

The background features a dark teal and black color scheme with a complex financial chart. The chart includes a prominent jagged line graph, several candlestick-style indicators, and a grid of small white dots. A vertical white line is positioned to the right of the main text, and a horizontal white line is positioned below it, intersecting at the year '2023'.

**ANNUAL
REPORT**

2023

TABLE OF CONTENTS

ADDRESS OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS	3
ADDRESS OF THE CHAIRPERSON OF THE MANAGEMENT BOARD	5
MAIN EVENTS	9
MISSION, VISION AND OBJECTIVE.....	14
ABOUT THE EXCHANGE	15
KEY FACTS, TRENDS ON THE SECURITIES MARKET	19
KASE STRATEGIC REPORT.....	21
Implementation of the 2022–2024 development strategy of the Exchange.....	21
Implementation of sustainable development principles	40
International activity	46
REVIEW OF RESULTS	50
Trends on the international stock market	50
KASE markets.....	55
Operating and financial results.....	78
Corporate report	81
Corporate governance.....	81
Information and physical security.....	100
Risk management system	101
Business continuity management.....	103
Compliance control and anti-corruption	104
Internal audit of the KASE Exchange Group	106

ADDRESS OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS



Dear shareholders, clients and partners!

On behalf of the Board of Directors, I am pleased to welcome you to the pages of the 2023 annual report of KASE Group.

During 2023, global financial markets were exposed to various geopolitical and economic factors. A lot of countries reported a gradual decline in inflation, as a result of which some central banks announced a possible cut in their interest rates, while other central banks in a number of countries have already begun to reduce it.

Despite uncertainty on the international markets, the Exchange has demonstrated resilience and adaptation to changes, maintaining its status as a leading exchange in the Central Asian region and one of the most important infrastructure organizations on the financial market of Kazakhstan, actively contributing to growth of the republic's economy.

In 2023, the Exchange continued to implement its 2022–2024 Development Strategy with focus on development of technology, coverage of new asset classes, improvement of operational efficiency, promotion of projects related to principles of environmental, social and governance (ESG) responsibility and commercialization of market data. Particular attention was paid to the issue of increasing liquidity on the KASE exchange markets. To achieve this, tasks were implemented to expand the segment of small and medium-sized enterprises (SMEs) as issuers on the stock market, expand the product line, increase the base of retail, foreign and institutional investors, and develop ESG financing instruments.

In 2023, KASE platform placed a record number of bonds of small and medium-sized enterprises; the first bond issues subsidized by Damu Entrepreneurship Development Fund JSC were placed.

At the end of 2023, trading volume on KASE again reached historical highs, for the third year in a row it had a significant increase in trading volume, trading indicators have broken long-term historical records.

Last year, the Exchange detached clearing and settlement functions into a separate structure - a subsidiary of KASE Clearing Center JSC, thereby promoting development of the central counterparty risk management system. This decision is intended to create a favorable environment for investing in the organized market, attracting foreign investors, introducing the best international standards, expanding the range of services provided on other exchange markets in Kazakhstan and the region, as well as for more effective risk management of infrastructure organizations.

In 2023, the Exchange celebrated its 30th anniversary, which was marked by organization of a series of events significant for the financial sector designed to reveal development trends in both global and local financial markets, inform the business community about the possibilities of attracting financing and investment on KASE markets, discussing prospects for development of gender inclusivity and support of gender equality in the context of sustainable development policies and ESG principles, as well as improvement of financial literacy of retail investors.

In 2023, the Exchange entered a new technological stage of development having implemented the first stage of the KASE Digital pilot project to issue tokenized securities based on blockchain technology with settlements in digital KZT.

KASE continues to follow its global mission to develop the exchange infrastructure as a guarantor of transparency, reliability and efficiency in development of the financial sector as a whole.

The last year has been a striking example of professionalism and efficiency of KASE group, which was able to find optimal solutions even under influence of various geopolitical and economic factors. I would like to express my deep gratitude to the team of KASE group for their well-coordinated, professional work, and to shareholders and clients for their trust, support and successful cooperation.

Aliya Moldabekova

Chairperson of KASE Board of Directors of KASE

ADDRESS OF THE CHAIRPERSON OF THE MANAGEMENT BOARD



Dear shareholders, clients and partners!

Summing up performance of the Exchange over 30 years of development, I can say with confidence that today KASE is a high-tech financial institution that retains its place as a leader, and also firmly holds the title of the largest and most reliable infrastructure organization in the country.

Kazakhstan Stock Exchange has gone through this fascinating path of development and formation together with you: shareholders, financial market participants, partners and clients.

KASE has come a long and thorny way:

- from a currency exchange to a universal Exchange, which represents four markets – stock, foreign exchange, money and derivatives markets
- from voice trading, where results were written on a chalk board, to a high-tech financial institution with modern trading and clearing systems, DMA and SMA access
- from pager and fax to real time market-data.

KASE is a witness and a direct participant in formation and development of independent Kazakhstan. We have gone through several economic cycles together, and amid external and internal turbulence, KASE was able to demonstrate stability and strength in relation to crisis phenomena, to resist and become only stronger and stronger.

Today KASE is a universal, multifunctional exchange that offers the opportunity to trade almost all types of securities and financial instruments with settlements in different currencies.

KASE, together with its subsidiary, provides central counterparty services on all markets: stock, money and derivatives. CCP service allowed investors to become confident in timely receipt of assets for transactions, adequately assess the risk profile of the market, and use the opened opportunities of a single limit with partial collateral for concluded transactions to increase transactions and improve liquidity.

In 2023, KASE transferred to its subsidiary, Clearing Center, functions of clearing and settlements on the stock market; transfer of these functions on the foreign exchange and derivatives markets is scheduled for 2024. Last year, KASE Clearing Center received status of a backbone infrastructure organization. All these, coupled with liberalization of the laws and global growth of interest in digital financial technologies, laid a reliable foundation for a new impetus in development of the stock market of Kazakhstan.

2023 was one of the most record years for the Exchange in terms of total trading volume, number of financial instruments available for trading, as well as number of accounts opened by private investors. Thus, total trading volume for 2023 made 411 trillion KZT, a 57% surge. Average daily trading volume on all KASE markets exceeds 1.7 trillion KZT, number of transactions is 5.6 k. KASE index updated its historical maximum, breaking the mark of 4 thousand points and in 2023 grew by 29% to 4,187.38 points.

Last year, securities of 36 new issuers underwent the listing procedure. Thus, as of January 1, 2024, KASE trading lists contained 656 types of non-government securities from 237 issuers.

One of significant events in 2023 is secondary offering (SPO) of common shares of the largest national company of Kazakhstan and system operator of the unified electric power system of Kazakhstan JSC KEGOC, within which 18.7 billion KZT were raised on KASE, thus accounting for 82.4% of the total placement volume.

As part of the 2023 Development Strategy, the Exchange began calculating and publishing indices of the government securities market of the Republic of Kazakhstan, opened trading in new currency pairs in USD and Euro with settlements in yuan, and continued efforts for entry of SMEs into the organized securities market within the 2021–2025 National Project for Development of Entrepreneurship with provision of subsidies for coupon rate and bond guarantees.

Another fundamental area of KASE efforts is promotion of the ESG standards in Kazakhstan and principles of responsible investment, as well as improvement of the level of ESG awareness. The Exchange, for its part, as an infrastructure of the financial market,

carries out comprehensive work to promote principles of sustainable development. Result of this work to date has been 18 issues of such bonds with a total volume of 211.5 billion KZT. The Exchange will continue to gradually promote the principles of sustainable development, improving the infrastructure for issue of ESG bonds, introducing new ESG financial products, developing information disclosure standards in format of ESG principles, as well as creating opportunities for financing “green” and social projects on its platform.

Due to intensive development of a line of exchange instruments, as well as extensive educational efforts among the population, segment of private investors grows on KASE. As of January 1, 2024, there were more than 2.4 million accounts in the Central Depository.

The Exchange is proactive in its efforts to improve financial literacy of retail investors together with professional participants of the exchange market and mass media. Along with that, various formats of interaction are successfully practiced – speeches and publications in newspapers and social networks, broadcasts on television, radio, seminars, webinars covering various aspects of the stock market.

Through systematic and effective development of its own technical infrastructure, KASE has established itself among its clients and partners as a reliable technological platform and continues to progress, keeping its finger on the pulse of advanced trends on international markets. Thus, the next stage of development is a step towards introduction of digital assets and tokenized financial instruments on its platform.

In 2023, the Exchange successfully completed the first stage of the pilot project for tokenization of KASE Digital securities. The possibility of launching carbon credits on the KASE DLT platform is also studied against the background of the growing importance of the climate issue and implementation of the 2060 Strategy for Carbon Neutrality of Kazakhstan and the adopted Environmental Code.

In 2024, KASE, within implementation of the 2022–2024 Exchange Development Strategy, also intends to continue efforts to open trading in new currency pairs and financial instruments on the derivatives market, develop KASE Global sector, intensify trading in clearing participation certificates and develop the corporate bond market. It is planned to implement pilot projects based on blockchain technology and other promising digital technologies; at the first stage, the possibility of expanding the range of instruments

is under study with a view to popularize the derivatives market, attract potential investors to the derivatives market and the derivative securities market.

The Exchange will continue to build up liquidity and act within the objectives of development of the securities market in line with the 2030 Concept for Development of Financial Sector of the Republic of Kazakhstan. The Exchange plans to implement IPOs of national assets, attract SMEs and large businesses to the securities market, activities to improve financial literacy of Kazakhstan's residents and attract retail investors to the Exchange, including through deployment of KASE Academy training project, educational content on KASE corporate website and development of KASE Mobile application.

Thus, KASE continues its dynamic development, striving for new heights in providing innovative products and services, as well as enhancing its status in the region.

I would like to express my deep gratitude to our colleagues, partners and shareholders for their continued support and joint efforts in 2023. I am confident that we have necessary resources and experience to successfully cope with the assigned tasks. Our stable partnership and accumulated experience, including lessons learned from anti-crisis situations, will serve as the basis for further progress not only of Kazakhstan Stock Exchange but also of the entire stock market of our country.

Alina Aldambergen

Chairperson of KASE Management Board

MAIN EVENTS

January

In January 2023, KASE hosted the first "Green bond competition" for companies and local executive bodies planning to receive financing through the issue of green bonds.

On January 23-24, KASE participated in MENA IPO Summit 2023, AFM seminar "Digital Transformation and the Future of Financial and Commodity Markets" and meetings with market participants in Dubai and Abu Dhabi (UAE).

On January 27, KASE held a round table discussion with representatives of the Union of Industrialists and Entrepreneurs "El Tiregi" on the topic "Attracting financing on KASE."

February

On February 3, common shares of National Company KazMunayGas JSC were included in a representative list of the KASE Index.

On February 3, KASE held a round table discussion with representatives of the Association of Confectioners and the Union of Grain Processors of Kazakhstan on the topic "Raising Funds on KASE."

On February 17, a webinar "KASE Opportunities for Business" was held to increase financial literacy of entrepreneurs and their awareness of SME financing opportunities.

On February 24 in Astana, in the format of a business breakfast "KASE Day in Astana", a meeting was held with representatives of the private and quasi-public sector and partners of the Exchange in order to provide information on the possibilities of raising funds and investing available funds on the KASE markets.

In February 2023, KASE became a member of the CCP12 Association, which promotes effective, practical and appropriate risk management and operational standards for CCPs in order to ensure safe and efficient operation of financial markets of countries.

In February 2023, KASE shareholders approved the Dividend Policy of Kazakhstan Stock Exchange JSC.

March

On March 06, Chairperson of the Management Board of KASE A.Aldambergen spoke at the tenth anniversary forum of the CFO Summit with a report on the topic “Transformation of capital markets: a new image of KASE.”

On March 6, the Exchange, together with the IFC, held an annual opening ceremony of the Ring the Bell for Gender Equality trading, which included a discussion covering the topic “DigitALL: Women in FinTech.”

On March 6, KASE launched trading in new financial instruments on the foreign exchange market – USD – Chinese yuan and Euro / Chinese yuan currency pairs.

On March 24, KASE held a webinar “5 steps to investing” for beginning retail investors.

April

On April 03, as part of the worldwide global program to improve financial literacy of the youth and children, Global Money Week the KASE launched the 15th anniversary project “Exchange Simulator” for students of universities in Kazakhstan; on April 06, the official opening ceremony of educational trading took place within the framework of the “Exchange Simulator” project.

On April 7, KASE and Green Investment Group entered into a Memorandum of Mutual Cooperation, the purpose of which is development and implementation of principles of sustainable development on the stock market of Kazakhstan.

On April 28, KASE held "KASE Day in Tashkent" in the Republic of Uzbekistan with the assistance of Uzbek Republican Currency Exchange JSC and Republican Stock Exchange Tashkent JSC.

May

On May 3, KASE and Central Asian Stock Exchange OJSC in Astana signed a Memorandum of Mutual Cooperation, which pursues exchange of experience in development of capital markets and stock exchanges of the Republic of Kazakhstan and the Republic of Tajikistan.

On May 4, KASE, in honor of its 30th anniversary, together with Astana City Akimat and the Earth Fund "Sustainable Development" held a ceremony to lay the KASE alley in the Presidential Park of the capital of the Republic of Kazakhstan.

June

On June 29, Halyk Finance JSC was assigned the status of market maker for futures on common shares of Halyk Bank JSC.

From June 15 to 16, 2023, Chairperson of the Management Board of KASE A.Aldambergen participated in the annual international conference of the Federation of Euro-Asian Stock Exchanges (FEAS) on capital markets ConFEAS 2023 in Yerevan (Armenia).

July

On July 20, KASE held a presentation for participants of the Interbank Payment Card System (IBPCS) on interaction of the KASE with banks within the IBPCS.

On July 20, KASE Clearing Center JSC received a license to carry out clearing activities.

August

On August 6, KASE employees, as part of the celebration of the 30th anniversary of Kazakhstan Stock Exchange, climbed Bukreyev Peak (3,010 m).

On August 25, the official opening of trading in bonds of BRBAPK LLP, which is a “debut” issue of bonds with subsidized coupon rates of Damu Entrepreneurship Development Fund JSC, took place on the KASE floor.

On August 28, KASE Clearing Center JSC received a license to conduct banking operations.

September

On September 12, an online webinar on the topic “ESG Insights: trends, development and integration” was held on the KASE platform.

From September 19 to 21, 2023, Chairperson of KASE Management Board A.Aldambergen and Deputy Chairman of the Board Zh. Sarzhakov participated in the annual meeting of WFE, meetings of the working committee and the board of directors of WFE. A.Aldambergen spoke at the session “The Universe of Market Infrastructure in 2023 – Part 2. Emerging Markets”, during which she spoke about the development pace of the economy of Kazakhstan and KASE, achievements of the exchange, challenges and prospects for further development for the next 5 years.

On September 21, KASE acted as an information partner at the Kazakhstan Growth Forum 2023 on the topic 2023 “Strategic Positioning” to discuss all main trends and plans for development of Kazakhstan’s economy.

On September 23-24, 2023, in honor of its 30th anniversary, the Exchange held a football tournament for participants of the financial sector and business representatives.

On September 25, KASE transferred clearing and settlement functions, as well as central counterparty functions, to a 100% subsidiary of the Exchange – KASE Clearing Center JSC.

October

On October 2, KASE started calculating and publishing aggregated indices of the government securities market of the Republic of Kazakhstan without segmentation by maturity.

On October 6-20, 2023, KASE held a fair of Kazakhstan's brokers "KASE FEST" at the sites of leading universities in 5 cities of Kazakhstan in support of the annual World Investor Week 2023 program of the World Federation of Stock Exchanges (WFE), "Ring the Bell for Financial Literacy" ceremony.

From October 10 to November 10, 2023, KASE held a competition among retail investors on the stock market intended to promote exchange trading in shares of the representative list in the Republic of Kazakhstan, as well as the KASE Global sector.

On October 17, Chairperson of the Management Board of KASE A.Aldambergen participated in the 8th UNCTAD International Investment Forum in Abu Dhabi (UAE), where the head of KASE spoke at the UN Global Dialogue of Sustainable Stock Exchanges and covered the progress of KASE's implementation of UN SSE initiatives.

On October 19, Chairperson of the Management Board of KASE A.Aldambergen spoke at the session "Financial market of Kazakhstan. Infrastructure and regulation" VI Conference Capital Markets Kazakhstan.

November

On November 1, KASE presented a project for implementation of a pilot Securities Tokenization Platform – KASE DIGITAL EXCHANGE – at the second forum of CAREC capital market regulators.

On November 1, an opening ceremony of trading for debut issue of “green” bonds of KazWind Energy LLP was held at the KASE site as part of subsidizing Damu Entrepreneurship Development Fund JSC for bonds issued by business entities in the process of implementing the national project for development of entrepreneurship in 2021-2025.

On November 7, KASE together with its partners organized a gala concert performed by the state classical music ensemble "Camerata of Kazakhstan" in honor of the 30th anniversary of the Exchange and on the eve of the celebration of the National Currency Day of the Republic of Kazakhstan and a professional holiday of employees of the financial system of the country.

On November 10, the opening ceremony of trading in shares of KEGOC JSC was held at KASE, timed to coincide with the SPO that took place from September 28 to October 27, 2023.

On November 14, the General Assembly (GA) of the Federation of Euro-Asian Stock Exchanges (FEAS) and the Meeting of the Members of the Board/Audit Committee were held at the KASE site. Strategic Session and Round Table on the capital market also took place, where participants got acquainted with the updates and news of stock exchanges.

On November 14, as part of the celebration of the 30th anniversary of KASE, a General Meeting of members of the CIS MAB and a Round Table of Currency and Stock Exchanges of the CIS MAB were held.

On November 16, the International Exchange Forum “Role of Exchanges in Transformation of Financial Markets” was held in Almaty with support of the National Bank of the Republic of Kazakhstan, Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market and ALE “Association of Financiers of Kazakhstan” within the framework of the XI Congress of Financiers of Kazakhstan.

December

On December 19, KASE started trading in ETF securities for futures contracts on bitcoin ProShares Bitcoin Strategy ETF of a foreign issuer ProShares Trust (USA), where Freedom Finance JSC acted as a market maker.

MISSION, VISION AND OBJECTIVE

Mission

Facilitate the economic growth of the Republic of Kazakhstan through:

- provision of a wide range of instruments for domestic issuers to raise funds;
- provision of a platform for redistribution of liquidity in the financial system;
- provision of a transparent investment environment for local and foreign investors.

Vision

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

Target

Achieve and maintain status of the leading stock exchange in the region and increase value of KASE for its stakeholders.

ABOUT THE EXCHANGE

Kazakhstan Stock Exchange (KASE or Exchange) was established in 1993 two days after introduction of the national currency, tenge. On its 30th anniversary, the Exchange is a high-tech trading platform that provides a full range of exchange services, it is available to domestic issuers and is open to local and international investors. KASE is a central element of the financial market infrastructure of Kazakhstan.

Over the course of its development, the Exchange has undergone an evolution from voice trading to a full-fledged, modern, well-established trading, clearing and settlement infrastructure that meets international standards.

KASE has a diversified business, including stock (securities), money (repo and swap operations), foreign exchange and derivatives markets, as well as an established trading, clearing and settlement infrastructure. Versatility of the KASE platform gives trading participants and their clients the opportunity to actively conduct transactions on several markets with various types of financial instruments, which allows them to provide the best conditions for managing liquidity and implementing investment strategies.

The Exchange carries out the following types of activities based on licenses from the authorized body for regulation and development of the financial market:

- 1) activities to arrange trading with securities and other financial instruments (License No. 4.2.3/1 dated July 19, 2012);
- 2) clearing activities for transactions with financial instruments on the securities market (License No. 4.2.3/1 dated July 19, 2012);
- 3) conduct of banking operations in national and foreign currencies (License No. 4.3.8 dated January 30, 2020).

KASE provides services of the Central Counterparty on all markets, ensuring completion of settlements for transactions. In 2022, work began to separate functionality of the central counterparty into a separate organization; a 100% subsidiary of the Exchange was created – KASE Clearing Center JSC (KACC or Clearing Center), which started operating as a separate organization in 2023. As part of its functions as a central counterparty,

KACC provides guarantees for investors in timely receipt of assets for transactions, carries out risk management and adequate assessment of instruments in real time.

The Exchange is a full member and represents the stock market of Kazakhstan in international exchange associations, such as the World Federation of Exchanges, Federation of Euro-Asian Stock Exchanges, The Global Association of Central Counterparties (CCP12), the International Association of Exchanges of the Commonwealth of Independent States, which confirms compliance of key aspects of activities of the Kazakhstan trading platform subject to the international standards and best global practices.

The Exchange provides a full range of services: membership, listing, trading and post-trading services (clearing, settlements, CCP), distribution of market information, as well as calculation and maintenance of 28 indices and indicators.

As of January 1, 2024, members of the Exchange were 52 professional participants, including all licensed banks and brokerage organizations of the Republic of Kazakhstan, four foreign participants, and two international financial organizations.

The official list of the Exchange is divided into several platforms: "Main", "Alternative", "Mixed" and "Private Placement".

The "Main" platform is intended for large companies with a history of development, the "Alternative" platform is for small and medium-capitalization companies, which have more simplified requirements compared to the "Main" platform. Dividing the list in this way allows both large companies and small and medium-sized businesses to raise funds on the stock market.

The Mixed platform trades financial instruments such as Islamic securities, derivatives, as well as government securities and securities of international financial organizations, which can be denominated in both national and foreign currencies.

The "Private Placement" platform is intended for listing non-government securities subject to private placement. Private placement is a non-public placement of non-government bonds among a limited number of qualified investors; terms and conditions of the issue of such securities are determined by a separate memorandum.

KASE Global sector of the "Mixed" platform is designed for trading in the most liquid securities of foreign issuers. Shares listed on the main floor of the New York Stock Exchange – NYSE Equity and the NASDAQ exchange – NASDAQ Global Select, as well

as Euronext Paris and Euronext Amsterdam and included in the Standard & Poor's 500, NASDAQ 100 and Euronext 100.

The Exchange on its own calculates and maintains 28 indicators of the stock and money markets. The stock market of Kazakhstan is represented by indices and indicators reflecting the stock and bond market of the Exchange. In order to characterize the stock market, the Exchange calculates the main indicator – the KASE Index, which currently de facto acts as the main indicator of the national stock market. In addition, the Exchange calculates and publishes total capitalization of the share market – total market value of all companies shares of which are admitted to circulation on the KASE.

KASE index reflects the change of the total market value of the most liquid shares of the Exchange's official list issued by the largest and financially stable resident companies of the Republic of Kazakhstan.

In order to analyze the bond market, the Exchange has determined a number of indices for the main market KASE_BM* and for the alternative market KASE_BA*, which demonstrate a change in 'net' prices and yield indicators of the most liquid issues of bonds of Kazakhstan-based companies. In the first quarter of this year, the Exchange plans to additionally introduce a number of indicators of the government securities market of the Republic of Kazakhstan.

The government securities market is represented by a series of indices and indicators that reflect 'clean' and 'dirty' price indices, as well as yield indicators for different maturity periods.

Indices and indicators reflecting the repo market are represented by the following indicators: TONIA – the main risk-free benchmark on the money market, moreover, the repo market is additionally represented by such indicators as TRION, TWINA, TCI, TCR_1m, TCR_3m, TCR_6m. For the currency swap market, the Exchange calculates such indicators as SWAP-1D, SWAP-2D, as well as the composite repo and currency swap market index – MM Index.

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

Key advantages of KASE are:

- universality of the market, since business diversification helps sustain fluctuations in the economic cycle, at different phases of which market participants demand different classes of financial instruments;
- quantitative parameters of trading on KASE are used when shares are included in the FTSE and MSCI emerging market share indices, as well as for rating of the share market of Kazakhstan;
- KASE acts as a source of market data for foreign investors and interacts with key providers of market information on international financial markets: Bloomberg, Refinitiv and others;
- the opportunity to expand the geography of investors through participation in activities of international exchange associations, being a key source of information about the capital market of Kazakhstan;
- KASE has modern technologies, a well-established trading and settlement infrastructure, provides CCP services, has a full T+2 mode, repo market;
- availability of a T+2 trading and clearing cycle, which facilitates an access to the market for foreign investors;
- availability of its own correspondent network to make money settlements on exchange markets;
- KASE Index is a key indicator of the Kazakhstan stock market for the international community;
- KASE members are all banks and broker-dealer organizations of Kazakhstan;
- experienced and professional staff of employees.

KEY FACTS, TRENDS ON THE SECURITIES MARKET

Total trading volume on KASE in 2023 amounted to 411 trillion KZT and surged by 57% or 149 trillion KZT vs. 2022. The number of transactions increased; 1.4 million transactions were closed during the reporting year, which is 53% higher than in 2022.

A significant increase in trading volume was reported on the money market; at the end of the year, its value soared by 60% to 370 trillion KZT. On the foreign currency market, the growth made 43% and reached 30 trillion KZT.

On the stock market, strong growth was reported in the government securities sector; the increase was 33% compared to 2022, reaching 8 trillion KZT. Volume of secondary trading in the government securities sector increased by 49%, reaching 2.8 trillion KZT. Government debt at par value traded on KASE reached 24 trillion KZT, an increase of 11% in 2023.

At the end of 2023, value of the KASE Index rose by 28.8% to 4,187.4 points. The stock market capitalization expanded over the year by 26.4% to 26.7 trillion KZT. Total volume of trading in shares grew by 8.5% or 26.3 billion KZT to 333.6 billion KZT. Trading volume on the secondary stock market rocketed by 78.3% or 132.2 billion KZT and made 301.1 billion KZT. In 2023, an SPO of KEGOC JSC took place, within which 18.7 billion KZT were raised on KASE accounting for 82.4% of the total volume raised.

Volume of corporate debt in circulation in 2023 decreased by 6.5% to 13.5 trillion KZT. Total trading volume of corporate bonds for 2023 fell by 12.1% as compared to 2022 or 301.5 billion KZT to 2.2 trillion KZT. Trading volume on the secondary bond market compared to 2022 decreased by 33.3% or 331.8 billion KZT to 664.9 billion KZT.

In 2023, securities of 36 new issuers underwent the listing procedure: two in the equities sector, five in the KASE Global sector, 28 in the corporate bonds sector and one in the securities sector of international financial organizations.

As of January 1, 2024, KASE's trading lists included 656 types of non-government securities from 237 issuers.

