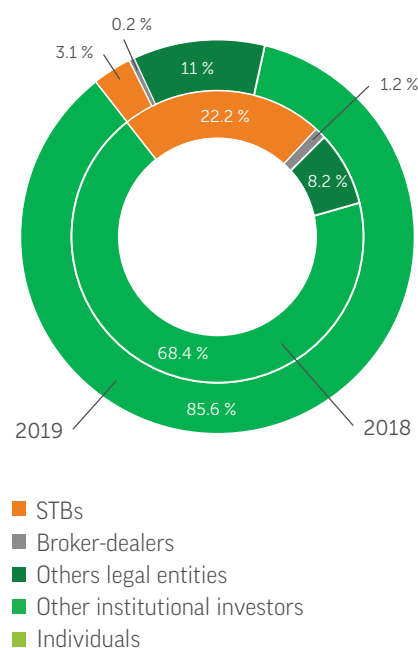
The volume of trading on the secondary market amounted to KZT6.1 bn; 16 transactions with the bonds of the Eurasian Development Bank and three transactions with IFC bonds were concluded.

Fig. 14. Trading volume on the IFI bond market, KZT bn



In total, there were the following main types of investors on this market sector: the share of STDs accounted for 3.1%, broker-dealers – 0.2%, other institutional investors – 85.6%, other legal entities – 11.0%. The share of individuals in this market segment was less than 0.1%.

Fig.15. Share of main categories of investors on IFI market, %

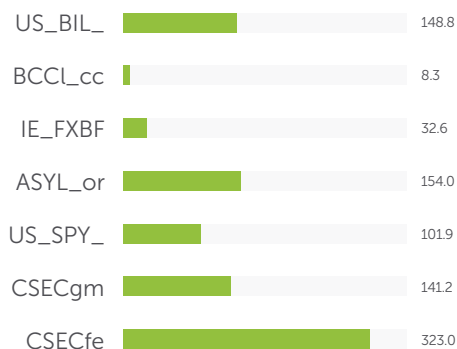


SECURITIES OF INVESTMENT FUNDS

As at the end of 2019, there were 11 instruments managed by eight companies in the sector "Securities of investment funds".

During 2019, KASE Official List included three issues of units and one ETF: units of IMIF GoodWill managed by Freedom Finance, units of IMIF Protsentny and IMIF Liquidny managed by First Heartland Jysan Invest and shares of US78468R6633 SPDR Bloomberg Barclays 1-3 Month T-Bill ETF issued by the investment fund SPDR Series Trust (USA).

Fig. 16. The volume of transactions on the securities market, investment funds in breakdown by instruments, KZT mln

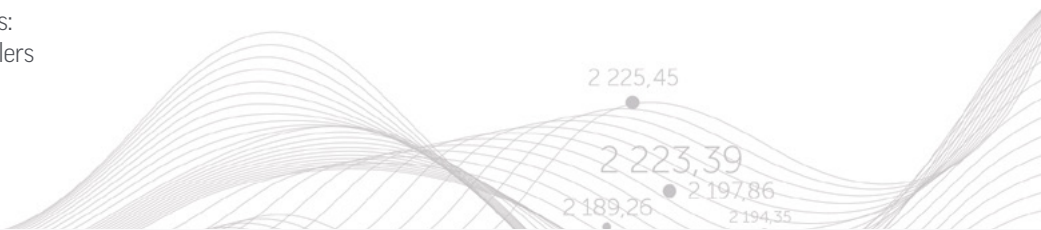
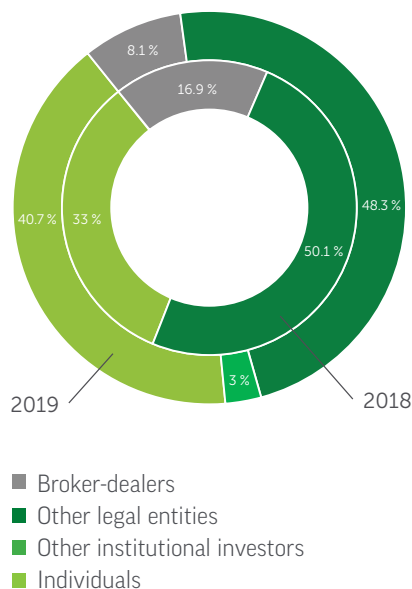


In the reporting year, the volume of trading amounted to KZT909.9 bn, which is 21 times higher than in 2018.

The leaders in terms of volume were units CSECfe managed by Centras Securities, with which 56 deals with the volume of KZT323.0 mln were concluded; units ASYL_or managed by Freedom Finance ranked the second; shares of SPDR Bloomberg Barclays 1-3 Month T-Bill ETF ranked third.

Main categories of investors were as follows: individuals accounted for 40.7%, broker-dealers - 8.1%, other institutional investors - 3%, other legal entities - 48.3%.

Fig.17. Shares of main types of investors in the total gross turnover of trading in securities of investment funds, %



MONEY MARKET

Total trading volume of money market reached KZT101.7 trillion having declined by 7.1% or by KZT7.8 trillion compared to the same indicator of the last year.

REPO TRANSACTIONS

The total volume of repo transactions for 2019 amounted to KZT72.7 trillion, which is less than the volume of 2018 by KZT3.1 trillion or by 4.2%. Significant part of repo transactions, more than 97%, were represented by the GS basket auto repo transactions.

Average daily volume of repo transactions reached KZT295.6 bn.

The GS basket auto repo transactions with the CCP and direct repo transactions with the CCP emerged in the Exchange's trading system due to the launch of the Central Counterparty services (CCP) on KASE. The volume of these transactions in December amounted to KZT12.1 bn and KZT3.3 bn, respectively.

The TONIA money market indicator was relatively stable in the first five months with an average value of TONIA of 8.19%, and in the following months the volatility amplitude has increased and the average TONIA was 8.6% from June to December. The average value of TONIA indicator for the year was 8.43% APR.

The TWINA monetary indicator repeated the form of TONIA volatility, but with a lower amplitude of fluctuations, the average value was 8.55% APR for the 12 months of 2019.

Fig. 18. Trading volume on repo transactions market, KZT bn



Fig. 19. Inflation and interest rates in Kazakhstan, % APR

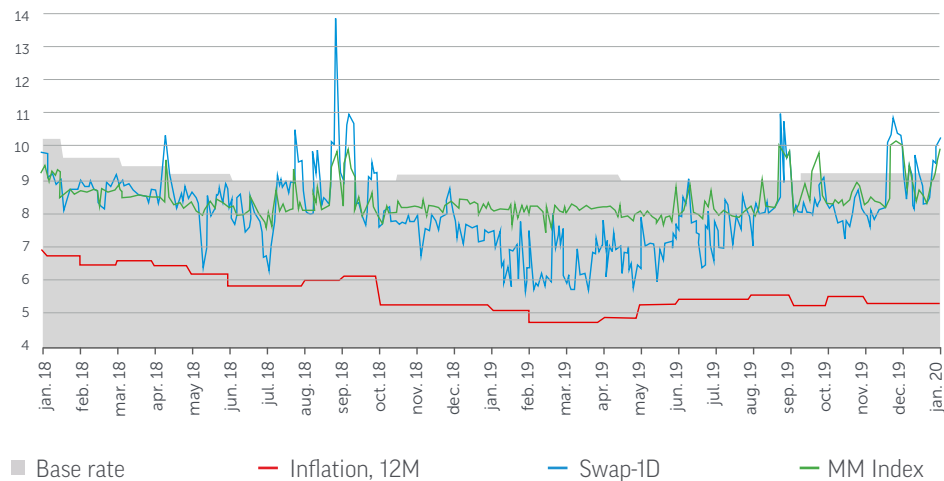
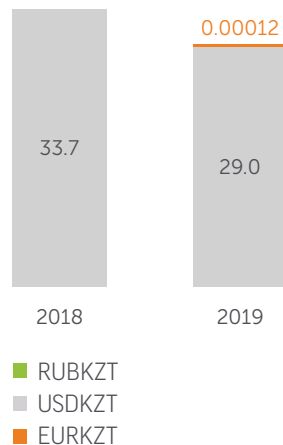


Fig. 20. Trading volume in the currency swap market, KZT trln



CURRENCY SWAP TRANSACTIONS

The total volume of currency swap transactions dropped from KZT33.6 trillion in 2018 to KZT29 trillion in 2019 or by 13.9%.

