
ANNUAL REPORT

Kazakhstan stock exchange



2011

The following market indicators were reached (in billions of dollars):

capitalization of the shares market:

43.3

total number of issuers
at the year's end:

112

total volume of trading:

201.0

- in shares: 1.1
- in bonds: 2.0
- in government notes: 7.7
- in repo transactions: 84.0
- in foreign currency: 106.2
- in futures: USD20 million

**Financial results in brief
(in millions of dollars):**

equity capital:

15.7

operating income:

7.5

operating expenses:

6.1

net profit:

1.1

**In the reporting year – the first one
regarding the development strategy
– emphasis was put on the following
projects:**

- FIX-gateway of the trading system;
- remote access to trading;
- membership of non-residents and central counteragent;
- training trading system;
- Internet trading system STrade

Table of contents

President's statement	4	Report on projects implementation and exchange development	23
Short overview of market situation	5	Trading and settlements	23
Financial report	10	Introduction of T + 0 settlements system with full prepayment	23
Financial results of 2011	10	Development of T + n settlements system	24
Assets and liabilities of Exchange group	10	Preparation for holding „People's IPO“	24
Capital of Exchange group	11	Derivatives market	25
Revenues and expenses of Exchange group	11	Development of technologies	25
Financial indicators of Exchange	14	Transactional FIX gateway	25
Financial results of Exchange's subsidiary companies' operations	14	Internet trading	26
Financial statements and auditor's report	16	Electronic flow of documents with issuers	26
Statement of Management's responsibility	16	Raising liquidity	27
Independent auditors' report	17	Market-makers institute renovation concept	27
Consolidated statement of comprehensive income	18	Marketing policy	28
Consolidated statement of financial position	19	KASE training trading system	28
Consolidated statement of changes in equity	20	Promotion of exchange information	28
Consolidated statement of cash flows	21	Purchase of own office area	29
		Report on international activity	30
		Report on major issues of corporate development	33
		Planning of development	33
		Internal audit	33
		Risk management	33
		Glossary	34

Statement of KASE President to shareholders and market participants

Honorable Ladies and Gentlemen!
The reporting year is the first year of KASE's new Strategy.

Over the past three years the development of KASE was going on in a very close cooperation with regulators. We have been learning from the crisis. The major projects of those years were the „mark-to-market“ system on the direct repo market, buffer category of the official list, „reloading“ of KASE's derivatives market with the launch on it of a modern risk management system, development of a settlement system based on the T+0 scheme with complete pre-depositing of securities and money that was already introduced in the reporting year as the Exchange's response to a relatively high percentage of failed deals. A risk management department and an internal audit service were established and major decisions on issues relating to ensuring the business continuity of the Exchange were taken.

All the mentioned above has allowed KASE to switch to development of a Strategy for 2011–2013 and implementation of the three-year Strategic Plan. The main emphasis in these documents is put on increasing the liquidity of financial instruments being traded at KASE.

Understanding that to reach that goal is impossible without a new approach to the formation of an investors' base and expansion of the list of instruments being traded, – in 2011 we focused on strategic projects, whose implementation, in our opinion, will allow us to substantially

increase the number and increase the geographical distribution of investors operating at KASE. Amongst those projects there are:

- commissioning of a gateway through which any trade terminals supporting the FIX-protocol of market data transmission can connect to KASE's trading system which remarkably increases the potential of the Stock Exchange's investor base;
- technical and methodological work to ensure investors' remote access to KASE-based trading;
- conceptual decisions and close cooperation with regulators on the projects of remote membership to KASE for non-residents and organizing of securities trading with deferred settlements and partial security with participation of the central counteragent (T+n with $n > 0$);
- launching of the Training trading system as an instrument of attracting the retail investor to the market encouraged by training;
- putting into operation of the internet trading system called „STrade“ that allows the use of a digital signature.

The same goals were pursued by another two projects, to which the Stock Exchange paid a special attention in the reporting year, – conducting in Almaty with the organizational support of KASE of the 17th Annual General Assembly of The Federation of Eurasian Stock Exchanges (FEAS) with accompanying events, as well as the participation in a government program called „People's IPO“.



Kadyrzhan Damitov, President of Kazakhstan Stock Exchange JSC

Unfortunately, the above-mentioned projects were not able to increase revenues of the Stock Exchange in the reporting year. And, since the market faced unfavorable conditions in 2011, the volume of trades at KASE decreased by 3.1%. The greatest damage was caused to the exchange stock market that lost about 20% of its turnover. That, of course, affected financial results of the year. But we managed to optimize our expenses, and the net income received

based on the results of 2011 did surpass the same indicator of the approved budget for 60%.

In 2012–2013, whilst progressively continuing the Strategic Plan's implementation, we are going to put an emphasis on the marketing activity and try to break the trend of the decreasing stocks turnover at the securities market. And, even though, not everything depends on KASE, we do believe, that we will reach a certain success.

Short overview of the market situation

Kazakhstan has shown a positive economic result in 2011. But the aggravated problems of the world financial system had negatively affected the stock exchange market of KASE.

Against the background of worsening structural imbalances in the world economy the reporting year didn't bring any optimism to the world market. If in 2010 a thesis of a post-crisis recovery was still heard, in 2011 most people started to talk about a new wave of the world crisis. The real indicators of the world economy deteriorated (pic. 1), the cost of borrowing increased for many countries and that directly affected the economic figures. The investors were every so often giving priority to different types of assets in search of the optimal schemes of protection from losses or augmenting the profits.

The situation at the goods and commodity markets that highly affects the economy of Kazakhstan had been evolving in different ways. The prices of industrial metals, basically, showed a negative dynamics

(pic. 2), while the cost of oil of Brent mark had increased by 14% during the period finishing the year at 108 US dollars per barrel. Precious metals were characterized by a mildly-negative dynamics with the exception of gold – the price for one of the safest assets in the long run had increased by 10% by the end of the reporting year and reached 1,565 US dollars per troy ounce. At that, the historic maximum – 1,900 US dollars per ounce – was registered in September 2011.

Keeping the prices of oil high and conducting an effective monetary policy allowed Kazakhstan to improve its macroeconomic figures. The planned GDP growth of 7.5% was reached and the unemployment rate made up 5.4% at the end of the year with the annual inflation of 7.4% fitting in the projected corridor of 6–8% set by the National Bank. The growth in

the aggregated money supply (M3) during that period was as high as 15%, whilst the money in circulation grew by 19% which is slightly less than in the previous year. The significant growth in export revenues pushed the current account surplus to the level of 14.1 bln US dollars (pic. 3). The trade balance was 47.3 bln US dollars in 2011 showing a 65% increase. Only during the first half of 2011 Kazakhstan generated about 70% of the export revenues of 2010.

Against the backdrop of an improving economic situation in Kazakhstan, the international rating agency Standard & Poor's has increased the credit ratings of the republic in November of 2011. The independent credit rating in foreign currency was increased to the level of „BBB+“, short-term rating in foreign currency – from „A-3“ to „A-2“, and the short-term rating was affirmed at the level of „BBB“. The forecast on all the ratings stayed stable. Thus, Kazakhstan once again took the first place with regard to ratings in foreign currency among CIS countries

The share of KASE on comparable operations has increased from 72 to 84%

84%

USD/KZT

74.4%

of the market's turnover

tenge nominally has strengthened towards the dollar for

+0.61%

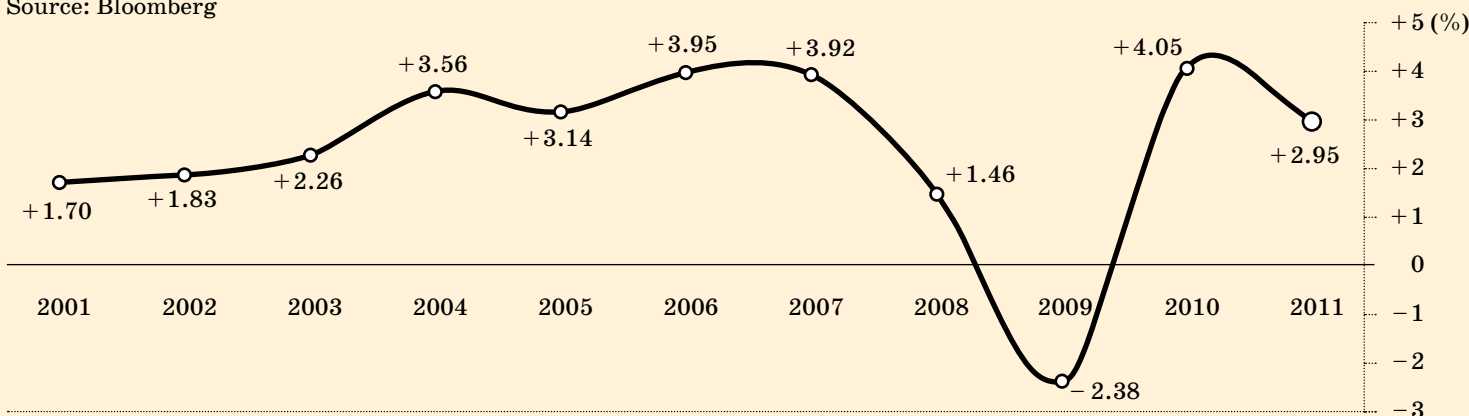
Index KASE_BY.

+123b.p.

with 9% of increase in trades volume

Picture 1
Growth in the world GDP for the last years, in %

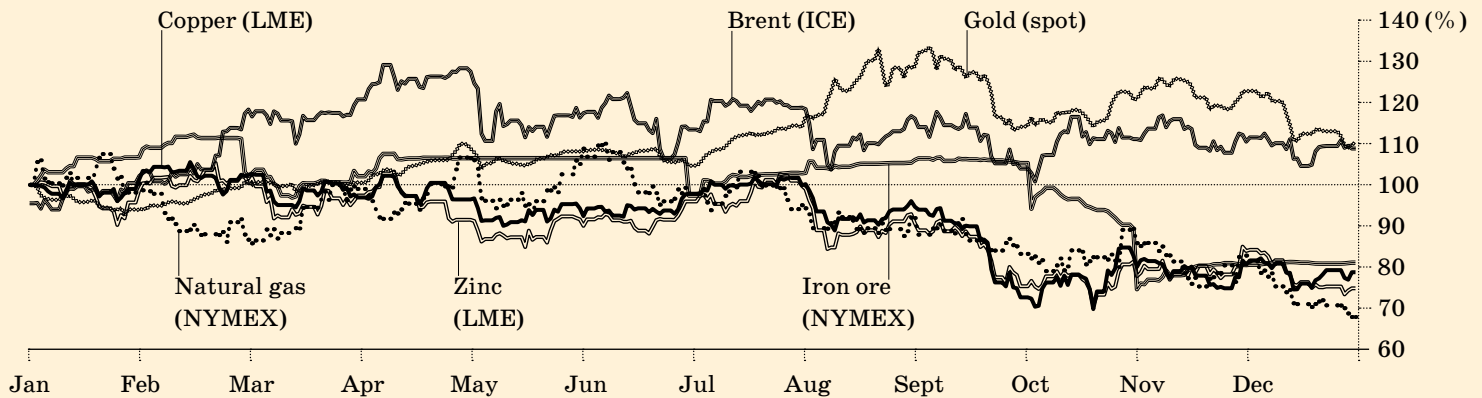
Source: Bloomberg



Picture 2

The change in prices for metals and raw materials in 2011 in %

Source: Bloomberg



Nominal cost of the corporate debt allowed for trading at KASE, based on results of the year, was 40.1 bln US dollars

40.1
bln USD

Index KASE

35.7 %

at a decrease in the trades' volumes by 43,2 %

Capitalization of the shares' market

43.3
bln USD

-28 %

Volume of trades at the secondary market of GS.

-40 %

standing close to Thailand, Ireland and South Africa. In the same month the ratings agency Fitch increased the ratings of the Republic of Kazakhstan: the long-term ratings of obligations in foreign currency from „BBB-“ to „BBB“, those in the national currency – from „BBB“ to „BBB+“, the outlook on the ratings is „positive“.

Despite the increase in export revenues and the share of KASE on comparable transactions of the currency market from 71.9 % in 2010 to 83.9 % in the reporting year, the volume of foreign currency exchange transactions of STB, had practically not changed in comparison with 2010 and, therefore, it broke the rule of the previous years where an increase in export revenues led to a growth of the proceeds accumulated in the accounts at STB and an increase in the volume of transactions in foreign currency. The quantity and daily volume of trades in foreign currency was decreasing during 2011, even though, members of KASE foreign currency market were joined by JSC METROKOMBANK and

SO JSC Bank VTB (Kazakhstan).

Not less illogical was the situation on the stock exchange trades in the Russian ruble against the tenge. Despite a significant increase in the commodity turnover with Russia caused by the start of the work of the Customs Union, the volume of transactions in ruble at KASE decreased by 9.4 % in the reporting year compared to 2010. The share of the ruble in the turnaround of currency at KASE did not changed and didn't exceed 0.2 % according to results of the reporting year of. An undoubted leader on the floor was, as always, the pair dollar-tenge. Its share is 74.4 % from the volume of foreign currency trades¹ at KASE.