As of January 1, 2024, the Central Depository had 2.4 million accounts registered for individuals: 693 thousand personal accounts and 1.7 million brokerage accounts of

holders accounted for through omnibus accounts, while as of January 1 last year – about 547 thousand personal accounts opened by individuals, and 413 thousand omnibus accounts.

KASE STRATEGIC REPORT

Implementation of the 2022–2024 development strategy of the Exchange

The 2022–2024 development strategy of the Exchange as approved by KASE Board of Directors in December 2021 includes four key strategic directions, within which strategic objectives are provided for implementation of the set goals. Strategic directions and objectives:

1. Increasing the liquidity on exchange markets:

- introduction of new tools
- establishment of trading and clearing links
- development of the derivatives market
- introduction of additional incentives for small and medium-sized businesses to enter the stock market
- implementation of tasks to attract and activate investors

2. Development of the central counterparty as a key infrastructure element:

- separation of the CCP into a separate subsidiary organization
- improvement of activities subject to PIFR IOSCO
- alignment with ESMA/EMIR standards
- obtaining an operational rating
- launch of clearing participation certificates

3. Introduction of innovations and technological modernization:

- ensuring high fault tolerance of the IT infrastructure
- pilot projects for implementation of digital financial instruments
- implementation of technology for identifying suspicious behavior of trading participants

4. Increased value for stakeholders:

- increasing the level of corporate governance
- introduction of new approaches to dividend policy
- improvement of management reporting
- application of new approaches to project evaluation given their margins.

In 2023, the Exchange continued to implement the 2022–2024 Development Strategy, which was designed as a continuation and development of initiatives laid down in the previous three-year period and focuses on global and local macroeconomic trends and best international practices in development of the stock exchanges.

Strategic direction 1. Increasing liquidity on exchange markets

In this strategic direction, the KASE Exchange Group implements the tasks of attracting and activating investors, and also actively works to create extra incentives for companies, in particular small and medium-sized businesses, to enter the organized market.

In order to attract local and foreign investors, new instruments are being introduced: trading in new currency pairs, clearing certificates of participation, ETFs for KASE instruments, repo in foreign currency has been launched, and the list of calculated indices and indicators has been expanded, which are used by market participants as benchmarks and allow to evaluate attractiveness of the Kazakhstan market as a whole.

The Exchange continues to work to create conditions for small and medium-sized businesses to enter the stock market. With support of the Ministry of National Economy of the Republic of Kazakhstan, amendments were made to the National Entrepreneurship Development Project for 2021-2025, which provides for provision of subsidies for coupon rate and bond guarantees (optional). In 2023, the first three issuers underwent the listing procedure and successfully raised 5 billion KZT on the Exchange.

Consistent attraction of retail investors to the stock market is one of the priority tasks within the current Strategy of the Exchange, including through introduction of new instruments, improvement of trading conditions and development of the KASE Global foreign securities sector, as well as implementation of large-scale programs to improve financial literacy and develop a mobile application.

The Exchange, as one of conductors of the ESG policy on the corporate market of Kazakhstan, consistently promotes ESG standards among its companies, and also creates opportunities for financing “green” and social projects on its platform. The green bond sector is a promising and fast-growing segment of the global financial market, placement of which is actively supported by foreign stock exchanges. The Exchange, being one of the promoters of the ESG policy on the corporate market of Kazakhstan, consistently promotes ESG standards among its companies, and also creates opportunities for financing “green” and social projects on its platform.

The current Strategy also includes tasks for creating new products and services in sustainable development and their application on the financial market of Kazakhstan. The Exchange continues to hold events among current and potential Exchange issuers to promote sustainable development issues and determine an interest in ESG tools.

Another important focus of development is designed to attract retail investors through implementation of sponsored market-making programs, financial literacy programs, and development of a mobile application. Moreover, the possibility of introducing new digital products based on blockchain technology will be explored.

Introduction of indices and indicators of the government securities market

From October 2, 2023, Kazakhstan Stock Exchange began calculating and publishing indices of the government securities market of the Republic of Kazakhstan without segmentation by maturity (aggregated indices).

These indices are in addition to the previously introduced government securities indices, which are segmented by maturity (less than one year (s), from one year to five years (m), from five years or more (l)). When determining the methodology for aggregated government securities, the Exchange took into account the generally accepted practice of determining bond indices of the European bond commission and the European Federation of financial analyst societies. The approach to calculating aggregated indices was determined taking into account the specifications of the Kazakhstan market and their calculation was implemented in a separate Index Server module installed by MOEX and adapted to the ASTS+ KASE database.

Index values are calculated once a day after the end of trading on the government securities market and are posted on the official Internet resource of the Exchange. Non-indexed government securities of the Republic of Kazakhstan, which are included in the official KASE list, have a fixed coupon rate and are denominated in tenge, were used as a representative list for these indices.

New currency pairs on the foreign exchange market

Based on the growing interest of market participants in foreign exchange transactions with the Chinese yuan, the Exchange launched trading in new financial instruments on the foreign exchange market on March 6, 2023 – the USD / Chinese yuan and Euro / Chinese yuan currency pairs. These instruments are designed for trading on the foreign exchange spot market and offer different settlement terms: T+0, T+1 and T+2.

The USD / Chinese yuan currency pair quickly won popularity on the market and at the end of 2023, 828 transactions were closed with the USDCNY currency pair, the trading volume made 1.3 trillion KZT (4.4% of the total share of foreign currency trading) or 2.9 billion USD. One transaction with a volume of 50.2 million KZT or 100 thousand Euro was closed with the EURCNY currency pair.

By the end of 2023, the foreign currency market is represented by 22 instruments, including seven currency pairs (USDKZT, RUBKZT, CNYKZT, EURKZT, EURUSD, USDCNY and EURCNY) with settlement terms T+0, T+1 and T+2. Trading in these instruments is carried out in the ASTS+ trading and clearing system, which was put into operation on November 30, 2020. Additionally, the foreign exchange market operates under a negotiated transactions regime, which is analogous to the over-the-counter market. Transactions closed in various modes are subject to a single netting and risk management system of KASE as the central counterparty on the foreign exchange market.

Conducting of KEGOC's SPO

In 2023, KASE again took part in placement of common shares of the largest national company of Kazakhstan and system operator of the unified electric power system of Kazakhstan – KEGOC JSC.

For full-scale implementation of KEGOC's SPO, KASE held a fair of Kazakhstan's brokers "KASE FEST" for retail investors at the sites of leading universities in 5 cities of Kazakhstan, which was attended by over 2,000 people. The Exchange organized events on financial literacy on the stock market: comprehensive training program "My Portfolio on KASE", Retail Investor Competition and educational trading "Stock Simulator".

Due to active participation of the Exchange in large-scale work carried out jointly with Samruk-Kazyna National Welfare Fund JSC and brokerage organizations, as well as development of digital technologies in the financial sector, which significantly facilitated submission of applications by individuals, 18.7 billion KZT, which is 82.4% of the total placement volume, was raised on KASE platform within KEGOC's SPO.

During subscription to common shares of the company on the KASE, over 37 thousand applications were received from investors for a total amount of 28.8 billion KZT. Volume of applications from individuals in this amount reached 12.6 billion KZT (43.9% of the volume of accepted applications), institutional investors represented by insurance organizations, second-tier banks and brokers – 14.5 billion KZT (50.3% of the volume of

accepted applications) applications) and legal entities – 1.7 billion KZT (5.8%). Demand to supply on KASE amounted to 127%.

Along with that, all active applications submitted by individuals were satisfied in full, applications from legal entities were partially satisfied, and one application from an institutional investor was not satisfied.

Settlements for subscription and collection of orders through the KASE trading system were guaranteed by the Clearing Center. Along with that, using the recently introduced omnibus account technology, over 19 thousand investors submitted their applications to the KASE.

On November 10, 2023, the opening ceremony of trading in shares of KEGOC JSC was held at KASE, timed to coincide with the SPO that took place from September 28 to October 27, 2023. At the ceremony, welcoming speeches were made by Chairperson of the Management Board of KASE A.Aldambergen, Deputy Chairperson of ARDFM M.Khadzhiyeva, senior independent director, member of the Board of Directors of KEGOC JSC N.Akhanzaripov, Chairman of the Management Board of SkyBridge Invest JSC Sh.Ainabayeva.

Earlier, during the IPO of KEGOC JSC on the KASE platform at the end of 2014, the number of submitted applications for purchase of shares exceeded 41 thousand for a total amount of 16.7 billion KZT. Demand surpassed supply by 1.3 times. Common shares of KEGOC JSC are among the most liquid shares and have been included in the Representative List of the KASE Index since February 1, 2015.

First SME issues with subsidized coupon rate

In order to diversify sources for raising financial resources for small and medium-sized enterprises, the Exchange, together with DAMU Entrepreneurship Development Fund JSC, ARDF and the Ministry of Economy, has developed a program for SME financing using stock market instruments.

Large-scale rule-making work was carried out within development of this program, as a result of which, within the SME Development Concept in the Republic of Kazakhstan until 2030 and the 2021-2025 National Project for Entrepreneurship Development (hereinafter referred to as the National Project), provision of state subsidies, coupon interest rate and bond guarantees are provided for as an additional support measure.

The national project to support SMEs in Kazakhstan is a priority direction for development of the country's economy. The project pursues a main goal to create conditions for development of small and medium-sized enterprises, increase their share in the economy of Kazakhstan and improve competitiveness of Kazakhstan's companies on the global market, and this project is also designed to create new jobs and improve the living standards of the population.

Within the Republican budget, DAMU was approved allocation of funds to support SMEs. In turn, the Exchange has established simplified listing requirements for issuers of this platform, which are significantly lower than for representatives of large businesses. Along with this, for listing of bonds of small and medium-sized businesses (non-financial organizations), KASE provides benefits for payment of listing fees and commission fees for organizing the specialized trading.

During 2023, the Exchange carried out work to attract issuers of small and medium capitalization within this National Project.

The Exchange held over 40 initial advisory meetings for SME companies. In addition to target meetings, round table discussions were held for various associations, as well as webinars together with DAMU for business.

As a result of these efforts, in 2023, the first three bond issues with a subsidized coupon rate passed the listing procedure:

- Bonds of BRBAPK LLP have been included in the official KASE list since August 17, 2023. The company raised 500.0 million KZT with a maturity of 5 years, coupon rate of 20.5% p.a.: 14.5% subsidized and 6% p.a. – not subsidized;
- "Green" bonds of KazWind Energy LLP have been included in the official KASE list since October 13, 2023. The company raised 3.0 billion KZT at 21.75% p.a.: subsidized 15.75% p.a. and unsubsidized 6% p.a.
- "Green" bonds of Black Biotechnology LLP are included in the official list of KASE since November 13, 2023. The company raised 1.5 billion KZT at 21.50% p.a.: 15.5% subsidized and 6% p.a. – non-subsidized.

The Exchange pro-actively continues its efforts to attract issuers of the SME segment and large businesses to the stock market, training programs for private businesses about stock market instruments are conducted on a regular basis, work is underway to attract new members of the Exchange and to improve services provided to members and issuers

of the Exchange. In 2024, the Exchange extended benefits for payment of listing fees, and negotiations are also underway with potential investors represented by international financial institutions.

Development of the derivatives market

Development of the derivatives market has a number of potential benefits, including increasing liquidity, expanding investment opportunities, reducing risk and attracting new participants to the market. This task requires a systematic approach and constant efforts on the part of the Exchange and other market participants.

During 2023, the Exchange carried out active work in creating conditions to increase liquidity on the derivatives market by expanding the number of participants and attracting market makers; conducting educational programs, seminars and consultations for market participants and the public in order to increase the level of knowledge about derivatives and their role in the investment process. In partnership with brokerage companies, KASE held webinars for a wide audience of retail investors, and also developed educational materials for beginning investors.

Currently, in the derivatives sector of the exchange market, non-deliverable futures are available for trading on the USD to KZT exchange rate, the Russian ruble to KZT exchange rate, the KASE Index, common shares of Halyk Savings Bank of Kazakhstan JSC and NAC Kazatomprom JSC.

As part of the program to attract market makers, in 2023, agreements were signed with Halyk Finance JSC and NGDEM Finance JSC, which assumed obligations to promote futures for common shares of Halyk Savings Bank of Kazakhstan JSC and futures for the KASE Index, respectively.

The Exchange intends to continue to actively develop the derivatives market, enhance the institution of market making and gradually expand the range of trading instruments. As part of this plan, the possibility of introducing futures on various assets, including gold, interest rates and the S&P500 index, is under study.

Institute of primary dealers on the government securities market

As part of the project of the Institute of Primary Dealers on the government securities market, together with the National Bank of the Republic of Kazakhstan and the Ministry of Finance of the Republic of Kazakhstan, with participation of KASE, a scoring model

has been developed to evaluate activities of participants on the government securities market.

The essence of this project is to provide an access to primary issues of the Ministry of Finance to a limited number of market participants. In return, participants will perform a specialized role on the government debt market. Limited access will attract foreign investors and reduce the cost of borrowing for the government. Also, the institution of primary dealers will help improve efficiency of the domestic government securities market.

To evaluate activities of professional participants and their capabilities, a monitoring period was announced, during which the National Bank monitored their activities on the government bond market.

In addition, a scoring model was developed that makes it possible to rank participants depending on their activities on the government securities market. From June to November 2023, the Exchange evaluated activities of participants of the government securities market and posted it on its website. In 2024, the most active participants will be identified and the institution of primary dealers will be launched.

Strategic direction 2. Development of the CCP as a key infrastructural element

On the basis of KASE, the institution of central counterparty has been introduced and effectively functions on all markets: stock, money and derivatives markets. KASE gradually introduced the CCP on all its markets. First on the derivatives market in 2012, in 2018 the Exchange launched the CCP on the foreign exchange market. In 2019-2020, the CCP also began to work on the stock and money markets.

Launch and development of CCP services on all KASE exchange markets ensures reduction in the credit risk of participants, guarantees completeness of settlements for transactions, and reduction in transaction costs for participants through cross-margining and netting. The CCP service makes it possible to provide guarantees for investors in timely receipt of assets for transactions, introduce risk management and adequate assessment of instruments in real time.

In 2022, work began on separating the central counterparty functionality into a separate organization. By decision of the Board of Directors of the Exchange, it was decided to create KASE Clearing Center JSC by reorganizing 100% of the Exchange's subsidiary eTrade.kz LLP. On June 21, 2022, the Clearing Center was registered as a legal entity – a 100% subsidiary of KASE.

On September 25, 2023, the Exchange transferred clearing and settlement functions, as well as functions of the central counterparty to the Clearing Center.

Since September 25, KACC clearing participants are 42 financial organizations being KASE members in the “stock” category. More than 1,500 financial instruments were accepted for clearing services, including 989 issues of securities of 253 issuers included in the KASE official list.

Within preparation for transfer of the clearing and settlement functions, the Clearing Center has implemented necessary processes and established business relations with financial organizations that make up the market infrastructure and are its users, transferred employees and transferred assets, developed and approved internal regulatory documents, and received the following authorized licenses authority for regulation and development of the financial market:

- 1) clearing activities for transactions with financial instruments on the securities market (license dated July 21, 2023 No. 3.1.8.2);

- 3) conducting banking operations in national and foreign currency (license dated August 28, 2023 No. 4.3.22).

Division of functions of the exchange market infrastructure was carried out in order to create attractive conditions for investors when carrying out transactions on the organized market, attracting foreign investors, expanding opportunities for providing services on other exchange markets in Kazakhstan and the region, as well as sharing the risks of infrastructure organizations.

Detachment of the clearing and central clearing functions into a separate legal entity makes it possible to provide central clearing services for various financial instruments traded not only on KASE, but also on other exchange and over-the-counter markets.

One of these strategic objectives is to improve the risk management system and bring it into compliance with the international laws European Market Infrastructure Regulation and best business practices. To fulfill this task, in 2023, the Clearing Center validated risk models of the Central Counterparty for compliance with EMIR requirements, as a result of which the Clearing Center successfully confirmed stability of its risk management system.

The Clearing Center actively establishes business relations with foreign CCPs and international central depositories. Thus, the Clearing Center joined the international association of clearinghouses – CCP Global, which unites 40 members operating on financial markets of America, Europe, the Middle East, Africa and Asia-Pacific. The Clearing Center held a number of meetings with international central depositories – Euroclear and ClearStream, in order to study their experience and the possibility of opening accounts.

The next stage in activities of the Clearing Center, which is reflected in the 2022-2024 Development Strategy of the Exchange, is to bring its services in line with the best international practices and standards, bring the laws of the Republic of Kazakhstan in line with ESMA requirements, continue to build a risk management system, business - processes, obtaining an operational rating and completing the transfer of the Central Committee functionality for the foreign exchange and derivatives markets from KASE to KACC.

Strategic direction 3. Introduction of innovations and technological modernization

The Exchange, being one of the key infrastructure elements of the financial market, pays special attention to implementation of advanced technological solutions according to the best global practices. As part of the current strategy, it continues to bring information technology and information security in line with international standards, ensure achievement of high fault tolerance of the IT infrastructure, and use advanced technologies in supervising behavior of trading participants.

It is planned to implement pilot projects based on blockchain technology and other budding digital technologies. Modernization of the internal infrastructure will be carried out through implementation of a new back-office system using microservice architecture.

Pilot projects for implementation of digital financial instruments

The Exchange undergoes active development in line with its Development Strategy, as well as global trends in digitalization of financial markets and strategic directions of the country's development.

Global experience of traditional exchanges in the field of blockchain indicates that a lot of them are actively exploring the use of DLT distributed ledgers. Examples of such cases include initiatives of the SIX Digital Exchange in Switzerland, stock exchanges of Hong Kong and Warsaw, as well as activities of central depositories that are rethinking their role in the stock market ecosystem.

In 2023, the Exchange took the first practical step in introducing trading in digital financial instruments and implemented the Proof of Concept (PoC) stage of the KASE DIGITAL pilot project for tokenization of securities on the KASE DLT platform based on the open source solution Corda.

Works carried out within the PoC confirmed technical feasibility of the idea. As part of the pilot, main scenarios of the life cycle of a tokenized security were implemented. Thus, test transactions to register the emulated issuer were carried out, tokens of its securities (bonds) were issued, test trading operations were carried out in the trading system of the Exchange with participation of a simulated broker, and smart contracts were developed. Payments for tokenized bonds were carried out in Digital Tenge through the integration of DLT KASE with the digital tenge platform of the National Bank of Kazakhstan.

Release of a new type of stablecoins on KASE DLT platform backed by Digital Tenge 1:1, was chosen as the best solution to ensure uninterrupted settlement of stock market

transactions and greater operational flexibility. To do this, a scenario was implemented jointly with a subsidiary of the NBRK – National Payment Corporation, in which a separate type of stablecoins, backed by Digital Tenge, was issued on the KASE DLT platform, which could be used on the KASE DLT platform for payments for tokenized assets.

Despite numerous benefits of tokenization, the Exchange faces challenges such as regulation and legal aspects. Development of an appropriate legal framework is crucial to ensure stable and safe operation of this market. Planned launch of the KASE DIGITAL project into commercial operation in 2025 will allow for successful implementation and adaptation of new digital tools on the stock market of Kazakhstan. In 2024, main focus will be on joint efforts with regulators to build a legislative framework, determine requirements for platform, licensing, and participants on the tokenized securities market.

Construction of a metro cluster based on the main and backup data centers to increase the overall level of fault tolerance of the IT infrastructure

In 2023, the Exchange carried out works to increase the level of fault tolerance, increase the level of availability of exchange services and ensure continuity of its activities. As part of the ongoing work, a significant technological modernization of the entire IT infrastructure of the Exchange was carried out, which affected both physical and virtual support.

The performed works included the following activities:

- building a metro cluster using synchronization of data storage systems. Clustering technologies of “stretched” HA (High Availability), a single address space of the local network between data centers, were used. As a result, this made it possible to significantly reduce recovery time of the information systems of the Exchange from several hours to minutes, and in some cases, without actually interrupting the operation of the information systems. Construction of the metrocluster has significantly brought the Exchange infrastructure to a higher modern level of operation and development.
- installation and commissioning of new server equipment;
- installation and commissioning of new data storage systems on two platforms;
- a move to a TIER III level data center was carried out, meeting the highest international standards for ensuring a level of fault tolerance;

- a complete restructuring of the virtual infrastructure was completed, which made it possible to “stretch” virtual resources of information systems into two independent platforms;
- combining local networks in two data centers into a single space, which allowed information systems to operate regardless of physical location.

Strategic direction 4: Increasing value for stakeholders.

The Exchange, as an important structural element of the financial market, continues to make efforts to increase value for its stakeholders. In particular, within the new Strategy, work is underway to increase the level of corporate governance, improve management reporting, apply new approaches to evaluating projects taking into account their marginality, and also introduce new approaches to dividend policy.

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

Introduction of new approaches to dividend policy

By decision of the extraordinary general meeting of shareholders of the Exchange dated February 10, 2023, the new Dividend Policy of the Exchange was approved. New approaches to payment of dividends take into account international standards of capital and asset adequacy for organizations performing functions of the central counterparty, approaches to payment of dividends of foreign exchanges and central counterparties, changes in the financial model of the Exchange in connection with separation of settlement and clearing functionality and functionality of the central counterparty into a separate organization. In particular, the new edition of the Dividend Policy provides for conditions and formula for calculating the rate of dividend payments, taking into account compliance with the standard of sufficiency of the size of liquid assets of the Exchange to cover current and capital costs of the Exchange, as well as sufficiency of its reserve funds when performing functions of the central counterparty when operating on the Exchange or when it is separated into a separate legal entity – a subsidiary of the Exchange.

Despite the fact that the dividend policy has already been approved, the Exchange does not stop there. In search of perfection and updating of the current edition, we take into account important changes in our structure. The desire to develop the Central Counterparty as a key infrastructure element, thereby creating the subsidiary, KACC, and transferring the clearing and settlement functions of the central counterparty, prompted steps to be taken to consider the possibility of improving the methodology to calculate the amount of dividends payable. This process is an integral part of our commitment to ensuring a balance between interests of shareholders of the Exchange in receiving dividend income and importance of the parent company in ensuring strategic development.

Application of new approaches to evaluating projects taking into account their marginality

In 2022, a project approach was introduced at the Exchange, and new Rules for planning and project management were adopted. These Rules are designed to define strategic approaches to development and implementation of best practices in exchange activities. They establish the procedure for development and monitoring of implementation of the development strategy of the Exchange, as well as projects necessary to achieve strategic goals.

Last year, one of the main tasks for the Exchange was to improve the mentioned rules and introduce approaches to the methodology for evaluation of effectiveness of projects within project management, taking into account their marginality. This assessment methodology is an important tool for successful management of business processes and achieving the strategic goals of the company.

Introduction of such methodology makes it possible to provide a more objective basis for making decisions about resource allocation and investment. It helps identify the most promising projects and determine the most effective ways to implement them. It also helps optimize the use of company resources, which include financial, time and human resources.

Moreover, the methodology to evaluate effectiveness of projects contributes to development of more accurate and realistic plans, which helps minimize risks and improve predictability of results. It also increases transparency and accountability within the Exchange.

In 2023, key approaches to determining the methodology for evaluation of effectiveness of projects were developed and key performance indicators were selected. However, it is important to determine the minimum required return for shareholders of the Exchange, with which results of the projects' rate of return will be compared. Efforts in this direction continue, and in 2024 it is planned to comprehensively introduce all related methods for evaluation of effectiveness of projects, including the methodology for calculating the cost of capital of the Exchange using benchmarks.

Representative office in Astana

Opening of a KASE representative office in Astana in 2023 is a key step in the strategy to scale up the activities of the Exchange and enhance a position of the Exchange as one of the leading participants on the financial market of Kazakhstan.

The main goal of opening a representative office in the capital of the Republic of Kazakhstan is to establish direct interaction between KASE, its clients and partners in Astana. Organizing a physical presence in the capital allows the Exchange to expand the range of its clients, create convenient conditions for meetings and dialogue, which contributes to development of long-term and mutually beneficial relationships.

Adapting to changing market conditions through processing of offers, development of promotional activities and study of the market conditions helps KASE remain competitive and actively contribute to formation of new offers and products that meet market requirements.

Organization of events and consultations at the KASE representative office also plays an important role in providing clients with extra expert support and market information, which helps them make informed strategic decisions.

Thus, opening of the KASE representative office in Astana confirms desire of the Exchange to develop its presence in the region and demonstrates provision of high quality services and support to its clients and partners.

Training, consulting, market promotion

KASE pays special attention to in-depth study of financial services and improvement of financial literacy among all stakeholders. In 2023, the Exchange continued to arrange training programs for issuers and investors, students and representatives of mass media.

During 2023, the Exchange held events to attract retail investors to the stock market and improve financial literacy. In order to increase public awareness of stock market instruments, KASE, in cooperation with brokerage organizations, conducted comprehensive training program "My Portfolio on KASE", which covered the following topics: "Introduction to the securities market", "Selection of stocks", "Selection of bonds", "Selection of investment funds (MIFs and ETFs)", "Introduction to the derivatives market", "Drawing up an investment portfolio".

In October 2023, the Exchange held a fair of Kazakhstan's brokers "KASE FEST" in leading universities in the cities of Pavlodar, Astana, Shymkent, Almaty, Aktobe. These

fairs were organized in support of the annual World Investor Week 2023 WFE program, as well as in anticipation of KEGOC's SPO.

The event was held in order to maximize coverage of potential retail investors, including students of educational institutions, to popularize SPO and increase financial literacy of the population.

Representatives of KASE, Samruk-Kazyna JSC, KEGOC JSC and brokerage companies Kazpost JSC, Freedom Finance JSC, Jusan Invest JSC, BCC Invest JSC, SkyBridge Invest JSC, Halyk Finance JSC told participants of the event about investing on the stock market, including the SPO possibilities, interaction with brokerage companies, and performance of KEGOC JSC. Overall, more than 2,000 participants took part in the event.

From October 10 to November 10, 2023, the annual Retail Investor Contest on the stock market was held. The event was designed to popularize stock exchange trading in Kazakhstan. The contest was attended by individuals who are clients of brokerage companies being members of the KASE stock market. The list of financial instruments available to contest participants included shares of the KASE Index and shares of the KASE Global sector.

Over 130 retail investors took part in the contest. As a result of the contest, its participants closed 5,448 transactions worth 485.9 million KZT. Three winners of the contest, who received the maximum profitability based on results of transactions with shares during the period of its implementation, received valuable prizes.

Another project of the Exchange designed to attract potential investors to the stock market is the Stock Exchange Simulator Contest, a student project conducted by the Exchange since 2008 twice a year. During the contest, project participants being university students are provided with a portfolio (a virtual set of financial instruments/shares) with a nominal size of 1 million KZT for management at start of trading. The main task of the participants of the "Stock Simulator" is to form the best investment portfolio.