The average monthly volume of currency swap transactions in 2019 was KZT2,416.5 bn.

The transactions with the USD/KZT currency pair account for 99.9% of currency swap transactions.

In 2019, currency swap transactions with the EUR/KZT currency pair were conducted for the first time; their total amount amounted to KZT128 mln. The volume of transactions with the RUB/KZT currency pair dropped from KZT219.5 mln in 2018 to KZT174.5 mln, a decrease of 20.5%.

Rates of currency swap transactions on the U.S. dollar peaked at 11% APR for USDKZT_1D and 10.19% APR for USDKZT_2D in 2019.

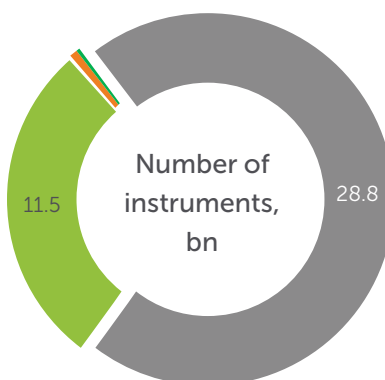
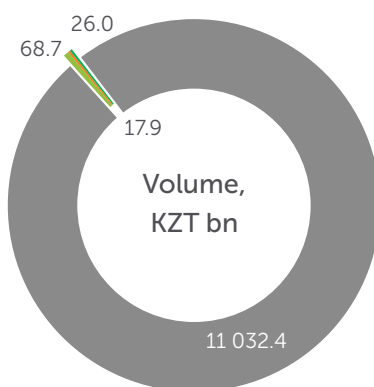
In 2019, the Exchange introduced instruments for executing currency swap transactions for up to one year, which was a significant progress in the development of the market. The new instruments provide greater opportunities for currency risk hedging and currency position management.

FOREIGN EXCHANGE MARKET

Trading volume on the foreign exchange market amounted to KZT11.1 trillion, which is lower by 17.1% or KZT2.3 trillion than the last year. Since the beginning of the year, 33 KASE members have taken part in foreign exchange trading. The average daily trading volume amounted to KZT45.3 bn, average number of transactions was 324, and average volume of one transaction was KZT139.9 mln.

In 2019, the volatility of the exchange rate was moderate. The spread between the bid and the ask exchange rates of KZT to USD in the exchange market has been consolidating within the range from 0 to KZT0.4 since April compared to the range from 0 to KZT1.0 in Q1 2019. According to the official website of the NBRK, the regulator did not intervene in the domestic foreign exchange market in 2019.

Fig.21. Trading volume on Forex market

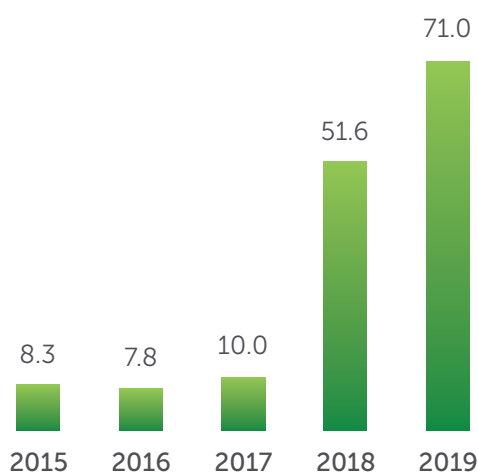


■ USD ■ CNY
■ RUB ■ EUR

HIGHLIGHTS

ASSETS

Fig. 22. Dynamics of assets over 5 years, KZT bn



As at December 31, 2019, the Exchange's assets² amounted to KZT71,041.1 mln, an increase of 37.7% (KZT19,457.3 mln) compared to the last year indicator.

Significant growth of assets is due to the expansion of the Exchange's activities as a Central Counterparty from 2018 on the foreign exchange market and from December 3, 2019 on a number of securities on the stock market. At the end of the year, assets of KASE as a Central Counterparty in the foreign exchange market amounted to KZT961.9 mln, on the stock market (on reverse repo transactions) amounted to KZT25,321.7 mln.

The money and their equivalents amounted to KZT20,261.9 mln, the financial assets recorded at amortized cost amounted to KZT18,770.5 mln and were mainly formed by guarantee contributions and margin collateral of clearing members.

EQUITY AND LIABILITIES

The amount of the Exchange's liabilities increased by KZT16,969.1 mln to KZT59,641.0 mln, of which 55.1% (KZT32,857.0 mln) are funds of clearing members (guarantee contributions and margin collateral), 42.5% (KZT25,321.7 mln) are the liabilities of the Central Counterparty on repo transactions on the stock market and 1.6% (KZT961.9 mln) are the liabilities of the Central Counterparty on the foreign exchange market.

Shareholders' equity of the Exchange for the reporting year increased by 27.9% (KZT2,488.2 mln) to KZT11,400.1 mln on account of net income recorded in retained earnings item. The share of shareholders' equity in the structure of liabilities was 16.0%.

The share capital of the Exchange increased by 12.5% (KZT295.5 mln) and as at December 31, 2019 amounted to KZT2,661.8 mln as a result of the sale of KASE shares to the Moscow Exchange as part of the implementation of the Strategic Cooperation Agreement.

Clearing reserve funds remained at the level of 2018 and amounted to KZT1,750 mln.

Revaluation reserve for fixed assets decreased due to amortization of the revaluation amount by KZT0.4 mln and amounted to KZT179.5 mln.

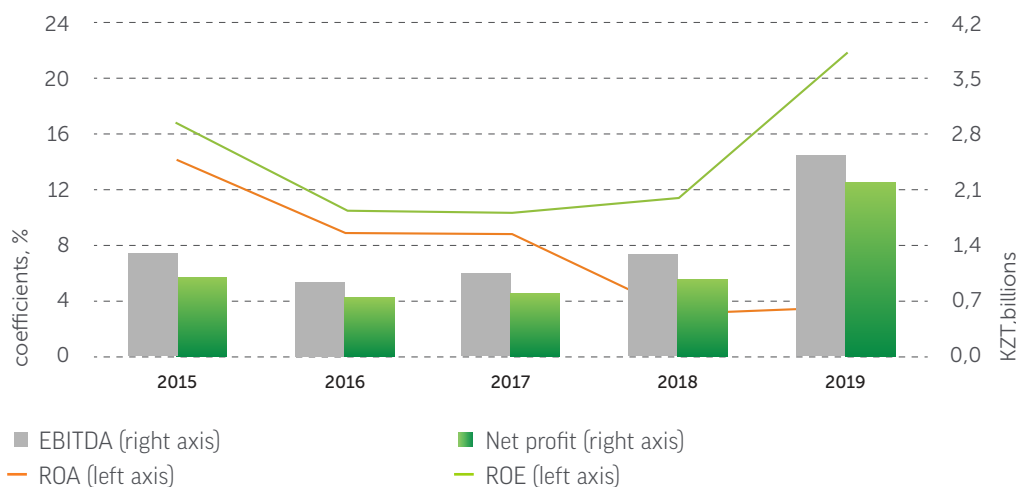
² according to KASE Group's audited consolidated financial statements for 2019

2 382,15
2 375,50 2 376,95

2 377
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54
2 368,58

Fig. 23. Key profitability performance indicators



REVENUES

The Exchange's revenues amounted to KZT4,284.5 mln according to the 2019 results, which is by KZT1,203.6 mln or 39.1% higher than the last year results. Income from services and commission fees amounted to KZT2,474.9 mln having increased by KZT114.1 mln or 4.8%. Interest income increased by KZT1,035.3 mln or 154.1% to KZT1,706.9 mln, including income from investments of margin contributions and money, which are part of the guarantee or reserve funds of the Exchange and other collateral of clearing members amounted to KZT958.7 mln. The increase in interest income was due to an increase in the amount of invested funds.