Speculative potential at KASE's foreign currency market was still low due to the minimal volatility of the tenge to US dollar exchange rate. Nevertheless, in the first half of the reporting year, the tenge just like the Russian ruble, was showing a tendency of its strengthening against the dollar because of the increase in the world's oil prices, and, in

the second half of the year, following a gradual decrease in the prices of Brent, the tenge was also leaning towards weakening. Overall, the fluctuation of the exchange rate of the tenge to the world's main reserve currency in 2011 was within the corridor of 145.81–148.43 tenge per US dollar. Also, based on the average exchange rate at the morning session, the level of tenge to dollar devaluation in the nominal expression was 0.61 % (in 2010 – 0.65 %).

Despite the increase in foreign currency revenues of exporters, highly liquid resources of the banks decreased to 9 % over the past year, whilst the credit portfolio grew 11 %. However, the decrease in the excess liquidity in the banking sector was not sufficient to have a significant effect on KASE's money market. TONIA and TWINA indicators grew by 68 and 66 basis points respectively (pic. 4) by the end of the year which is the normal volatility for these indicators, and indicator KazPrime stayed at the same level of 2.0 % per annum. Also, the volume of the

¹ This may include swaps in the stated currency pair, which accounted for 25.4 % of the market.

stock exchange's repo operations did not practically change² compared to 2010.

At the same time, rates at the stock market of corporate debt were leaning towards growth. Index KASE_BY, based on the year's results, showed an increase of 123 basis points (pic. 5). It can be explained by a negative mood at the stock market due to the expectation of a new wave of the crisis, especially, in the second half of the reporting year, as well as the continuing defaults of companies listed at KASE³ and, as a consequence, a cautious approach by investors to bonds of medium and relatively low investment quality. The list of corporate bonds, being traded at KASE, lost 10 papers in a year, contracting by 4% to 240, and the number of issuers whose debt obligations are being traded at KASE decreased from 77 to 71. When it comes to the activity of investors in this segment, then, we can see that in the reporting year a 9% growth in the trades of corporate bonds was obtained mainly due trading in obligations of the most reliable issuers.

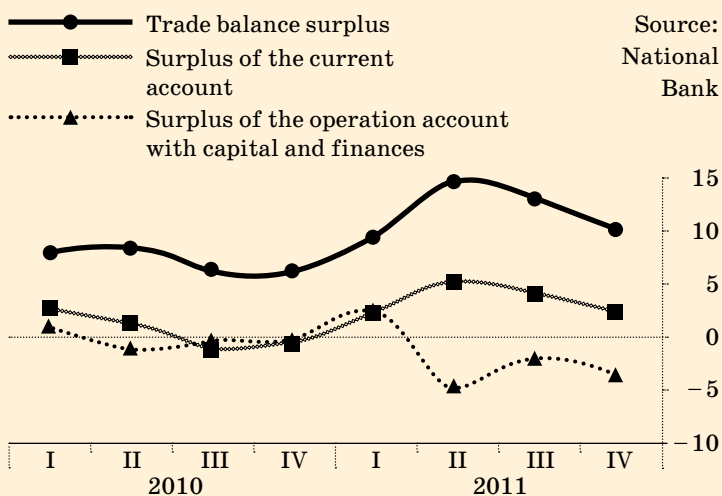
The mood of investors in the segment of equity

securities was naturally dictated by the situation at the world's financial markets. The main events of 2011, most important of which were the exacerbation of the European debt crisis, problems with the national debt of the USA and the natural disaster in Japan, – were reflected, in some way or another, on the market in Kazakhstan. The positive were only the first one and a half months of the reporting year. Beginning from mid-February KASE index was tumbling at an increasing speed and only at the end of the year it had stabilized somewhat. The result of the year was a drop-down of this indicator by 35.7% while in 2010 it dropped by only 2.8%.

At picture 6, it can be seen very well that KASE Index in 2011 showed a more negative picture than main stock indexes of developed markets. And, this, despite the fact, that the source of the problem in the world economy were, actually, the more developed countries. The reason lies in the weak diversification of KASE Index, the representative list of which consists of shares of only seven issuers. The remaining shares of KASE's

Picture 3

Payments balance of Kazakhstan in 2010–2011, quarterly, in bln of USD



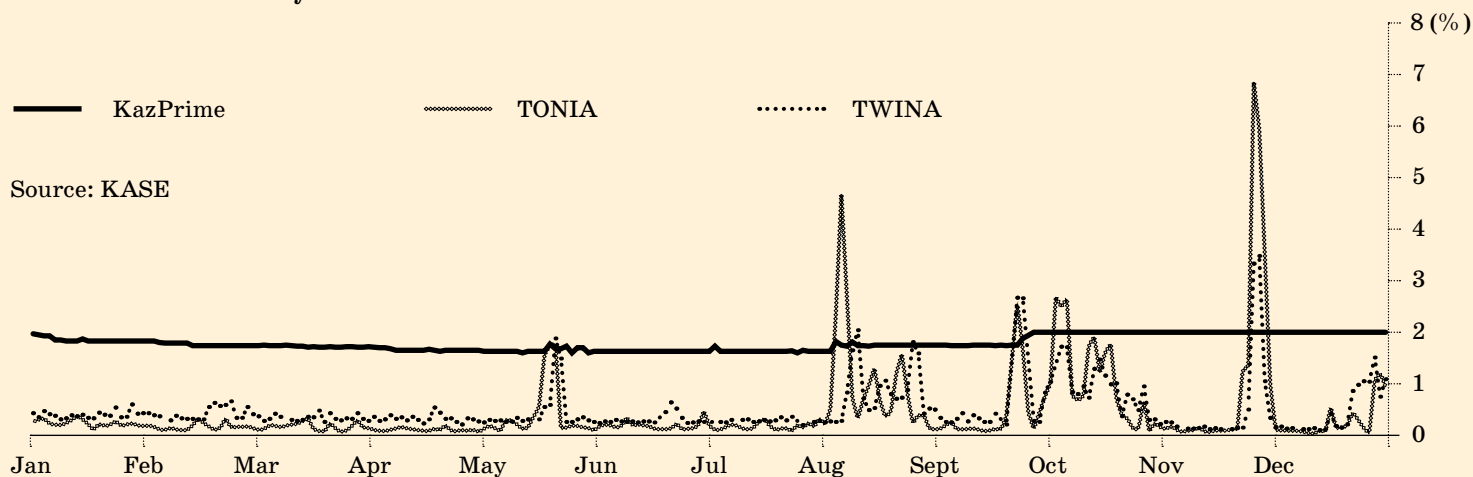
Source: National Bank

official list have almost zero liquidity. Except the national monopoly in the telecommunication sphere – Kazakhtelecom JSC, ratings of regular shares of which have increased to 12% (pic. 7) based on results of the year; other issuers failed to show a positive dynamics in the prices of their shares. The oil sector – the basis of Kazakhstan's economy – is represented in the index of KazMunaiGas EP JSC, which in 2011 had experienced internal problems, and the price for an ordinary share of this company, based on the results of the year, had

decreased by 22%. The financial sector, represented in the index by three Kazakh banks, has during the whole year shown the most conspicuously negative dynamics all over the world. (pic. 8). Common shares of Bank CenterCredit JSC, Kazkommertsbank JSC and Halyk Savings Bank of Kazakhstan JSC lost 59%, 50% and 43% respectively during the year. Shares of companies of the mining sector – KAZAKHMYNS PLC and EURASIAN NATURAL RESOURCES CORPORATION PLC (ENRC) – were affected by a decrease in

Picture 4

Indicators of the money market in 2011 in %



Source: KASE

² Complete statistical data on all sectors of KASE market are given in the files of the Factbook of this Report.

³ In 2011 due to principal debt or coupon payments default was accepted by Almatytemir JSC, Astana-Nedvizhimost JSC, AstanaGasService JSC, Doszhan Temir Zholy (DTZ) JSC, Kazakhstan Kagazy JSC, Karaganda factory of asbestos-cement products JSC, EKOTON+ JSC, ABDI Company JSC.

Picture 5

Index of corporate bonds of KASE_BY in 2011 in %

Source: KASE



the prices of exported commodities and finished products, whilst ENRC had worried the investors by certain problems in its corporate governance. As a result, the prices of shares of the above mentioned companies had decreased by 41 % and 38 % respectively during the reporting year.

It needs to be pointed-out that the rapid drop of KASE Index had caused an out-flow of investors' money from Kazakhstan's market, increasing the risks of liquidity and, therefore, depriving the market of the possibility of a fast recovery just like it occurred at more developed markets. The volume of trades in shares at KASE was higher than in 2010 only in the first half of the reporting year. The acceleration of the index drop was followed by a decrease in the volumes of trades, and as a result of it, the market of shares at KASE, based on the results of 2011, had lost 43.2 % of its turnover. However, the number of instruments traded in this sector remained the same – 92, and the number of listed companies had decreased by one to 67, and their total market value (capitalization of the shares market of KASE) was estimated at the equivalent

of 43.3 bln US dollars by the end of the reporting year decreasing by 28 % during the year.

Aside from the above-mentioned events was

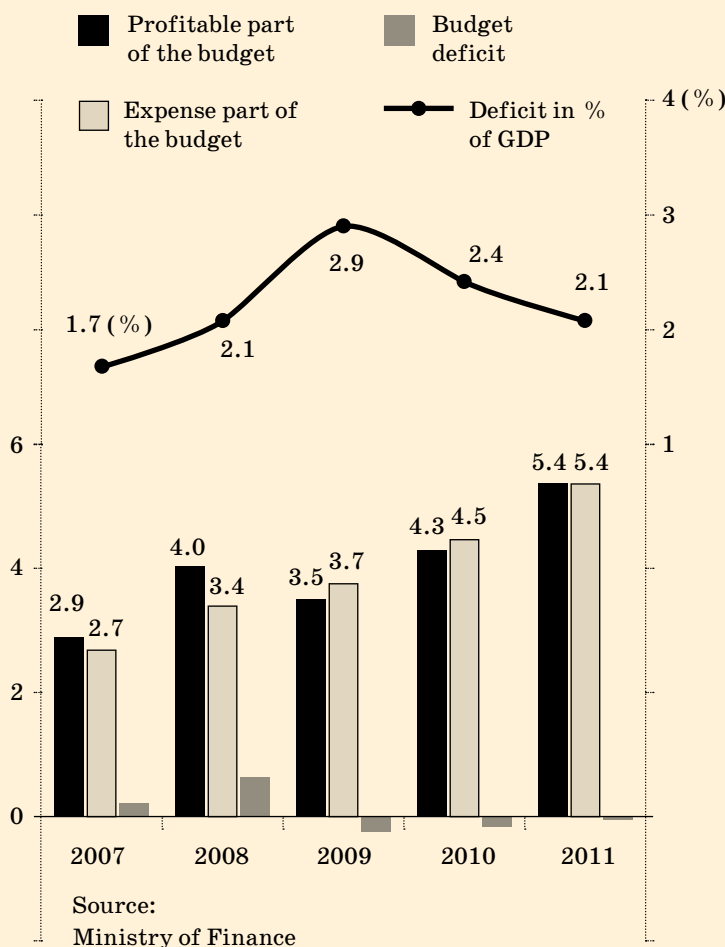
Kazakhstan's market of government securities (GS). The rates here remained stable, since following changes in the legislation APF had continued to increase the

share of GS in their portfolios, demonstrating a permanently high demand at auctions of the Ministry of Finance. That phenomenon had reached its peak by the end of the reporting year right before the introduction of a multi-portfolio pension system, whereas each fund had to allocate the conservative portfolio from the existing investment portfolio. Along with adjustments to prudent regulation that led to a significant drop in activity at the secondary market of GS. It is sufficient enough to emphasize that the volume of the trades in December reached its minimum for a year, making-up 11.6 bln tenge and decreasing by 84 % in respect to the same period last year. But in total, during the reporting period, the volume of trades of GS at the secondary market of KASE dropped 40 % in comparison with the previous year.