Since 2022, the contest has been held for everyone through the launched mobile application of the KASE Mobile Exchange. As part of the project, over 60 instruments are available to bidders. In addition to shares of the representative list, as well as shares of well-known brands such as Yandex, Exxon Mobil, Coca-Cola, securities of investment funds are available for trading.

In 2023, this contest was held in two stages: from April 3 to May 31 and from October 2 to November 30. Over 6,000 participants were registered to participate in the Stock Exchange Simulator project in 2023.

Training programs for companies

In February 2023, the Exchange held webinar “KASE Opportunities for Business” together with DAMU Federal Investment Fund and Eco Product LLP. The speakers covered stock market instruments for business, their types and advantages, government programs to support small and medium-sized enterprises when they enter the stock market, and a potential issuer shared its experience of interaction with DAMU and the Exchange as a participant of the government program.

In June 2023, the Exchange invited entrepreneurs to training program “Attracting financing on KASE”. As part of this comprehensive program, the following webinars were held:

- "Goals and advantages of attracting financing on the stock market." Representatives of the Exchange spoke about stock market instruments for business, their types and advantages, as well as government programs to support small and medium-sized businesses;
- "Management of company capital and ways to raise funding." Analysts from the Exchange and KPMG in the Central Asia and Caucasus region discussed about international and local practices in choosing the optimal capital structure, influence of micro and macro factors on deviations from the optimal capital structure, as well as how to independently calculate a fair financing rate;
- "Stages of preparation for placement of securities on the stock market." Speakers of the Exchange spoke about requirements for potential issuers in terms of corporate governance, content of documents and financial reporting, procedures and stages of listing, as well as requirements for disclosure of information during circulation of securities;
- “KASE Opportunities for Business” at the site of Atameken NCE of RK in Astana. The speakers spoke about stock market instruments for business, their types and advantages, government programs to support small and medium-sized businesses, as well as listing procedures on the Exchange.
- "ESG Insights: trends, development and integration" with participation of international company RepRisk. RepRisk representatives spoke about cutting-edge

innovations and ESG features, main trends and prospects for development of the ESG market worldwide and in Central Asia, research of ESG risks and their management, as well as integration of ESG risks into corporate, investment and banking activities;

- "Introduction to PRI: Advancing Responsible Investment Practices and Raising ESG Knowledge in the Global Investment Sector." Speakers at this event were senior experts on responsible investment in Northern Europe, Central and Eastern Europe and the CIS PRI Academy, who introduced participants to the principles of responsible investment and PRI activities, global investment sector, as well as ESG promotion and opportunities for expanding competencies in this direction.

PR events

The Exchange pursues active and effective interaction with mass media for information exchange with its partners and stakeholders. The Exchange annually holds events designed to disclose information about the situation on the exchange market and financial instruments traded on it, initiatives of the Exchange as well as trends on the global markets.

As part of implementation of the UN Sustainable Stock Exchanges Initiative, in 2023, the Exchange held the Ring the Bell for Gender Equality trading opening ceremony for the sixth time, as well as the Gender Inclusion and Sustainable Development conference.

In order to increase awareness of activities of the KASE exchange market, as well as coverage of stock market events, the Exchange continued to release the news program "KASE Exchange News" on the radio station "Business FM".

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

With support of KASE, the X Anniversary CFO Summit Kazakhstan was held for top managers of the financial market, during which Chairperson of the Management Board of KASE Alina Aldambergen spoke on the topic "Transformation of Capital Markets: New Image of Stock Exchange".

Implementation of sustainable development principles

The Exchange, as part of its activities, sticks to the principles of sustainable development, believing that their implementation facilitates sustainable, responsible and ethical operation of the financial markets, which benefits both the economy and society as a whole. Mission of the Exchange, as an infrastructural organization of the stock market of the Republic of Kazakhstan, is to promote the economic growth of the Republic of Kazakhstan by providing a broad range of tools for fund raising by domestic issuers, providing a platform for redistribution of liquidity in the financial system and providing a transparent investment environment for local and foreign investors.

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

In its activities, the Exchange sticks to the following principles of the UN Global Compact:

- 1) in the field of human rights protection: the Exchange ensures and respects protection of human rights proclaimed at the international level; The Exchange ensures non-involvement in human rights violations;
- 2) in the field of labor relations: the Exchange supports the policy of eliminating forced and child labor, discrimination in the field of labor and employment;
- 3) in the field of environmental protection: the Exchange sticks to the precautionary principle in environmental matters; the Exchange takes initiatives intended to increase environmental responsibility; the Exchange welcomes development and dissemination of the environmentally friendly technologies;
- 4) in the field of combating corruption: the Exchange declares intolerance to all forms of corruption and other illegal actions, including extortion and bribery.

KASE pro-actively integrates ESG principles into strategic planning and corporate governance, develops policies regulating the management of sustainable development issues, introduces best sustainable development practices into its own activities and promotes them among issuers. Activities of the Exchange in sustainable development include development of financial instruments for sustainable development, support for

corporate social responsibility and management of sustainable development risks, including climate risks.

Disclosure of ESG information by listed companies

By joining the UN Sustainable Stock Exchanges Initiative, KASE promotes the use of best practices in non-financial reporting, as well as sustainability reporting. As part of this work, KASE, in partnership with international financial institutions, forms and promotes methodological recommendations for these reports, and also consistently implements standards for preparation of non-financial reporting and reporting according to ESG criteria into mandatory information disclosure requirements for listed companies. In February 2020, KASE updated requirements for annual reports, providing for additional disclosure of information on social responsibility and environmental friendliness for companies securities of which are in the “Main” category of the official list of the Exchange. The Exchange initiative was important for companies and provided an opportunity to build the capacity needed to produce quality reports on sustainability issues. As early as late 2020, 80 out of 155 listed organizations provided annual reports disclosing ESG or its main elements.

In 2021, the Exchange highlighted a separate document – “Information Disclosure Rules”, which set out key requirements to information disclosure for listed companies. And if previously KASE insisted on disclosing only the key points, now full disclosure of information in the field of sustainable development has begun, including certain tabular specifications. There are appendices that include a list of key performance indicators in relation to general, environmental and social issues, as well as full inclusion of evaluation of corporate governance key performance indicators and important element of guidance on industry specifications.

In 2023, a decision was made on the need to prepare annual reports by companies securities of which are traded on the “Alternative” platform of the official list of the Exchange. This requirement comes into force on January 1, 2025. The Exchange also developed guidelines for disclosure of information on climate change in the reporting period, which are advisory in nature.

ESG infrastructure

The Exchange, being a systemic infrastructural institution of the financial market, recognizes importance of creating opportunities for financing sustainable development projects on its site. As part of its strategic objectives, the Exchange plans to further

improve information disclosure standards for issuers, launch an ESG reporting platform for investors, and continue work to increase ESG awareness among financial market participants. During 2023, the Exchange worked to create the ESG Data Platform, a platform that contains necessary information for investors on sustainable development of issuers, which is planned to be launched in 2024.

ESG issues

The sustainable bond market in Kazakhstan was launched in 2020, and the amount of funds raised in this segment grows every year. While in 2020, 14.0 billion KZT were raised on the ESG bond market at KASE, in 2021 – 29.4 billion KZT, in 2022 – 33.6 billion KZT, and in 2023 – 41.9 billion KZT.

History of the sustainable bond market in Kazakhstan began in 2020 with the first issues of “green” bonds totaling 14.0 billion KZT: The Asian Development Bank placed on KASE two issues of “green” bonds for 14.0 billion KZT, proceeds from placement of which were directed to finance projects to reduce greenhouse gas emissions into the atmosphere.

In 2021, the Asian Development Bank placed the first issue of “social” bonds for 8.4 billion KZT with a 10-year maturity at 10.15% p.a. to finance projects designed to reduce gender inequality and facilitate empowerment of women and girls. In September 2021 DAMU development institution raised 1.0 billion KZT with a 5-year maturity at 11.90 % p.a. to finance SME, microfinance organizations, leasing companies amid COVID-19 pandemic.

In 2021, a new participant entered the ESG market in Kazakhstan with “green” issues. The Eurasian Development Bank raised 20.0 billion KZT for a period of three years at 10.50% p.a. to finance “green” projects of the bank in the Republic of Kazakhstan.

In 2022, despite the increase in fund raising rates and instability of the situation, volume of ESG fund raising continued to grow. The Asian Development Bank raised extra 14.0 billion KZT for social projects, as well as 3.4 billion KZT for green financing. KEGOC raised 16.1 billion KZT for implementation of company’s projects related to construction of the necessary network infrastructure. These are the first social bonds issued with a floating coupon rate linked to the TONIA indicator.

In 2023, volume of placement of ESG bonds totaled 41.9 billion KZT, where 31.4 billion KZT were attracted through “green” issues of four issuers and one issue of social bonds in the amount of 10.6 billion KZT:

- KEGOC JSC additionally placed bonds issued in 2022 for 16.9 billion KZT;

- Development Bank of Kazakhstan JSC raised 10.0 billion KZT through issue of green bonds to finance green projects;
- KazWind Energy LLP (KazWind Energy) will allocate funds from green bonds placed for 3.0 billion KZT to “Construction of a wind power plant”;
- Black Biotechnology LLP also placed “green” bonds for 1.5 billion KZT to finance construction of a plant for production of innovative biofeed additives and fertilizers for development of organic agriculture;
- MFO OnlineKazFinance JSC placed social bonds for 10.6 billion KZT designed to solve gender issues.

ESG events

KASE annually holds events for issuers and investors with involvement of international experts to raise awareness of financial market participants about current issues of the global agenda of sustainable development, trends in responsible investment and disclosure of ESG information.

In 2023, together with the PRI Academy, a training for issuers “Introduction to PRI: development of responsible investment practices and increasing the level of knowledge in ESG in the global investment sector” was conducted. Also, together with RepRisk, the training “ESG Insights: trends, development and integration” was held.

In 2023, the Exchange, together with ARRDF and IFC, held the first REGIO TAFF contest for companies from the small and medium-sized business sector. Two of the ten winners received free support for development of sustainability policies and preparing non-financial reporting, as well as assistance in obtaining an independent external assessment and financial advisory services. Winners of the contest were TechnoGroupServis LLP and Green Capital Kazakhstan LLP.

In March 2023, the Exchange traditionally held, together with the IFC, the annual Ring the Bell for Gender Equality trading opening ceremony and the DigitALL: Women in FinTech event. The Exchange holds this ceremony for the sixth time within implementation of the UN Sustainable Stock Exchanges Initiative, which KASE joined in 2015. This action is traditionally supported around the world by UN Women, IFC, the organization “Women and Exchange Traded Funds” and the World Federation of Exchanges. Every year, more than 100 exchanges worldwide hold the opening ceremony of trading.

Information policy

The Exchange, as a key source of exchange information, contributes to creation of reliable, transparent and secure environment to work with information. For these purposes, the Exchange has developed an Information Policy – a system of principles and procedures on which provision of information of the Exchange to regulators, interested parties and/or partners is based, and with the help of which the image of the Exchange and its business reputation are formed and maintained. The Exchange sticks to the following principles when disclosing and disseminating information:

- 1) regularity, consistency, efficiency and timeliness;
- 2) complete disclosure of information within capabilities and competence of the Exchange;
- 3) neutrality and objectivity;
- 4) equal opportunities for access and availability of public information of the Exchange for regulators, partners and interested parties;
- 5) ensure control over confidentiality and use of insider information of the Exchange;
- 6) compliance with confidentiality: presence of a reasonable balance between openness of information and respecting the interests of the Exchange as a commercial organization;
- 7) respect the rights of partners of the Exchange to information about changes in their activities provided to the Exchange as the organizer of trading subject to requirements of the laws of the Republic of Kazakhstan.

Information Services

In 2023, exchange information products remained a focus of attention of investors and participants on the local financial market. This interest is due to the market trend towards digitalization and technological development, which, in turn, contributes to innovative growth and increased competitiveness in the region. In this context, information services are an important tool to improve business processes, improve an access to exchange services and increase efficiency of various sectors of the economy. Thus, the circle of KASE information consumers in 2023 expanded to such subscribers as BCC Invest JSC, KazMunayGas JSC, Freedom Finance Bank JSC, Tansar Capital JSC, Teniz Capital Investment Banking JSC, services of which use both KASE trading information and its technical infrastructure. As a result, the number of corporate clients subscribing to KASE

information services increased to 36 companies. Number of clients who are distributors of KASE trading information was 21, where three companies, namely Bloomberg, Refinitiv, and Citigroup Global Markets LTD, are providers of global financial information and disseminate KASE trading information in real time with a total audience of 209 end subscribers by the end of 2023.

Overall, prospects for exchange information products in Kazakhstan remain optimistic, given rapid development of financial technologies and increased interest in investment opportunities on the local market. The exchange will continue to invest in development of exchange infrastructure, improving the quality and availability of information products in order to ensure stability and attractiveness of the financial market of Kazakhstan for investors.

Evaluation of quality of KASE services

Increasing the level of customer satisfaction of the Exchange, maintaining high positions in evaluation of exchange services and finding new ways to improve them are among the main priorities of the Exchange. Implementing new projects and introducing new products for Exchange members, listed companies and other recipients of services, KASE also strives to receive feedback on these projects and products and build communications with recipients of exchange services.

In order to build an effective system of communication with clients to evaluate quality of the provided services, the Exchange adopted the Rules for determining the criteria for level of customer service of the Exchange, approved by decision of the Management Board of the Exchange dated October 5, 2021 (SLA standards), and also developed an information system (web application) for receiving feedback communication from clients based on results of receiving each service. Users of the system are employees of all structural divisions of the Exchange, functional responsibilities of which include customer service, as well as clients of the Exchange.

In addition, KASE conducts a comprehensive assessment of customer satisfaction with activities of the Exchange. For these purposes, the Exchange conducts an annual survey of clients on key business processes, including through involvement of independent research companies. Based on results of the survey, the Exchange, in an effort to constantly improve quality of the provided services, determines a set of measures to improve services of the Exchange, which are then included in the action plan for the next year.

The survey at the end of 2023 was attended by 29 Exchange members out of 52 members (56%), 88 listing companies (initiator of admission of securities) out of 164 (54%) and 82 clients of the Exchange information services out of 355 clients (23%). The overall assessment of customer satisfaction of the Exchange at the end of 2023 was 93.1% out of 100%.

Environmental protection

The Exchange shares responsibility for the state of the environment, striving to implement a rational model of consumption and production, efficient use of natural resources, reducing the volume of waste by taking measures to prevent its formation, reduce it, recycle and reuse it.

Main resources consumed by the Exchange are electricity, heat, paper products and water. In 2021, the Exchange implemented the Green Office program, which implies an integrated approach to management of the organization and includes a number of technical, motivational and educational activities based on the generally accepted principles of three R's:

- Reduction – reasonable consumption of energy, water, electricity, etc.;
- Refinement – reuse of office materials, paper and other consumables;
- Replacement – environmentally responsible procurement and acquisition of goods and services that minimize the impact on the environment, promoting alternative and/or efficient use of transport.

In order to implement the Green Office program, the Exchange created a headquarters of environmental activists from among employees of the Exchange – KASE GREEN. Separate waste collection has been introduced at the Exchange. During 2023, almost 131 kg of waste paper, over 109 kg of glass and 48 kg of plastic were collected. In 2023, the Exchange abandoned the use of plastic tableware when holding its corporate events.

International activity

In order to study international experience and increase awareness of foreign issuers and investors about the domestic stock market, the Exchange continues its activities in the international arena. The Exchange is a full member of international exchange associations such as WFE, FEAS and MAB CIS and takes an active part in work of these organizations.

The Exchange pro-actively participates in WFE events and initiatives. In January and November 2023, Chairperson of the Management Board A. Aldambergen gave an interview to WFE Focus magazine. In May 2023, representatives of the Exchange participated in a meeting of the WFE Working Committee, organized by Japan Exchange Group. In September 2023, the Exchange took part in the 62nd WFE General Assembly and Annual Meeting, where participants determined the main directions of WFE work for the next year. The WFE Meeting also featured panel discussions from leading exchanges and capital market experts for in-depth discussions on key issues related to the exchange industry and new technologies.

In March 2023, representatives of the Exchange paid a working visit to Johannesburg (South Africa) to participate in the annual WFE conference "Capacity Building & Technical Assistance: Clearing and CCPs". The Exchange delegation got acquainted with recent trends in development of CCPs and risk management. Meetings were held with WFE member exchanges, financial organizations and companies to discuss cooperation issues.

Based on results of the work carried out by the Exchange in 2022, in January 2023 the Exchange officially became a member of the Global Association of Central Counterparties (CCP Global). Membership in CCP Global contributes to commitment of the organization to comply with international CCP standards, recommendations of the International Association of Securities Commissions (IOSCO) and the Committee on Settlement and Payment Systems of the Bank for International Settlements (CPSS). Participation in CCP Global allows to locally apply global experience in clearing services, risk management and improving the efficiency of exchange trading. Current members of the CCP Global include global leading clearing houses and exchanges, including Nasdaq Clearing AB (NASDAQ), London Stock Exchange Group (LSEG), Dubai Clear, Takasbank – Istanbul Clearing, Settlement and Custody Bank, Hong Kong Exchanges and Clearing (HKEx), Korea Exchange (KRX), Japan Exchange (JPX), Bursa Malaysia, Clearing Corporation of India (CCIL), Singapore Exchange (SGX) and others.

The Exchange also every year pro-actively participates in meetings of the MAB CIS as a member of the MAB Council, as well as in the meetings of the FEAS Board of Directors and the FEAS General Assembly as a full member. In November 2023, the Exchange provided a platform to the CIS MAB and FEAS, jointly organizing the annual general meeting of the CIS MAB members and the FEAS Board meeting in Almaty. These events were also timed to coincide with the Exchange Forum in Almaty. In March, a meeting of

the FEAS Board was held online. Representatives of the CIS stock markets discussed the current state and prospects for development of the national financial markets of the countries. In June 2023, the ConFEAS conference was held in Yerevan, which covered four separate areas of capital markets, including trading, post-trade, ESG and financial education (FinLit).

In September 2023, in Athens, KASE representatives participated in the “FEAS 10th on-site training” training for FEAS members. Trainings are annually held by one of the exchanges that are members of the Federation.

With support of the FEAS member exchanges, the second series of educational comics "Borsa City" was released, available in the Kazakh, Russian, English, Arabic and other languages (<https://comics.feas.org/>). "Borsa City" is an educational comics that tells the story of how the capital market and stock exchange help the youth, teachers and parents save their school and create a better future for the city.

In April 2023, a working visit took place to Tashkent, where bilateral meetings were held with representatives of the Central Depository, exchanges, authorized body, and private business. During the meeting at the Tashkent Republican Stock Exchange, the parties exchanged information about current activities of the organizations and exchanges, promising projects and development plans. KASE Day was held in Tashkent, during which KASE representatives shared with representatives of the currency and stock market of Uzbekistan the current trends, plans and the general situation on the market of Kazakhstan.

In May 2023, a working visit to the Warsaw Stock Exchange (GPW) took place in order to study activities of the stock market and study the capital market. During the trip, negotiations and presentations were held to exchange experiences, as well as meetings with local market participants.

In September 2023, a working visit to London took place to meet with financial institutions and banks.

In November 2023, the management of the Exchange attended the UN Global Dialogue on Sustainable Stock Exchanges in Abu Dhabi. The Chairperson of the Management Board spoke at a session on ESG activities, as well as gender equality.

In November 2023, celebrating its 30th anniversary, the Exchange welcomed over 70 foreign organizations. As part of the event, bilateral meetings were held with

representatives of the Vienna Stock Exchange, Istanbul Stock Exchange, Athens Stock Exchange, Korean Stock Exchange, Warsaw Stock Exchange, Moscow Stock Exchange, Tehran Stock Exchange, Baku Stock Exchange, Damascus Securities Exchange, Tajik Stock Exchange, Armenian Stock Exchange, Tashkent Republican Stock Exchange. Purpose of the meetings was to enhance bilateral cooperation, as well as to search for potential joint projects.

In 2023, the Exchange held a number of meetings with international financial organizations. The meeting with the EBRD in March was devoted to green economy and ESG issues. At a meeting in March and April with representatives of the World Bank, the issue of developing the capital market was discussed. The meeting with ADB was arranged as part of the Consultation Mission on offered fiscal management and economic diversification reform program.

REVIEW OF RESULTS

Trends on the international stock market

In 2023, markets were exposed to effect of various geopolitical and economic factors that limited rapid recovery of the global economy. In addition to the negative impact of the special military operation in Ukraine, economies of the eurozone countries and the United States faced bankruptcy of a number of banks. This has heightened market concerns about resilience of financial institutions in turbulent times. However, in the second half of 2023, inflation rates, which had risen in 2022 as a result of the geopolitical situation, disruptions in logistics and supply chains, and global mixing of supply and demand in energy and commodity markets, began to decline in a lot of countries. As a result, there has been rhetoric among central banks about a possible interest rate cut. However, given the growth in business activities in a number of countries and positive pace of the economy, despite fears of the economy slowing down to the stage of recession, central banks of the leading economies of the world did not dare to cut the interest rate, considering the current inflation levels to be high enough to end the restrictive monetary policy. Along with that, central banks of a number of countries began to reduce interest rates in order to stimulate the economy.

Tab. 1. Dynamics of the real GDP and inflation (y/e %)

	Real GDP (y/y %)						Inflation (y/y %)					
	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q
	2023	2023	2024	2024	2024	2024	2023	2023	2024	2024	2024	2024
	(F)	(O)	(P)	(P)	(P)	(P)	(F)	(F)	(P)	(P)	(P)	(P)
US	2.9	3.1	2.3	2	1	1.1	3.5	3.2	2.9	2.8	2.5	2.5
EU	0	0.1	0.1	0.2	0.7	1	4.9	2.7	2.5	2.4	2	2.2
England	0.2	-0.2	0	0.1	0.5	0.9	6.7	4.2	3.7	1.9	2.1	2.3
Japan	1.7	1	0.3	-0.3	0.9	1.2	3.2	2.9	2.6	2.5	2.2	1.8
China	4.9	5.2	4.2	4.8	4.7	4.7	-0.1	-0.3	0.3	0.4	0.6	1.3
India	7.6	6.4	5.7	6.4	6.1	6.2	6.4	5.4	5.1	5.1	4	4.8
Russia	5.5	4.4	3	1.6	0.4		14.4	7.2	7.5	7.6	6.7	5.1
Turkey	5.9	3.3	4.5	1.5	1.9	2.5	56.1	62.7	61.8	69.3	46.8	40.7
Brazil	2	2.2	1.6	1.3	1.6	2	4.6	4.7	4.1	3.7	3.8	3.8
Argentina	-0.8	-0.6	-3.7	-0.9	-3.2	-1.2	125	166.9	295.3	341	287.9	214.9
Thailand	1.4	1.7	2.8	3.5	3.8	3.6	0.5	-0.5	0.6	1.6	2	2.2

Source: Bloomberg economic forecast

Rallies of the interest rates from central banks peaked in 2023. In 2023, the US Federal Reserve raised the rates four times by a total of 100 basis points to 5.25%-5.50%. The ECB rate peaked at 4.5% in September 2023. Following the Fed rate increase, yields on Treasury and corporate bonds increased. The yield on the 30-year US Treasury note

exceeded 4.50% for the first time since March 2010, and the yield on the 10-year Treasury note reached a maximum of 4.99%. High borrowing rates have entailed increased debt servicing costs for both the public and corporate sectors. In 2023, net interest payments on US government obligations were 2.4% of the GDP.

Along with that, despite high borrowing rates and restrictive monetary policy of the Fed, US indices were in the green zone: the Dow rose by 13.7%; S&P 500 – by 24.2%; Nasdaq – by 43.4%.

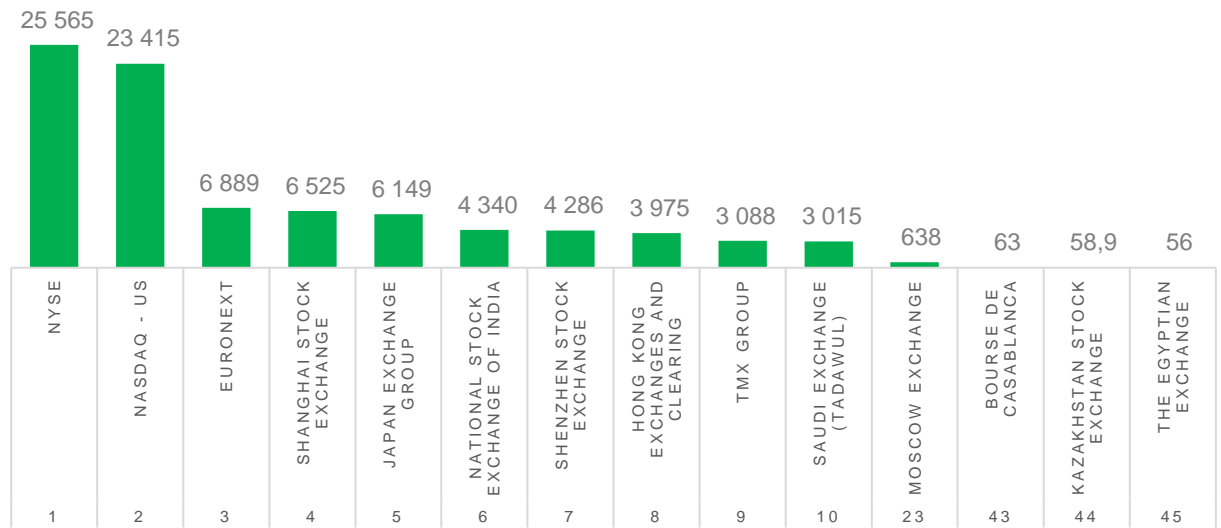
Out of the 11 economic sectors, 8 finished the year in the green zone. The best dynamics were demonstrated by companies in the information technology sector (+56.4%), telecommunications sector (+54.4%), durable goods sector (+41.0%) and shares of industrial companies (+16.0%). The largest losses were suffered by shares of companies from the utility sector (-10.2%) and shares of companies in the energy sector (-4.8%).