The Exchange's interest income shows the income associated with the receipt of interest on reverse repo transactions within the framework of the Exchange's functions as a Central Counterparty on the stock market for the amount of KZT31.3 mln. Income from commission fees (41.0%), listing fees (29.4%) and membership fees (10.5%) represent the largest shares of the Exchange's revenue structure.

Income from membership fees decreased by KZT81.4 mln or 23.9% compared to 2018 and amounted to KZT259.1 mln, which is related to the merger of banks

in 2018-2019 and subsequent decrease in the number of the Exchange members under "foreign exchange" and "stock exchange" categories.

The Exchange's listing fees in 2019 increased by KZT8.9 mln or 1.2% and reached KZT727.1 mln. This growth is due to the increase in the volume of securities issues and the Exchange's capitalization growth.

The Exchange's commission fees amounted to KZT1,013.8 mln having increased by KZT20.1 mln or 2.0%. This growth is associated with the stepping up of transactions with the GS and CS, the entry into the IFI borrowing market.

Clearing fees of the Exchange increased by KZT166.2 mln or more than 3.2 times and amounted to KZT239.6 mln due to the exercise of the Exchange's function as a Central Counterparty and the emergence of clearing fees in the foreign exchange market at the end of 2018.

Revenue from information services diminished by KZT0.9 mln or 0.5% in 2019 and came to KZT202.9 mln. This decrease is related to the reduced number of recipients of stock market data.

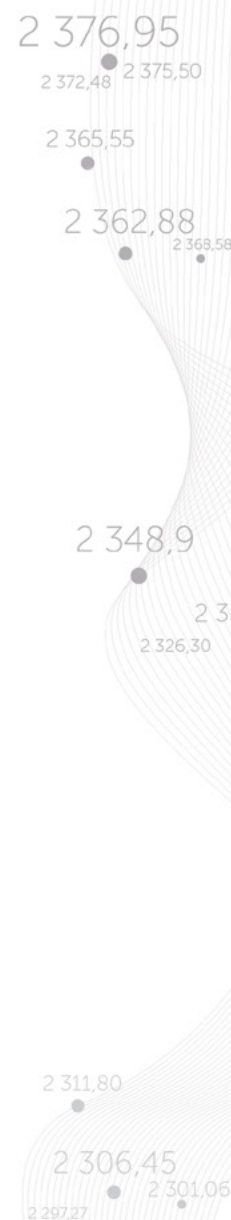
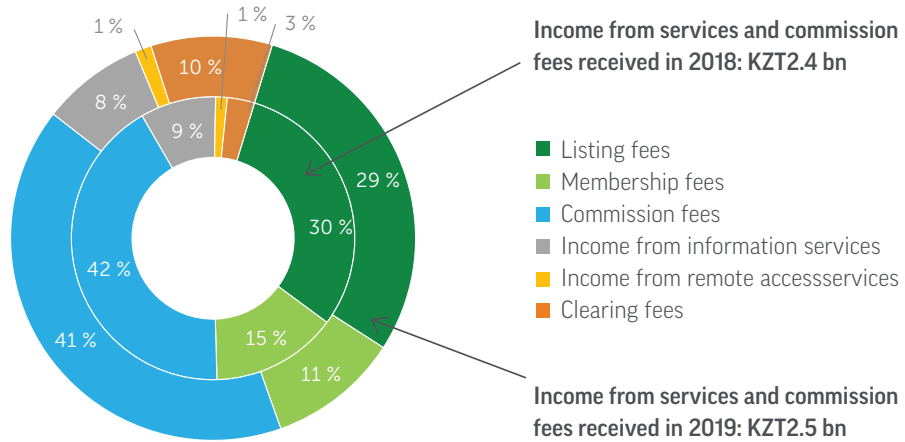


Fig. 24. Revenue structure by main types of services



EXPENSES

The Exchange's expenses for the year amounted to KZT1,870.0 mln and decreased by KZT68.6 mln or 3.5% compared to the previous year. This decrease is mainly due to lower staff costs, marketing costs and related taxes.

The Exchange's expenses show the expenses associated with the payment of interest on repo transactions within the framework of the Exchange's functions as a Central Counterparty on the stock market for the amount of KZT31.3 mln.

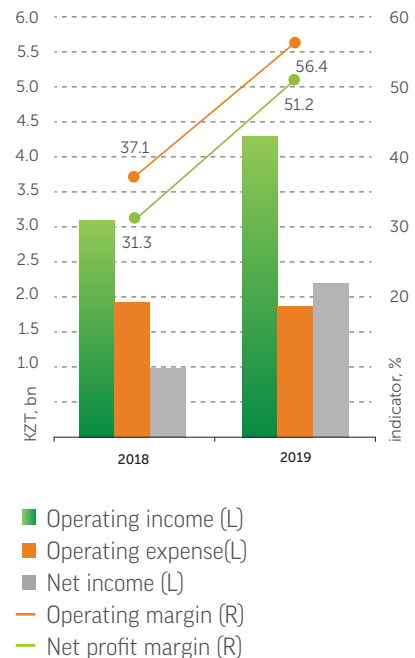
The greatest share of the Exchange cost structure is represented by staff expenses (63.2%) and depreciation and amortization (6.7%).

THE EXCHANGE'S OPERATING RESULTS

The Exchange's net profit for 2019 amounted to KZT2,192.7 mln, which is by 127.1% higher than the last year results. EBITDA increased by 99.2% and made KZT2,539.0 mln. The Exchange's operating income increased by 39.1% while operating expenses increased by 3.5%, operating profit margin³ increased to 56.4% in 2019 against 37.1% a year earlier. Net profit margin⁴ increased to 51.2% in 2019 compared to 31.3% a year earlier. The return on equity (ROE) increased from

11.4% to 21.6% according to the 2019 results. The return on assets (ROA) increased from 3.1% to 3.6% as a result of significant increase in net profit.

Fig.25. Key operating performance indicators



³ earnings before tax/operating income ratio
⁴ net income-to-operating income ratio