At the same time, the combined volume of auctions on the GS market had reached 674 bln tenge which was 5 % less than the volume of MEKAM sales planned by the Ministry of Finance for 2011. Also, the deficit of the state budget had decreased to 2.1 % of GDP and amounted to 576 bln tenge (pic. 9)⁴

Picture 9

Deficit of the state budget, trln. Tenge, in % of GDP



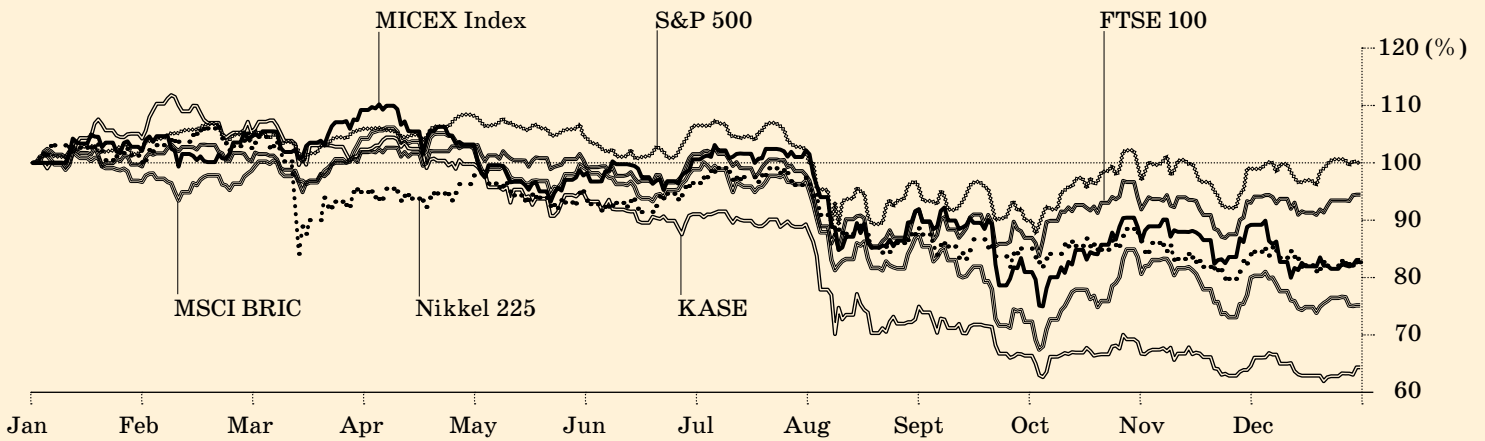
Source: Ministry of Finance

⁴ The structure of Kazakhstan's debt issued in the form of GS, as well as the price indicators of this segment of the market are given in the files of the Factbook of this report.

Picture 6

Change in the main stock exchange indexes in 2011, in %

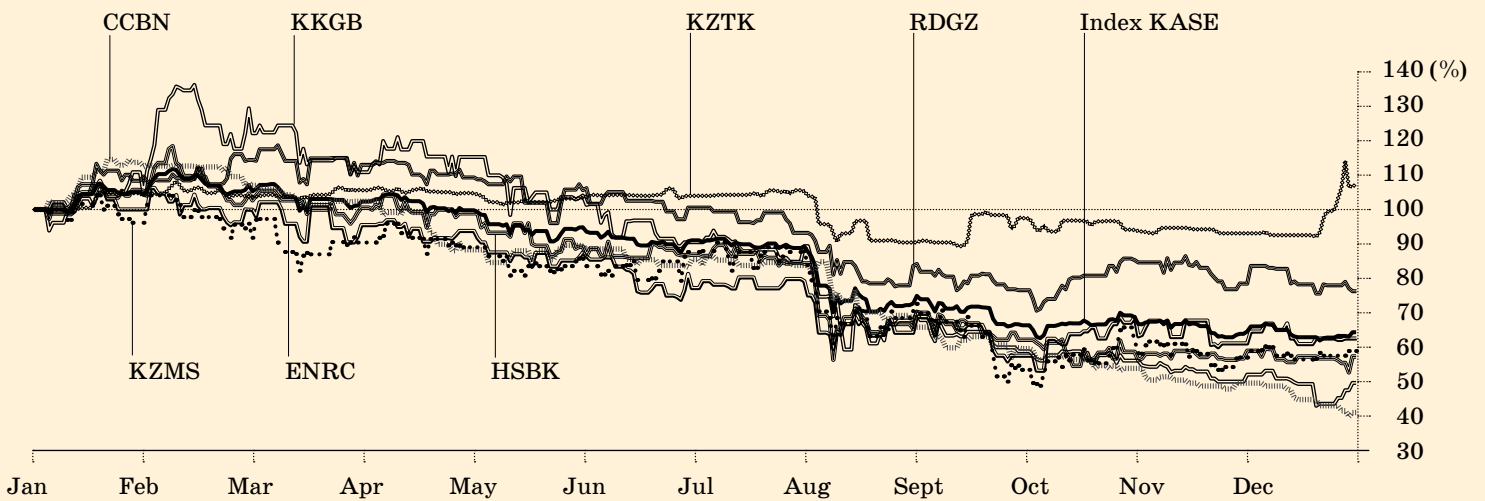
Source: Bloomberg



Picture 7

Dynamics of shares of KASE's representative list in 2011, in %

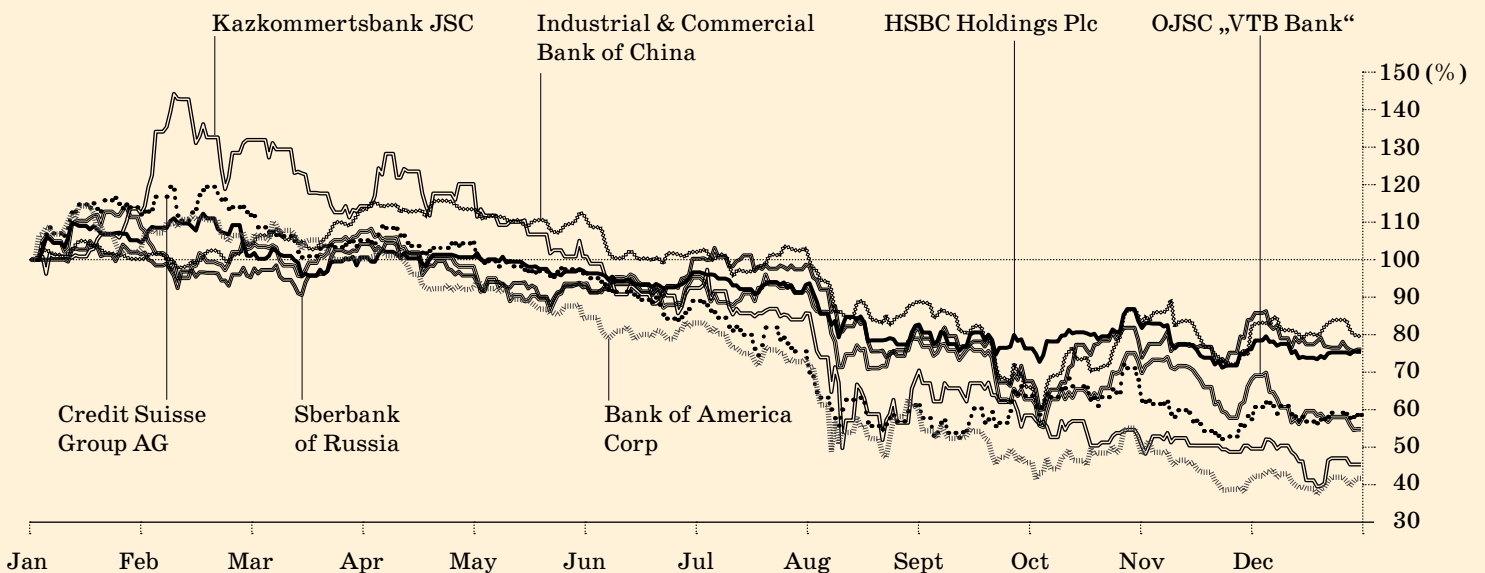
Source: KASE



Picture 8

Dynamics of shares of banking sector in 2011, in %

Source: Bloomberg



Financial report

Financial results of 2011⁵

Assets and liabilities of Exchange group

In 2011 KASE Group had earned a net profit in the amount of 162.1 mln tenge which is 46.8 % less than that of 2010. At the same time, the net profit of KASE was higher than the planned indicator by 59.7 %.

Assets

2,661.5 mln tenge
+440.4 mln tenge

+19.8 %

As of December 31st, 2011 the combined assets of the KASE Group had reached 2,661.5 mln tenge, increasing by 440.4 mln tenge (+19.8%) during the year. At that, the structure of the Bourse's assets had substantially changed in the reporting year. Part of the financial assets, as a rule, kept during the previous periods in deposits at second-tier banks, was channeled towards acquisition

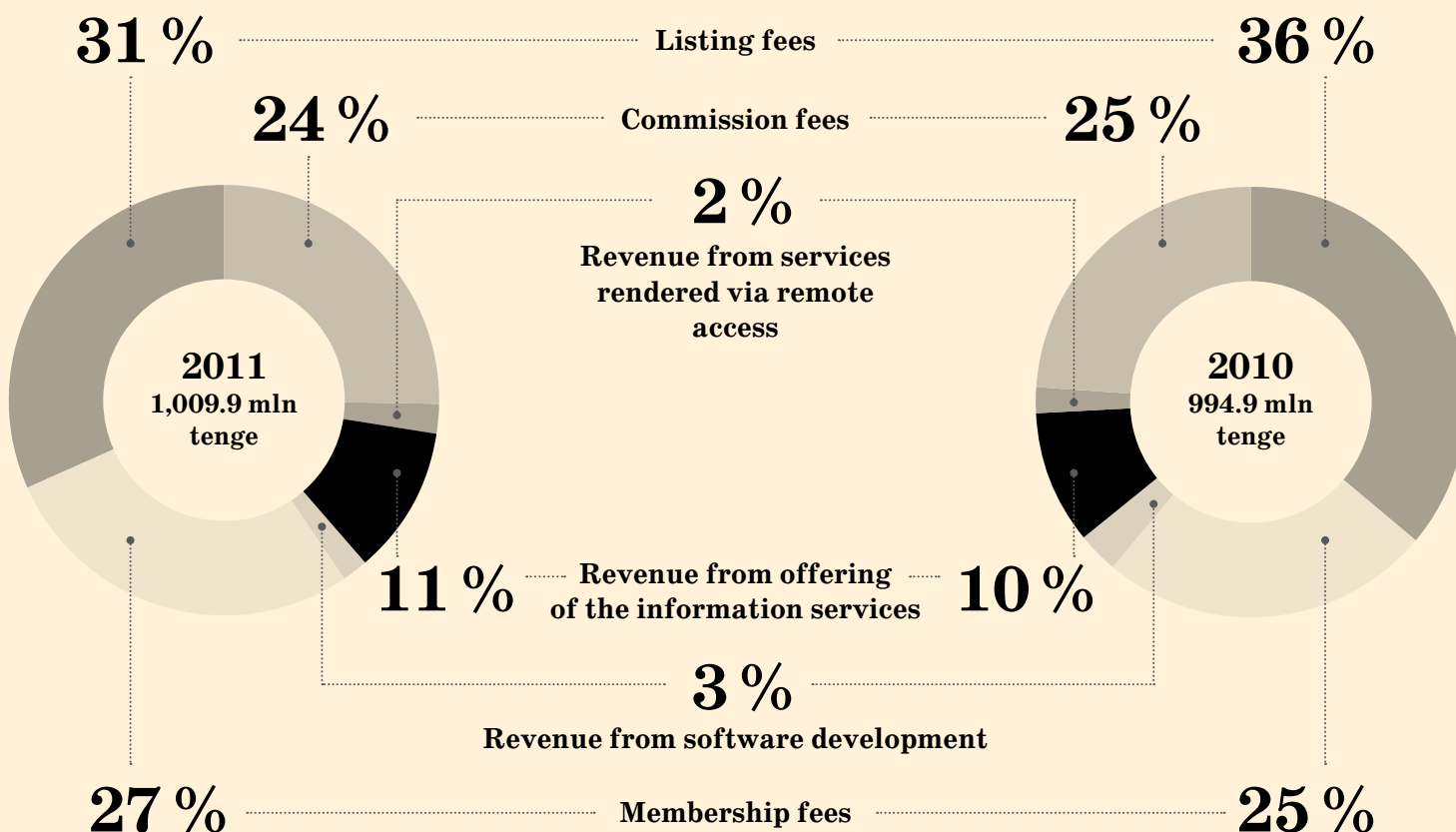
by the Exchange of fixed assets. Thus, on April 4th, 2011 the Exchange made a deal on purchasing office premises at the Multifunctional complex „Almaty Towers“ for the purpose of allocating its personnel there and substantially decreasing rent expenses. As a result, the cash and its equivalents had decreased by 310.1 mln tenge (-86.3%) to 49.3 mln tenge (1.9% of all the assets) within a year; the money in bank accounts had decreased by 488.5 mln tenge (-45.6%) to 583.3 mln tenge (21.9% of all the assets).

It is worth mentioning that within the assets' structure the item called „money with

a limited use“ had increased 7 times and reached a total of 224.8 mln tenge, reflecting obligations before members of the Exchange. The essential growth of this item is not obvious since it contains money that belongs to members of the Exchange placed at correspondent accounts of KASE as of the date of the balance being drawn up and, at the same time, this amount is simultaneously being shown in the liabilities as well. Provided this item is not considered as an asset at the end of 2010 and 2011, the reporting year is characterized by an increase in Exchange's assets by 246.4 mln tenge or 11.24 %.

Picture 10

Structure of revenues of KASE Group on services and commissions in 2011 and 2010



⁵ Sector structure of Kazakhstan foreign exchange market turnover and share of KASE in 2011 are given in files of the Factbook.

Capital of Exchange group

The decision taken by the Exchange's Board of Directors in October 2010 on additional capitalization of KASE, had allowed the Exchange, in the reporting year, to create a necessary „safety factor“ in order to meet requirements of FSC NBK, as well as to implement several key projects on formation of reserve funds, to update part of fixed assets and to complete the construction of the backup center's building.