Based on WFE data, key indicators of the global exchange market for 2023 are presented:

- *global equity market capitalization increased by 13.6% compared to 2022 and made USD 111.2 trillion. Growth was reported in all regions of WFE member exchanges. Capitalization in the EMEA, Americas (North and South America) and Asia-Pacific regions increased by 12.5%, 20.8% and 4.5%, respectively;*
- global equity trading volume in 2023 decreased by 10.6% compared to 2022 and amounted to USD 129.3 trillion. Volume declines were reported in all regions of WFE member exchanges. Trading volume in America decreased by 14.0% to USD 70.0 trillion, in the Asia-Pacific region – by 5.8% to USD 48.6 trillion, in the EMEA regions – by 8.2% to USD 10.7 trillion.

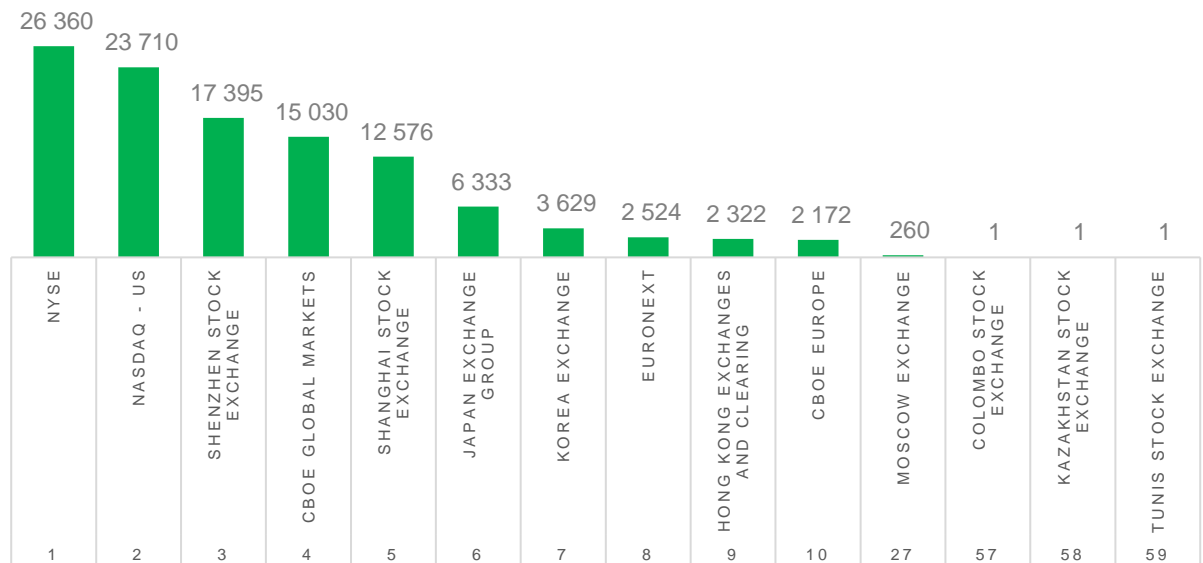
At the end of 2023, among 79 members of WFE, KASE ranks the 44th in terms of stock market capitalization. Trading volume on the KASE stock market reached USD 58.9 billion, which is 28% more than in 2022. At the end of 2023, KASE ranks the 58th in terms of stock trading volume and the 18th in terms of bond trading volume among WFE member exchanges.

Fig. 1. Capitalization of stock exchanges, billion USD



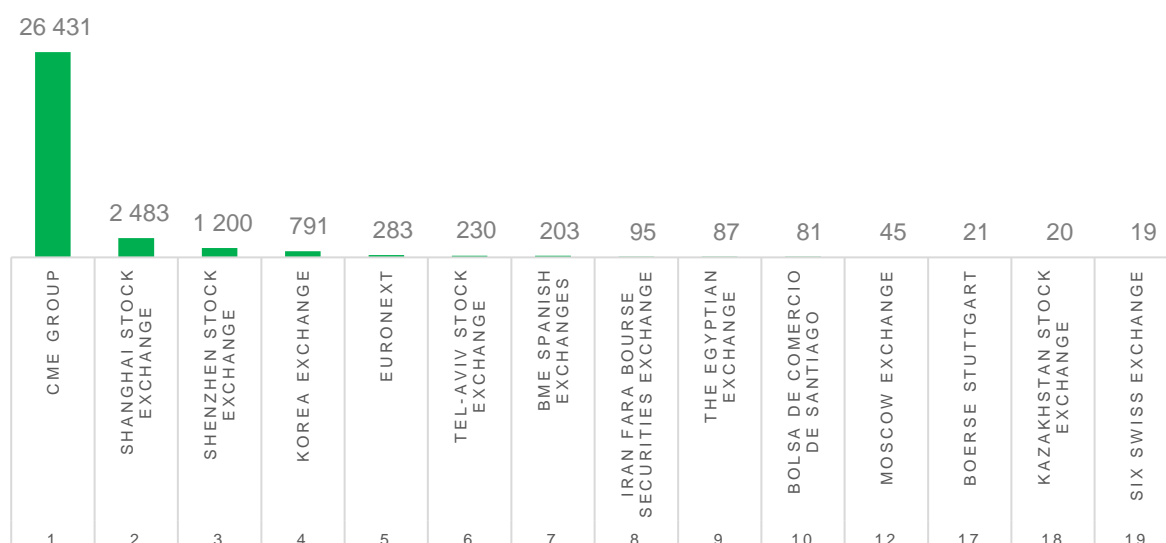
Source: WFE

Fig. 2. Volume of share trading on stock exchanges of the world, USD billion



Source: WFE

Fig. 3. Volume of bond trading on stock exchanges of the world, USD billion



Source: WFE

The highest growth is reported in the Argentine stock market index. In late 2023, the Argentine Stock Exchange index skyrocketed by 360%. However, such atypical dynamics were associated with the 211.4% hyperinflation and a sharp depreciation of the Argentine real by 353%. In response, the Central Bank of Argentina raised its benchmark rate to 133% as annual inflation rose above forecasts and the currency weakened.

The stock market of Venezuela soared by 176% in 2023, while inflation surged to over 400% and the national currency plummeted by 93%. Unlike other regulators, the central bank did not increase the rate, keeping it at a fairly high level. The government of the country has taken measures to reduce government spending, limit lending and intervene on the foreign exchange market to maintain a stable exchange rate of the national currency.

In 2023, the Russian stock market expanded by 44%. Sanctions imposed by the US and European countries have affected the Russian economy. In response to the rising inflation and depreciation of the ruble, the Bank of Russia took measures to increase the key rate to 16%. However, the high inflation reported in 2022 began to decline from 11.8% in January to 7.4% in December 2023. During 2023, there was volatility on the foreign exchange market, causing the ruble to depreciate by over 25%.

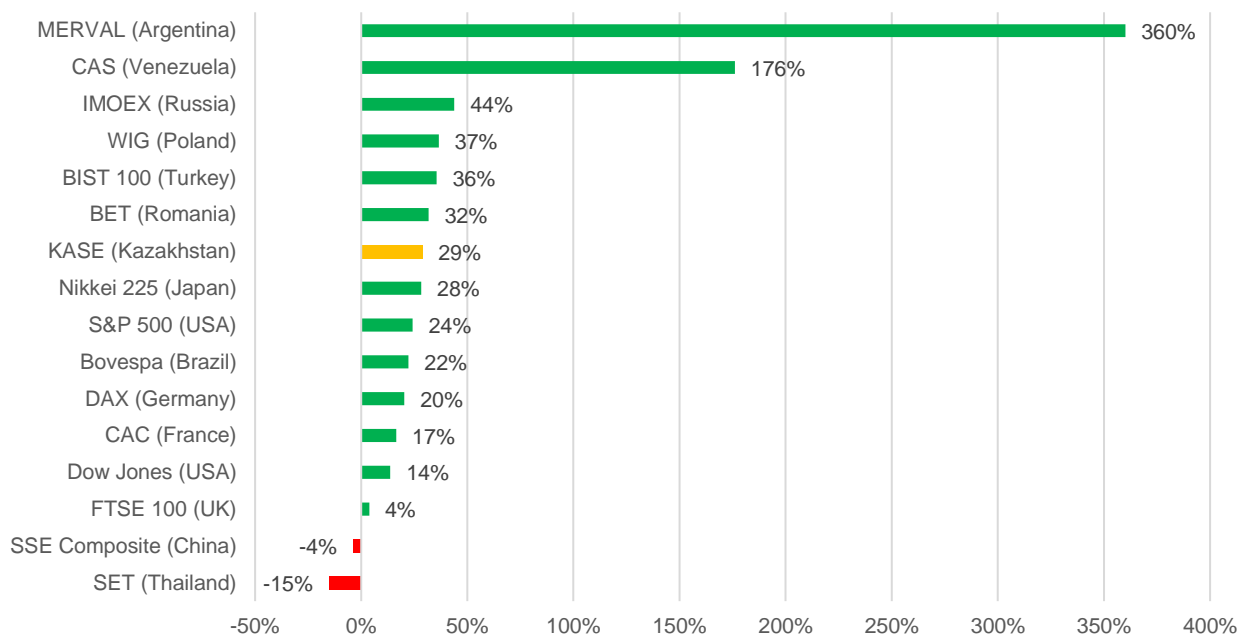
Overall, most developed country indices ended 2023 positively.

The Chinese stock market showed a decline at the end of 2023. In 2023, the Shanghai Composite Index lost 4%. The trigger for the fall in China's markets is long-term problems

in the real estate sector and municipal debts. In response to the collapse of markets, the People's Bank of China introduced a package of measures to stimulate the stock market, real estate market and the economy. The one-year lending facility (MLF) rate was cut to 2.5%, the seven-day reverse repo rate to 1.8%, and the prime lending rate to 3.45%.

Below is a chart of changes in the main stock indices and the KASE Index for 2023.

Fig. 4. Growth indicators of the main world stock indices and the KASE Index at the end of 2023, %



Source: Bloomberg

In 2023, the economy of Kazakhstan demonstrated positive growth. Economic growth at the end of 2023 made 5.1%. The highest growth was reported in the following industries: construction (+13.3%), trade (+11.3%) and communications (+7.15%).

Dynamics of the inflation rate in 2023 had a downward trend. At the end of 2023, annual inflation was 9.8%, shrinking from 20.3% in 2022. The National Bank of the Republic of Kazakhstan maintained the base rate at 16.75% until August 2023. In August 2023, the base rate was reduced to 16.50%. In October 2023, the National Bank cut the base rate to 16.00%, and in November – to 15.75%. An increase in the base rate in 2022 as part of a restrictive monetary policy helped reduce inflation and consolidate the downward trend in inflation expectations.

Along with that, increased inflationary pressure and subsequent weakening of the ruble exchange rate had an effect on dynamics of the national currency. Until March, the tenge

exchange rate against the USD strengthened to 431.08 KZT. During the period from March to September 2023, the tenge exchange rate against the USD weakened by 11.99% to 482.77 KZT per USD.

At the end of 2023, current account of the balance of payments was in deficit and amounted to –USD 3.3 billion due to deterioration of the trade balance and balance of services. Exports of goods decreased by 7.0% down to USD 78.7 billion. Imports of goods rose by 20.0% to USD 61.2 billion. In this regard, the trade balance surplus decreased by 52.0% compared to 2022 and amounted to USD 17.5 billion. This decline was caused by the falling oil prices in the first half of 2023. Foreign direct investor earnings rose 1.4% to USD 26.7 billion, an increase of USD 373 million.

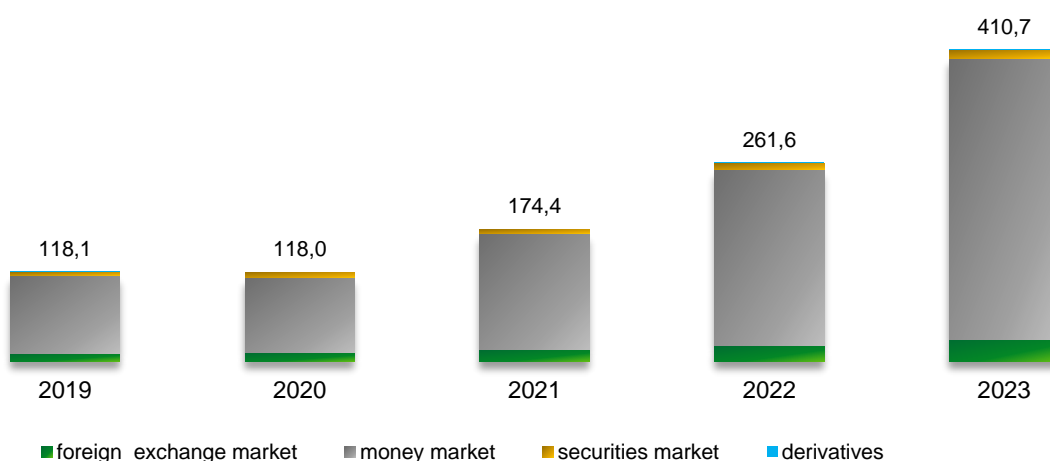
2023 turned out to be favorable for the stock market of Kazakhstan due to a decrease in the annual inflation rate, stabilization of markets after the leveling of external economic shocks and improvement in macroeconomic indicators. At the end of the year, all shares of the KASE Index Representative List demonstrated positive dynamics, with the exception of KEGOC shares. The main factors for the growth of KASE Index shares are the publication of financial reports, dividend payments, as well as the increase in the cost of raw materials on world markets.

KASE markets

Trading volume on KASE has reached historical highs for the third year in a row.

At the end of 2023, total trading volume on all markets widened by 57% compared to 2022 and reached a historical maximum of 410.7 trillion KZT, exceeding the 2020 figure by 3.5 times.

Fig. 5 Dynamics of trading volume by sectors, trillion KZT



Source: KASE

The main increase in trading volume on KASE was achieved due to an increase in trading on the money market – by 60% to 370 trillion KZT – against the background of a growing need of market participants for short-term tenge liquidity, while the increased supply was supported by high rates. The foreign exchange market also saw an increase in volume – by 43% to 30 trillion KZT. On the securities market, the growth in trading volume was ensured mainly due to the volume of trading on the secondary market for shares and government securities. Along with that, volumes on the stock market increased due to placement of quasi-state organizations on the primary market and their subsequent circulation on the secondary market. Along with that, a decline in activities was reported in the sector of corporate bonds and derivative securities on the secondary market:

Tab. 2. Dynamics of trading on KASE stock exchange, trillion KZT

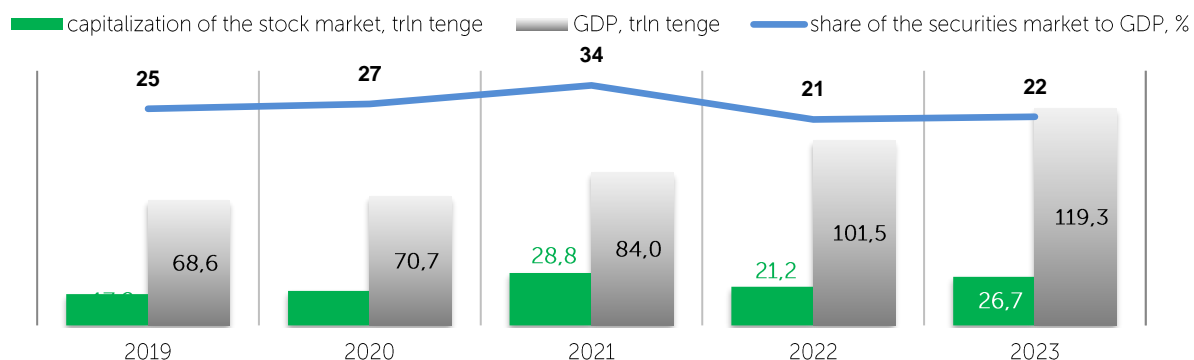
	2019	2020	2021	2022	2023	change 2023 to 2022	change 2023 to 2022, %
Securities market	5,286.8	7,878.2	6,218.2	8,980.5	10,923.6	+1,943.1	+21.6%
Shares	203.6	238.4	422.8	307.3	333.6	+26.3	+8.6%
Kase Global	–	–	6.4	25.8	36.5	+10.7	+41.7%
Corporate debt securities	2,715.6	2,691.2	1,980.8	2,488.8	2,187.3	-301.5	-12.1%
Government securities	1,823.7	4,650.7	3,575.9	6,004.3	8,013.0	+2,008.7	+33.5%
MFO bonds	540.2	274.2	155.4	126.9	337.1	+210.2	+165.6%
Securities of investment funds	0.9	20.3	38.1	8.8	14.3	+5.5	+62.0%
Derivative securities	3.0	3.4	38.8	18.4	1.8	-16.6	-90.0%
Market of foreign currencies	11,145.0	11,606.9	15,567.8	20,798.1	29,710.7	+8,912.6	+42.9%
Financial market	101,706.0	98,501.0	152,653.6	231,834.4	370,075.4	+138,241.0	+59.6%
Repo operations	72,707.8	88,568.9	141,631.4	202,635.7	306,582.7	+103,947.0	+51.3%
Currency swap operations	28,998.2	9,932.1	11,022.1	29,198.6	63,492.7	+34,294.1	+117.5%
Derivative market	0.4	<0.1	<0.1	7.9	29.4	+21.5	272.5%
Futures	0.4	<0.1	<0.1	7.9	29.4	+21.5	+272.5%
TOTAL trading volume	118,138.2	117,986.1	174,439.6	261,620.8	410,739.2	+149,118.4	+57.0%

Source: KASE

Securities market

Capitalization of the Kazakhstan's stock market in 2023 increased by 26.4% or 5.6 trillion KZT and amounted to 26.7 trillion KZT. Share of the stock market in relation to GDP rose to 22%.

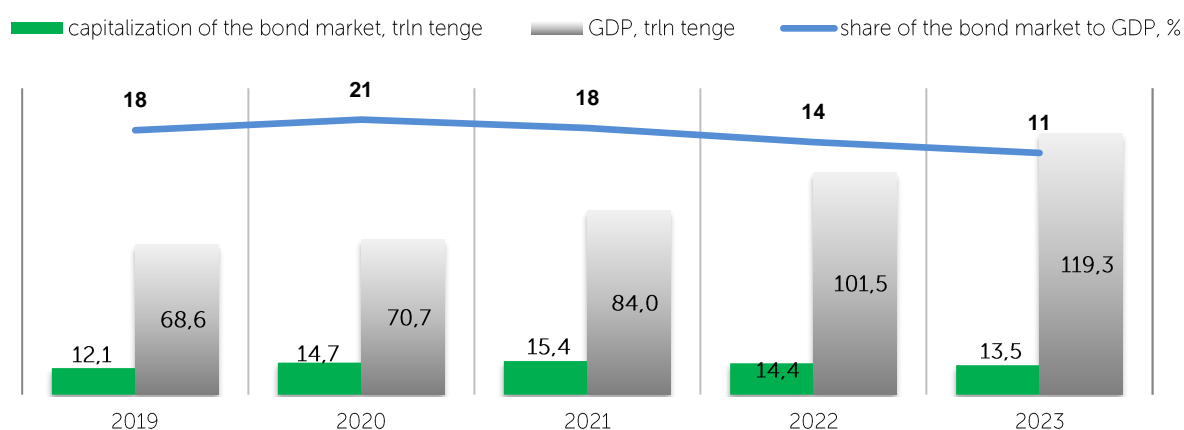
Fig. 6. Ratio of KASE stock market capitalization volume to GDP, %



Source: KASE, stat.gov.kz

Volume of corporate debt in circulation in 2023 shrank by 6.5% or 944.2 billion KZT to 13.5 trillion KZT. Share of the corporate debt market in relation to GDP at the end of 2023 was 11%.

Fig. 7. Ratio of corporate debt in circulation on KASE to GDP, %



Source: KASE, stat.gov.kz

Total number of issuers and new issues on the Exchange continues to grow

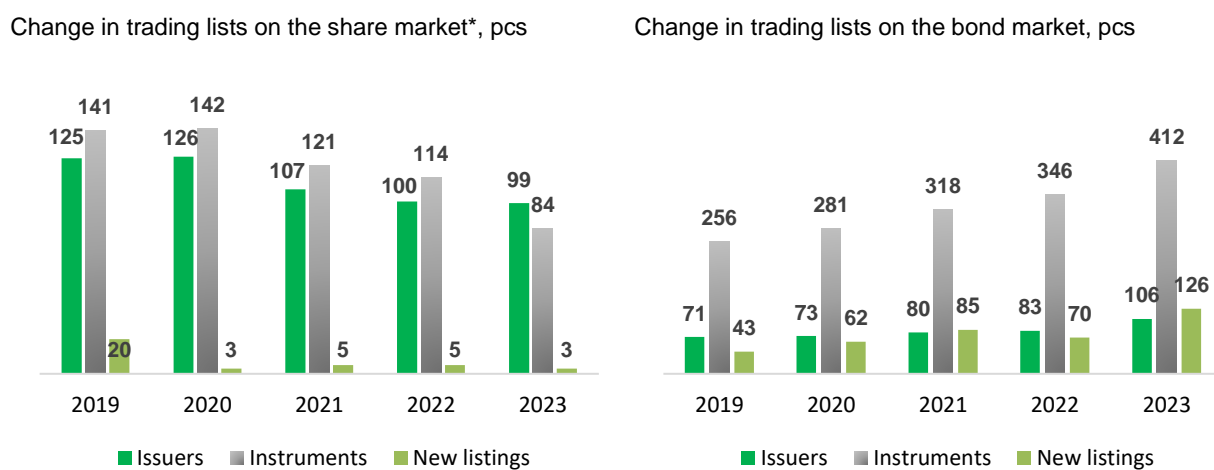
As of January 1, 2024, the official list of the Exchange included non-government securities of 654 names of 235 issuers, including 351 securities of 76 issuers on the Main platform, 123 securities of 76 issuers on the Alternative platform, and 123 securities of 76 issuers on the Alternative platform, "Mixed" – 145 securities of 73 issuers and on the "Private placement" site – 35 securities of 22 issuers.

In 2023, 73 issuers passed the listing procedure (including 36 new issuers), 165 issues of securities were included in the Exchange's trading lists, including:

- common shares of three names of two issuers, while 18 names of shares were excluded from the Exchange's trading list in 2023, and therefore, in total, the number of issuers and instruments on the stock market decreased to 99 names of 84 issuers;

- shares of one new issuer and 5 foreign ETFs were included in the KASE Global sector. As of the end of the year, there were 45 shares and 11 ETFs of foreign issuers in this sector;
- corporate bonds of 121 issues of 56 issuers. At the end of 2023, there were 412 issues of 106 issuers on trading lists;
- 25 bond issues of five international financial organizations; in total, at the end of the year there were 60 issues of five MFOs on the KASE floor;
- the number of instruments in the “Securities of investment funds” sector decreased from 27 to 24.

Fig. 8. Dynamics of trading lists of shares and bonds of KASE



* ignoring KASE Global shares

Source: KASE

By decision of the issuers, in 2023, 14 issues of 13 issuers were removed from the official list, including 9 issues of shares of 9 issuers. 42 issues of securities of 19 issuers were forcibly removed from the official list of the Exchange. Due to expiration of the circulation period and early repayment, 97 issues of 36 issuers were excluded.

In total, as of January 1, 2024, KASE members included 52 financial organizations, including:

- 43 members of the “stock” category with the right to participate in trading in securities admitted to trading on the Exchange;
- 37 members of the “foreign exchange” category with the right to participate in trading in foreign currencies;

- 27 members of the “derivatives” category with the right to participate in trading in derivative financial instruments.

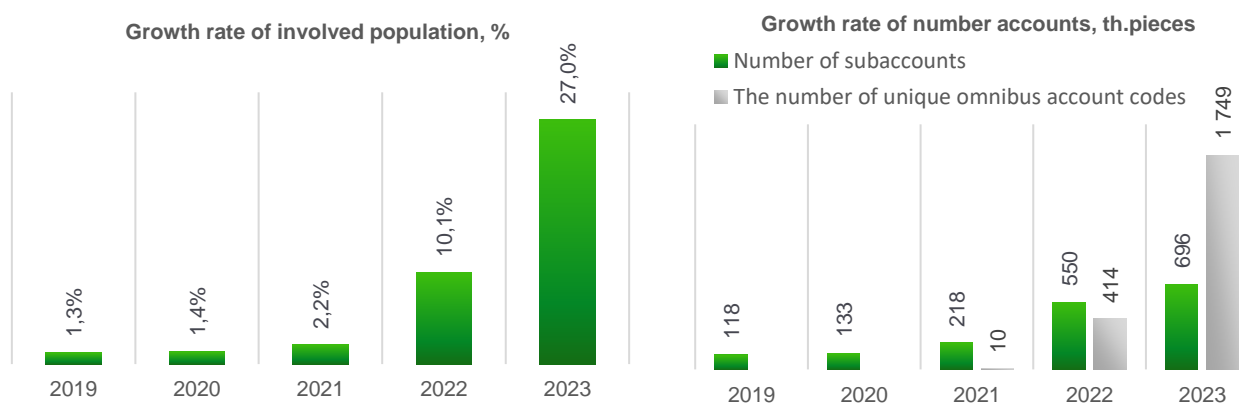
During the year, six participants were included in the lists of KASE members:

- Bank Freedom Finance Kazakhstan JSC (in the categories "equity" and "derivatives");
- Private company NGDEM Global Limited (categorized as “stock” and “derivatives”);
- EuroCentreAstana JSC (in the category "currency");
- Central Securities Depository JSC (in the category "currency").
- Teniz Capital Investment Banking JSC (in the category "currency");
- SkyBridge Invest JSC (in the category "currency").

The retail investor base has expanded rapidly for the third year in a row, with a total of nearly 2.5 million accounts this year.

Number of retail investors on the local market continues to increase. According to data of the Central Bank, as of January 1, 2024, 2,445,000 accounts were opened in Kazakhstan, including 696,000 sub-accounts (693,000 individuals) and 1,749,000 personal accounts opened through omnibus accounts. Thus, the share of investors as of January 1, 2024 is about 27% of the workforce.

Fig. 9. Dynamics of brokerage accounts



Source: KASE, CD

Increase in accounts in 2023 is explained by:

- conducting the SPO of KEGOC JSC;
- growing trend in opening and using omnibus accounts;
- simplification of the process of opening a brokerage account through remote personal identification and the emergence of new digital brokerage mobile applications.

SPO of KEGOC JSC was one of the key events of the local securities market

As part of the SPO of KEGOC JSC, 12,604,661 shares were placed on KASE for an amount of 18.7 billion KZT, which is 82% of the total volume of the placed shares.