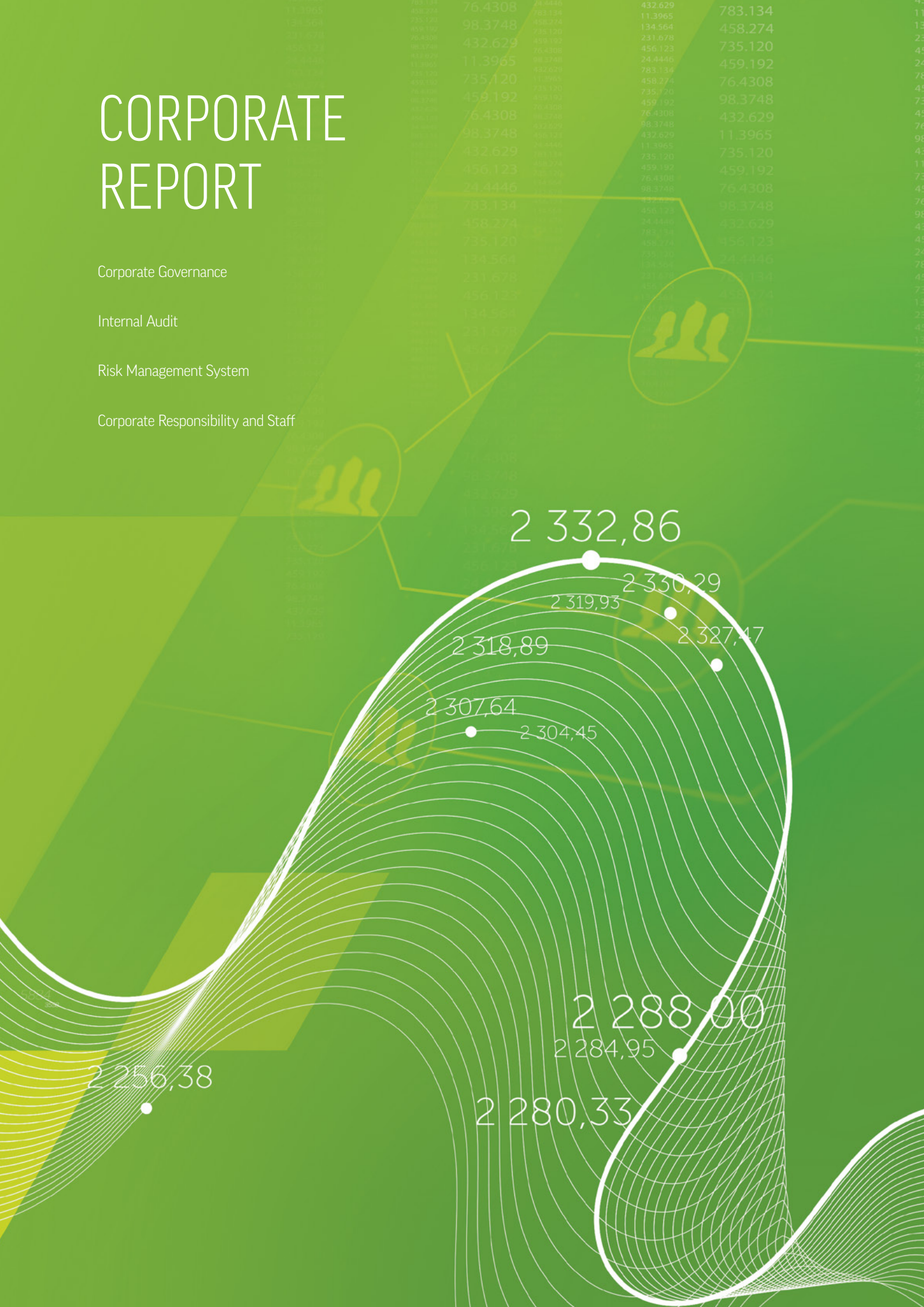
CORPORATE REPORT

Corporate Governance

Internal Audit

Risk Management System

Corporate Responsibility and Staff



CORPORATE REPORT

CORPORATE GOVERNANCE

INFORMATION ABOUT SHAREHOLDERS

As at January 1, 2020, the total number of authorized shares of the Exchange amounted to 5 mln pieces; 974,373 of them are outstanding. The Exchange bought back 13,329 pieces of shares. The Exchange has 58 shareholders including banks, brokerage firms and retail investors (individuals). The National Bank owns 49.108% of the total number of outstanding shares.

The main change in the composition of KASE shareholders in the reporting year was that the Moscow Exchange became a shareholder and that the stakes of other shareholders in the Exchange's capital have declined proportionately.

MOEX acquired 32,360 previously unplaced KASE shares as part of the implementation of the Strategic Cooperation Agreement concluded by KASE and MOEX in October 2018. As a result, the total number of shares paid-up by KASE shareholders reached 974,373 pieces and MOEX's share in KASE's capital amounted to 3.32% of outstanding shares. The deal took place in January 2019.

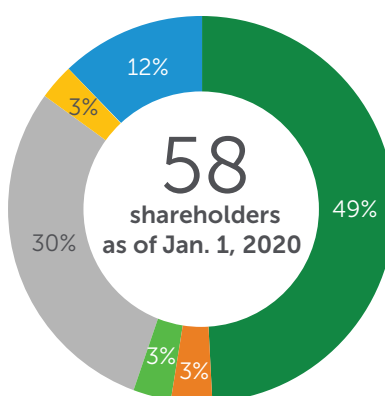
GENERAL MEETING OF SHAREHOLDERS

General Meeting of Shareholders is the supreme management body of the Exchange in accordance with the legislation of the Republic of Kazakhstan. List of issues pertaining to 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.

In 2019, the Annual General Meeting of the Exchange's shareholders approved amendments to the Exchange's charter (taking

into account changes and additions to the legislation of the Republic of Kazakhstan) and the Regulation on the Board of Directors (the requirements for candidates for the Board of Directors and the rules and procedures for providing information about candidates for the Board of Directors are established).

Fig.26. KASE shareholders



- National Bank
- MOEX
- Brokers
- Banks
- Retail Investors
- Other

BOARD OF DIRECTORS OF KASE

The Board of Directors is the governing body of the Exchange that carries out general management of the Exchange except for the matters that are within the exclusive competence of the General Meeting of Shareholders of the Exchange according to the Law of the Republic of Kazakhstan "On Joint Stock Companies" and/or the Charter of the Exchange.

Meetings of the Board of Directors of KASE in 2019 were conducted on a regular basis in accordance with the Regulations on the Board of Directors. The Board of Directors held extraordinary meetings on an as-needed basis.

During the reporting period, the Board of Directors considered both issues of strategic and current operations of the Exchange within its competence. The issues on the agenda and decisions made on these issues are recorded in the relevant minutes of meetings of the Board of Directors of the Exchange and the decisions taken by absentee voting of its members.

During the reporting period, the Board of Directors of the Exchange held 20 meetings in presentia and 32 meetings in absentia, reviewed and approved 52 documents of the Exchange governing its internal operations including amendments to the existing internal documents of KASE in accordance with the legislation of the Republic of Kazakhstan on securities market and on joint stock companies.

On May 30, 2018, the General Meeting of Shareholders formed new Board of Directors:

- three unelected members of the Board of Directors (two representatives of the National Bank of Kazakhstan as an authorized body and owner of "a golden share" and the chairman of the Management Board of the Exchange by virtue of his/her position);
- three independent directors of the Exchange;
- three members representing interests of the Exchange's shareholders.

During 2019, representatives of the National Bank of Kazakhstan, who are members of the Board of Directors on a permanent basis in accordance with the law of the Republic of Kazakhstan "On the Securities Market", were changed in the Board of Directors, namely, since April 2019, Eszhan Amantayevich Birtanov, Deputy Chairman of the National Bank, and Ivan Vyacheslavovich Serdyuk, Deputy Director of the Department of Monetary Operations of the National Bank, have been elected to the Board of Directors of the National Bank. Prior to that date, Zhanat Bostanovich Kurmanov, Deputy Chairman of the National Bank, and Adil Nurlanovich Mukhamejanov, Deputy Director of the Monetary Operations Department of the National Bank, were the members of the KASE Board of Directors.