On December 9th, 2010 the Exchange council decided to additionally offer in 2011

shares of the Exchange that were still unsold after the exercise by KASE shareholders of their preemptive right to purchase. Additional offering of 29,956 ordinary shares was done at the price of 3,707 tenge per share, and as a result, the shareholders' capital of the Exchange had increased in the reporting year by 111.4 mln tenge (+27.3%) to 517.3 mln tenge.

It also needs to be pointed out that based on the results of 2010 and in accordance with the decision of the shareholders' annual General meeting, dividends in the amount of 30.5

mln tenge were accrued on the Exchange's ordinary shares (10.0% of the net profit, earned by the Exchange in 2010) based on the amount of 56 tenge per share.

Based on the results of 2011, the Exchange's equity had increased by 239.3 mln tenge (+11.5%) to 2,328.9 mln tenge. Just as in 2010, the increase was based mainly on the growth of the shareholders' capital and retained profit, which increased by 131.6 mln tenge (+8.7%) and by the end of the reporting year reached 1,647.1 mln tenge.

Shareholders' capital

517.3 mln tenge

+27.3%

Equity capital

2,328.9 mln tenge
+ 239.3 mln tenge

+11.5%

Revenues and expenses of Exchange group

Revenues

Despite the decrease in activity in almost all sectors of the market, being operated by the Exchange (see the chapter „Short overview of the market situation in 2011“), the revenue from services and commissions of the KASE group had increased by 15.0 mln

tenge (+1.5%) during 2011 reaching 1,009.9 mln tenge (pic. 10). That being the fact, 83.2% of the revenues on the services and commissions were sourced from membership fees, commissions and listings' charges.

The indicator of the operating income of the exchange

group in 2011 was lower than that of the previous year by 33.2 mln tenge (-2.9%) and made up 1,114.1 mln tenge. The decrease was caused by a drop in interest revenues by 10.8 mln tenge (-10.1%) to 95.5 mln tenge because of a decrease in the volume of funds allocated in deposits at second-tier banks after the purchase by the Exchange of the office premises.

Revenues from membership fees

In the analyzed period, revenues of the Exchange from membership fees reached 271.3 mln tenge, including the entrance fees - 25.0 mln tenge, monthly fees - 246.3 mln tenge. Within one year the growth made up 7.7% or 19.5 mln tenge in absolute terms and because of it the share of this item in revenues from services and commissions of the KASE group had increased from 25% to 27% (pic. 10). Such an increase was caused by the fact that in 2011 the stock exchange market of foreign currency maintained and even strengthened

a bit its competitive advantage over the non-exchange market. Thanks to it, the number of members of KASE's currency market had increased⁶ and the total amount of their membership fees also increased by 13.8% to 213.3 mln tenge.

Moreover, during the reporting year the Exchange had acquired three new members of the stock exchange market and one of the derivatives market. That had positively influenced the dynamics of membership entrance fees. However, the decrease in the activity at the securities market (see the chapter „Short

overview of the market conjuncture in 2011“), led to the fact that, based on the results of the year, four companies were excluded from members of the stock market (two - due to voluntary abandoning of their licenses and another two - due to their licenses having been revoked by the authorized entity). As a result, the overall number of members of the stock market decreased to 74 from 75 in 2010⁷ and the amount of monthly membership fees in this membership category increased by 0.5 mln tenge (+1.5%) and reached an amount of 33.0 mln tenge.

Revenues from membership fees
+ 19.5 mln tenge

+7.7%

⁶ Data on changes in the lists of KASE members in 2011 are given in files of the Factbook.

⁷ Data on changes in number of KASE members by categories in 2011 are given in files of the Factbook.

Revenues from listing fees

Revenues from listing fees
– 43.7 mln tenge

–12.1%

In the reporting year the share of revenues from listings fees did not practically change and accounted yet for a third of the KASE Group's revenues from services and commissions. A small decrease in the share – from 36.2% to 31.4% – was compensated by the growth in revenues from commission fees and membership fees.

The exclusion in 2011 from KASE's official list of securities of 46 titles and 32 issuers was one of the reasons for the decrease in the total volume of listing fees collected. But, it is also worth mentioning that:

- the main part, namely, securities of 33 titles and 24 issuers, were excluded from the official list due to their circulation term's expiration;
- securities of eight titles which had been in the buffer category since 2010 and three issuers which failed to regulate their indebtedness in the reporting year, were excluded in a compulsory order;
- the other three issuers left had initiated voluntary delisting of their securities.

As a result, in 2011 the total amount of listing fees turned

out to be 43.7 mln tenge less than the same indicator of the previous year (–12.1%) and made up 316.7 mln tenge.

Due to the decrease in the number of new listings in the reporting year from 56 to 35 the volume of the entrance listings' fees decreased for 48.7 mln tenge (–30.0%) to 113,4 mln⁸. The volume of annual listing fees had increased by 5.0 mln tenge (+2.5%) due to the growth of the MCI (from 1,413 to 1,512 tenge) and reached 203.3 mln tenge.

Revenues from commission fees

Revenues from commission fees
+ 23.3 mln tenge

+10.1%

In the reporting year the Exchange collected 252.6 mln tenge in commissions, out of which 63.3 mln tenge was obtained from the CS market, 91.8 mln tenge – from the GS market, 55.7 mln tenge – from repo operations (pic. 11). The total sum of commission fees in 2011 had increased by 23.3 mln tenge (+10.1%) to 252.6 mln tenge.

The continuing investors' outflow from the local market of equity instruments during the difficult situation in the world economy was the reason for a 43.2% decrease in the volume of trades at KASE in the shares sector. This being the fact, the volume of commissions coming from transactions involving purchase/sale of equity had decreased only by 1.2 mln tenge or 7.6% (without taking into consideration special trading sessions) and amounted to 14.3 mln tenge.

The Exchange's revenues from commissions on CS were propped up by the growth of trades in corporate debt securities. The demand for bonds of high-quality issuers resulted, first of all, in activation of trades in bonds of Sovereign Wealth Fund „Samruk-Kazyna“ JSC which allowed the Exchange to earn 49.0 mln tenge in this segment, which was by 9.9 mln tenge or 25.2% more than in 2010.

On the GS market of the volume of commission fees had decreased by 61.3 mln tenge (–40.0%) in the reporting year, to 91.7 mln tenge, which was the result of a 39.4% drop in the volume of government bonds being traded at the secondary market. The reasons for such a case were described in the chapter „Short overview of the market“. The Exchange, as always, was servicing auctions on offering of MEKAM

without charging any commission fees, which, in the conditions of a sharp contraction of the secondary market, had led to such considerable financial consequences.

The volume of commissions fees collected at the stock exchange market of repo operations reached 55.7 mln tenge in the reporting year, – increasing almost 5 times in comparison with 2010. It was caused by the Exchange's introduction in November 2010 of a new methodology of charging commission fees complying with principles accepted at developed markets. It should be pointed out that the introduction of the new methodology did not have a significant impact on the dynamics in the volume of trades which, based on the results of the year, had decreased by only 3.1% due to the stability of Kazakhstan's money market.

The volume of trades at KASE in the
sector of shares

–43.2%



⁸ Data on changes in KASE lists in the markets of equity and debt securities in 2011 are given in files of the Factbook.

Revenues from providing information

As of December 31st, 2011 end users of the real-time market data on KASE's trades were 338 individuals and entities, out of which 298 were receiving data via Bloomberg and Thomson Reuters terminals, and 40 were direct users of the Exchange's web-site. Based on the results of the year, the 5 top countries where the biggest number of end users of KASE's data was based include: USA, Great Britain, Kazakhstan, Russia and Sweden.

In December of 2011 KASE joined the agreement between Standard & Poor's Financial Services LLC and stock exchanges of the states

– members of the Organization of Islamic Cooperation. Further work of the Exchange under agreements with leading index providers will allow receiving of additional income from distribution of the Exchange's data which, in its turn, will foster foreign investors' interest in Kazakhstan's Exchange and its market.

Marketing efforts of the Exchange on widening the list of KASE's trading data providers in 2011 were not successful due to the essential decrease in the volume of the stock exchange's trades in securities and, as a consequence, a low interest on the part of foreign investors towards Kazakhstan's market.

Based on the results of 2011 revenues of the Exchange from real-time market data reached the equivalent of 38.0 mln tenge (188.4 th. euro), out of which 34.7% (65.4 th. euro) were license fees, and around 65% (122.9 th. euro) – payments by end users. In comparison with 2010, – this item of KASE's revenues had increased by 9.9 mln tenge or 35.2%.

Taking into an account the activity of IRBIS, the Exchange Group's revenues from distribution of information in the reporting year reached 11% of combined revenues from services and commissions (pic. 10) amounting to 114.0 mln tenge.

Revenues from providing information
+ 9.9 mln tenge

+35.2%

Expenditures

As it was mentioned above, the reporting year was the first year of implementation of the Exchange's new development strategy. In accordance with the Plan of KASE's main works for 2011 the priority was given to fulfillment of tasks, aimed at qualitative development of Kazakhstan's stock market: improvement of trade technologies, development of a payment system, widening of the investors' base by introducing of DMA, preparing for implementation of the national program called „People's IPO“, conducting the 17th Annual general assembly of the Federation of Eurasian stock

exchanges and so on. (See the chapter „Report on the projects' realization and development of the Exchange“). Implementation of these tasks did require an increase in the staff of specialists and creation of new departments at the Exchange. It is worth saying that the major part of the personnel hired in 2011 was IT-specialists, the work of who was directly connected with the projects related to the development of the stock exchange's trade and payment technologies. Because of the mentioned reasons, the expenditures for personnel in 2011 were 73.6 mln tenge (+15.3%) higher than the same indicator of the

previous year and amounted to 555.0 mln tenge.

Operating expenses of the Exchange Group increased by 126.9 mln tenge (+16.3%) in the reporting year. Their amount reached 904.2 mln tenge mainly due to an increase in personnel-related expenses since the share of these expenditures in the total structure of the Exchange's operating expenses made up 61.4% (pic. 12). Expenses on business development increased by 85.9% to 15.4 mln tenge in 2011, which, to a large extent, was connected to the organization and conducting by the Exchange of the 17th FEAS Annual general assembly.



Financial indicators of Exchange

Net profit of KASE group

162.1 mln tenge

In 2011 the Exchange had gained a net profit to the amount of 161.6 mln tenge⁹ that was 59.7% or 60.9 mln tenge higher than the planned indicator. The net profit of the KASE Group, based on the consolidated audit report, made up 162.1 mln tenge and decreased with the respect to the corresponding

figure of 2010 by 46.8%. The profitability figures of ROE and ROA had fallen to 6.9% and 6.1% accordingly (15.9% and 15.1% in the previous period). The reasons for such a decline were mentioned above numerous times. The Exchange was conducting its business in weak market conditions, whilst the

main efforts were directed towards the development and implementation of the strategic projects and an increase in KASE's capitalization. The indicator of net margin in 2011 was 16.1% (26.6% in the previous period). The rate of the assets' turnover was at the level of 37.9% (56.9% respectively).

net profit of IRBIS

9.3 mln tenge

Financial results of Exchange's subsidiary companies' operations¹⁰

IRBIS Financial Markets Information Agency LLP

ROE = 25.5%
ROA = 19.5%

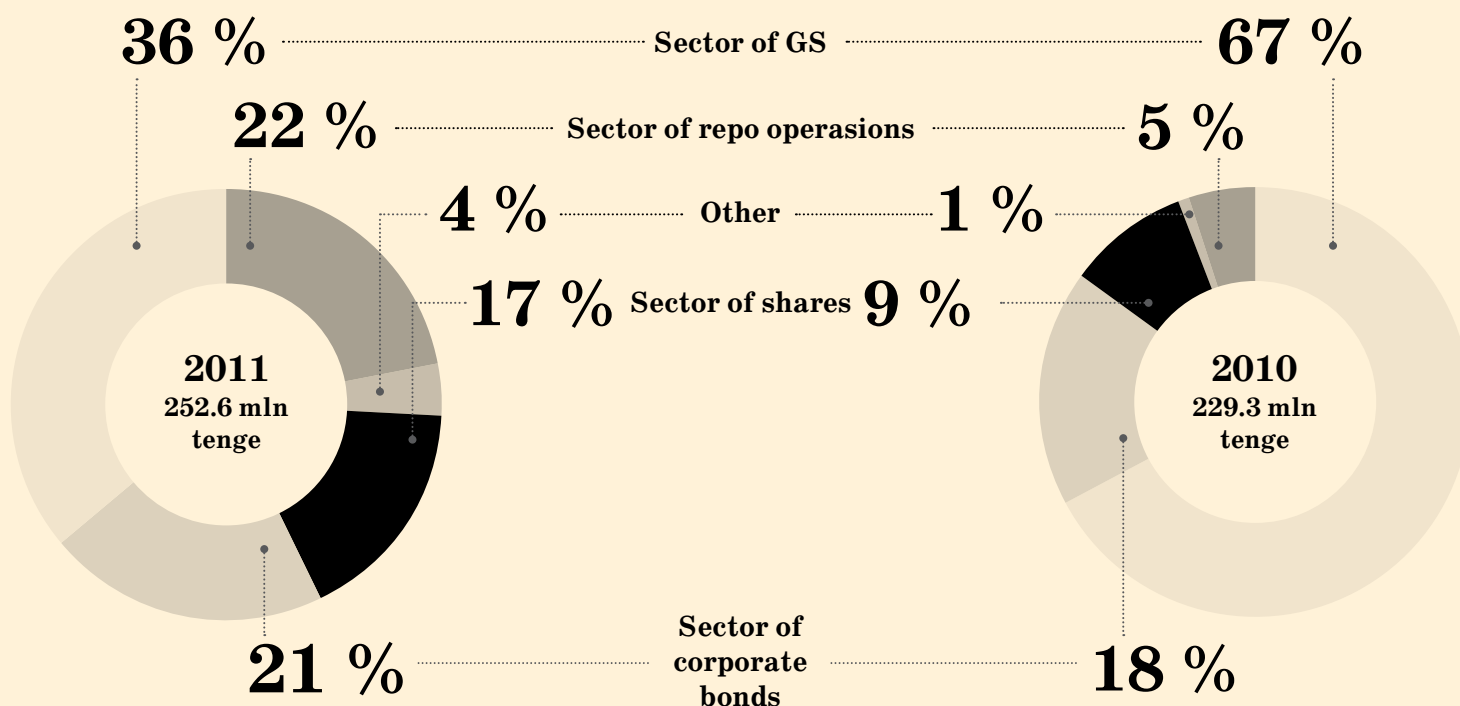
IRBIS was established by the Exchange on August 28th, 1998 for the purpose of providing information and analytical services in the field of financial markets on commercial basis.