During subscription for common shares of KEGOC JSC on the KASE, 37,445 applications were received from investors for a total amount of 28.8 billion KZT. Price of a common share when placed under the SPO was 1,482 KZT. Demand to supply on KASE was 127%. Along with that, the number of participating sub-accounts was 6 thousand; 19 thousand investors submitted applications to KASE through the account omnibus. In the structure of investors, individuals accounts for 43.9%, institutional investors – 24.3%, banks – 19.0%, brokerage and dealer organizations – 7.0%, other legal entities – 5.8%. Non-residents make 1.8% of the total number of investors.

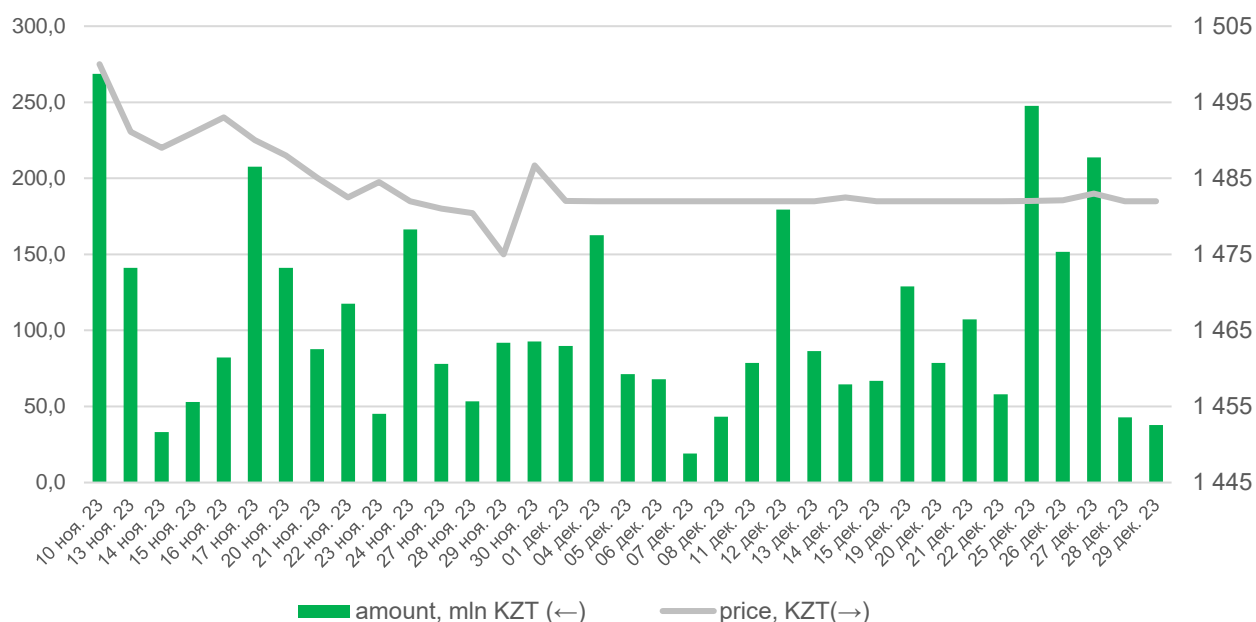
Settlements for subscription and collection of orders through the KASE trading system were guaranteed by a subsidiary of the Exchange – KASE Clearing Center JSC. During the bid collection period, 18 KASE members submitted bids on behalf of their clients.

As part of the pre-emptive part for existing shareholders of KEGOC JSC, which took place on KASE from September 28 to October 27, 2023, a sale of KZT was carried out.

As a result of the placement, securities worth 12.6 billion KZT (67.6% of the placement volume on KASE) were received on accounts of individuals; volume of satisfied applications submitted by institutional investors amounted to 4.4 billion KZT (23.4%), legal entities – 1.7 billion KZT (9.0%).

After the SPO from November 10 to December 29, 2023, the trading volume of KEGOC shares on the KASE platform amounted to 3.7 billion KZT, while the price during this period decreased by 1.2%:

Fig. 10. Dynamics of price and trading volume of KEGOC shares from November 10 to December 29, 2023



Source: KASE

Stock market

Trading volume on the secondary stock market expands with the number of transactions almost doubling

Trading made 333.6 billion KZT, an 8.5% increase compared to 2022. Along with that, the secondary market of shares contributes to nearly 301.1 billion KZT, where the 2023 growth was 78.3% due to an increase in the trading volume on the secondary market in shares of NC KazMunayGas JSC, the IPO of which took place in 2022 and after the SPO shares of KEGOC JSC in 2023.

Along with that, the trend of the increasing number of transactions closed on the stock market continues. In 2023, the number of transactions on the stock market soared by 55.4% to 802,250. In 2023, an average of 3,261 transactions were closed daily, the average volume of one transaction was 416 k KZT.

Tab. 3. Highlights of trading on the share market

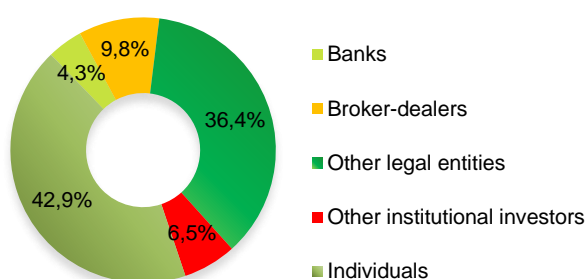
	2019	2020	2021	2022	2023
Volume of trading, billion KZT, including	203.6	238.4	422.8	307.3	333.6
– primary market	0.0	3.5	0.9	138.4	32.5
– secondary market	203.6	234.9	421.9	168.9	301.1
Number of transactions, pcs	103,222	195,687	452,284	516,318	802,250
Average number of transactions daily, pcs	420	795	1,846	2,107	3,261
Average volume of one transaction, k KZT	1,972	1,218	935	595	416

Source: KASE

This trend is attributed to the increased participation of retail investors in trading on the stock market. In the context of the main categories of investors on the secondary market, the share of retail investors accounted for 42.9% of the gross turnover of stock trading. Participation of banks is estimated at 4.3%, broker-dealer organizations – 9.8%, other institutional investors – 6.5%, and other legal entities accounted for 36.4%.

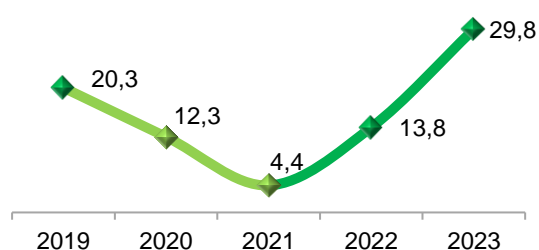
In 2023, the share of foreign investors on the secondary market rose to 29.8% of the total gross turnover. This trend is associated with an increase in the risk appetite and a corresponding increase in interest in emerging economies amid recovery of the global economy.

Fig. 11. Structure of investors, 2023 *



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

Fig. 12. Share of non-residents in overall gross turnover*, %



* of the total gross turnover of trading in shares, position of the initiator of specialized trading and transactions of an irregular nature are excluded from the calculation

Source: KASE

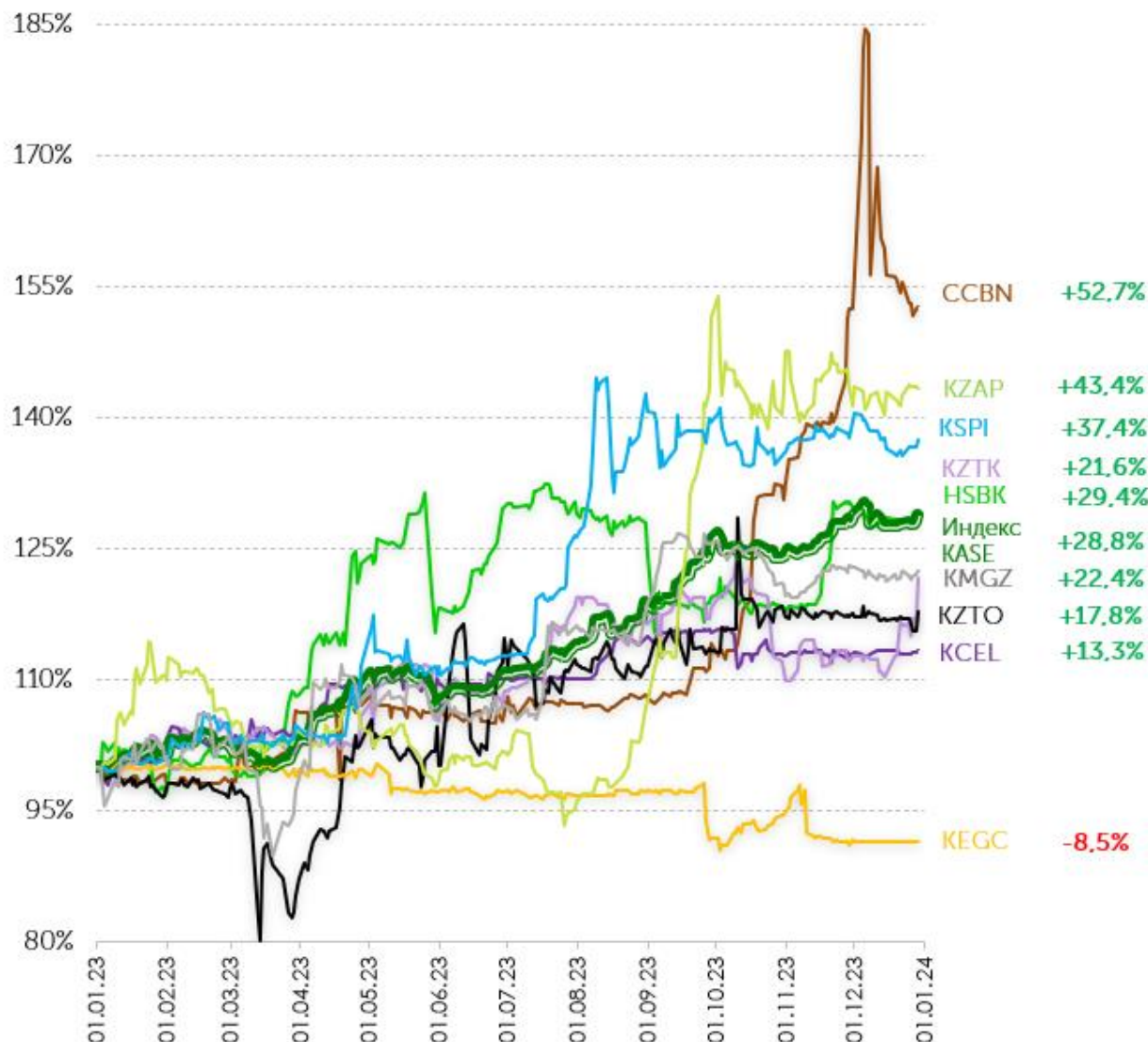
Positive financial results, dividend payments and rising uranium prices drove the growth of the KASE Index during 2023.

At the end of 2023, the KASE Index rose by 28.8% to 4,187.38 points. On December 5, 2023, the KASE Index reached a historical high of 4,251.24 points. The minimum value was recorded on March 16 at 3,243.13 points. Since February 3, common shares of NC KazMunayGas JSC have been included in the representative list of shares for calculation of the KASE Index.

In the first quarter of 2023, growth of the KASE Index was insignificant and made 3.1%. Since the second quarter, there has been a steady growth in Index shares against the background of release of annual financial reports and announcement and implementation of dividend payments. At the end of the year, all shares of the KASE Index Representative List boasted positive dynamics, with the exception of KEGOC shares. The highest growth was demonstrated by shares of the fintech sector and the energy sector, namely Bank CenterCredit JSC, NAC Kazatomprom JSC and Kaspi.kz JSC. Key factors behind the

growth of KASE Index shares are the publication of financial reports, dividend payments, as well as the increase in the cost of raw materials on the global markets markets.

Fig. 13. Components of the KASE Index



Source: KASE

In 2023, Bank CenterCredit JSC did not allocate net profit to pay dividends. At the end of nine months of 2023, net profit of the Bank was 103.6 billion KZT. Equity capital of the Bank for the nine months of 2023 grew from 273.9 billion KZT to 381.8 billion KZT due to an increase in retained earnings by 44.7%. In July, the rating agency S&P Global Ratings upgraded long-term credit rating of the Bank from B+ to BB- with a “Stable” outlook. Also, the rating agency Moody's Investors Service upgraded the Bank's rating from Ba3 to Ba2 and maintained a “Positive” outlook. Against the background of this positive news, prices for shares of the Bank rose by 52.7% over the year.

NAC Kazatomprom JSC reported net profit for the first nine months of 2023 in the amount of 78.6 billion KZT, which shrank from 138.9 billion KZT due to a decrease in

revenue from 134.2 billion KZT to 93.6 billion KZT. On 25 May, the annual general meeting of shareholders decided to pay dividends in the amount of 200.9 billion KZT or 774.88 KZT per share. The rating agency Moody's Investors Service confirmed rating of the Company at Baa2 and changed the outlook from "Stable" to "Positive". Against the background of growing prices for raw materials on global commodity markets due to disruptions in logistics and supply chains because of the political crisis in Niger, ordinary shares soared by 43.4% in 2023.

On April 10, 2023, shareholders of Kaspi.kz JSC approved payment of 2022 dividends on common shares of the Company in the amount of 600 KZT per share. On May 24, 2023, the shareholders decided to pay dividends on common shares for the first quarter of 2023 in the amount of 750 KZT per share. On August 23, an extraordinary general meeting of shareholders decided to pay dividends on common shares for the second quarter of 2023 in the amount of 750 KZT per share. On November 20, shareholders of the Company decided to pay dividends for the third quarter of 2023 in the amount of 850 KZT per share. Over the nine months of 2023, net profit of the Company surged by 50% from 400.6 billion KZT to 600.8 billion KZT. As a result, in 2023, common shares of Kaspi.kz JSC increased by 37.4%.

Net profit of Halyk Savings Bank of Kazakhstan JSC for the first nine months of 2023 expanded from 410.9 billion KZT to 537.3 billion KZT. Earnings per share grew from 30.16 KZT to 50.84 KZT. On May 25, 2023, based on its 2022 performance, the Bank decided to pay dividends in the amount of 276.9 billion KZT or 25.38 KZT per share. At the end of 2023, price of common shares increased by 29.4%.

For the nine months of 2023, net profit of NC KazMunayGas JSC dwindled to 949.0 billion KZT from 1,161.3 billion KZT in the same period in 2022. The decrease was attributed to a contraction of revenue under contracts with customers by over 10% to 6,087.4 billion KZT, cutting the share of profit in joint ventures by 27.4% to 565.2 billion KZT. On May 19, 2023, the Board of Directors of the Company recommended allocating 300 billion KZT to pay dividends for 2022 in the amount of 491.71 KZT per ordinary share. The rating agency Fitch Ratings upgraded rating of the Company to BBB with a "stable" outlook. Moody's confirmed long-term rating of the Company at Baa2, increasing the outlook from "stable" to "positive". S&P Global Ratings also confirmed rating of the Company at BB+, revising the outlook to "stable". Against this background, since the start of 2023, shares of the Company have grown by 22.4% to KZT 11,541.00, while the IPO price rose by 37.3%.

Kazakhtelecom JSC reported an increase in its net profit for the nine months of 2023 to 89.3 billion KZT compared to 88.7 billion KZT for the same period in 2022. On October 27, the general meeting of shareholders decided to allocate 33.4 billion KZT or 3,038.36 KZT per common share to pay the 2022 dividends. At the end of the year, prices for common shares increased by 21.6%.

Shares of KazTransOil JSC increased by 17.8% during 2023. Based on results of nine months of 2023, the company achieved net profit from 25.2 to 33.3 billion KZT. On May 24, 2023, the general meeting of shareholders of the Company decided to allocate 15.0 billion KZT or 39.00 KZT per common share for payment of dividends. The rating agency Fitch Ratings upgraded rating of the Company from "BBB-" to "BBB" with a "stable" outlook.

Unlike most companies on the KASE Index, Kcell JSC decided not to distribute the 2022 net income of the company and not to pay dividends on common shares. Along with that, based on results of nine months of 2023, net profit of the Company decreased to 23.6 billion KZT compared to 32.5 billion KZT for nine months of 2022. Despite these events, shares of the Company at the end of the current year increased by 13.3% to 1,954.98 KZT.

KEGOC JSC reported a 39% increase in its net profit for 9 months of 2023 to 28.6 billion KZT from 20.6 billion KZT a year earlier. The company paid dividends on common shares for the second half of 2022 in the amount of 50.59 KZT per share. Along with that, taking into account dividend payments for the first half of 2022 per share in the amount of 50.59 KZT, the total amount of dividends paid for 2022 made 30.2 billion KZT or 65.44 KZT per common share. On September 26, 2023, shareholders decided to pay dividends for the first half of 2023 in the amount of 77.74 KZT per share. For the year, shares demonstrated a decline of 8.5%. As part of the SPO, the placement price of securities was 1,482 KZT per share. After the SPO, shares traded in the range of 1,475 - 1,560 KZT per share.

Corporate bond market

Number of placements and issuers on the corporate debt market continues to grow

Volume of trading in corporate bonds on KASE in 2023 decreased by 12.1% or 301.5 billion KZT to 2.2 trillion KZT.

Since August 2023, the National Bank of the Republic of Kazakhstan has moved to the phase of easing the monetary policy. Following reduction in the base rate, placement rates for debt instruments also decreased. Yield on market placements of corporate bonds in 2023 was in the range of 13.87-30.00% per annum denominated in KZT and 9.00-11.00% p.a. denominated in dollars.

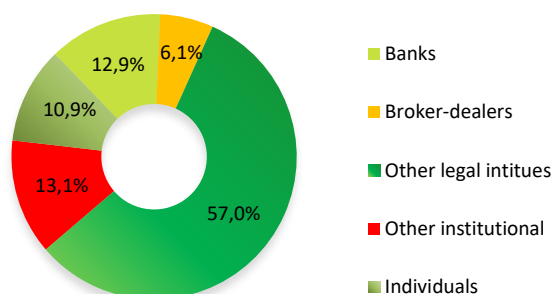
Tab. 4. Highlights of trading on the share market

	2019	2020	2021	2022	2023
Volume of trading, billion KZT, including	2,715.6	2,691.2	1,980.8	2,488.8	2,187.3
– primary market	1,953.7	2,239.4	1,143.7	1,492.2	1,522.4
– secondary market	761.9	451.8	837.0	996.7	664.9
Number of transactions, pcs	2,704	3,203	8,839	18,481	44,235
– primary market	363	1,033	980	1,978	3,283
– secondary market	2341	2,170	7,859	16,503	40,952
Average number of transactions daily, pcs	11	13	36	75	180
Average volume of one transaction, million KZT	1,004.3	840.2	224.1	134.7	49.4

Source: KASE

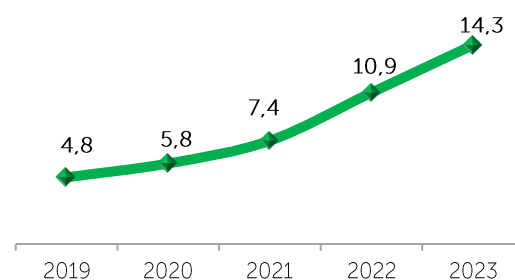
In terms of the main categories of investors in the primary corporate bond market, the share of banks was 17.6%, broker-dealer organizations – 1.3%, other institutional investors – 22.1%, other legal entities – 54.7%, individuals – 4.3%. The share of participation of non-residents was 8.3%.

In terms of main categories of investors on the secondary market for corporate bonds, the share of banks was 12.9%, broker-dealer organizations – 6.1%, other institutional investors – 13.1%, other legal entities – 57.0%, the share of individuals – 10.9%. Non-residents accounted for a record of 21.5%.

Fig. 15. Structure of investors in 2023*

* of the total gross turnover of trading in corporate bonds on the secondary market, excluding large transactions and irregular transactions

Source: KASE

Fig. 16. Share of non-residents in the overall gross turnover*, %

* of the total gross turnover of trading in corporate bonds, position of the initiator of specialized trading is excluded from the calculation

Government securities market

In the sector of government securities, trading volumes on the primary and secondary markets reached new historical highs

In 2023, the total trading volume on the primary and secondary government securities markets broke another historical record and totaled 8.0 trillion KZT, exceeding the 2022 figure by 33.5% or 2.0 trillion KZT.

Tab. 5. Highlights of trading on the government securities market

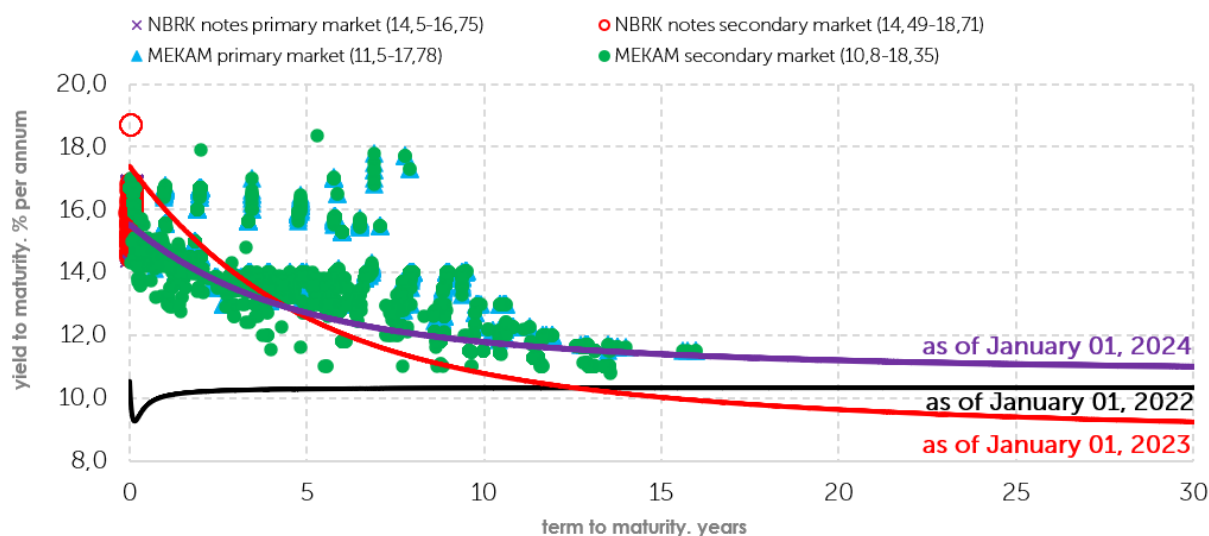
	2019	2020	2021	2022	2023
Volume of trading, billion KZT, including	1,823.7	4,650.7	3,575.9	6,004.3	8,013.0
- primary market	1,446.6	3,734.0	2,701.5	4,145.7	5,235.8
- secondary market	377.1	916.8	874.4	1 858.7	2 777.2
Number of transactions, pcs	887	1,859	2,557	3,420	5,344
- primary market	249	793	938	812	1,354
- secondary market	638	1,066	1,619	2,608	3,990
Average number of transactions daily, pcs	7	8	10	14	22
Average volume of one transaction, million KZT	2,056.0	2,501.7	1,398,5	1,755.7	1,499.4

Source: KASE

Trading volume on the primary government securities market increased by 26.3% or by 1,090.2 billion KZT to 5,235.8 billion KZT. In this amount, 139.6 billion KZT were raised by akimats of 15 regions, cities of Almaty, Astana and Shymkent. The Ministry of Finance raised 5,096.3 billion KZT with a weighted average yield of 11.50-17.78% p.a., placing 36 issues with maturities from 1 to 16 years.

By maturity in the primary market, the share of liabilities with maturities of 3 to 5 years has shrunk from 43% to 18% since the beginning of 2022. Share of long-term securities with maturities from 5 to 10 years and over 10 years increased from 11% to 48% and from 5% to 8%, respectively, compared to the previous year.

Fig. 17. 2023 yield of government securities and yield curve of government securities



Source: KASE, National Bank of the Republic of Kazakhstan

In 2023, volume of government securities trading on the secondary market made 2,777.2 billion KZT, an increase of 49.4% compared to 2022. Volume of trading in bonds of the Ministry of Finance of the Republic of Kazakhstan rose by 295 billion KZT or 29%. Volume of trading in Eurobonds of the Ministry of Finance of the Republic of Kazakhstan decreased almost 10 times to 8.5 billion KZT. Volume of trading in NBRK notes surged by 86% to 1,354.8 billion KZT. Growth in trading volume on the secondary government securities market is explained by activities of market participants against the background of a decrease in the base rate and the debt capital market rate.

On the secondary market, broken down by maturity, there is an increase in the share of trading in securities with a maturity of over 5 to 10 years from 16% to 35% and with a maturity of less than 1 year from 32% to 49%. Share of long-term securities with a maturity of over 10 years contracted from 21% to 3%, and medium-term securities from 5 to 10 years – from 20% to 8%.

Fig. 18. Structure of placements of government securities on the primary market by period to maturity, billion KZT, %

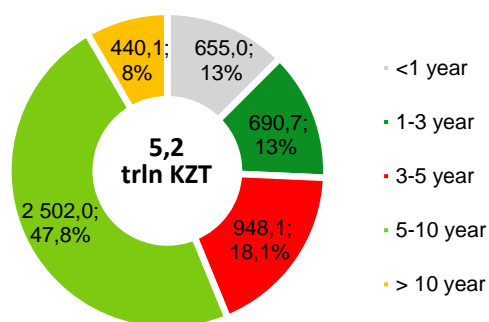
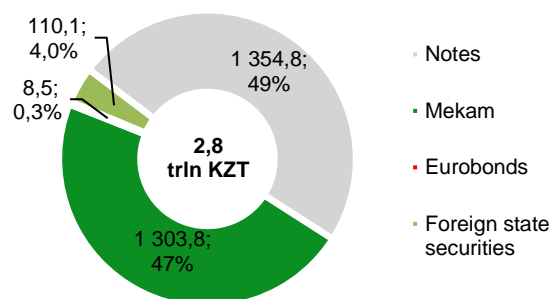


Fig. 19. Volume of the secondary market of government securities on KASE by instruments, billion KZT



Source: KASE

Structure of investors on the primary government securities market in 2023 has changed significantly. Share of institutional investors shrank from 74.4% to 40.7%, while the share of banks increased from 14.5% to 48.8%. Share of brokers increased to 1.6%.

On the secondary market, share of banks in the structure of investors increased from 39.9% to 42.4%, and the share of brokers – from 3.0% to 4.0%. Along with that, share of institutional investors decreased from 11.4% to 7.3%.