2 284,45
2 273,57
2 268,51
2 266,41



THE COMPOSITION OF THE BOARD OF DIRECTORS

Representatives of the authorized body
under the Law of the Republic of Kazakhstan
"On the Securities Market"

From January 1 to March 3, 2019



ZHANAT KURMANOV

Chairman of the Board of Directors

Deputy Chairman of the National Bank
of the Republic of Kazakhstan;

From April 9 to December 31, 2019



ESZHAN BIRTANOV

Chairman of the Board of Directors

Deputy Chairman of the National
Bank of the Republic of Kazakhstan;

From January 1 to March 31, 2019



ADIL MUKHAMEJANOV

Deputy Director of Monetary
Transactions Department
of Kazakhstan's National Bank;

From May 13 to December 31, 2019



ALINA ALDAMBERGEN

Chairman of the Management
Board of KASE

Elected members of the governing
body under the Law of the Republic
of Kazakhstan "On Joint Stock Companies"



IVAN SERDYUK

Deputy Director of Monetary
Transactions Department

Head of executive body on the basis
of the Charter of the Exchange





ELDAR ABDRAZAKOV

Chairman of the Board of Directors
of Centras Securities;



MIRLAN TASHMETOV

An independent director of KASE



TALGAT AYUPOV

Chairman of the Management
Board of Halyk Finance;



VICTOR KYSHPANAKOV

Deputy Chairman of Management
Board of BCC Invest
Board - Subsidiary of Bank CenterCredit;



IGOR MARICH

An independent director of KASE

A member of the Management Board -
Managing Director for the Money
and Derivatives Markets of Moscow
Interbank Currency Exchange MICEX-RTS



KADYRZHAN DAMITOV

Independent director of KASE

A member of the Board of Directors
and an independent director of the Unified
Accumulative Pension Fund

00
2 321,51

2 373,72

BOARD OF DIRECTORS' COMMITTEES

The following committees of the Board of Directors and the commissions of the Exchange operate for considering the most important issues and for making recommendations to the Board of Directors.

In accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies":

- Budgeting and Strategic Planning Committee of the Board of Directors
- Internal Audit Committee of the Board of Directors;
- Committee for Personnel, Remuneration and Social Issues of the Board of Directors.

The following bodies operate at the Exchange in accordance with the Requirements for an Organizational Structure of a Trades Organizer and for the Composition of a Stock Exchange's Listing Commission of a stock exchange's listing commission approved by the resolution of the Management Board of the National Bank of the Republic of Kazakhstan:

- Listing Commission;
- Committee for Financial Statements and Issuer Audit of the Board of Directors.

The Commission on Disputes and Conflicts Resolution operates in accordance with the Procedure for Settling Disputes and Conflicts Emerging During Execution of Transactions with Financial Instruments approved by a decision of the Board of Directors. The procedure for setting up and for operation of committees and commissions of the Board of Directors of the Exchange, their numbers, competence, functions and composition are regulated by internal documents of the company approved by the Board of Directors.

The following meetings were held in 2019:

- 14 meetings of the Budgeting and Strategic Planning Committee of the Board of Directors;
- seven meetings of the Committee for Personnel, Remuneration and Social Issues of the Board of Directors;
- ten meetings of the Internal Audit Committee of the Board of Directors;

- 11 meetings of the Listing Commission as well as 13 instances of absentee voting of this commission;
- four meetings of the Committee for Financial Statements and Issuer Audit.

During 2019, the Budgeting and Strategic Planning Committee of the Board of Directors of the Exchange included a representative of the National Bank of Kazakhstan as an expert.

The Board of Directors fully accomplished goals, objectives, functional duties established by the Corporate Governance Code, the Charter of the Exchange, the Regulations on the Board of Directors, which resulted in the positive financial results of the Exchange in 2019.

MANAGEMENT BOARD OF THE EXCHANGE

The Management Board is a collegial executive body and it manages day-to-day activities of the Exchange, except for the matters that are within the exclusive competence of the General Meeting of Shareholders and/or Board of Directors of the Exchange according to the Law of the Republic of Kazakhstan "On Joint Stock Companies" and the Charter of the Exchange.

Powers of members of KASE Management Board were extended until 2020 by the decision of the Board of Directors of the Exchange dated July 20, 2017.

The composition of the Management Board of the Exchange:

Alina Aldambergen,

Chairman of the Board;

Idel Sabitov,

Deputy Chairman of the Management Board;

Natalya Khoroshevskaya,

Deputy Chairman of the Board;

Andrei Tsalyuk,

Deputy Chairman of the Management Board;

Kairat Turmagambetov,

Managing Director for Business Development.

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INFORMATION ON REMUNERATION

Payment of remuneration and reimbursement of expenses to the members of the Board of Directors and of the Management Board of the Exchange are made in accordance with the terms and conditions of contracts concluded with them. The amounts of bonuses to the specified executives are determined by the General Meeting of Shareholders in respect of the members of the Board of Directors and by the Board of Directors in respect of the members of the Management Board based upon financial and operating results of the Exchange in the respective financial year.

REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

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

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

During 2019, members of the Board of Directors of the Exchange were paid KZT53,946,000 (fifty-three million nine hundred and forty-six thousand).

Bonuses are not set and are not paid to the following members of the Board of Directors of the Exchange that are representatives of the government

bodies of the Republic of Kazakhstan or who are persons that cannot receive bonuses in accordance with the legislation of the Republic of Kazakhstan:

- representatives of the National Bank of the Republic of Kazakhstan that are members of the Board of Directors under paragraph 4 of Article 84 of the Law of the Republic of Kazakhstan "On Securities Market" and subparagraph 1) of paragraph 3 of Article 17 of the Charter of the Exchange;
- chairman of the Management Board of the Exchange, who is a member of the Board of Directors by virtue of his/her position on the basis of subparagraph 2 of paragraph 3) of Article 17 of the Exchange's Charter.

BONUSES TO THE MEMBERS OF THE MANAGEMENT BOARD OF THE EXCHANGE

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

- monthly official salary of a member of the Management Board shall be determined by the decision of the Board of Directors;
- the Board of Directors makes decision on setting the amount of annual bonuses to Management Board members for the reporting year based on the review of the performance results of the Management Board and the Exchange over the reporting year;
- amounts of annual bonuses to members of the Management Board are determined by the decision of the Board of Directors upon evaluation of work of each member of the Management Board during the reporting year;
- the Board of Directors may decide on a lump sum payment to the Management Board member.

During 2019, members of the Exchange Board were paid KZT115,194,319.20 (one hundred and fifteen million one hundred and ninety-four thousand three hundred and nineteen tenge and twenty tiyin).

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INTERNAL AUDIT

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

The IAS is governed by the legislation of the Republic of Kazakhstan and strives to build its activities in accordance with the International Standards for the Professional Practice of Internal Auditing recommended by the Global Institute of Internal Auditors.

In order to ensure the independence and objectivity of the internal audit, the IAS reports directly to the Board of Directors, the Audit Committee under it on a regular basis on its work.

The Service assesses the effectiveness of risk management system and internal controls in the area of corporate governance and the Exchange's operational activities relating to providing the following systems:

- the compliance of the Exchange's activities with the requirements of the laws of the Republic of Kazakhstan, the Charter, internal documents and resolutions of the Exchange's bodies;
- achievement of the Exchange's strategic objectives;
- efficiency and effectiveness of the Exchange's operations and its development plans;
- reliability and integrity of information on financial and economic activity of the Exchange;
- safeguarding of assets;
- quality operation of information systems, processes and procedures, the organizational chart of the Exchange, their compliance with applicable standards and best practices, the adequacy of the Exchange's resources to ensure its activities and achieve its goals;

- security of the Exchange's information assets.

According to the audit review plan approved by the Board of Directors, the IAS conducted audits within which recommendations were developed for audit participants to improve business processes, risk management and the control environment as a whole.

As a result of the audits, the Management Board of the Exchange reviews and approves relevant action plans aimed at implementing IAS's recommendations.

In the reporting year, such plans were reviewed and approved based on the results of each of the IAS audits. The Management Board constantly monitored the completeness and timeliness of implementation of the plans, as well as prioritizing the planned tasks to make the most of KASE resources.

The IAS also continuously monitored the implementation of these plans and submitted relevant opinions to the Audit Committee and the Board of Directors.



RISK MANAGEMENT SYSTEM

Risk management at the Exchange is an integral part of its operations and is carried out at all levels, from an average employee to the Board of Directors. This activity is based on the recommendations of international standards ISO 31000, 27001, 22301.