Today IRBIS is among the leaders at the national market of financial information and that is being confirmed by a 63% growth in the number of users of its services – to 523.

An important event of 2011 was the transfer of all IRBIS's clients to an updated multi-functional platform IRIS Finance, the development of which started in March of 2008.

Picture 12

Structure of the Exchange's commission fees in 2011 and 2010*



⁹ Based on the data of unconsolidated statements.

¹⁰ Revenues and expenses of KASE group's subsidiaries involved in consolidation.

* Off scale in 2010: annulled repo transactions 0.09%.

Based on the results of 2011, the total revenues of IRBIS had grown by 11.2 mln tenge (+15.4%) to 83.6 mln tenge due to the growth in revenues from sale of information services. The biggest growth, almost 3.5 times, came from providing access to commercial sections of the website and also from

an increase in fees collected from secondary distributors of data.

IRBIS's assets had increased by 5.3 mln tenge (+10.5%) to 55.6 mln tenge during the year. Its equity capital had grown by 9.3 mln tenge (+18.3%) to 39.8 mln tenge following an increase in the profit retained.

It needs to be pointed-out that IRBIS's expenses grew with less speed than revenues did, the net profit went up by 3.7 mln tenge (+64.4%) to 9.3 mln tenge in comparison with 2010, as well as that profitability figures characterizing IRBIS's operations (ROE = 25.5%, ROA = 19.5%) were rather high.

Based on the results of the reporting year the Supervisory council of IRBIS has made a decision to direct 53.6% (5.0 mln tenge) of the net profit to payment of dividends to the Exchange and to spend the remaining 46.4% (4.3 mln tenge) on further development of the business.

eTrade.kz LLP

ETrade was set up by the Exchange on July 12th, 2002 for development, support and modification of the software that is being used by professional participants of Kazakhstan's securities market.

In the reporting year one of eTrade's major projects was putting into operation of the updated system of internet trading called „STrade“ which is unique at the national stock exchange market. Special features of this

system are a convenient user interface and comparatively high speed of data exchange with the Exchange's trading system.

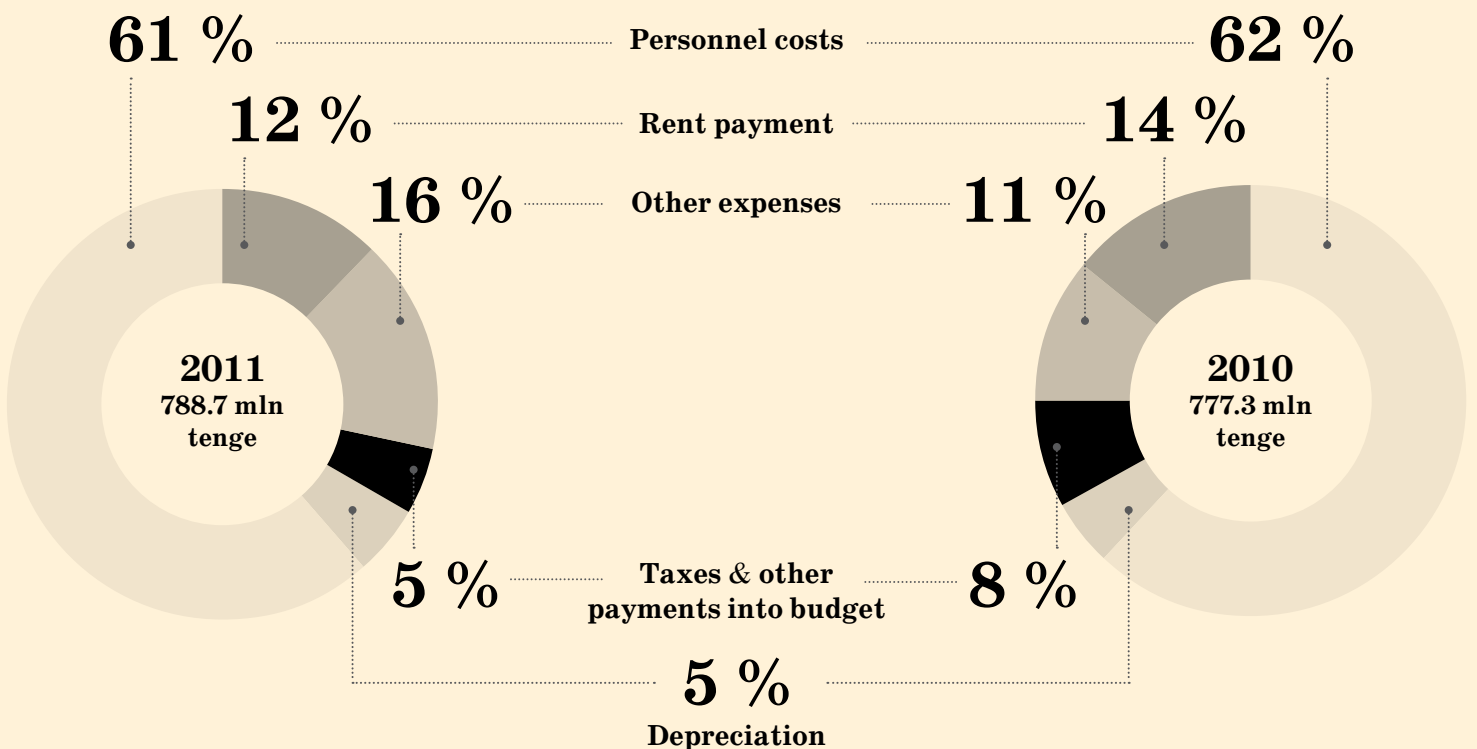
Besides, in the reporting year a transaction FIX gateway was put into operation allowing working in KASE trading system by using trade platforms of other developers. In November 2011 internet trading systems like QUIK and NetInvestor (Russia) were connected to TS.

Due to the launch of the above mentioned projects, the expenses of eTrade have increased in the reporting period for 1.1 mln tenge (+3.5%) to 29.8 mln tenge, and the revenues have decreased for 1.8 mln tenge (-5.6%) to 32.4 mln tenge. At the same time, eTrade company has gained a net profit in the amount of 2.8 mln tenge, out of which 50% or 1.4 mln tenge in absolute numbers were paid to the Exchange in the form of dividends.

Net profit of eTrade

**2.8
mln tenge**

Picture 13
Structure of expenses of KASE Group in 2011 and 2010



Financial statements and auditor's report

Statement of Management's responsibilities for preparation and approval of consolidated financial statements for year ended December 31, 2011

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report, is made with a view to distinguishing the respective responsibilities of Management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company Kazakhstan Stock Exchange („the Company“) and its subsidiaries (collectively – „the Group“).

Management is responsible for the preparation of consolidated financial statements that present fairly the financial position of the Group as at 31

December 2011, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards („IFRS“).

In preparing the consolidated financial statements, Management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to

understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and

- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any

time the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;

- maintaining statutory accounting records in compliance with Kazakhstan's legislation;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2011 were authorized for issue on April 4, 2012 by the Management.

On behalf of the Management:

Damitov K. K.
President

Bobrovnik G. V.
Acting Chief Accountant

April 4, 2012
Almaty, Kazakhstan

Independent auditors' report

To Board of Directors and the Shareholders of JSC Kazakhstan Stock Exchange:

Report on financial statements

We have audited the accompanying consolidated financial statements of Joint Stock Company Kazakhstan Stock Exchange and its subsidiaries (collectively – „the Group“), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards

require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Joint Stock Company Kazakhstan Stock Exchange and

its subsidiaries as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte, LLP
State license on auditing of the Republic of Kazakhstan No 0000015, type MFU-2, given by the Ministry of Finance of the Republic of Kazakhstan dated 13 September 2006

April 4, 2012
Almaty, Kazakhstan

Andrew Weekes
Engagement Partner
Institute of Chartered Accountants in Australia
Certificate of Public Practice No 78586, Australia

Nurlan Bekenov
Auditor performer
Qualified Auditor
Certificate of competence No 0082 dated 13 June 1994
General Director
Deloitte, LLP

Consolidated statement of comprehensive income for the year ended December 31, 2011

(in thousands of Kazakhstan's tenge, except for earnings per share, which are in tenge)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
Fee and commission income	4, 20	1,009,923	994,939
Interest income	6	95,522	106,273
Provision for impairment losses on interest bearing assets and other operations	5	(6,660)	(2,194)
Net gain (loss) on foreign exchange operations		531	(169)
Impairment loss on investments available-for-sale		(6,761)	–
Net loss on investments held to maturity	13	–	(1,864)
Share of profits of associate		35	35,247
Other income		21,470	15,012
OPERATING INCOME		1,114,060	1,147,244
OPERATING EXPENSES	7, 20	(904,224)	(777,349)
PROFIT BEFORE INCOME TAX		209,836	369,895
Income tax expense	8	(47,691)	(64,820)
NET PROFIT		162,145	305,075
EARNINGS PER SHARE			
Basic (KZT)	9	299.94	655.86
OTHER COMPREHENSIVE LOSS			
Net loss resulting on revaluation of available-for-sale investments		(10,090)	(1,488)
Impairment transferred to profit or loss		6,761	–
TOTAL COMPREHENSIVE INCOME		158,816	303,587

Consolidated statement of financial position as at December 31, 2011

(in thousands of Kazakhstan's tenge)

	Notes	December 31, 2011	December 31, 2010
ASSETS:			
Cash and cash equivalents	10, 20	49,257	359,401
Restricted cash		224,780	30,776
Due from banks	11	583,323	1,071,777
Investments available-for-sale	12	21,622	30,834
Investments held to maturity	13	105,302	205,595
Investments in associate	14	140,335	126,560
Advances paid		12,195	78,261
Property and equipment	15	1,395,642	198,440
Intangible assets		3,331	3,278
Current income tax assets		56,673	55,984
Deferred income tax assets	8	142	659
Other assets	16, 20	68,942	59,573
TOTAL ASSETS		2,661,544	2,221,138
LIABILITIES AND EQUITY			
Liabilities:			
Payables to trade members on restricted cash		224,780	30,776
Advances received	20	52,210	48,567
Current income tax liabilities		2,229	2,054
Deferred income tax liabilities	8	19,417	14,488
Other liabilities	17, 20	33,929	35,617
Total liabilities		332,565	131,502
Equity:			
Share capital	18	517,291	406,244
Investments available-for-sale revaluation fund		(5,389)	(2,060)
Other reserve		170,000	170,000
Retained earnings		1,647,077	1,515,452
Total equity		2,328,979	2,089,636
TOTAL LIABILITIES AND EQUITY		2,661,544	2,221,138

Consolidated statement of changes in equity for the year ended December 31, 2011

(in thousands of Kazakhstan's tenge)

	Share capital	Investments available- for-sale revaluation fund	Other reserve	Retained earning	Total equity
As at December 31, 2009	194,418	(572)	–	1,523,462	1,717,308
Net loss resulting on revaluation of available-for- sale investments	–	(1,488)	–	–	(1,488)
Net profit	–	–	–	305,075	305,075
Total comprehensive income	–	(1,488)	–	305,075	303,587
Issue of ordinary share capital	211,826	–	–	–	211,826
Dividends declared	–	–	–	(143,085)	(143,085)
Increase in other reserve	–	–	170,000	(170,000)	–
As at December 31, 2010	406,244	(2,060)	170,000	1,515,452	2,089,636
Net loss resulting on revaluation of available-for- sale investments	–	(10,090)	–	–	(10,090)
Impairment transferred to profit or loss	–	6,761	–	–	6,761
Net profit	–	–	–	162,145	162,145
Total comprehensive income	–	(3,329)	–	162,145	158,816
Issue of ordinary share capital	111,047	–	–	–	111,047
Dividends declared	–	–	–	(30,520)	(30,520)
As at December 31, 2011	517,291	(5,389)	170,000	1,647,077	2,328,979