Fig. 20. Structure of investors on the primary market, 2023

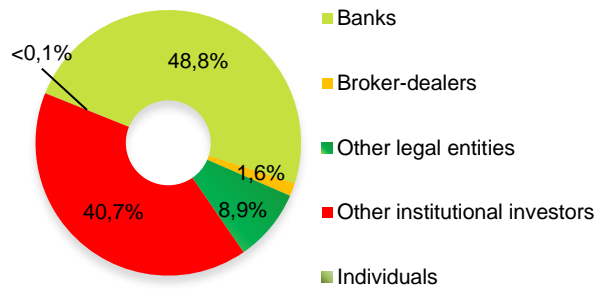
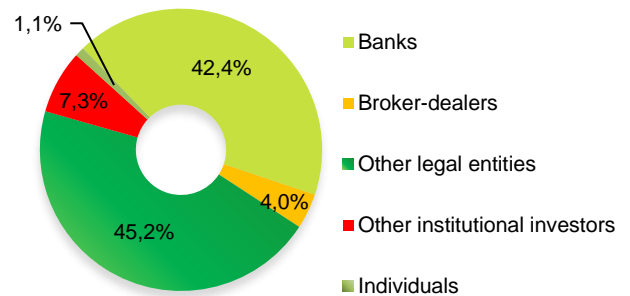


Fig. 21. Structure of investors on the secondary market, 2023



Source: KASE

Volume of trading by non-residents on the secondary market on the buying side in 2023 increased 2.7 times to 376.2 billion KZT compared to 2022. Share of non-residents on the secondary market inched up from 6.9% to 8.6%.

Fig. 22. Share of non-residents in gross-turnover of primary market, %

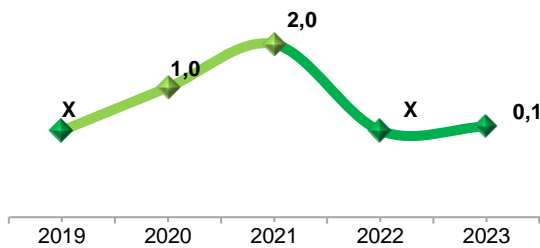
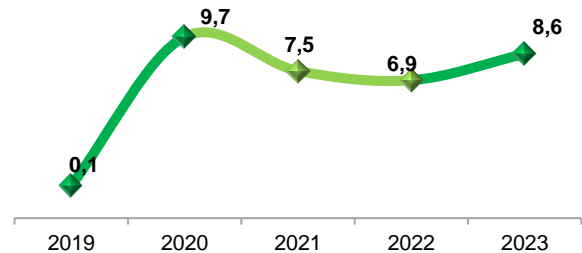


Fig. 23. Share of non-residents in gross-turnover of secondary market, %



Source: KASE

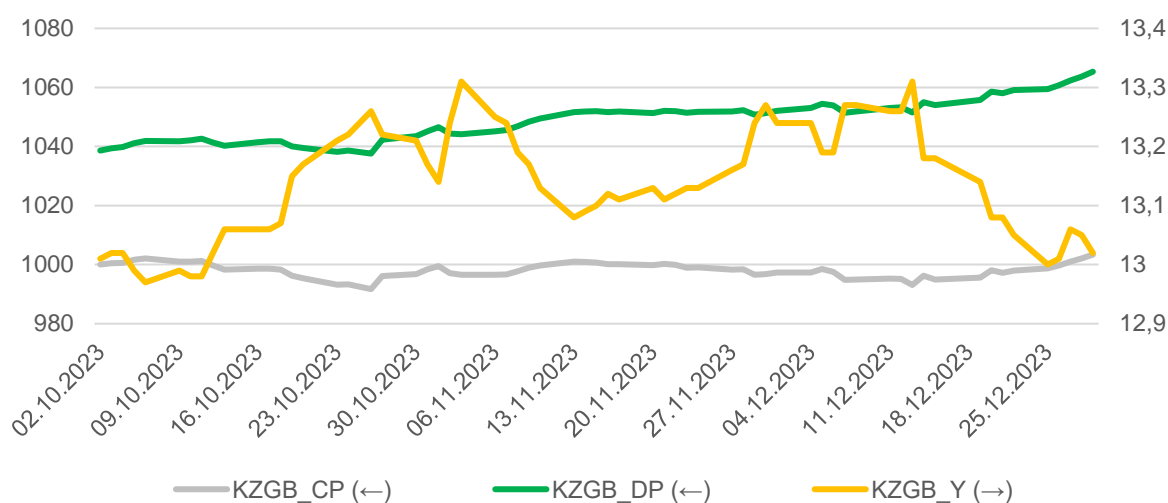
From October 2, 2023, Kazakhstan Stock Exchange began calculating and publishing aggregated government securities market indices.

A new series of aggregate government securities indices show changes in value and yield of government securities without segmentation by maturity. Aggregated government securities indices are formed from the number of non-indexed government securities that are included in the official list of the Exchange, have a fixed coupon rate, are denominated in KZT and are calculated as weighted by volume of government securities issues, reflecting changes in value of government securities, their yield and include:

- KZGB_CP – government securities price index, calculated at prices excluding accumulated and unpaid coupon interest;
- KZGB_DP – price index of total income (taking into account the accrued coupon interest and reinvested coupon payment);
- KZGB_Y – profitability indicators, in percent, p.a.

Dynamics of these indicators during 2023 reflected a trend towards a decrease in yield and an increase in prices for government securities.

Fig. 24. Dynamics of aggregated government securities market indices, %



Source: KASE

KASE Global

In the foreign securities sector of KASE Global, trading volume increased by 41.7% to 36.5 billion KZT

In late December 2023, the KASE Global sector included 45 shares and 11 ETFs of foreign issuers.

At the end of 2023, 60,580 transactions were closed in the KASE Global sector for a total amount of 36.5 billion KZT. The average daily trading volume was 148.6 million KZT, the average daily number of transactions was 246, the average volume of one transaction was 603.3 thousand KZT.

The largest number of transactions in the KASE Global sector for 2023 was closed with the following shares:

- Tesla (TSLA_KZ) – 6,714 transactions for a total amount of 1.6 billion KZT;
- Ford Motor Company (F_KZ) – 6,017 transactions for a total amount of 220.7 million KZT;
- Intel Corporation (INTC_KZ) – 5,135 transactions for a total amount of 1.1 billion KZT.

Among the main categories of investors, the share of broker-dealers accounted for 36.0%, share of other institutional investors – less than 0.1%, share of other legal entities – 26.2%, share of individuals – 37.8%. Non-residents account for 0.6%.

Securities of international financial organizations

At the end of 2023, there were 60 bond issues of five international financial organizations on the KASE trading lists: 11 issues of the Asian Development Bank, 27 issues of the Eurasian Development Bank, 16 issues of the European Bank for Reconstruction and Development, four issues of the International Finance Corporation and one issue of the Islamic Corporation for Development of Private sectors.

In 2023, trading volume in this sector stood at 337.1 billion KZT, an increase of 2.7 times or 210.1 billion KZT. Number of transactions increased from 361 to 473 transactions.

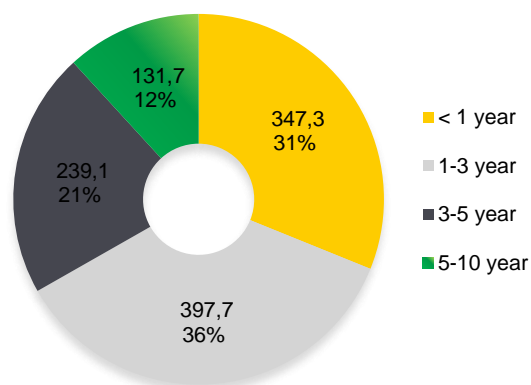
On the primary market of the bond sector of international financial organizations in 2023, 13 issues of five international financial organizations were placed for a total amount of 280.2 billion KZT, which is 3.2 times higher than in 2022 or up by 193.7 billion KZT.

On the secondary market, trading volume totaled 56.9 billion KZT, exceeding last year's figure by 40.5% or 16.4 billion KZT.

In terms of main categories of investors in 2023, banks on the primary market accounted for 56.2%, broker-dealer organizations – 4.8%, other institutional investors – 20.8%, other legal entities – 18.0% and individuals – 0.2%. The share of non-residents was less than 0.1%.

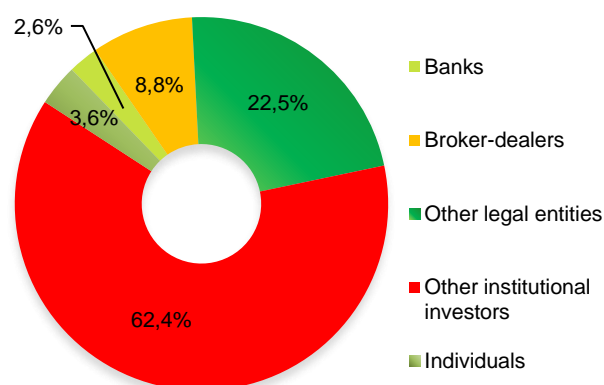
In terms of main categories of investors on the secondary market for 2023, share of banks accounted for 2.6%, share of broker-dealer organizations – 8.8%, share of other institutional investors – 22.5%, the share of other legal entities – 62.4%, individuals – 3.6%. Participation of non-residents is estimated at 21.7%.

Fig. 25. Structure of debt of MFO bonds in circulation by periods to maturity*



* data are represented as of January 1, 2024 at par value

Fig. 26. Structure of investors on the secondary market, 2023*



* of the total gross turnover of trading in MFO bonds, position of the initiator of specialized trading is excluded from the calculation

Source: KASE

Investment fund securities

As of January 1, 2024, the Investment Fund Securities sector included 18 mutual fund instruments managed by five management companies and six ETFs.

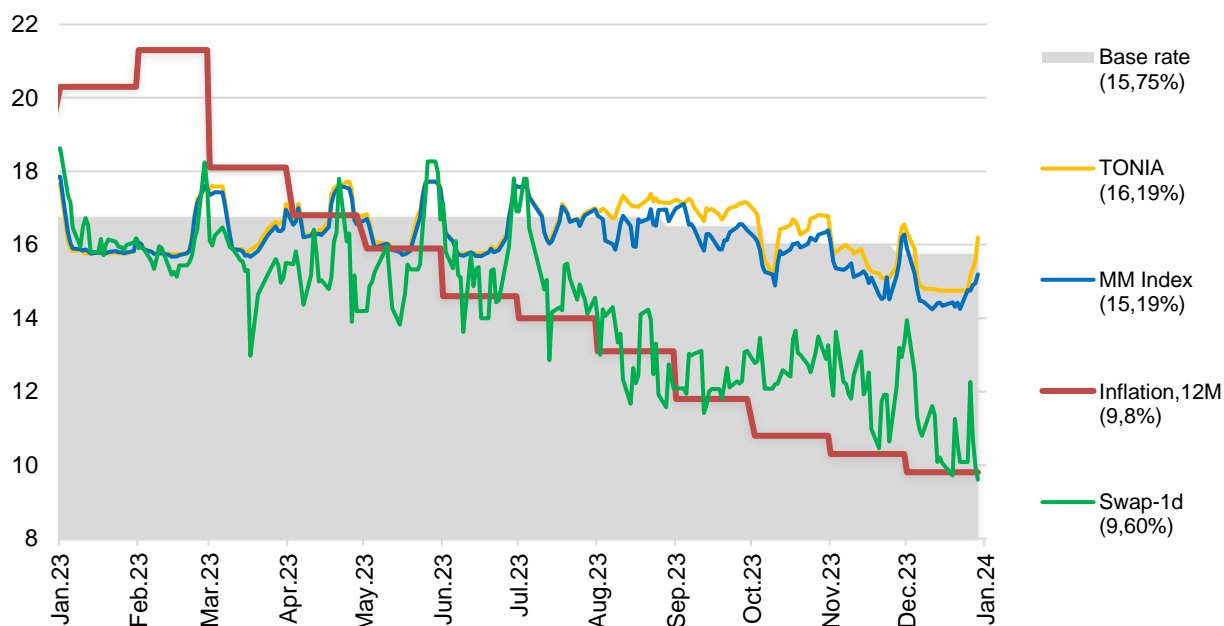
In 2023, the trading volume in these instruments amounted to 14.3 billion KZT, an increase of 61.3% or 5.4 billion KZT compared to 2022. The largest trading volume came from the SPDR Bloomberg Barclays 1-3 Month T-Bill ETF managed by SSGA Funds Management, Inc. and individual investment fund "Fixed Income USD" managed by Freedom Finance JSC.

In terms of the main categories of investors, 41.0% are individuals, 15.6% are broker-dealer organizations, 7.3% are other institutional investors, 36.1% are other legal entities. The share of non-residents was 8.3%.

Money market

The volume of trading on the money market in 2023 reached another record level of 370.1 trln tenge, increasing by 59.6 %, or 138.2 trln tenge, YoY. In the second half of 2023, the need for short-term liquidity began to decline due to lower inflation, improved macroeconomic indicators, and increased liquidity surplus in the money market. As a result, starting from August 2023, the National Bank of the Republic of Kazakhstan consistently reduced the key rate from 16.75 % to 15.75 %. Money market rates also showed a decline through 2023. The composite indicator of the money market MM_Index, which is the average value of the yield on USD/KZT currency swap transactions and automatic repo transactions with GS opened for one business day, weighted through the volume of transactions, decreased by 266 b.p. over the year: to 17.85 % per annum from 15.19 % per annum.

Fig. 27. Inflation and interest rates



Source: KASE, stat.gov.kz

Repo transactions

The total volume of repo transactions in 2023 amounted to 306.6 trln tenge, which is by 103.9 trln tenge, or 51.3 %, more than the 2022 figure.

The average daily volume of transactions amounted to 1,246.3 bn tenge, the average number of transactions concluded daily was 1,185, the average volume of one transaction – 1,051.6 mln tenge. In the structure of repo transactions, auto repo with GS accounted for 78.9 %, auto repo with CS – for 21.1 %, nego repo with CS – for 0.02 %, nego repo with GS – for 0.002 %. 21 auto repo transactions totaling 1.5 bn tenge were concluded with the GCC, exceeding the 2022 figure of 5.1 mln tenge.

Based on results of 2023, the TONIA indicator decreased by 144 b.p.: from 17.63 % to 16.19 % per annum, the value of the TRION indicator – by 137 b.p.: from 17.56 % to 16.19 % per annum, the value of the TWINA indicator – by 154 b.p.: from 17.04 % to 15.50 % per annum. Money market indicators decreased following the reduction in the NBRK key rate, demonstrating seasonal volatility during the tax payment period.

The share of transactions involving the Central Counterparty in the structure of repo transactions continues to grow. In 2020, the share of repo transactions with the CCP was 34.1 %, in 2021 – 84.3 %, in 2022 the CCP's share increased to 93.9 %, in 2023 – to 98 %.

As the institute of the central counterparty develops, there is a gradual increase in long-term trading. However, repo transactions with a maturity of up to 7 days make up the bulk of repo transactions. In 2023, repo transactions for a period from 7 to 30 days were concluded in the amount of 15.1 trln tenge, those for a period from 30 days to 90 days – for 352 bn tenge:

Table 6. Transactions in the repo market by maturity during 2019-2023, bn tenge

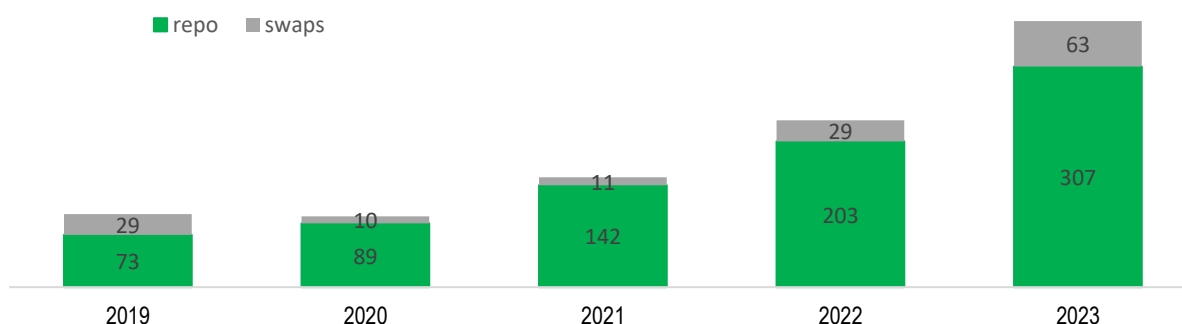
	2019	2020	2021	2022	2023
from 0 to 7 days	70,839	85,331	135,872	192,696	291,116
from 7 to 30 days	1,866	3,238	5,593	9,612	15,115
from 30 to 90 days	2	0	167	245	352
Total	72,707	88,569	141,631	202,553	306,583

Source: KASE

Currency swap transactions

In 2023, the upward trend in the volume of concluded swaps continued. In 2023, the total volume of currency swap transactions increased 2.2 times, or by 34.3 trln tenge, to 63.5 trln tenge from 29.2 trln tenge in 2022:

Fig. 28. Change in the volume of repo-swap transactions in 2015-2023, bn tenge



The average daily volume of transactions in 2023 amounted to 258.1 bn tenge, the average daily number of transactions was 28, the average volume of one transaction was 9.2 bn tenge.

Table 7. Transactions on the swap market by instrument in 2023

Currency pair	Instrument	Volume, bn tenge	Volume, mln units of currency	Share in trading volume, %
USD/KZT	USDKZT_0_001	25,144.7	54,682.2	39.6 %
	USDKZT_0_002	37,234.2	81,509.7	58.6 %
	USDKZT_0_01W	226.5	497.0	0.4 %
	USDKZT_0_01M	101.0	220.2	0.2 %
	USDKZT_0_03M	124.2	275.0	0.2 %
	USDKZT_1_001	1.3	2.7	<0.1 %
EUR/KZT	EURKZT_0_001	0.2	0.5	<0.1 %
	EURKZT_1_001	2.0	4.1	<0.1 %
RUB/KZT	RUBKZT_0_001	43.6	8,589.5	0.1 %

Currency pair	Instrument	Volume, bn tenge	Volume, mln units of currency	Share in trading volume, %
	RUBKZT_0_002	615.0	113,800.0	1.0 %

Source: KASE

The yield on the overnight dollar swap SWAP-1D (USD) decreased by 901 b.p. during 2023: from 18.62 % per annum to 9.60 % per annum. The yield on the two-day currency swap SWAP-2D (USD) decreased by 670 b.p.: from 18.68 % per annum to 11.98 % per annum.

Foreign currency market

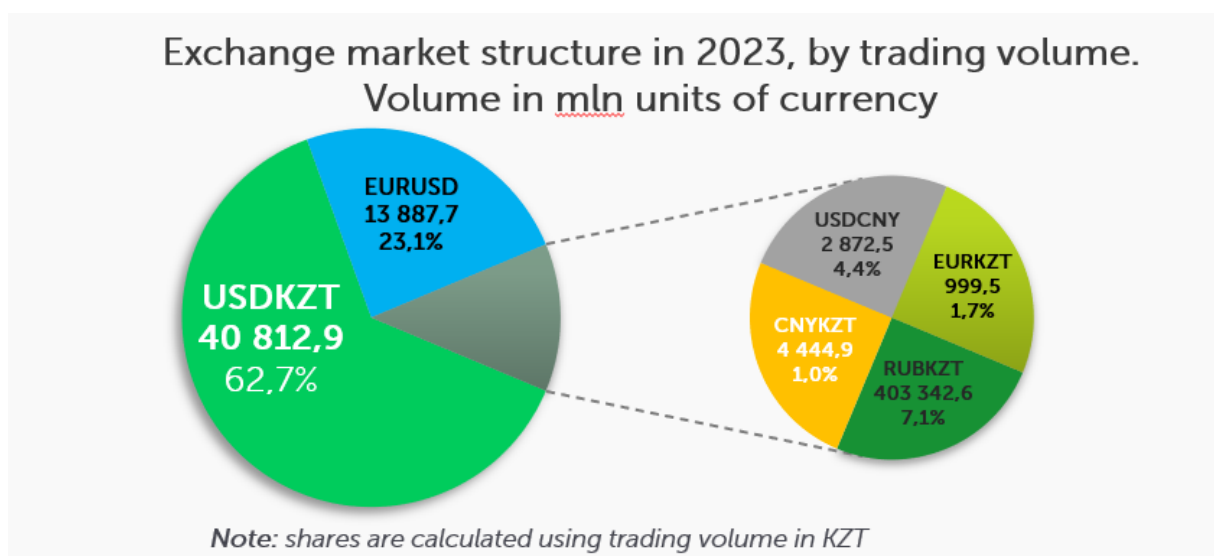
Due to an increase in the activity of members of the Exchange, the volume of trading in the currency market is growing. At the same time, the share of trading in the USDKZT currency pair decreases with an increase in the volume of direct conversion transactions in the EURUSD, USDCNY, EURCNY currency pairs. Since March 6, 2023 the US dollar-Chinese yuan and Euro-Chinese yuan pairs have been traded on the currency market.

The volume of trading on the currency market in 2023 amounted to 29.7 trln tenge, which is by 42.9 %, or 8.9 trln tenge, more than in 2022. The share of trading in the USDKZT pair in the total volume of foreign currency trading decreased to 62.7 %, while the trading volume in the currency pair increased by 25 % to 18.6 trln tenge. The share of the RUBKZT pair decreased from 10.3 % to 7.1 %. The trading volume of this currency pair decreased by 24.3 bn tenge to 2.1 trln tenge. The share of the CNYKZT pair decreased to 1 %, while the trading volume decreased by half to 284.8 bn tenge. The share of the EURKZT pair increased from 0.9 % to 1.7 %. The trading volume of the currency pair reached 492.8 bn tenge, exceeding the 2022 figure by 2.7 times.

Against the background of the strengthening of the euro against the US dollar during 2023, there is an increase in the trading volume by more than 2 times to 6.9 trln tenge. The share of the EURUSD pair increased from 14.2 % to 23.1 %.

After the launch of trading in 2023, the share of trading in the USDCNY pair in the total volume of foreign currency trading was 4.4 %, the share of EURCNY trading was less than 0.1 %. The trading volume for these currency pairs amounted to 1.3 trln tenge and 50 mln tenge, respectively.

Fig. 29. Volume of trading in foreign currencies, bn tenge



Source: KASE

In 2023, the number of instruments in the foreign currency market exceeded the 2022 value by 36 % and reached 466.4 bn currency units. Of the total volume, the number of dollars purchased in 2023 amounted to 40.8 bn units, rubles – 403.3 bn units, yuan – 4.4 bn units, euros – 1.0 bn units. The number of euro units purchased with dollars was 13.9 bn. The number of dollar units purchased with yuan was 2.9 bn. The number of euro units purchased for yuan was 100 thousand.

Derivatives market

Non-deliverable futures on the US dollar to tenge exchange rate, the Russian ruble to tenge exchange rate, common shares of Halyk Bank of Kazakhstan JSC, NAC Kazatomprom JSC and KASE Index are available for trading in this sector of the exchange market.

15 transactions with futures on the Russian ruble/tenge exchange rate in the amount of 29.4 bn tenge were concluded in 2023. The volume of derivatives trading in 2023 exceeded the same figure for 2022 by 3.7 times. The number of transactions has tripled in 2023 compared to last year. No transactions were concluded in other underlying assets (US dollar, KASE Index, common shares of Halyk Savings Bank of Kazakhstan JSC and NAC Kazatomprom JSC).

Operating and financial results

As of December 31, 2023, KASE's assets according to the 2023 audited consolidated financial statements totaled 3,208.4 bn tenge. Cash and cash equivalents amounted to 185.6 bn tenge, financial assets accounted for at amortized cost – 66.7 bn tenge, reverse repo transactions – 72.0 bn tenge.

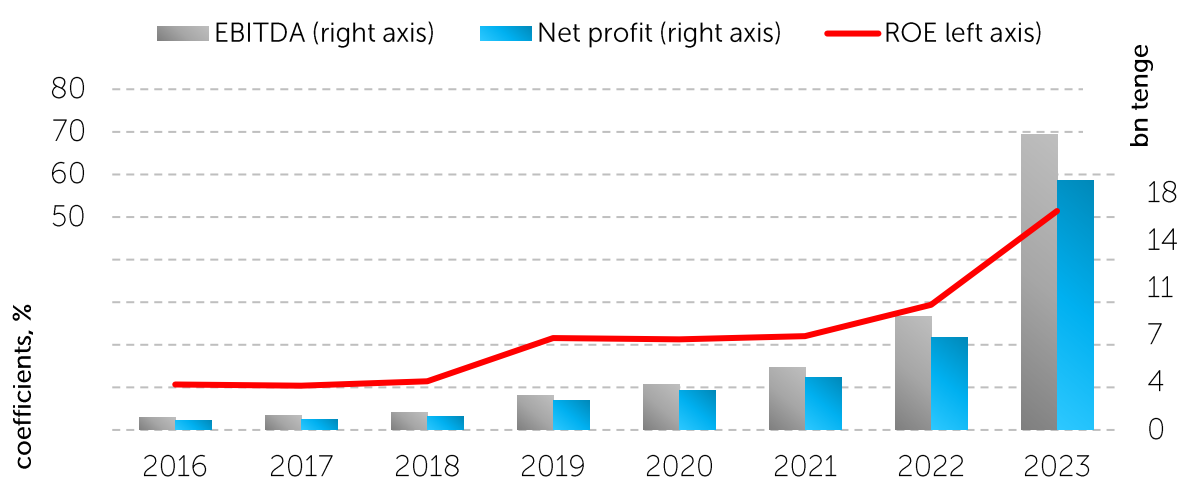
Liabilities and equity

KASE's liabilities according to the 2023 audited consolidated financial statements amounted to 3,163.2 bn tenge, of which 91 %, or 2,877.6 bn tenge, are financial liabilities of the central counterparty, 10 %, or 284.2 bn tenge, are guarantee contributions and collateral of clearing participants placed in accounts of KASE as the central counterparty.

The equity reached 45.2 bn tenge during the reporting year, mainly on account of retained earnings (36.9 bn tenge). The size of KASE's authorized capital as of the end of 2023 was 4.2 bn tenge and did not change compared to last year.

Clearing reserve funds amounted to 3.9 bn tenge over 2023 having increased by 0.7 bn tenge, or 22 %, compared to last year. Reserves for revaluation of fixed assets amounted to 0.2 bn tenge.

Fig. 30. Key profitability indicators



Source: KASE

Income

KASE's operating income according to the 2023 audited consolidated financial statements amounted to 27.4 bn tenge, which is up 15.4 bn tenge, or 129 %, YoY.