The requirements to the Exchange's risk management system are set out in the three regulations listed below:

- the Rules for Establishing Risk Management and Internal Controls System for the Stock Exchange⁵;
- the Requirements for a Clearing Organization's Risk Management System, Terms and Procedures for Monitoring, Control and Managing Risks in a Clearing Organization⁶;
- the Requirements for a Central Counterparty's Risk Management System, Terms and Procedures for Monitoring, Control and Managing Risks in a Central Counterparty⁷;

In accordance with these documents, the Exchange has developed risk management policies and rules that are the main documents that guide the Exchange. Continuous improvement in risk management, risk assessment and monitoring is provided by the Risk Management Department of the Exchange.

For the purposes of the analysis, the Exchange divides risks into operational, credit, market (currency, price, interest), systemic, legal, reputational, liquidity loss risks and other risks.

The Risk Management Department focuses on managing operational risks and risks associated with investment activities, assessing current risks,

including monitoring them, advising on improving business processes, overseeing all planned measures to minimize risks, conducting stress and back-testing of the risks of the Exchange's investment portfolios, monitoring the amount of provisions accrued on financial instruments in the Exchange's investment portfolios in accordance with the International Financial Reporting Standards.

The introduction of the new TCS and the development of the CCP functions have led to the identification of new risks associated with this area of activity. In this regard, the Exchange has introduced a risk management system as part of the functions of the CCP and default settlement system. In order to effectively manage the risks of the Exchange in the implementation of the CCP activities, the Market Risk Committee, a permanent collegiate body under the Exchange's Management Board, whose main task is to manage market risks of the Exchange, was set up. The Committee's functions include approving risk parameters, determining the parameters of the GS profitability curve, preparing recommendations to the Management Board of the Exchange to determine the list of financial instruments for which the Exchange performs the functions of the CCP, and financial instruments that can be accepted as collateral in the implementation of the CCP function, as well as other functions provided by the internal documents of the Exchange.

⁵ approved by the Resolution of the NBRK Management Board No. 252 dated December 19, 2015

⁶ approved by the Resolution of the NBRK Management Board No. 59 dated February 24, 2012

⁷ approved by the Resolution of the NBRK Management Board No. 11 dated January 28, 2016

In order to maintain an effective risk management process, the Exchange has taken comprehensive measures to reduce and prevent risks in 2019. This has helped to cut the number of recurring risk events by half.

The Exchange pays a lot of attention to the development of risk culture. Training workshops and lectures on risk management are held for employees, and individual awareness-building is carried out.

In 2018, a self-assessment was conducted on compliance with the Exchange's risk management system to the recommendations of the ISO 31000:2018 Risk Management Standard based on the Exchange's status as an infrastructure organization of the financial market. In 2019, the Action Plan based on the results of this self-assessment was adopted, which includes ten activities over three years, annual self-assessment of compliance with the standard, and adjustment and update of self-assessment activities.

MANAGING CONTINUITY OF OPERATIONS

The Exchange is working on the improvement of the system for managing continuity of operations. These activities are governed by internal documents such as the Policy for Managing Continuity of Operations, the Rules for Operations Continuity and Recovery, and the Continuity and Recovery of Operations Plan, which are designed in accordance with international standards and are designed to ensure the continuity of critical activities in the event of incidents and emergencies resulting in the failure of the Exchange's information systems.

In 2019, significant changes were made to the IT infrastructure of the Exchange. The Exchange refused to use the RTRS backup centre and replaced data storage and processing service provider. Instead of the RTRS Center, the Exchange launched a system of three data processing centres (DPC) - one main and two backup centres - and completely changed the continuity of operations management scheme.

At the end of the reporting period, the Exchange's IT infrastructure included servers, mainly DPCs, servers in backup DPCs (in the cities of Almaty and Nur-Sultan), the main and backup communication channels. In general, the DPCs also has hot standby servers helping to automatically switch to them the MOEX TCS in the case of failure of the main servers. Automatic switching will not affect the work of the Exchange and its client.

As part of a change in approaches to the continuity of operations management system, a virtual workplace system (VDI) has been developed and tested, which is created on the Exchange's servers and allows access to all information systems of the Exchange, regardless of the user's location. Workplace virtualization will enable rapid response to emergencies and reduce the cost of creating physical jobs.

The Exchange periodically conducts trainings and and drills related to the continuity of operations, which involve testing the operation of backup systems. In the reporting year, the plan for such drills was revised and a fully updated training system is planned to be launched in Q1 2020, taking into account the use of VDI and new DPCs.

INFORMATION AND PHYSICAL SECURITY

Updated telecommunications equipment providing high level of protection against various types of cyberthreats, has been purchased and put into operation in order to minimize the risks of information security and improve the level of protection of the Exchange's information and communication infrastructure from possible cyberattacks during the reporting period. To reduce the risk of leakage of sensitive information, specialized software has been introduced to monitor the integrity of confidential files and audit trail logs. Control of the connection of devices to the corporate network of the Exchange at the ports of active networking equipment is set up. The security of the Exchange's WiFi network has been improved, a single system of authentication of administrative access to the Exchange's servers using the Exchange's domain controller has been configured and is functioning.

Also, as part of the improvement of the information security system during the reporting period, a number of checks on compliance with internal documents were carried out, audits of access rights of all users to the Exchange's information systems were carried out, as well as a set

of other measures related to strengthening user discipline in the network and systems of the Exchange.

As part of the plan to improve the regulatory documentation under the ISO 27001:2013 Information Security Standard and the Information Security Requirements for Banks and Organizations that Carry out Certain Types of Banking Transactions⁸, changes have been made to the internal documents governing the functioning of the Exchange's information security management system, as well as new internal information security documents have been developed and approved. The combination of these measures has improved the level of information security of the Exchange and reduced the risks of the Exchange in this area.

In order to improve physical security of the Exchange, the procedures for monitoring the provision of security services have been improved, and additional intrusion and alarm sensors have been installed in the premises of some departments.

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CORPORATE RESPONSIBILITY AND STAFF

KASE staff management system aims to build and develop a cohesive team of professional experts through the establishment of unified HR approaches and standards that include a system of selection and admission of candidates, a system of employee motivation, employee performance assessment, corporate culture formation, training and development of KASE personnel, and development of KASE corporate social responsibility.

HR STATISTICS

As at December 31, 2019, the number of KASE staff was 163 people with a headcount of 152 people.

The below is the key information on the KASE staff structure at the end of the reporting period.

⁸ approved by the Resolution of the NBRK Management Board No. 48 dated March 27, 2018

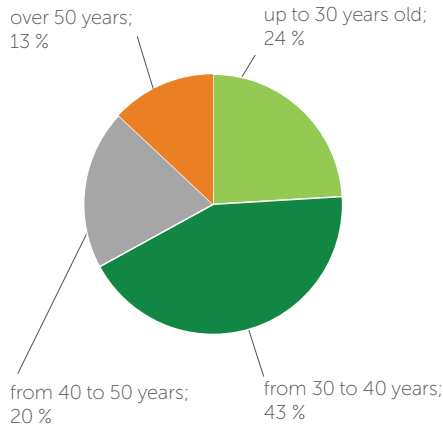
AGE STRUCTURE OF THE EXCHANGE'S STAFF

In 2019, the main age category of employees is 30 to 40 years. The average age of employees is 37 years. Meanwhile, the share of newly hired young professionals aged under 30 was 26%.

EMPLOYEE EDUCATION

As at the end of the reporting period, majority of KASE employees (98%) have higher education, of which 20% have received postgraduate education, including PhD degrees (7%). Ten per cent of employees received education outside the territory of the Republic of Kazakhstan.