Consolidated statement of cash flows for the year ended December 31, 2011

(in thousands of Kazakhstan's tenge)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
Cash flows from operating activities			
Profit before income tax		209,836	369,895
Adjustments for non-cash items:			
Provision for impairment losses		6,660	2,194
Loss from disposal of property and equipment		9,296	790
Loss from disposal of investments held to maturity		–	1,864
Share of profits of associate		(35)	(35,247)
Net change in fair value of investments available-for-sale		(878)	(438)
Impairment loss on investments available-for-sale		6,761	–
Net change in accrued interest		4,945	6,207
Depreciation and amortization	7	42,690	36,564
Cash inflow from operating activities before changes in operating assets and liabilities		279,275	381,829
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Restricted cash		(194,004)	(29,272)
Due from banks		484,685	(436,719)
Advances paid		66,066	(39,862)
Other assets		(16,029)	(3,592)
Increase/(decrease) in operating liabilities:			
Payables to trade members on restricted cash		194,004	29,272
Advances received		3,643	16,805
Other liabilities		(832)	4,550
Cash inflow/(outflow) from operating activities before taxation		816,808	(76,989)
Income tax paid		(42,759)	(131,331)
Net cash inflow/(outflow) from operating activities		774,049	(208,320)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
Cash flows from investing activities:			
Purchase of property and equipment	15	(1,248,988)	(14,290)
Purchase of intangible assets		(253)	–
Proceeds on redemption of investments held to maturity		99,117	307,709
Proceeds on sale of investments held to maturity		–	3,839
Purchase of additional share capital of associate		(13,740)	(56,260)
Net cash (outflow)/inflow from investing activities		(1,163,864)	240,998
Cash flows from financing activities:			
Proceeds from issue of ordinary share capital		109,616	208,710
Dividends paid on ordinary shares		(29,945)	(139,896)
Net cash inflow from financing activities		79,671	68,814
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(310,144)	101,492
CASH AND CASH EQUIVALENTS, beginning of period	10	359,401	257,909
CASH AND CASH EQUIVALENTS, end of period	10	49,257	359,401

Interest received by the Group during the years ended December 31, 2011 and 2010, amounted to KZT 100,467 thousand and KZT 100,066 thousand, respectively.

During 2010, the Group has classified restructured bonds of JSC BTA Bank which became equity instruments with a total nominal value of KZT 4,070 thousand from investments held to maturity to investments available-for-sale.

Report on projects implementation and Exchange development

The work on the projects is aimed at increasing the attractiveness of KASE trading floor for local and foreign investors.

As was noted above, the Exchange Development Strategy for 2011–2013 and three-year Strategic Plan were adopted in the reporting year. The major stress in both

documents is made upon the general increase in Kazakhstan's exchange market liquidity.

During the year, the Exchange worked at programs of increasing the liquidity

and attractiveness of the local market. In particular, the year was devoted to development of marketing actions, reforming of market-makers institute, participation in the „People's IPO“, promotion of information products, remote access and remote membership. However, it is necessary to note that unfavorable external background

and position of the regulator had often brought into question the effectiveness of implementation of the above-listed programs, particularly in the reporting year. This was one of the reasons why in 2011 the Exchange concentrated its main efforts upon increasing the quality and reliability of services provided by the market participants.

Trading and settlements

Introduction of T+0 settlements system with full prepayment

One of the major projects implemented in 2011 was the transition to the guaranteed settlements system based on the T+0 scheme. The project's objective is a qualitative increase in settlements' reliability and minimization of agents' risks.

This scheme provides for 100% pre-commitment of funds by participants of the securities market; control of availability of assets is carried out by the Exchange at the stage of submitting to the Trading System, which allows a cardinal reduction in the number of failures of transactions concluded at the Exchange. Prior to implementation of this System, a transaction in securities at KASE used to be concluded first, and then the possibility of its fulfillment was checked, including a check with the help of the Verification System.

The need to change the settlement system was caused by many instances of default on transactions made. For instance, 80 cases of defaults were registered in 2010 in the

sector of equity securities, 48 transactions were defaulted in the sector of corporate bonds, in public securities sector – 25 transactions, which amounted to 0.7% of the total number of securities purchase and sales transactions concluded at the Exchange. In 2011, before the new scheme of settlements was introduced 27 transactions in shares were defaulted, 16 – in corporate bonds and 6 – in public securities (0.4% of made transactions in quantitative terms).

In the first half of the reporting year, procedures of the Exchange's software and hardware complex modification and preparation of internal regulatory structure were completed within the frameworks of the Project implementation. The Project implementation was performed in a staged manner with the purpose of reducing possible operational risks of market participants. On September 5, 2011 transition to a new version of the Exchange's Trading System was carried out, the new System provided for

the control of orders' being properly secured, however the collateral control was activated only on September 12. On the same date, internal documents of the Exchange regulating operation methods of the Exchange and trade participants in the mode of 100-percent pre-provision of assets at conclusion of transactions in securities were put into operation. The period of the new settlement scheme's trial operation – until November 1 – was determined. Some of penal sanctions specified by the Exchange's internal documents for breaches of the new mode of settlements were not applied to trade participants within such period.

Thus, since November 1, 2011, the settlements system for transactions in securities under scheme T+0 with full (complete) securing (gross-settlements) has been in operation at the Exchange. For subsequent (the following) two months of 2011 no cases of default on securities sales and purchase transactions were registered at KASE.

In the course of the Project implementation, the Exchange has developed new internal documents regulating the following: pre-trading procedures for determination of trade participants' position limits, the procedure of settlements upon completed transactions, liability of Exchange members. Besides, necessary amendments were made to the Exchange's internal documents, such as the Rules of Repo Transactions Execution and Regulations of Trades and the Confirmation System Operation

Regulations on information sharing between the Central Depository and the Exchange were developed in collaboration with the Central Depository. The Trading System software was updated within frameworks of these Regulations, in particular, the functional of structuring data on trade participants' positions has considerably changed, and the format of exchange of messages between IT-systems of the Exchange and the Central Depository was renovated.

Development of T + n settlements system

Successful implementation of a settlements system for transactions in securities based on the T+0 scheme with full securing (gross-settlements) has become a basis for the development of settlements system based on the scheme T+n ($n>0$). Having achieved certain results in the improvement of the settlement system, the Exchange had considerably advanced in becoming aware of risks and issues directly related to the introduction of settlements based on the T+n scheme.

In the reporting year this project was discussed twice at the meetings of the Council for Financial Stability and Development of Financial Market of the Republic of Kazakhstan. At the meetings the issue of establishing a centralized counteragent in introduction

of settlements system based on the T+n scheme was also discussed. Based on results of the meetings, the Exchange was instructed to complete the project of introducing the central counteragent, namely:

- detail a perspective development plan from the point of view of achieving compliance with recommendations of the Committee on Payment and Settlement Systems and the Technical Committee IOSCO (International Organization Of Securities Commissions) at each stage;
- prepare the schedule of implementation of the perspective plan for exchange securities market development with indication of specific activities implementation dates.

The absence of required legal framework became a

serious obstacle for the implementation of the project of settlements based on the T+n scheme. Due to this, in 2011 the Exchange developed draft amendments to legislation that are aimed at elimination of the existing barriers.

Besides in the reporting year, KASE developed a set of rules regulating the conditions and the procedure of functioning of the stock market sector with the use of clearing and settlements system based on the T+n scheme (with $0<n<4$) with partial security.

It is necessary to note that further work on the project will be entirely dependent upon the introduction of required changes into the effective legislation. However, KASE continues moving along this line, focusing on improving the technical and regulatory framework.

A project of amendments to the legislation was drawn up for the purpose of removing obstacles to implementation of T+n project

Preparation for holding „People’s IPO“

The program of releasing equity stakes of subsidiaries and affiliates of Samruk-Kazyna National Welfare Fund JSC onto the securities market was approved by Resolution of the Government on September 8, 2011. According to the Exchange’s specialists, the successful implementation of this Program will facilitate a liquidity increase at the local securities market.

In the course of this Program’s development, the Exchange has many times participated in the meetings with consultants working on the Program, coming forth with suggestions on this matter.

According to the above Program, the Exchange was identified to be a ground for holding the People’s IPO, which

necessitated changes into KASE internal documents and information systems.

Rules for shares placing by subscription through the Exchange Trading System were developed within activities of the Exchange related to preparation for the „People’s IPO“. The Rules were approved by the Exchange Board in March 2012.

A special module of the Trading System, work on which was started by the Exchange in the reporting year, will be a technical solution for arrangement of subscription in the course of „People’s IPO“. This module will allow collecting applications from the market participants, such applications’ consolidation, processing, generation of summary data and execution

of other functions related to performing the subscription.

It should be noted that based on the year results the Exchange achieved definite technical readiness for the „People’s IPO“. At present, technical capabilities of KASE TS (Trading System) substantially exceed the current market needs, at that, by the moment of release of the first issue of shares for IPO these capabilities will be additionally increased by 20–30%.

Within the reporting year, the Exchange’s representatives were taking an active part in the activity of the working group for preparation of information support to the „People’s IPO“ at the Kazakhstan Association of Financiers.

KASE is designated as a platform for conducting the „People’s IPO“

By the start of the „People’s IPO“ technical capacities of KASE trading system will be increased by 20–30%

Derivatives market

In 2011, according to the Strategy, KASE was closely dealing with resolving of tasks related to the derivatives market's development; launching of this market took place at the end of 2010. A number of meetings with the Authorized Body's representatives, local market's professional participants and specialists of foreign trading floors were held to discuss perspectives of this exchange market segment.

In the course of meetings with representatives of the Regulator, existing legislative barriers were discussed, which in our opinion are one of the major obstacles to activation of the derivatives market in Kazakhstan. In the year beginning, KASE put forward an initiative on creating under the AFC (Agency for Financial Control) a working group to discuss proposals developed by the Exchange on making alterations to the effective legislation, the main purpose of such alterations being the overcoming of existing obstacles for operation of pension

funds in the derivatives market.

Within the year, KASE had considerably changed the regulatory framework regulating the derivatives market. In particular, derivative financial instruments traded at the Exchange were subdivided into the „sector of currency futures contracts“ comprising the types of forward contracts with foreign currency as an underlying asset, and the „sector of stock forward contracts“ comprising the types of forward contracts with securities and stock indexes as underlying assets. Individual standards for participants' making compulsory guarantee deposits were established for each sector. This will allow the trade participants to optimize resources withdrawn, which is very important taking into account the low average capitalization of brokers in Kazakhstan and existing problems of brokers with classification of moneys deposited at guarantee funds.

After studying pricing policies of foreign organized

markets of derivatives, the Exchange's Management Board on October 27, 2011 approved changes into KASE internal document „Regulations on Membership Fees and Exchange Duties“. The stated changes provide for reduction of the amount of commission fees at the derivatives market, and also additional discounts at conclusion of transactions resulting in opening or closing out under a futures contract within one trading session.

In 2011, KASE changed the procedure of calculation of the current of futures contracts which will allow potential market-makers to fulfill necessary requirements related to spreads even in the absence of forward transactions.

In addition to the above-listed, the Exchange has carried out the work of identifying potentially interesting instruments by forward market participants. Based upon results of this work, settlement futures for additional currency pairs and specific securities of KASE Index will become

available for trading at KASE.

In order to make the forward contracts exchange market popular, training seminars for individual investors and also for financial market professional participants were held on a regular basis during the year. Main objectives of these events included making existing and planned to be launched at KASE derivative financial instruments familiar to potential participants, and also practical demonstration of the level of this market segment realization in the KASE Trading System.

Despite the work completed, the Exchange has not yet achieved any activity in this market segment. In the near future, KASE plans the following:

- activate actions aimed at attracting market-makers to forward market by creating favorable conditions for their activity;
- extension of training seminars program;
- PR and marketing activities for increase of liquidity in the derivatives market.

Development of technologies

Transactional FIX gateway

The Exchange being the developer of its own trading system, over the period of its history has several times taken various steps to achieve the best compatibility of the trading system with user terminals. A project that brought the level of the trading system compatibility with terminals of other developers to a qualitatively new level was implemented in 2011.

The transactional FIX gateway of the Trading System

was created on the basis of FIX Protocol (Financial information exchange), which is the standard for financial information exchange all over the world. Almost any trading terminal may be connected to the Exchange Trading System via the transactional FIX gateway which allows market participants to trade at the Exchange using software products habitual to them.

In addition to user friendliness, FIX gateway has another important advantage

– a decrease in delays in trading. The speed of data passing through the gateway may exceed similar characteristics of previously adopted solutions by dozens of times. Market data are passed to subscribers immediately after registration of transactions in the Exchange's Trading System. Update rate of the trade blotter via FIX protocols may be significantly higher than the indicators achieved during work via other protocols.