Commission income amounted to 8.1 bn tenge: an increase of 2.4 bn tenge, or 42 %. Interest income increased by 12.8 bn tenge, or 199 %, to 19.2 bn tenge.

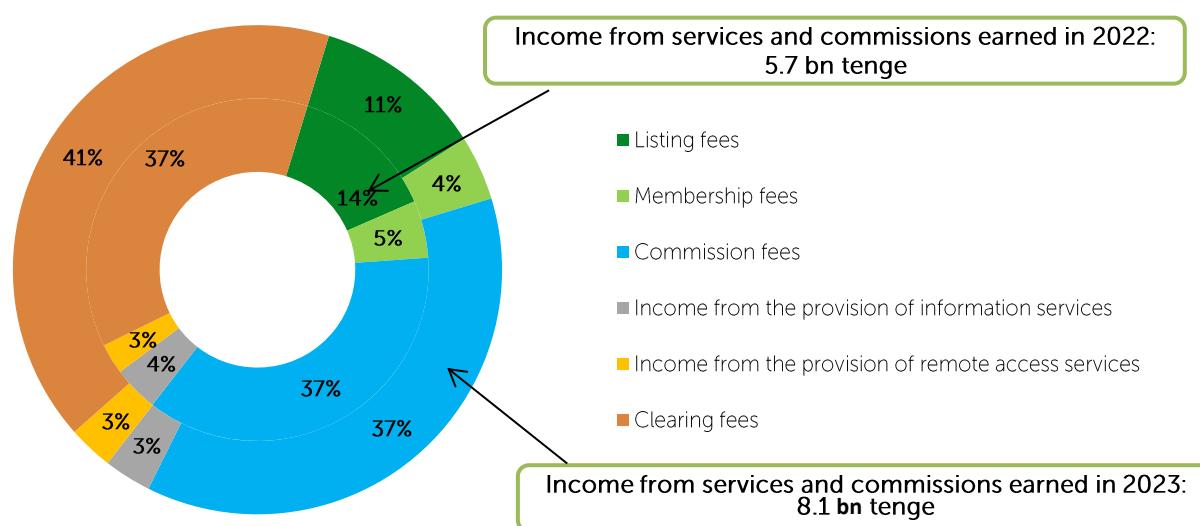
In the structure of commission income, the largest shares fell on clearing fees (41 %), income from commission fees for transactions (37 %), listing fees (11 %), and the smallest shares are attributed to income from membership fees (4 %), income from the provision of information services (3 %) and income from the provision of remote access services (3 %).

The Exchange's commission for transactions amounted to 3.0 bn tenge: an increase of 0.9 bn tenge, or 44 %. The YoY increase in commission fees occurred due to the growing volume of trading in all markets.

Listing fees of the Exchange in 2023 increased by 0.1 bn tenge, or 17 %, reaching 0.9 bn tenge.

Clearing fees of the Exchange increased by 1.2 bn tenge, or 58 %, totaling 3.4 bn tenge. Income from membership fees increased by 0.04 bn tenge, or 12 %, compared to 2022, amounting to 0.35 bn tenge. Revenue from the provision of information services increased by 0.01 bn tenge, or 3.61 %, compared to 2022 and amounted to 0.26 bn tenge.

Fig. 31. Income structure, main services



Source: KASE

Expenses

KASE's expenses according to the 2023 audited consolidated financial statements amounted to 6.1 bn tenge having increased by 2.1 bn tenge, or 52 %, compared to last year. In the structure of KASE's expenses, the largest shares fell on personnel costs (58 %), depreciation and amortization (9 %) and maintenance of fixed assets and intangible assets (7 %). The increase in personnel costs is associated with an increase in staffing levels.

Operating results

Based on 2023 results, KASE' net profit amounted to 18.5 bn tenge, an increase of 11.7 bn tenge, which is by 172 % higher than last year's result. EBITDA increased by 162 % to 21.9 bn tenge. The Exchange's operating income increased by 129 %, operating expenses increased by 52 %, and operating margin increased by 77.9 % in 2023 vs. 66.6 % a year earlier. Net profit margin increased to 67.6 % in 2023 from 57.1 % a year earlier.

Return on equity (ROE) based on 2023 results increased from 29.4 % to 51.4 % due to an increase in net profit in the reporting year. Return on assets (ROA) increased from 0.08 % to 0.24 % as a result of a significant decrease in assets associated with the central counterparty and an increase in net income.

Corporate governance

Information about KASE shareholders

As of January 1, 2024, the total number of authorized common shares of the Exchange amounted to five mln pieces, with 1,075,231 issued common shares being held by 66 persons, including banks, brokerage and insurance organizations, retail investors – individuals. The National Bank owned 46.99 % of the total number of issued common shares of the Exchange.

General meeting of shareholders and KASE's Board of Directors

In accordance with the legislation of the Republic of Kazakhstan, the general meeting of shareholders is the supreme governing body of the Exchange. The list of issues referred to the competence of the general meeting of shareholders is determined by the act of the Republic of Kazakhstan "On Joint-Stock Companies" and the Charter of the Exchange.

The Board of Directors is the governing body of the Exchange and carries out general management of the Exchange's activities, with the exception of resolving issues referred by the Act of the Republic of Kazakhstan "On Joint-Stock Companies" and/or the Charter of the Exchange to the exclusive scope of duties of the general meeting of shareholders of the Exchange.

In May 2021, the general meeting of shareholders made a decision to appoint ten persons to the Board of Directors, including:

- three non-elective members of the Board of Directors – a representative of the authorized body for regulation, control and surveillance of the financial market and financial organizations and a representative of the National Bank of the Republic of Kazakhstan on the basis of item 4 of Article 84 of the Act of the Republic of Kazakhstan "On the Securities Market", as well as the Chairman of the Exchange's Management Board (ex officio) on the basis of subitem 2) of item 3 of Article 17 of the Exchange's Charter;
- four representatives of interests of the Exchange's shareholders;
- three independent directors of the Exchange.

The same decision determined that:

- the term of office of the elective members of the Board of Directors begins from the date of their election and expires at the time of the annual general meeting of shareholders of the Exchange, which will be devoted to the consideration of the Exchange's 2023 annual financial statements;
- Y. Abdrazakov, A. Dronin, I. Marich, Y. Salimov were elected as members of the Board of Directors, who are representatives of the interests of the Exchange's shareholders, J. Willems, I. Doron, A. Yelemessov – as independent directors of the Exchange.

Composition of KASE's Board of Directors as of January 1, 2024:

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

- **Aliya Moldabekova** (Chairman of the Board of Directors) – Deputy Chairman of the National Bank of the Republic of Kazakhstan;
- **Mariya Khajiyeva** – Deputy Chairman of the Agency for Regulation and Development of the Financial Market;

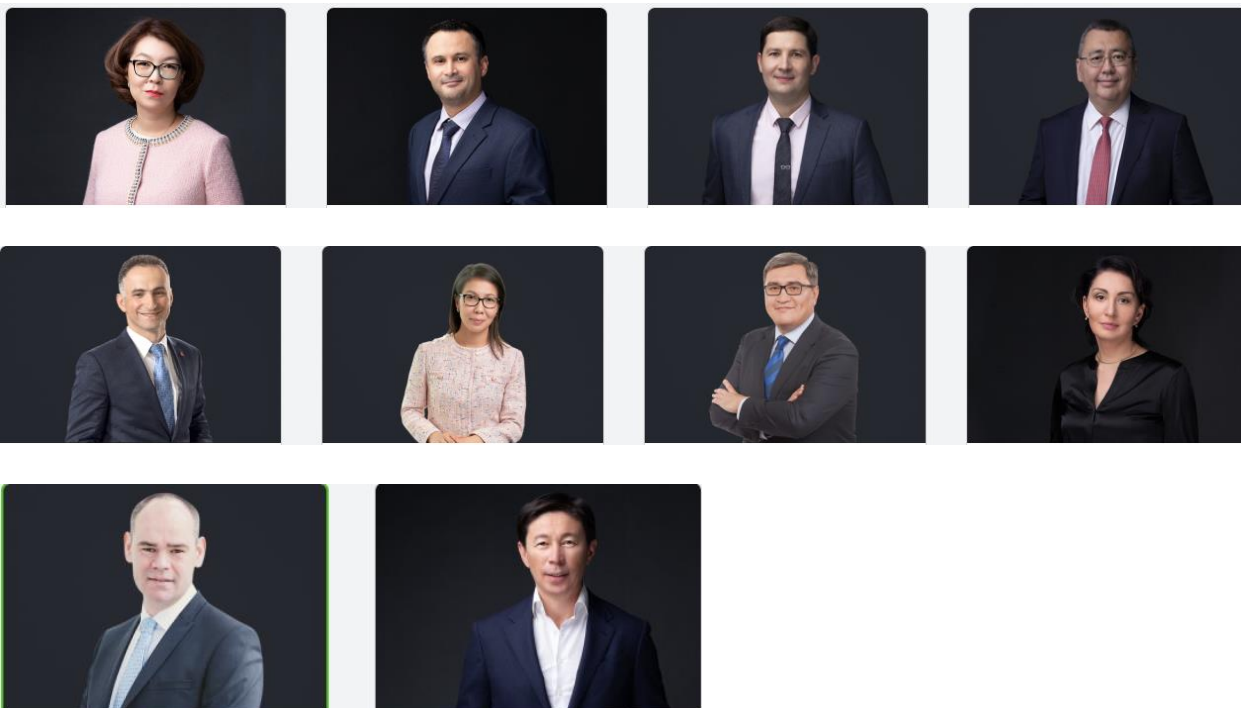
the head of the executive body on the basis of the Exchange's Charter:

- **Alina Aldambergen** – Chairman of KASE's Management Board;

elective members of the management body on the basis of the Act of the Republic of Kazakhstan "On Joint-Stock Companies":

- **Yeldar Abdrazakov** – Chairman of the Board of Directors of Centras Securities JSC; Insurance Company "Centras Insurance" JSC, Insurance Company "Kommesk-Omir" JSC, Life Insurance Company "Centras Kommesk Life" JSC;
- **Alexander Dronin** – independent strategic consultant in various projects in the insurance, investment and financial-technical sectors;
- **Askar Yelemessov** – independent director of KASE;
- **Israel Doron** – independent director of KASE;
- **Igor Marich** – Representative of the Moscow Exchange group;

- **Yertai Salimov** – Deputy Chairman of the Management Board of Halyk Bank of Kazakhstan JSC;
- **Jan Willems** – independent director of



In 2023, meetings of the Board of Directors were held on a regular basis in person and in absentia.

During the reporting period, the Board of Directors reviewed strategic and current issues of the Exchange's activities related to its competence. There were 12 in-person meetings of the Board of Directors and 24 absentee voting sessions.

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

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

In accordance with the Requirements for the organizational structure of the trading operator and the composition of the listing commission of the stock exchange, as well as

the Rules for activities of the structural unit of the trading operator, which surveys transactions in the trading system of the stock exchange, approved by the resolution No. 249 of the Board of the National Bank of the Republic of Kazakhstan dated December 19, 2015, the following bodies operate at the Exchange:

- Listing Commission;
- Committee of the Board of Directors on Issuers Audit.

In accordance with the Procedure for resolving disputes and conflicts arising in the process of transactions with financial instruments, approved by the decision of the Board of Directors, a Dispute and Conflict Resolution Commission is in place.

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

The following events were carried out in 2023:

- 13 meetings of the Exchange's Board of Directors' Committee on Budget and Strategic Planning;
- 11 meetings of the Exchange's Board of Directors' Committee on Personnel, Remuneration and Social Issues;
- 13 meetings of the Exchange's Board of Directors' Committee on Internal Audit;
- 9 meetings of the Listing Commission, as well as 31 absentee voting of this Commission;
- 5 meetings of the Board of Directors' Committee on Issuers Audit.

The Committee of the Exchange's Board of Directors on Budget and Strategic Planning featured representatives of the Agency for Regulation and Development of the Financial Market and an investment company, as well as the National Bank of the Republic of Kazakhstan as experts.

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

The Exchange's Management Board

The Management Board is a collegial executive body of the Exchange and manages current activities of the Exchange, with the exception of resolving issues referred by the Act of the Republic of Kazakhstan "On Joint-Stock Companies" and the Exchange's Charter to the exclusive scope of duties of the general meeting of shareholders and/or the Exchange's Board of Directors.

On June 29, 2023, following a decision of the Board of Directors of Kazakhstan Stock Exchange, the term of office of the following members of KASE's Management Board was extended until July 1, 2026:

- A. Aldambergen, Chairman of the Management Board;
- Y. Mazhekenov, Deputy Chairman of the Management Board;
- Zh. Sarzhakov, Deputy Chairman of the Management Board;
- N. Khoroshevskaya, Deputy Chairman of the Management Board;
- A. Tsalyuk, Deputy Chairman of the Management Board.

As of August 8, 2023, in accordance with a decision of the Board of Directors, the following changes took place in the composition of the Exchange's Management Board:

- N. Khoroshevskaya, Deputy Chairman of the Management Board, was removed from the Management Board due to a transfer to another job;
- D. Amanzholova, Managing Director of KASE, previously holding the position of Director of KASE's Department of Information and Statistics, was elected as a member of the Management Board. The term of office of D. Amanzholova was determined similarly to the term of office of the Management Board as a whole – until July 1, 2026.

As of January 1, 2024, KASE's Management Board consisted of five persons:

- **A. Aldambergen**, Chairman of the Board;
- **D. Amanzholova**, Managing Director – Member of the Management Board;
- **Y. Mazhekenov**, Deputy Chairman of the Management Board;
- **Zh. Sarzhakov**, Deputy Chairman of the Management Board;
- **A. Tsalyuk**, Deputy Chairman of the Management Board.



In 2024, the Board of Directors decided to make the following changes to the composition of KASE's Management Board (events after the reporting date):

- powers of the Deputy Chairman of KASE's Management Board A. Tsalyuk were terminated ahead of schedule, after he quit of his own accord effective January 13, 2024;
- Managing Director – member of KASE's Management Board D. Amanzholova was appointed to the position of Deputy Chairman of the Management Board effective January 22, 2024,
- Managing Director for IT Y. Kuanyshbekov was elected a member of the Management Board effective January 22, 2024.

Information about the Exchange's rewards

Payment of remuneration and compensation for expenses to members of the Exchange's Board of Directors and Management Board is carried out in accordance with the terms of agreements concluded with them. The amounts of bonus remuneration for these executive employees are determined by the general meeting of shareholders with regard to members of the Board of Directors and by the Board of Directors in relation to members

of the Management Board, depending on the results of financial and economic activities of the Exchange in the corresponding financial year.

Remuneration for members of the Board of Directors

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

- monthly remuneration of members of the Board of Directors is determined by a decision of the general meeting of shareholders of the Exchange;
- the amount of the annual bonus remuneration of any member of the Board of Directors should not exceed 85 % of the total monthly remuneration paid to this member of the Board of Directors for all months of the year for which the bonus is paid;
- annual bonus remuneration is not paid to members of the Board of Directors who in the reporting financial year took part in less than 50 % of the meetings of the Board of Directors, absentee voting of members of the Board of Directors, meetings of committees of the Board of Directors, other permanent committees and commissions of the Exchange, which these members of the Board of Directors were on.

During 2023, members of the Exchange's Board of Directors were paid fifty-four mln eight hundred fifty-eight thousand fifteen tenge (54,858,015 tenge).

Members of the Exchange's Board of Directors who are representatives of government bodies of the Republic of Kazakhstan or related to persons who cannot receive remuneration in accordance with the legislation of the Republic of Kazakhstan, are not eligible for nor paid any remuneration:

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

Remuneration for members of the Exchange's Board of Directors

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

- the monthly salary of a member of the Management Board is determined by a decision of the Board of Directors;
- based on the results of consideration of the performance of the Management Board and the Exchange for the reporting year, the Board of Directors makes a decision to establish the amount of annual bonus remuneration for members of the Management Board for the reporting year;
- the amount of annual bonus remuneration for members of the Management Board is determined by a decision of the Board of Directors based on the results of an assessment of the work of each member of the Management Board during the reporting year;
- the Board of Directors may decide to make a one-off payment to a member of the Management Board.

During 2023, three hundred eighteen mln two hundred thirty thousand seventy-three tenge 36 tiyn (318,230,073.36 tenge) were paid to members of the Exchange's Management Board.

Information about KACC shareholders

As of January 1, 2024, the total number of authorized common shares of the Clearing Centre was four hundred thousand, of which 55 common shares were issued. The sole shareholder of the Clearing Centre is Kazakhstan Stock Exchange JSC.

General meeting of shareholders and Board of Directors of KACC

In accordance with the legislation of the Republic of Kazakhstan, the general meeting of shareholders is the supreme governing body of the Clearing Centre. The list of issues referred to the competence of the general meeting of shareholders is determined by the Act of the Republic of Kazakhstan "On Joint-Stock Companies" and the Charter of the Clearing Centre.

The Board of Directors is a governing body of the Clearing Centre and carries out general management of activities of the Clearing Centre, with the exception of resolving issues referred by the Act of the Republic of Kazakhstan "On Joint-Stock Companies" and/or the

Charter of the Clearing Centre to the exclusive competence of the general meeting of shareholders of the Clearing Centre.

In November 2022, by a decision of the sole shareholder of the Clearing Centre, three people were appointed to the Board of Directors.

The same decision determined that:

- the term of office of the elective members of the Board of Directors begins from the date of their election and expires at the time of the annual general meeting of shareholders of the Clearing Centre, which will be devoted to the consideration of the Clearing Centre's 2025 annual financial statements;
- A. Aldambergen, Zh. Sarzhakov were elected members of the Board of Directors, who are representatives of the sole shareholder, and M. Tashmetov – an independent director of the Clearing Centre.

In April 2023, following a decision of the Clearing Centre's sole shareholder, the composition of the Clearing Centre's Board of Directors was changed, namely:

- powers of Zh. Sarzhakov as a member of the Clearing Centre's Board of Directors were terminated ahead of schedule;
- N. Khoroshevskaya was elected a member of the Clearing Centre's Board of Directors (representative of the sole shareholder).

In October 2023, following a decision of the Clearing Centre's sole shareholder, the composition of the Clearing Centre's Board of Directors was changed, namely:

- powers of N. Khoroshevskaya as a member of the Clearing Centre's Board of Directors were terminated ahead of schedule;
- Zh. Sarzhakov was elected a member of the Clearing Centre's Board of Directors (representative of the sole shareholder).

Composition of the Board of Directors as of January 1, 2024:

- **Alina Aldambergen** (Chairman of the Board of Directors) – Chairman of the Exchange's Management Board, representative of the sole shareholder;
- **Zhainar Sarzhakov** (member of the Board of Directors) – Deputy Chairman of the Exchange's Management Board, representative of the sole shareholder;

- **Mirlan Tashmetov** – (member of the Board of Directors – independent director of the Clearing Centre).



On February 7, 2024, following a decision of KASE's Board of Directors, eight people were appointed to KACC's Board of Directors (events after the reporting date). The following members were additionally elected to KACC's Board of Directors:

- Y. Salimov, I. Serdyuk – representatives of interests of the sole shareholder of KACC;
- Sh. Ainabaeva, K. Damitov – members of the Board of Directors, independent directors;
- N. Khoroshevskaya – Chairman of KACC's Management Board.

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

The following events were carried out during 2023:

- 9 meetings of the Board of Directors' Committee on Strategic Planning, Personnel and Remuneration, Social Issues;
- 7 meetings of the Board of Directors' Internal Audit Committee.

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

Management Board of the Clearing Center

The Management Board is a collegial executive body of KACC and manages current activities of the Clearing Center, with the exception of resolving issues related to the Joint

Stock Companies Law of the Republic of Kazakhstan and the charter of the Clearing Center falling within exclusive competence of the general meeting of shareholders and/or the Board of Directors of the Clearing Center.

During 2023, subject to decisions of the Board of Directors, the following changes were made in the composition of the KACC Management Board:

- from April 26, 2023, Syzdykov Y.S. and Lee A.V. were removed from the Management Board, from the specified date Sarzhakov Zh.N. was elected as Deputy Chairman of the Management Board;
- from August 8, 2023 Khoroshevskaya N.Yu. was elected as Chairperson of the Management Board of KACC with a term of office for three years and Deputy Chairman of KACC Sabitov I.M., from the specified date Sarzhakov Zh.N. was removed from the Management Board of KACC.

Composition of the Management Board as of January 1, 2024:

- **Khoroshevskaya N.Yu.**, Chairperson of the Management Board;
- **Sabitov I.M.**, Deputy Chairman of the Management Board;
- **Studenina Y.E.V.**, Deputy Chairperson of the Management Board.



By decision of the KACC Board of Directors from January 3, 2024, Lee A.V. was elected as Deputy Chairman of the KACC Board with a term of office until the end of the term of office of the KACC Management Board (events after the reporting date).

Information on remunerations of the Clearing Center

Payment of remuneration and compensation for expenses to members of the Board of Directors and the Management Board of the Clearing Center is carried out subject to the terms and conditions of the agreements signed with them. The amount of bonus of the specified executive employees is determined by decision of the sole shareholder of the Clearing Center in relation to members of the Board of Directors and by the Board of Directors in relation to members of the Management Board, depending on results of the financial and economic activities of the Clearing Center in the corresponding financial year.

Remuneration for members of the Board of Directors of the Clearing Center

Subject to the Joint Stock Companies Law of the Republic of Kazakhstan, the Charter of the Clearing Center and the Regulation on the Board of Directors:

- monthly remuneration of the members of the Board of Directors is determined by decision of the sole shareholder of the Clearing Center;
- amount of the annual bonus of any member of the Board of Directors must 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 paid;
- annual bonus is not paid to members of the Board of Directors who, in the reporting financial year, took part in less than 50% of the meetings of the Board of Directors, absentee voting of members of the Board of Directors, meetings of committees of the Board of Directors, other permanent committees and commissions of the Clearing Center, of which these members were members Board of directors.

During 2023, a member of the Board of Directors, an independent director of the Clearing Center, was paid two million two hundred thousand KZT (2,200,000 KZT).

Remuneration for members of the Clearing Center Board

Subject to the Joint Stock Companies Law of the Republic of Kazakhstan, the Charter of the Clearing Center and the Regulations on the Management Board:

- monthly salary of a member of the Management Board is determined by decision of the Board of Directors;
- based on results of study of performance of the Management Board and the Exchange for the reporting year, the Board of Directors makes a decision to

establish the amount of the annual bonus of members of the Management Board for the reporting year;

- sizes of annual bonus for members of the Management Board are determined by a decision of the Board of Directors based on results of an evaluation of performance of each member of the Management Board during the reporting year;
- the Board of Directors may decide to make a non-recurrent payment to a member of the Management Board.

During 2023, members of the Management Board of the Clearing Center were paid forty one million nine hundred sixty two thousand seven hundred seventy nine KZT thirty two tiyn (41,962,779.32 tiyn).

Corporate responsibility and HR management

Success of the KASE Group is the merit of our team. Attracting and retaining talented employees is one of the key tasks of KASE and KACC. The KASE Group is responsible for ensuring decent working conditions:

- 1) competitive wages are paid;
- 2) opportunities for professional development are provided;
- 3) corporate culture based on mutual trust and respect, openness and honesty, continuous development and innovation is maintained.

The team of KASE Exchange Group has made a huge contribution to development of the companies. Each employee makes his own unique contribution to achieve the common goal. Through hard work, dedication and professionalism, the company has achieved significant results and become a leader in the stock exchange industry.

KASE and KACC base their labor relations on the following principles: respect for generally recognized labor rights of employees, provision of equal opportunities and non-discrimination at the stages of hiring, remuneration, access to training, promotion, and dismissal based on criteria such as gender, race, language, religious belief, political opinion, nationality, national or social origin, and physical disability, and ensuring fair pay.

Corporate values

A key element of operation of the KASE group as a large team of professionals implementing projects that are strategically important for development of the exchange market is presence of corporate values that correspond to current tasks and goals.

Corporate values of the KASE Group are innovation, responsibility, openness and care.

We work with our partners, customers and each other on the principles of innovation and sustainable development for the commonwealth, constantly adapting to change and guided by the principles of openness and transparency. We are responsible for our decisions, ensure professionalism of our teams and quality of our services, take into account the future of our country, our clients and our employees, and create conditions for development.

In the anniversary year, a number of events were held to develop a value-based approach. Corporate organizational values represent the desire to unite business and teams to develop the stock market, introduce new technologies, products and services, improve existing services and technologies in the modern environment and promote achievement of sustainability by all market participants.

Following a pre-approved approach, the Exchange team selected bearers of corporate values in 2023 from among their colleagues – KASE employees demonstrate personal traits that most fully meet the key conditions of corporate values: openness, innovation, responsibility and concern for others.

Development of corporate culture

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

In order to form a corporate culture for KASE and KACC employees, various corporate events are held and the following tools are used:

- confirmation of success – certificates and letters of gratitude;
- team unity and development of corporate values;
- motivation – creating a favorable working mood in the team;

- increasing employee satisfaction and awareness.

We can include the following among key focuses on internal communications.

Timely and complete informing of employees (information is provided on an ongoing basis through Townhalls, sending messages by e-mail, social networks, etc.).

Development of communicative and team-building connections between employees (conducting the team building, holding guest lectures, meeting with newcomers, engagement surveys, selecting value bearers and corporate events).

In 2023, the following employees were awarded for significant contribution to the development of the KASE Exchange Group and particularly important work and projects of KASE and KACC:

- 1 employee of the Exchange was awarded a letter of gratitude from the Chairman of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market;
- 14 employees of the Exchange were awarded the “Enbegi Ushin” medal for the 30th anniversary of the national currency of Kazakhstan;
- 20 employees of the Exchange were awarded the anniversary medal “Tengege 30 zhyl”;
- 10 employees received KASE award sign “For contribution to development of the Kazakhstan capital market”;
- 73 employees were honored with KASE award badge “For contribution to development of KASE exchange markets”;
- over 90 employees were awarded with certificates of appreciation for implementation of KASE projects – “Increasing liquidity on KASE exchange markets”, “Development of the CCP as a key infrastructural element”, “Introduction of innovations and technological modernization”, “Increasing value for stakeholders”.

In order to ensure development of corporate culture of the KASE Exchange Group, the following corporate events were arranged:

- townhalls highlighting the quarterly performance, which are held in a combined offline and online format;

- quarterly meetings and acquaintances between newly hired employees and the Chairperson of the Management Board of the Exchange designed to integrate newcomers into the team.