Fig. 27. Distribution of KASE employees by age group



GENDER COMPOSITION OF THE EXCHANGE

KASE has joined global initiatives to promote gender equality to enhance the role of women in society, namely the global initiative Women's Empowerment Principles developed and promoted in partnership with the UN Women and the United Nations Global Compact.

There is the following trend noted at KASE: the total number of female employees is 63%, males 37%. At the same time, the top management (the Management Board and the Board of Directors of the Exchange) is represented mainly by males (73%)

LOYALTY OF KASE EMPLOYEES

During the reporting period, the composition of the Exchange's staff was significantly updated. In the meantime, 19% of employees have more than ten years of experience at KASE, 19% of employees have worked from five to ten years at KASE, 33% of employees have been employed with KASE from one years to five years and 29% of employees have less than one year of experience at the Exchange.

Fig. 28. Distribution of KASE employees by gender

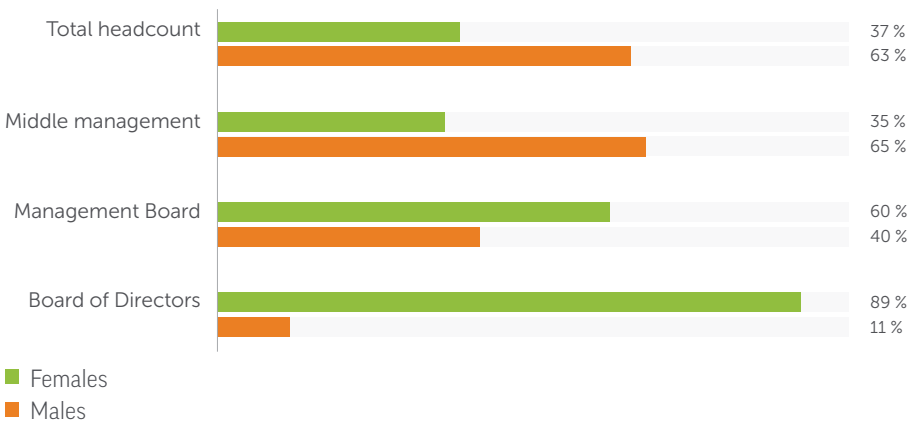
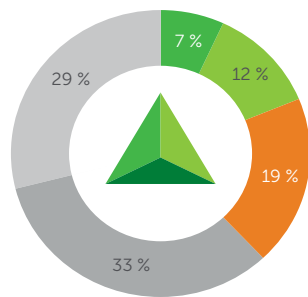


Fig. 29. KASE staff length of service



- Have worked with KASE for 20 years and more
- Have worked with KASE from ten to 20 years
- Have worked with KASE from five to ten years
- Have worked with KASE from one to five years
- Have worked with KASE up to one years

LABOUR REMUNERATION POLICY

KASE strives to provide a competitive remuneration to attract, retain and motivate employees.

Employee remuneration system includes fixed (official salary, allowance) and variable (bonus payment at the end of the year, payment of bonus for especially important works) components. The fixed part and the target amount of the variable part of the salary is determined based on the data of remuneration market. The variable part of the remuneration depends on the performance of KASE and the individual performance of an employee evaluated under the staff efficiency management system.

The Exchange has a system for motivating employees by giving them an annual bonus based on the annual evaluation of employees' performance, by providing bonuses for performance of particularly important work projects and innovation proposals and on the occasion of holidays and/or ceremonial dates.

According to HR management policy, in order to improve the efficiency of KASE employees and to stimulate them, the employee evaluation system is aimed at achieving corporate goals and objectives of the Exchange (MBO).

In 2019, 52 employees were awarded bonuses for their active participation in the implementation of key projects of the Exchange.

TRAINING AND DEVELOPMENT

Training and skill improvement is part of HR management policy of KASE. The Exchange encourages employees to gain new knowledge and develop existing competencies and skills by way of internal and external training.

Professional and compulsory training is a priority area. Much attention is paid to the development of corporate competencies, leadership skills and project management skills necessary for the implementation of strategic projects of the Exchange.

In the reporting year, 39 employees of the Exchange were trained by external providers on such topics as a company's operational risks, countering the legalization (money laundering) and financing of terrorism; developing technical texts and documentation, Linux system administration, financial analysis, performance assessment, Java SE 8 Fundamentals, electronic employment contracts implementation, Oracle Database, Information Security Management System, ISO 27001, Management Technologies.

Also in 2019, a project on the appraisal of employees for compliance with positions held was implemented, which aims to determine the level of professional and qualification training of the Exchange's employees. The main criteria for evaluation of the appraisal were the ability of employees to perform their duties, as well as the level of knowledge and practical skills.

In order to prepare for the appraisal in 2019, internal workshops were held on the activities of all structural units of the Exchange by employees of these units. Thus, 111 employees of the Exchange participated in the appraisal and successfully passed it.

KASE CORPORATE CULTURE DEVELOPMENT

One of the important components of 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 creation of favourable conditions for effective work, maintaining the team spirit of the team and commitment of employees to the goals and objectives of KASE.

In the reporting year, a new Code of Corporate Conduct was adopted that establishes the ethical standards of business relations and the principles of business ethics, as well as reflects the standards of corporate conduct adopted at the Exchange, based on its mission and values.

The KASE DreamTeam was formed from among active employees of the Exchange, who helped organize and conduct the following corporate events: International Women's Day, Nauryz Meiramy, Nauryz celebration together with the National Bank of Kazakhstan, Defender of the Motherland Day, Children's Day, KASE team building, New Year and other internal corporate events.

At the end of each quarter, the management of the Exchange conducts KASE Townhall, the main task of which is to provide employees with information about interim work results and plans for the reporting period, about the latest news related to the activities of the Exchange's employees.

In 2019, two internal workshops dubbed KASE Insight were held, the main task of which was to inform employees on new areas/trends of the Exchange's activities. The main themes of KASE Insight were "Megatrends: ESG, Gender Equality" and "Publicity of a Company through Social Investment. Principles of ESG and the introduction of the Green Office project in companies. How to monetize your brand through social investment".

CORPORATE VALUES

An important component of the operation of the Exchange as a team of professionals implementing strategically important projects for the development of the stock market is the presence of corporate values that meet current challenges and help the self-identification of the KASE team.

In the reporting year, a set of measures was carried out to update corporate values of the Exchange. The work was initiated due to the adoption of a new strategy for the development of KASE for the next three-year period, as well as due to the expansion of the Exchange' activities, the introduction of new projects and business processes, in particular with the expansion of clearing activities and the activities of the Central Counterparty, the introduction of new trading and clearing systems.

The definition of updated corporate values was carried out in several stages with the involvement of the entire KASE team and taking into account the opinion of each employee. One of the stages of this work was a survey of KASE employees about their vision of the Exchange as a market player and an employer. The results of the survey were taken into account when determining steps to further develop the corporate culture and a number of projects of the Exchange.

After the internal discussion and voting of the Exchange employees, the following concepts are defined as key values: innovativeness, responsibility, openness and care, which were reflected in the following wording of the corporate values of the Exchange:

- ▲ **We operate on the principles of innovativeness and sustainability for the general good, always adapting to changes**
- ▲ **We are responsible for our decisions, proving our team's professionalism and the high quality of services**
- ▲ **We cooperate with our partners, clients and with each other on the principles of openness and transparency**
- ▲ **We care for the future of our country, clients and employees, creating conditions for their development**



KASE corporate values symbolize the desire to bring business and team together to develop the stock market, introduce new technologies, products and services, improve existing services and technologies in a changing modern environment, and help achieve sustainability by all market participants.

The personnel of the Exchange has chosen from among the colleagues, KASE employees that represent corporate values by demonstrating personal qualities, which most correspond to the key terms of updated corporate values: openness, innovativeness, responsibility and consideration for the others.

The election of KASE value holders will be held among employees of the Exchange on an annual basis.