Year 2011 was a year of final debugging and bringing into service for this project. The system of FIX gateway operating capability monitoring (see section „Promotion of exchange information“) was designed and put into operation and bilateral testing of the transactional FIX gateway with participation of ARQA Technologies CJSC was performed in the first half of the year. In August 2011, the transactional FIX gateway was put

into operational testing. On September 20, 2011, the Exchange together with eTrade organized a presentation devoted to launching of the transactional FIX gateway

for remote access to its trading system. At the presentation, the Exchange described the innovation and possibilities that the market professional participants would

have after launching the gateway.

On November 21, 2011, the transactional FIX gateway was put into commercial operation.

Internet trading

In June 2011, the Exchange put into operation a new multifunctional system of internet trading „STrade“, which was designed on the basis of „thin“ terminal of the Trading System. STrade will allow clients real-time browsing information about the course of trade and execute sale and purchase transactions in all financial instruments available for trading at the Exchange through the internet.

Thanks to the system's well-elaborated interface, an investor can independently

customize his workplace according to his preferences. Functions of tracking the history of operations performed and status of money accounts were developed for convenience of new terminal users.

With the purpose of securing safety of operations in STrade system, implemented was the mechanism of supporting digital signatures corresponding to GOST 34.310–2004, and digital certificates issued by the Verification Center of Kazakhstan Center of Interbank

Settlements of the National Bank of the Republic of Kazakhstan. Data confidentiality is secured by arrangement of the secure transmission path.

According to the Exchange policy on increasing financial literacy of the population, a function of connection to the training trading system of the Exchange was added into the new terminal. Thus area of application of STrade was extended, and it is possible now to use it for mastering the skills of trade at the stock market.

STrade is new terminal for internet trading supporting digital signature

Electronic flow of documents with issuers

Working at the improvement of mechanisms of information disclosure by listing companies as one of the tasks of increasing transparency of issuers of securities traded at the Exchange, in previous years KASE has studied the experience of foreign trading floors as well as the needs and capabilities of the local market. As the result of this work, on December 23, 2010, KASE Management Board approved the Plan of activities on development and introduction of the electronic flow of documents system between issuers of securities and the Exchange – „Is2in“ (Issuers to Investors). According to this Plan, in the first half of 2011 the Exchange's specialists created and performed a requirements specification for development of

electronic flow of documents system software, software of the Exchange's website and back-office was updated.

In addition to execution of technology tasks, the form of a standard agreement with listing companies and access initiators on the use of Is2in was prepared; methodology of logging-in by employees of listing companies was determined. The Exchange's specialists designed the forms of standard reports and standardized messages to be used in Is2in.

Within the period from August to September 2011, testing of the release version of Is2in system was performed by employees of the Exchange, from September to November – with representatives of nine listing companies. In November 2011, the Exchange held four training

seminars for all listed companies in the area of using Is2in system, and also published a detailed user's manual for the system.

At the beginning of 2012, the electronic flow of documents system was put into operation. The Exchange started concluding agreements with listed companies and admittance initiators on the use of Is2in.

Mechanism of transmission (receipt) of files in Portable Document Format (PDF) was implemented in the system. After acceptance by the Exchange specialists, these files are transported to the back-office where they are accumulated and stored. By additional acceptance these files are transferred from the back-office to the Exchange website server, i.e. are published on the website.

System Is2in means abandoning of paperwork with listed companies

In the first half of 2012 the Exchange will provide issuers a testing period within which they will have an opportunity to submit documents through the system and without it – via electronic mail or in hard copy. Thus, additional real-time testing of the system with all listed companies will be executed. Binding requirement to use only Is2in with the purpose of information disclosure will come into effect on July 1, 2012.

In future, the Exchange intends to develop Is2in using the experience of foreign exchanges and taking into account the needs of the Exchange counterparties in work with this system. In particular, in the near-term prospect digital signature mechanism and also possibility of files transfer in formats other than PDF will be implemented in the system.

At the beginning of 2012, the Act on risks minimization was put into force; norms of this Act considerably broaden the obligations of KASE members related to disclosure of information to the Exchange. Fulfilling the requirements of the Law and resultant regulatory and legal acts of the Authorized Body, the Exchange plans to start using Is2in for interaction with its members in the nearest future. Results achieved in the course of Is2in project implementation with listed companies will be used with the purpose of arranging electronic flow of documents with the Exchange members. However, pretty considerable changes in the Exchange back-office, its website and Is2in system itself will be required. KASE plans to introduce such changes within 2012.

The Project has several times been discussed with professional market participants and was considered at the meeting of the Exchange Board on November 30, 2011, after which it was finalized and approved by the Exchange Board in March 2012.

The final version of the program provides for introduction of a flexible system of preferences and requirements for market-makers developing the existing model and allowing a liquidity increase through stimulating market-makers by monetary benefits from the Exchange on a competitive basis.

At present, the minimum volume of compulsory quotation for market-makers for shares at KASE is set at 3,000 MCI (minimum calculation index). And the maximum spread (difference between prices of the best quotations of a market-maker for purchase and sale) for a first liquidity class shares market-maker is 7%, for the second and third liquidity class shares – 10%. Within a trading day, a market-maker must place at least two compulsory quotations, i.e. be prepared for closing transactions to the amount of 6,000 MCIs (just under 10 mln tenge).

The Program provides for introduction of a matrix of requirements for market-makers and preferences, according to which the amount of preferences related to the commission fee depends directly upon the amount of maximum allowable spread on compulsory quotations and minimum volume of transactions that a market-maker must conclude within one day on quotations set by him in the presence of offsetting orders. According to this matrix, the amount of commission fee privileges increases when spread narrows and maximum volume of transactions increases. However, the minimum volume of compulsory quotations for transactions simultaneously

available for conclusion in KASE trading system must not be lower than 1,000 MCI.

Other preferences provided by the program should include the possibility of obtaining the status of a financial consultant by any Exchange member only provided that he is a KASE market-maker for at least two positions of corporate securities from among those on the official list of KASE.

In 2012–2013 KASE plans to hold a series of contests among market-makers who will support minimum spreads (up to 1%) and maximum volumes (at least 8,000 MCIs) for compulsory quotations. Based on results of each contest month, KASE intends to select three most active market-makers to be awarded with premiums in the amount of 1.0 mln tenge. It is expected that at the first stage of the program implementation, the most liquid shares of the representative list of KASE Index will become the object of contest market-making. In the future, the emphasis of stimulation may be shifted to other shares of the first liquidity class.

For the purpose of the program's implementation, KASE plans to develop in the nearest future amendments to the Rules of Market-Makers Activity, and also update the trading system and back-office software for ensuring effective program administration.

An increase in liquidity will be achieved through competitive encouragement of market-makers and provision of preferences to them

Raising liquidity

Market-makers institute renovation concept

The work at creation of market-makers institute reforming and improvement concept was executed in 2011, as the effectiveness of market-makers' operation is a key component in the issue of exchange market liquidity buildup.

In the middle of 2011, a draft mid-term program for reforming of the market-makers' institute for 2012–2013 was developed. It was suggested to change within this project framework the system of preferences for market-makers so that their active operation in the stock market would be stimulated. At present, an Exchange member with the status of a market-maker for any securities pays to the Exchange commission fees on

transactions with such securities in the amount of 50% of the established rate irrespective of any liquidity parameters of these securities. The Project proposed to differentiate preferences for market-makers depending on the volume supported by them and spreads of compulsory quotations, and also provide for the possibility to motivate market-makers who make the most considerable contribution to the growth of securities' liquidity.

Besides, the Project supported the proposals on refusal of compulsory availability of market-makers with listed securities, toughening requirement to market-makers, formalization of relations between a bidding process organizer and market-makers.

Marketing policy

Within the framework of implementation of the Development Strategy of Kazakhstan Stock Exchange JSC for 2011–2013 and Plan of main works for 2011, Project Group (hereinafter – PG) was established in April 2011 with the objective of coordinating marketing efforts of RFCA (Regional Financial Center of Almaty) JSC and KASE.

Several meetings of PG were held in May and June 2011, based on the results of which, the Plan of joint marketing activities of RFCA JSC and Kazakhstan Stock Exchange JSC for 2011–2013 was developed and adopted. The Plan included

activities aimed at attracting new investors and new listed companies to the stock market.

Representatives of broker and dealer organizations, foreign investment banks, investment companies and custodians, issuers, financial consultants and also local retail investors were interviewed in the second half-year. Based on results of studies carried out reasons were revealed preventing retail and foreign investors and new listing companies' entrance to Kazakhstan's stock market.

A „map of stock market problems“ compiled in that way became a basis of the Plan of main works of the Exchange for 2012.

KASE training trading system

In September 2011, a new training trading system of the Exchange – TTS was put into operation; this system is positioned as the most important constituent of KASE training line of activity.

TTS is a special training version of existing TS of the Exchange, which is used by KASE as a permanent training trading server, a technical basis when holding mass and popularization games organized by the Exchange and IRBIS. TTS users have a possibility to submit applications and conclude transactions that do not result in appearing of any real obligations,

but provide for a possibility to monitor the investment portfolio.

Trading in TTS are open 24-hours except for the technical break from 9:00 to 10:00 ALT. For effective training and utilization of users' time, liquidity of all instruments in TTS is artificially maintained at a high level by a robot.

For the first time TTS was presented at exhibition „Investfunds EXPO Almaty-2011. Finance and Credit“.

A special website edu.kase.kz was designed and functions for the purpose of supporting the training trading system.

Promotion of exchange information

In 2011, the version of the Exchange's website in the state language was launched. This is an important supplement from the point of view of popularization of information about the operation of the country's stock market. At present, all sections of KASE website, including information about listing companies and the Exchange members, news, information about financial instruments, their trading progress and results, regulatory base of KASE are available in the internet in three languages: Kazakh, Russian and English. Update of all language versions of the website is performed on a real-time basis.

In the part of commercial promotion of exchange information in 2011, activity of the Exchange was focused on increasing data supply processes' reliability. KASE specialists have developed and put into operation the system of information FIX gateway operating capability monitoring,

which is used for supply of data to information partners of the Exchange and for remote access of KASE members to participation in trading. The designed system allows performing uninterrupted monitoring of servers connections state, volume of traffic transmitted, and also has a module of notifying of failures found. Introduction of this system allowed a cardinal increase in the level of reliability of the Exchange's FIX gateway and minimization of failures detection and recovery time.

KASE regulatory base regulating the procedure of market data dissemination was completely updated in the reporting year. In March, the Exchange Board approved a new internal document of KASE – General Provisions of Information Policy of Kazakhstan Stock Exchange JSC, that identifies underlying principle and the procedure of implementation of the Exchange information policy, in particular – regulated were

the issues of internal communications, information interaction with outside organizations, mass media, including the procedure of commenting on stock market events, use of the Exchange brand by third parties.

In April, the Exchange Board approved the new edition of the Rules for Exchange Information Dissemination, where classification of exchange information was made actual and arranged orderly; major and additional ways of distributing each type of exchange information were determined, priority sources to be used in case of variances in different publications of the Exchange were determined for the most important exchange information; norms for limitation of KASE liability when exchange information dissemination were supplemented.

According to the new wording of the Rules for Exchange Information Dissemination, the competence of the Management Board included the

functions of identification of KASE information products list, their composition, format, specifications and conditions of provision. Due to this, a new internal document was developed – Regulations on Conditions of Commercial Provision of Exchange Information. These Regulations contain detailed description of information products distributed and offered by the Exchange.

In 2011, the Exchange provided on the commercial basis only the information about trading session on the real-time basis. Supply of such information was carried out via a special section of KASE website for end-users and with the help of FIX-protocol for information agencies. At the same time, the work of creating new information products – information about results of trading sessions and archive trading information was carried out.

Thus, the above Regulations included four types of

information products including their specifications and description of delivery and payment terms.

At present, marketing work of promoting all KASE formalized information products is being executed.

Within the works of the Exchange's bringing the information about trading sessions and traded instruments to global standards, systems of encoding accepted globally and possibility of their use

at KASE have been studied. As the result of this work in partnership with Bloomberg, publishing of codes of this agency on the Exchange website pages of securities was arranged; an agreement with Thomson Reuters agency concerning organization of similar publication of their codes was reached. Recommendations were developed for listing companies in respect of availability of CFI¹¹ codes on securities issued by them.

With the purpose of further development of this line of KASE activity, the Program for introducing standards recommended by FIRD into exchange information dissemination was approved in November of the reporting year. This program provides for rule-making, marketing and technical activities, work over execution of which is planned by the Exchange for 2012.

KASE operates its website in Kazakh, Russian and English

KASE has expanded its range of data products

Purchase of own office area

In 2011, for the first time in the period of its existence, KASE purchased its own office premises.

Selection of premises, discussion of the deal conditions and other preparatory works were executed by a specially established Workgroup

comprising members of the Exchange Board and the Exchange employees. As the result, on June 24 of the reporting year, KASE Exchange Board passed a decision of purchasing office premises in Almaty Towers Multifunctional Complex.

After completing required formalities, in autumn 2011, on the eve of its 18th anniversary, KASE started operating in its own premises. At present, the Exchange is located in a modern business center on the area of more than 3 th. m².



„Almaty towers“. Height: 100 m, 25 floors. Address: 280 Baizakov str., (northern tower, on the left), Almaty

In the five years to come KASE will save more than KZT250 mln thanks to own premises

¹¹ System of financial instruments non-unique codes by ISO standard allowing identification of instrument type and its major characteristics.