Within celebration of KASE's 30th anniversary, a number of events were held with participation of employees of the KASE Group, including those designed to develop and maintain corporate culture:

- team ascent to Bukreyev Peak;
- active participation in eco-cleanup work in Baum Grove;
- annual summer team building, which took place at Country Village Resort recreation area, where employees united into one team and built a “Goldberg machine”;
- filming of a documentary-historical film “30 years of KASE – a course for success” with participation of employees of the KASE Exchange Group. The film covers the most important milestones in formation and development of the Exchange from the day of its foundation to the present day through the prism of perception of the film's heroes – employees of the Exchange and some key figures who made a significant contribution to formation of the organized financial market of Kazakhstan;
- a gala concert performed by the state classical music ensemble “Camerata of Kazakhstan” in honor of the 30th anniversary of the Exchange and on the eve of the celebration of National Currency Day of the Republic of Kazakhstan and the professional holiday of employees of the country’s financial system;
- gala dinner in honor of KASE’s anniversary celebration;
- New Year celebration and children’s X-mas tree for children of the employees.

Education and development

Training and professional development is a part of KASE and KACC personnel management policies. The companies encourage their employees to acquire new and develop existing knowledge, including through internal and external training.

Professional and compulsory training is a priority. Much attention is paid to development of professional skills in the financial sector, corporate competencies and project management and IT skills necessary the implementation of strategic projects of the KASE Exchange Group.

In the reporting year, over 60 employees of KASE and KACC passed trainings, mainly in courses in the following areas: Corporate finance, Financial modeling, Financial analysis, IT direction (Java, Oracle, Linux) and accounting courses (1C ZUP, international taxation, anti-money laundering and counter-terrorism financing and a number of other courses.

Also, a Project Management course with IPMA certification was arranged for employees of a number of departments.

English and Kazakh language courses were conducted for company employees, over 50 people passed trainings.

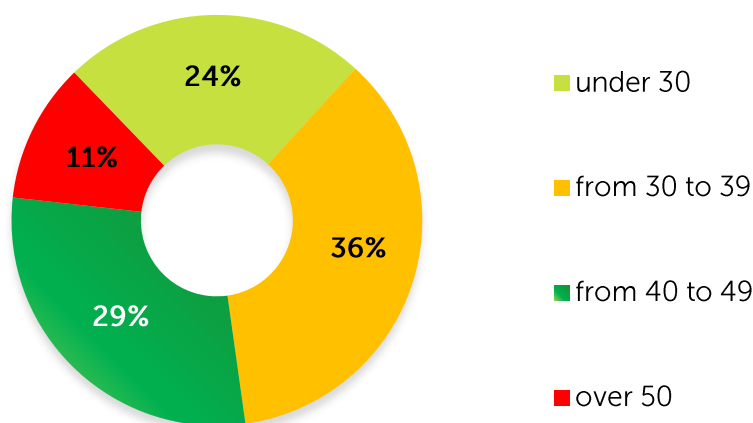
Exchange staff

As of January 1, 2024, the staffing level of KASE was 235 units, while the actual number was 195 units.

Age structure of the Exchange

In terms of age distribution, personnel structure is as follows: young people aged under 30 years account for 24%, from 30 to 39 years old – 36%, from 40 to 49 years old – 29%, over 50 years old – 11%. The average age of employees of the Exchange for 2023 was 38 years.

Fig. 32. Age structure of the Exchange



Source: KASE

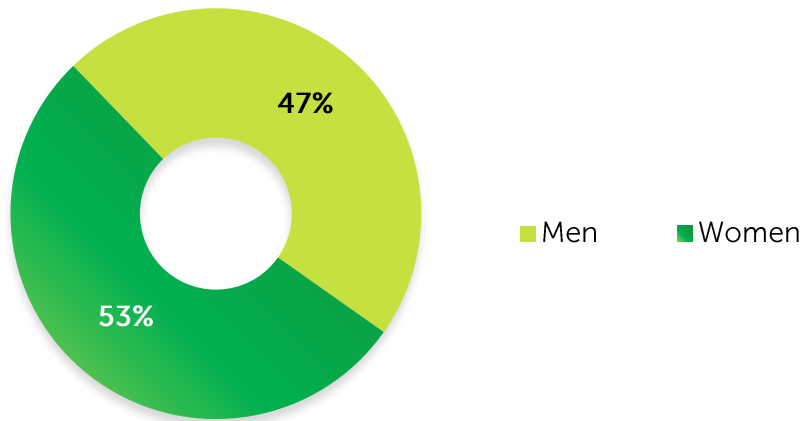
Education of Exchange employees

As of the end of the reporting period, the majority of KASE employees (99.5%) had university degrees.

Gender composition of the Exchange

At KASE, women account for 53% of the employees, men for 47%. Along with that, the top management (Management Board and Board of Directors of the Exchange) of the Exchange demonstrates a high rate of women's participation in management: 40% of the management board and 30% of the board of directors are women.

Fig. 33. Gender structure of the Exchange

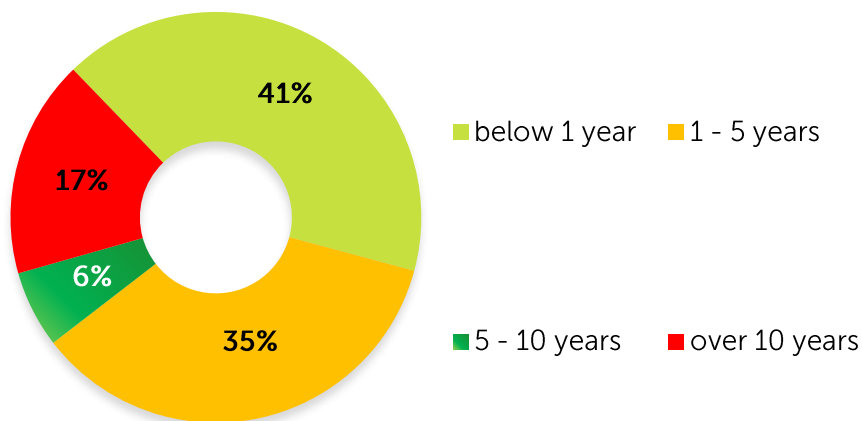


Source: KASE

Stability of the Exchange personnel

During the reporting period, the staff of the Exchange significantly rotated. Along with that, 17% of employees have a total length of employment with KASE of more than ten years, 7% of the employees have from five to nine years of work experience on KASE, 47% of employees have from one to five years of experience on KASE, and 29% are employees with work experience on the Exchange for less than one year.

Fig. 34. Stability of KASE personnel



Source: KASE

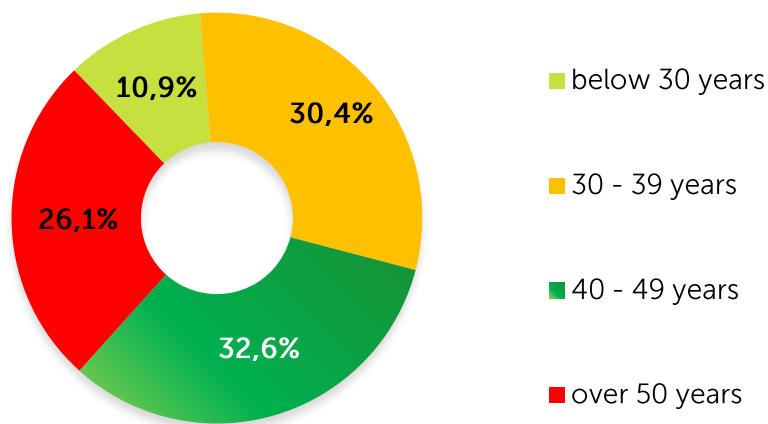
Personnel of the Clearing Center

As of January 1, 2024, staffing level of the Clearing Center was 59 units, while the actual number was 46 units.

Age structure of the Clearing Center

In terms of age distribution, personnel structure is as follows: young people aged under 30 years account for 10.9%, from 30 to 39 years old – 30.4%, from 40 to 49 years old – 32.6%, over 50 years old – 26.1 %. The average age of employees at the Clearing Center for 2023 was 41 years.

Fig. 35. Age structure of KACC



Source: KACC

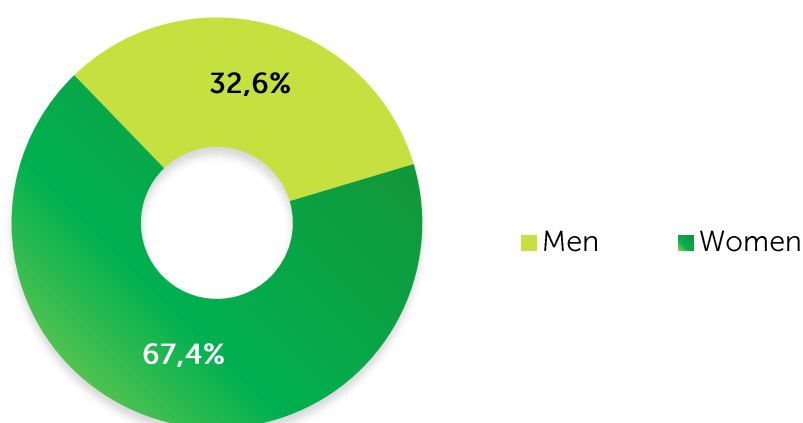
Education of employees of the Clearing Center

As of the end of the reporting period, the majority of KASE employees (100%) had university degrees.

Gender composition of the Clearing Center

At KACC, women account for 67.4% of the employees, and men – 32.6%.

Fig. 36. Gender composition of the Clearing Center



Source: KACC

Social responsibility of KASE Group

As part of development of corporate social responsibility, the KASE Group pays special attention to improving the financial literacy of the youth of Kazakhstan. In this connection, KASE and KACC continue active cooperation with universities in Kazakhstan in terms of organizing internships and practice, employment of promising students, as well as conducting guest introductory lectures and seminars on the stock market at KASE and in universities. More than 30 students completed internships at KASE and KACC.

Information and physical security

Information security and physical security are key areas of responsibility of the information technology security service (hereinafter referred to as ITSS). The main goal of the ITSS is to constantly improve the level of protection and reduce risks in the field of information security at KASE and KACC. In its activities, ITSS is guided by regulations of the Government of the Republic of Kazakhstan, regulations, international standards and strives to implement international practices.

During the reporting period, software (hereinafter referred to as the software) was introduced to prevent information leaks and event management systems in the field of information security. Software was also introduced to prevent malware on local computers and server platforms. To increase the level of protection against cyber threats, external and internal audits of the information systems of the Exchange and the Clearing Center are carried out.

As part of improving the information security system, an event was held to raise awareness of KASE Group employees regarding vulnerabilities and threats in the field of

information security. Information about new threats and requirements in the field of information security is regularly sent out. Checks were also carried out for compliance with internal documents and other measures intended to strengthen the discipline in using the network and systems of the Exchange and the Clearing Center.

As part of the plan to improve regulatory documentation subject to the ISO 27001:2013 standard and requirements established by the authorized body, the internal documents of the Exchange and the Clearing Center were amended and supplemented to determine the functioning of the information security management system.

A set of taken measures entailed an improvement in the level of information security of the KASE Group and a reduction in risks in this area. To improve physical security, procedures for monitoring the provision of security services were improved, security and alarm alarms, video surveillance and a face id system were introduced.

Risk management system

KASE Group has built an integrated risk management system, and each company in the Group has specific types of risks.

Risk management is an integral part of the activities of KASE and KACC, designed to identify, assess and monitor all significant risks of the KASE Group, as well as take measures to reduce the level of risks.

Structure of the risk management system at KASE and KACC is represented by risk management at several levels with involvement of the following bodies and divisions: Board of Directors, Management Board, structural division responsible for risk management, compliance division, legal division, Internal Audit Service, structural divisions being risk owners.

Continuous development and improvement of the risk management system allows KASE Group to promptly respond to changes in the internal and external environment, increase efficiency and effectiveness of its activities.

Risk management at KASE and KACC is a constant, dynamic and continuous process. During the reporting period, KASE Group carried out the following work on risk management:

- it developed internal documents in the field of the KACC risk management system, based on the internal documents and procedures of the Exchange;

- it approved risk appetite of the group and each organization individually for significant risks, which the KASE Group and its managers are ready to accept as part of their business development strategy;
- a self-evaluation was carried out to determine compliance of the risk management system of the Exchange with recommendations of the international standard ISO 31000:2018, while implementation of the standard will be carried out throughout the KASE Group;
- during the reporting period, an annual risk identification procedure was carried out. Risks were identified both from the point of view of the past period and from the point of view of future possible events, as well as based on a comprehensive analysis of business processes. When mastering new directions of development of the KASE Group, risk registers were supplemented with new identified risks (ESG risks). New risks associated with the current political situation in the country and worldwide have been identified and assessed. Given the work carried out, the risk register and the Exchange risk map were revised.

The Management Board of the Exchange and the Clearing Center on a quarterly basis inform their management bodies about the current situation regarding realized risks and measures taken to minimize them. The Management Board of the Exchange also discloses to the Board of Directors of Exchange information about realized risks in the KASE Group.

Improvement of the risk culture in the KASE Exchange Group is carried out on an ongoing basis through involvement of structural divisions in the risk management process, as well as through exchange of information between the Board of Directors, the Management Board, committees at the Management Board and employees of the Exchange/Clearing Center.

In 2023, measures were taken to improve the risk culture of the Exchange/Clearing Center employees. When hired, new employees are familiarized with the principles of functioning of the risk management system at the Exchange/Clearing Center. As a result of the measures taken to improve the risk culture of the Exchange/Clearing Center employees, there is a higher degree of understanding of involvement of each employee in the risk management system.

For the purpose of effective management of market risks of the Exchange/Clearing Center when carrying out activities of the Central Committee, there is a Market Risk

Committee – a permanent collegial body at the Management Board of the Exchange/Clearing Center. Functions of the Committee include approval of values of fundamental and approved risk parameters of financial instruments, preparation of recommendations to the Exchange Board on establishing and applying individual limits and restrictions to clearing participants on exchange markets, as well as other functions provided for by internal documents of the Exchange.

To identify areas in which the risk management system needs to be improved, the Internal Audit Service of Exchange, in line with the Internal Audit Plan, evaluates effectiveness of the risk management system.

The risk management system implemented at the Exchange and the Clearing Center, which monitors and controls market risks of the Exchange as a clearing organization (central counterparty) in an automatic mode, made it possible to respond in timely manner to increased volatility of financial instruments traded on the Exchange.

Business continuity management

Business continuity management system built by the Exchange is unified for KASE Group, since the Group uses a shared IT infrastructure and unified trading systems.

The Exchange works to improve its business continuity management system. This activity is regulated by internal documents – the Business Continuity Management Policy approved by the Board of Directors of the Exchange on April 24, 2020, Rules for organizing business continuity and restoration and the Business Continuity Plan approved by the Exchange Board on July 30, 2020, developed taking into account requirements of international standards with a view to ensure continuity of critical activities in case of incidents and emergencies, as well as minimizing their impact on core activities in order to quickly restore activities of the Exchange. In order to ensure restoration of activities of the Exchange in critical areas, the Management Board of the Exchange approved a Plan for business continuity ensuring and restoring.

During the reporting period, internal documents of the Exchange regulating the business continuity management system were updated. The need to update internal documents governing the business continuity management system is associated with the creation of a unified business continuity management system for the Exchange and its subsidiary, the Clearing Center, and the approaches to creating a list of critical activities and types of testing have been revised.

The Exchange operates a system of several data processing centers, has also modernized its business continuity management scheme, and constantly upgrades the IT infrastructure of the Exchange in order to ensure a fail-safe system. Business continuity management system being built to this day, which includes an optimal IT infrastructure, ensures restoration of critical activities within a specified time from the moment a critical situation occurs. Data processing centers that support operation of the Exchange meet modern requirements – TIER II (fault tolerance – 99.75%) and TIER III (fault tolerance – 99.98%).

Self-evaluation of the business continuity management system was carried out for compliance with the international standard ISO 22301-2019, and a plan was developed to implement recommendations of the standard in terms of identified inconsistencies.

Core divisions of the Exchange regularly test plans to ensure continuity and restore operations (including testing the operation of the trading and clearing systems in backup data processing centers and using virtual workplaces and a backup office).

As part of changing approaches to the business continuity management system, it is planned to upgrade the system of virtual workplaces, which are created on servers of the Exchange and provide an access to all information systems, regardless of the user's location. Desktop virtualization allows to quickly respond to emergency situations.

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

In 2023, no excesses of the maximum permissible downtime/target recovery time for business processes were recorded.

There is no actual material damage from realization of risks associated with the business continuity management system in 2023.

Compliance control and anti-corruption

In the context of a rapidly changing external environment, global upheavals, sanctions confrontations and more stringent regulatory requirements, the KASE Group, like other

participants on the financial market of Kazakhstan, faces compliance risks, management of which requires a special approach and attention, as well as presence of an effective compliance control system. For these purposes, the KASE Compliance Service and the KACC Compliance Service (hereinafter referred to as the Service) are organized and operate, reporting to the Board of Directors of the Exchange and the Board of Directors of the Clearing Center, respectively. The Service ensures compliance of activities of the KASE Group with requirements of the laws of the Republic of Kazakhstan and internal documents regulating the procedure for providing services and conducting transactions on the financial market, as well as applicable provisions of foreign laws.

KASE Group, subject to the laws of the Republic of Kazakhstan, taking into account international practice and standards in the field of compliance, has developed and approved Compliance Risk Management Policy, Code of Corporate Ethics, Anti-Corruption Standards, Conflict of Interest Management Policy, Rules for Controlling the Use of Insider Information and other internal documents.

The Service continuously monitors compliance risks in activities of the Exchange and the Clearing Center to ensure compliance with the laws of the Republic of Kazakhstan governing their activities, including in terms of anti-corruption, compliance with sanctions restrictions of foreign countries and special conditions when making transactions, minimizing conflicts of interest, analysis measures taken by authorized government bodies and study of complaints (appeals) from clients/counterparties of the KASE Group.

In 2023, the Service implemented measures designed for timely identification, evaluation and control of compliance risks in core activities of the Exchange, including measures intended to suppress corruption and improve sanctions compliance, in line with the approved Work Plan for this year.

In the area of anti-corruption compliance, the Exchange has developed a list of measures and control procedures intended to suppress corruption, resolve conflicts of interest and improve corporate culture within the organization. During the reporting period, the Service regularly held consultations with employees regarding the procedure for applying these documents and resolving existing situations. In order to prevent conflicts of interest, the Service analyzed presence of conflicts of interest among employees if they were engaged in private business activities, and also collected and analyzed questionnaires filled out by resigning employees.

In order to study requests related to corruption violations, as well as complaints (applications) against actions of the KASE Group or its employees, a “hotline” has been organized, contacts of which are listed on the website of the Exchange.

In line with the 2023 Inspection Plan, the Service carried out scheduled compliance inspections of processes for compliance with sanctions requirements and anti-corruption measures in relationships with counterparties and developed action plans to reduce compliance risks and their effective management.

During 2023, to minimize sanctions risks, a number of measures were carried out at KASE and KACC, within which sanctions monitoring and analysis of the impact of sanctions on activities of the KASE Group were conducted, internal control measures were enhanced and requirements to Exchange members and listed companies were changed. The Service analyzed trends in development of international sanctions regimes and brought them to the attention of all responsible departments and employees of the KASE Group.

To promote and improve compliance culture of KASE Group employees, the Service conducted training on compliance risk management and compliance culture, conflict of interest management and anti-corruption measures and restrictions, including requirements for providing a declaration of assets and liabilities.

Internal audit of the KASE Exchange Group

KASE Internal Audit Service and the KACC Internal Audit Service (hereinafter referred to as the IAS) were created to protect interests of shareholders of the Exchange and the Clearing Center, preserve and increase value of the KASE Exchange Group by conducting objective internal audits based on a risk-based approach, providing recommendations and sharing knowledge.

IAS activities comply with the International Professional Practices Framework of Internal Auditing and requirements of the regulator, namely, functions of internal audit are separated from functions of risk management and internal control. The IAS is in a regime of special functional and administrative subordination and accountability in order to ensure objectivity of internal auditors and independence of the IAS.

As part of current accountability, management bodies are provided with reliable and up-to-date information about level of effectiveness of corporate governance, risk

management and internal control systems. Given that KACC was created in 2023, no internal audits were carried out and, accordingly, no reporting is provided.

Receiving feedback from the Audit Committee, which is the supervisor of the IAS, is carried out by the head of internal audit in various forms during interaction with the Audit Committee, including analysis of decisions/recommendations of the Audit Committee on issues within the competence of internal audit, as well as through surveys of members of the Audit Committee.

Subject to the Program for Guaranteeing and Improving Quality of Internal Audit, approved by decision of the Board of Directors dated September 27, 2023 (Minutes No. 27), self-assessment of the current state of the KASE internal audit function was carried out, as a result of which the overall compliance assessment was 85.6%. Assessment of the satisfaction of the Audit Committee of the Board of Directors of KASE with IAS performance at the end of 2023 was 4 points, i.e. the highest possible score.

Subject to the assigned powers, KASE Board of Directors, as well as the Board of Directors of the KACC approve risk-based audit maps and annual audit plan, key indicators of the IAS and internal auditors, as well as the IAS budget.

In 2023, the audit plan of the KASE Internal Audit Service was completed by over 100%, taking into account unfinished tasks remaining from previous periods. Additionally, employees of the Internal Audit Service provided consulting services. Based on results of the audit and consulting assignments, the Internal Audit Service issued recommendations, including offers to improve the existing internal control and risk management systems, processes, principles and business conduct methods. Information on results of monitoring the implementation of recommendations issued and implementation of the audit plan was provided to the Internal Audit Committee and the Board of Directors of the Exchange on a quarterly basis.

In order to improve their professional knowledge and skills, IAS employees undergo training on an ongoing basis, including in order to obtain CIA professional certification.

Activities of KASE IAS in the reporting year by quarter were assessed as “effective”, which is confirmed by achievement of 2023 key performance indicators.

ABBREVIATIONS AND TERMS

ASTS+	trading and clearing system of the KASE Developed based on the trading and clearing system of the Moscow Exchange
CAREC	Central Asia Regional Economic Cooperation
CCP12	Global Association of Central Counterparties
CDSB	Climate Disclosure Standards Board
CPSS	The Committee on Payment and Settlement Systems
DMA	direct memory access
DLT	distributed ledger technology
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ESG	Environmental, Social and Governance criteria
EFFAS	European Federation of Financial Analysts Societies
ESMA	European Securities and Markets Authority
EMIR	European Market Infrastructure Regulation
ETF	Exchange Traded Fund
FAST	FIX Adapted for Streaming
FEAS	Federation of Euro-Asian Stock Exchanges
FIX	data transmission protocol, which is an international standard
Frontier Market	Frontier Market
FTSE	international index service Financial Times Stock Exchange
GA	General Assembly
HA	High availability
IFC	International Finance Corporation
IOSCO	International Organization of Securities Commissions

IPO	Initial Public Offering
IR	Investor Relations
IRIS	exchange information terminal
ISO	International Organization for Standardization
IT	Information Technology
KACC	abbreviation of the name of KASE Clearing Center JSC
KASE	abbreviation of the name of Kazakhstan Stock Exchange JSC
KEGOC	abbreviation of the name of KEGOC JSC
MOEX	Moscow Exchange PJSC
MSCI	Morgan Stanley Capital International
IOSCO	International Organization of Securities Commissions
PoC	Proof of concept
PRI	Principles for Responsible Investment
S&P	Standard & Poor's international index service
SLA	Service Level Agreement
SMA	sponsored market access (access to submit orders directly to the trading system)
SOFR US	the interest rate on the money market in USD, which is the weighted average median rate for the volume of transactions of three different types of REPO on overnight terms secured by government securities of the US Treasury
TCI	TONIA Compounded Index – TONIA composite index calculated every calendar day based on the last calculated value of the TONIA indicator
TCR	TONIA Compounded Rate – composite TONIA rate calculated every calendar day based on TCI values. The calculation uses a sliding window equal to the actual number of calendar days in the settlement period
TOD	a settlement condition under which the transaction is executed on the day of its conclusion (from the English word 'today')
TOM	a settlement condition in which the transaction is executed on the next business day from the date of its conclusion (from the English word 'tomorrow')

TONIA	a main indicator of the repo market, which is the weighted average interest rate on repo transactions with a Basket of government securities for a period of one day, calculated at the end of each trading day
TRION	a weighted average interest rate on repo transactions with a Basket of government securities carried out with the participation of a Central Counterparty for a period of one day, calculated during each trading day
TWINA	a weighted average interest rate on repo transactions with a Basket of government securities carried out with the participation of a Central Counterparty for a period of seven days, calculated during each trading day
UN SSE	Sustainable Stock Exchanges
WEP	Women's Empowerment Principles
WFE	World Federation of Exchanges
JSC	joint stock company
ARDFM	Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market
ACDE	Association of Central Depositories of Eurasia
STB	second-tier bank(s)
Exchange	Stock Exchange Kazakhstan Stock Exchange JSC
Brokers/dealers	Brokerage and/or dealer organizations licensed by an authorized body
GDP	gross domestic product
HEI	higher education institution
GS	government-issued securities
KASE Group	Kazakhstan Stock Exchange JSC and its subsidiary KASE Clearing Center JSC
DAMU	Damu Entrepreneurship Development Fund JSC
EMEA	Europe, Middle East and Africa
EBRD	European Bank for Reconstruction and Development
KASE Index	KASE Stock Market Index
UN SSE	Sustainable Stock Exchanges

Clearing Centre	KASE Clearing Centre JSC
CCP	clearing certificates of participation
IAE CIS	International Association of Exchanges of the Commonwealth of Independent States
mln	million
bln	billion
Moscow Exchange	Moscow Exchange PJSC
IFO	International Financial Organization (international financial organizations)
NBK	National Bank of the Republic of Kazakhstan
Atameken NCE RK	National Chamber of Entrepreneurs of the Republic of Kazakhstan Atameken
NPC	National Payment Corporation of Kazakhstan
NSES	non-state equity securities
UN	United Nations
MIF	mutual investment fund
SP	software program
Government	Government of the Republic of Kazakhstan
IAS	Internal Audit Service
CIS	CIS Commonwealth of Independent States
USA	United States of America
T+2	a settlement condition under which the transaction is executed on the second business day from the date of its conclusion
TCS	trading and clearing system
LLP	limited liability partnership
trln	Trillion
k	thousand

FRS	federal reserve system
CSD	Central Securities Depository
CCP	central counterparty
DPC	Data Processing Center
RSA	Republic of South Africa

Contacts and requisites

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