SOCIAL RESPONSIBILITY

The Exchange pays special attention to improving the financial literacy of Kazakhstan's young people as part of the development of corporate social responsibility. In this regard, the Exchange continues its active cooperation with universities of Kazakhstan, in the organization of internships and traineeship at the Exchange, the employment of high potential students and conducts introductory guest lectures and workshops on the stock market at the Exchange and in universities.

In 2019, two introductory lectures were held: for students of ALMAU (23 participants), Kazakh-German University (15 participants). Thirty students, three of whom were later employed, completed the traineeship and internship at KASE.

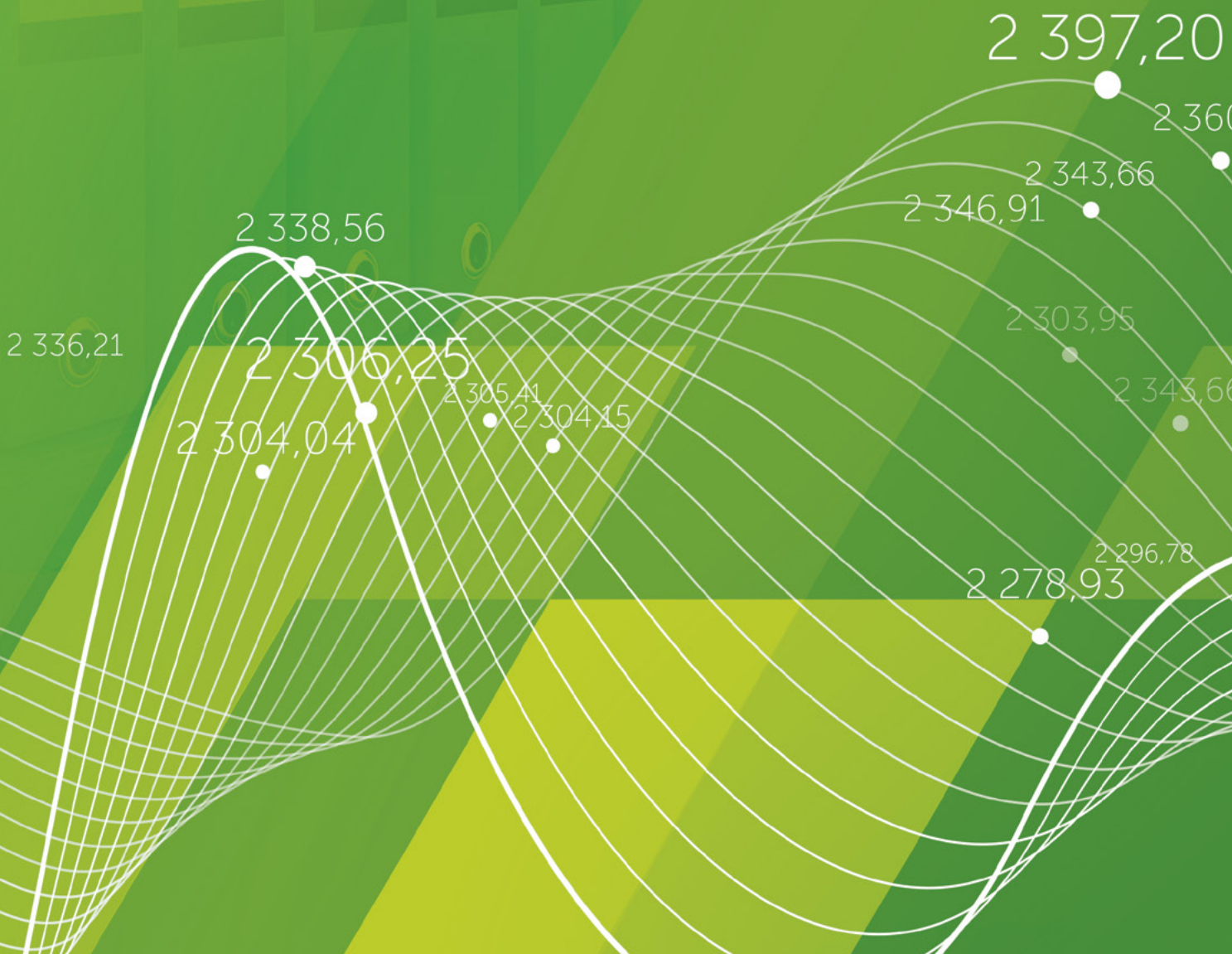
In 2019, KASE employees, at the initiative of the KASE DreamTeam, took an active part in organizing and holding a charity event for children of orphanage No. 1. KASE workers gave children more than 100 sweet gifts for the New Year.

ENVIRONMENTAL RESPONSIBILITY

As part of ESG standards, KASE continues to adhere to environmental sustainability principles:

- measures of lean consumption of paper, consumables and energy resources are taken;
- electronic documentation management systems, including electronic reporting systems, are improved;
- measures are implemented to reduce energy consumption and improve energy efficiency.

TERMS AND ABBREVIATIONS



TERMS AND ABBREVIATIONS

ASTS+	KASE trading and clearing system developed on the basis of the Moscow Exchange's trading and clearing system
ETF	Exchange Traded Fund
FAST	FIX Adapted for Streaming (data transmission protocol in trading systems)
FEAS	Federation of Euro-Asian Stock Exchanges
IFC	International Finance Corporation
IOSCO	International Organization of Securities Commissions.
IPO	Initial Public Offering
IR	Investor Relations
IT	Information Technology
KASE	Kazakhstan Stock Exchange JSC name abbreviation
MOEX	Moscow Exchange PJSC
sTrade	online remote trading platform developed by KASE
T+2	settlement condition whereby a transaction is settled on the second business day following the date of its conclusion
TOD	settlement condition whereby a transaction is settled on the day of its conclusion (English, "today")
TOM	settlement condition whereby a transaction is settled on the next business day following the date of its conclusion (English, "tomorrow")
TONIA	weighted average interest rate on one-day repo opening transactions in the automatic repo market in government securities of the Republic of Kazakhstan
TWINA	weighted average interest rate on seven-day repo opening transactions in the automatic repo market in government securities of the Republic of Kazakhstan
WFE	World Federation of Exchanges
JSC	joint stock company
KFA	Kazakhstan's Financiers Association

ADB	Asian Development Bank
IAEx of CIS	International Association of Exchanges of the Commonwealth of Independent States
STB	second-tier bank
GDP	gross domestic product
VUZ	Higher educational institution
UAPF	Unified Accumulative Pension Fund JSC
Exchange	Kazakhstan Stock Exchange JSC
Brokers-dealers	Brokerage and/or dealer organizations
GDR	Global Depositary Receipt
MMC	Mining and metallurgical companies
GS	government serial securities
EAEU	Eurasian Economic Union
SSE Initiative	The UN Sustainable Stock Exchanges Initiative
KASE Index	KASE equity market index
ESG criteria	Environmental, Social and Governance criteria
mln	million
bn	billion
Moscow Exchange	Moscow Exchange PJSC
MCI	Monthly calculation index
SME	Small and medium-sized businesses
IFI	International financial institution (s)
NBRK	National Bank of the Republic of Kazakhstan
NPP RK Atameken	National Chamber of Entrepreneurs of the Republic of Kazakhstan
CS	corporate serial securities

UN	The United Nations
Government	The Government of the Republic of Kazakhstan
RPP	Regional chamber (chambers) of entrepreneurs
CIS	Commonwealth of Independent States
Media	Mass media organizations
USA	United States of America
TCS	Trading and clearing system
thous.	thousand
trln	trillion
LLP	limited liability partnership
Trading system	trading system of Kazakhstan Stock Exchange JSC
Damu Foundation	Damu Entrepreneurship Development Fund JSC
CCP	Central Counterparty