Report on international activity

The key event of the reporting year – 17th General Assembly of FEAS in Almaty and the first meeting of OECD Eurasia Group on issues of corporate governance in the stock market development

17th General Assembly of FEAS

September 26–29

Shares of three Kazakhstan's issuers included in Dow Jones FEAS Titans 50 universe



Signing of the Memorandum on mutual understanding with Istanbul Stock Exchange (Kadyrzhan Damitov and Hüseyin Erkan, President of Istanbul Stock Exchange)

The reporting year was full of events related to the Exchange's international activity. The most important was the 17th Annual General Assembly of FEAS held with organizational support of KASE on September 26–29 in Almaty. The decision to hold this event in Almaty was made in December 2010, when KASE represented by its President Damitov K.K. became a member of FEAS Executive Committee.

Within frameworks of the Assembly, organized was a marketing exhibition where participants of Kazakhstan's stock market got familiar with activity of stock exchanges – FEAS members.

Simultaneously with FEAS Assembly, organized was the first meeting of OECD Eurasian Group for the issues of corporate governance in the stock market development, in which heads of regulating bodies and exchanges from different countries of the world took part. The objective

of the Eurasian Group is securing a platform for cooperation and sharing experience, promotion of principles and institutional reforms for stimulating development of stock markets in Eurasian region.

It is necessary to note that during holding of FEAS General Assembly, KASE and Istanbul Stock Exchange signed a Memorandum of mutual understanding for the purpose

of establishing a foundation for long-term and mutually beneficial cooperation. Istanbul Stock Exchange intends to facilitate KASE's joining of the World Federation of Exchanges (WFE).

A Memorandum of cooperation in the area of technologies, release of new products and dissemination of information was also signed with Teheran Stock Exchange.

On August 24, 2011, in the course of the visit of Korea Stock Exchange (KRX) delegation to Kazakhstan, KASE and KRX signed Memorandum of mutual cooperation on issues of development of Kazakhstan's stock market. This Memorandum gave a start to a joint project aimed at the study of the current situation at the securities market of Kazakhstan and subsequent development of specific recommendations related to its development. The project's priority lines of activity are:

- settlements by T + 3 scheme (including the issue of remote membership);



Signing of the Memorandum on mutual understanding with Tehran Stock Exchange (on the right – Dr. Hassan Ghalibaf Asl, President of Tehran Stock Exchange)



Participants of FEAS General Assembly



Meeting of FEAS working committee

- information technologies (trading system modernization);
- regulatory rules and practice of market supervision.

In October 2011, the Project scope and composition of workgroup were determined. In December of the same year, representatives of KRX visited KASE for performing analysis of the current situation at Kazakhstan's stock market (in terms of regulatory framework and operating activity). Bilateral discussions resulted in identification of

stages and date of the Project implementation. The Exchange expects that the Final report on the Project will be presented in May 2012.

On November 30, 2011, the leading world's supplier of indexes – Dow Jones Indexes and FEAS launched the first blue chips index quoted at Eurasian stock exchanges, – equal-weighted index Dow Jones FEAS Titans 50. The Republic of Kazakhstan was represented in this index by common shares of Halyk Savings Bank of Kazakhstan

JSC, Kazkommertsbank JSC and KazMunaiGas EP JSC, shares of which in the index structure at the beginning of August 2011 were 2.07%, 1.85% and 1.91% respectively. As the index is equal-weighted, and the weight of each share is restricted by two percent, the total portion of shares of Kazakhstan's companies in the index was about 6%. These shares are included into the representative list of KASE Index, and also into the representative list of Dow Jones FEAS

Benchmark and S&P Kazakhstan BMI indexes.

In December 2011, KASE joined the agreement between Standard & Poor's Financial Services LLC („S&P“) and exchanges of countries – members of the Organization of Islamic Cooperation. Under the agreements, S&P intends to calculate, license and distribute in real-time the index of 50 liquid shares („S&P Index“), traded at exchanges of countries included into the Organization of Islamic Co-operation.



Meeting of FEAS Executive committee

Report on major issues of corporate development

Planning of development

KASE's new strategy – focusing on increasing the liquidity of traded stock exchange instruments.

As was stated above, the reporting year is the first year of KASE's new Strategy which was developed in close co-operation with the Exchange Board members. The new strategy approved by the Exchange Board on February 24, 2011 identifies main directions of the Exchange's development for 2011–2013 and sets a list of objectives the Exchange intends to reach. According to this document, „By 2014 the Exchange must become a modern infrastructural institute of the national market of financial instruments corresponding to international standards of trading sessions organization, competitive and attractive for local and foreign investors, issuers, securities market professional participants, an effective trading ground for funding of the national economy“.

In order to implement the Strategy, KASE employees had developed a three-year Strategic Plan approved by the Exchange Board on February 24, 2011, on the basis of

which the Plan of major works for 2011 was created, that is the main document regulating activity of KASE departments in the reporting year. This plan was approved by the Exchange Board on March 31, 2011. Information about this Plan's implementation was taken into consideration by the Exchange Board without any objections on January 31, 2012.

Internal audit

Within the frameworks of IAS (Internal Audit Service) Work plan for 2011, this Service focused its efforts on development and strengthening of internal control system. For the reporting year, the Internal Audit Service carried out 15 audits which covered all major aspects of KASE activity. Special attention was paid to high risk level areas. At the same time, the Service was carrying out the check of

the reporting year. Within frameworks of this objective's fulfillment, the Exchange planned a number of activities related to business continuity management. In particular, in March 2011 a workgroup for development of plans for securing continuity of the Exchange's operations was established. In July 2011, the RMS organized training for members of the above workgroup in the area of methodology of preparing plans for ensuring business continuity in accordance with the British standard BS 25999.

By decision of the Exchange Board dated June 30, 2011, the internal document developed by RMS – Policy of Continuity Management of Kazakhstan Stock Exchange JSC operations, was approved. The document was put in force on September 1, 2011 after approval by the FSC NBK.

For the purpose of regulating monitoring procedures, identifications and evaluations of risk events occurring in the Exchange's activity, Rules for identification, evaluation, monitoring and responding to risk events were approved.

Within the reporting year, RMS together with other subdivisions prepared the following internal documents approved by decision of KASE Management Board on December 02, 2011:

- Rules for Arrangement of Continuity and Recovery of Activity of Kazakhstan Stock Exchange JSC;
- Kazakhstan Stock Exchange JSC Emergency Response Plan;
- Kazakhstan Stock Exchange JSC Crisis Management Plan;
- Kazakhstan Stock Exchange JSC Activity Recovery Plan.

Over the whole reporting year information about occurred risk events was collected from all subdivisions of KASE, and on the basis of results of such collecting, operating and regular reports were prepared. On the basis of such reports, measures for minimization of consequences and frequency of risk events occurrence were taken. Quarterly reports on risk events were brought to discussion of the Exchange Board members.

Risk management

In the reporting year, the Exchange continued improving its risk management system. On May 31, 2011, the Exchange Board approved the Risk Management Policy of Kazakhstan Stock Exchange JSC in new wording which was adjusted

in accordance with the improved international standards related to risk management.

The work of ensuring compliance of KASE activity with criteria stipulated for obtaining full membership in WFE continued within

Additionally, continued was the arrangement of the Exchange's remote backup center in the town of Kaskelen (Almaty oblast), where in 2011, a complete infrastructure for placing computer equipment was created, all data transmission paths were connected and tested, the center was partially completed with server equipment and other computer hardware.

Glossary

ALT	almaty time (GMT + 06:00)	JSREIF	joint-stock real estate investment fund
bln	billion	KASE	the Kazakhstan Stock Exchange JSC
CIS	the Commonwealth of Independent States	KASE group	the Kazakhstan Stock Exchange JSC and its branch organizations – IRBIS Financial Markets Information Agency LLP and eTrade.kz LLP
CS	corporate issue securities		
DMA	direct market access – direct access to the Exchange trading system for second-level bidders or clients of the Exchange members	KASE Index	index of KASE stock market
eTrade	eTrade LLP – branch organization of the Exchange	KASE_BY	corporate bonds yield index, % per annum
EUR	euro	KazPrime	average value of money offering rates for deposits stated by banks with the best in Kazakhstan credit quality
FEAS	the Federation of Euro-Asian Stock Exchanges	KIBID	average value of indicative deposits rates for interbank deposits in Kazakhstan
FGS	foreign government securities	KIBOR	average value of indicative active rates for interbank deposits in Kazakhstan
FIAK	the Financial Institutions' Association of Kazakhstan	KIMEAN	average value between KIBOR and KIBID
fig.	figure	KZT	Kazakhstan tenge
FISD	the Financial Information Services Division – subdivision of financial-and-information services included into the structure of the Software and Information Industry Association – SIIA	Law of Risks minimization	the Act of the Republic of Kazakhstan № 524-IV „On Making Changes and Additions into Some Legal Acts of the Republic of Kazakhstan Regarding Regulation of Banking Activities and Financial Institutions in Terms of Risk Minimization“ of December 28, 2011
FIX	financial information exchange – data transmission protocol that is the international standard for financial information exchange	LLP	limited liability partnership
FSC NBK	the Republic of Kazakhstan National Bank Committee for Control and Supervision of Financial Market and Financial Organizations	MAOKAM	special middle-term public treasury obligations of the Republic of Kazakhstan Ministry of Finance (with maturity of two and three years) (abbreviation of securities is in Kazakh language)
GDP	gross domestic product (of the Republic of Kazakhstan unless otherwise specified)	market-maker	member of the Exchange admitted as such by the Exchange and assuming a liability to regularly announce and maintain bilateral quotations for particular type of securities
GS	government issue securities (of the Republic of Kazakhstan unless otherwise specified)	mass media	mass communication media
IAS	Internal Audit Service	MCI	monthly calculation index for calculation of allowances and other social payments, and also for applying fines, imposing taxes and other payments in accordance with legislation of the Republic of Kazakhstan, value of such index is established by Law of the Republic of Kazakhstan „On the National Budget“ in respective years
IFO	international finance organization (international financial organizations)		
IPO	initial public offering		
IRBIS	IRBIS Financial Markets Information Agency LLP – branch organization of the Exchange	MEKAM	public treasury obligations of the Republic of Kazakhstan Ministry of Finance (abbreviation of securities is in Kazakh language)
ISIN	international securities identification number		
JSC	joint-stock company		

MEKKAM	short-term public treasury obligations of the Republic of Kazakhstan Ministry of Finance (with maturity of up to one year inclusive) (abbreviation of securities is in Kazakh language)	SO	subsidiary organization
		SPF	saving pension funds
		SPO	secondary public offering
MEOKAM	middle-term public treasury obligations of the Republic of Kazakhstan Ministry of Finance (with maturity of more than one and up to five years inclusive) (abbreviation of securities is in Kazakh language)	SPT	a condition of settlement when transaction closing occurs on the second business day after its conclusion (spot)
		STB	second-tier bank(s)
MEUJKAM	long-term public saving treasury obligations of the Republic of Kazakhstan Ministry of Finance (with maturity of more than five years), placed in saving pension funds (abbreviation of securities is in Kazakh language)	T+0	see TOD
		T+1	see TOM
		T+2	see SPT
MEUKAM	long-term public treasury obligations of the Republic of Kazakhstan Ministry of Finance (with maturity of more than five years) (abbreviation of securities is in Kazakh language)	T+3	a condition of settlement when transaction closing occurs on the 3rd business day after its conclusion
Ministry of Finance	the Republic of Kazakhstan Ministry of Finance	T+n	a condition of settlement when transaction closing occurs on n business day after its conclusion
mln	million		
MUIKAM	long-term indexed public treasury obligations of the Republic of Kazakhstan Ministry of Finance (with maturity of more than five years) (abbreviation of securities is in Kazakh language)	tab.	table
		th.	thousand
		the Exchange	the Kazakhstan Stock Exchange JSC
n/c	data are not given due to incomparability	TOD	a condition of settlement when transaction closing occurs on the day of its conclusion (today)
n/t	instrument has not been traded or transaction has not been performed	TOM	a condition of settlement when transaction closing occurs on the next day after its conclusion (tomorrow)
National Bank	the National Bank of the Republic of Kazakhstan	TONIA	weighted average interest rate for transactions of opening repo-operations for one day in the market of auto-repo with public securities of the Republic of Kazakhstan
OECD	the Organization for Economic Cooperation and Development, international economic organization	Trading System	trading system of the Kazakhstan Stock Exchange JSC
RFCA	the Regional Financial Center of Almaty city	trln	trillion
RLA	regulatory legal act	TS	trading system of the Kazakhstan Stock Exchange JSC
RMS	Risk Management Service	TWINA	weighted average interest rate for transactions of opening repo-operations for the period of seven business days in the market of auto-repo with public securities of the Republic of Kazakhstan
ROA	return on assets – indicator of assets profitability	USA	the United States of America
ROE	indicator of own capital profitability – return on equity	USD	US dollar
RUB	Russian ruble	WFE	the World Federation of Exchanges
SB	subsidiary bank		
SES	state equity stakes		



2011