

MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear shareholders and partners!

The year 2018 was dynamic and interesting, it was a year of implementing the goals and tasks set forth, building the basis for new opportunities.

The macroeconomic situation was still favorable and all participants benefited from decreasing costs of financing. All that led to record performance indicators on the stock market. The amount of trading on the securities market increased by 40% to KZT 4.9 trln, with the volume of trading on the equity market and corporate bond market doubling. KASE Index rose by 7% to 2,304.94 points in 2018.

In 2018 KASE official list of securities was extended by 71 instruments of 46 issuers, including 22 instruments of 20 new issuers which were no listed companies before. The number of stocks quoted in KASE lists, as well as the number of their issuers, rose to historical maximums in 2018 – 130 and 113, respectively. 2018 saw the landmark IPO of the National company "Kazatomprom", with the trading in its stocks starting in December 2018. Trading in shares of the first ETF based on KASE Index also started in December. Freedom Finance acted as the initiator of the ETF's admission to KASE market.

The number of retail investors' accounts on the stock market reached 116,824 as of January 1, 2019, increasing by 7,579 accounts YoY. The share of retail investors on the equity market exceeded 50%, which provided additional liquidity to the stock market.

In 2018 the Exchange successfully completed the implementation of the three-year development strategy aimed at the development of the exchange market, making the Exchange and its services focus more on the customer and improving the efficiency and competitiveness of the exchange business.

As part of its strategy KASE conducted measures aimed at attracting first of all private businesses to operating on the exchange, created an alternative market, revised tariffs. The Exchange initiated the creating of KASE Startup platform to enable access to funding sources and ensure transparency in the field of start-up funding. Trying to encompass a broad range of business entities, KASE launched a platform called KASE Private Market.

Consequently moving towards its targets, the Exchange provided investors with the possibility of choosing financial instruments that would meet their investment preferences. Thus, trading in Eurobonds and depositary receipts settled in US dollars was launched. Apart from said instruments, GS market's instruments were switched to the settlement scheme T+2. Currently, the range of financial instruments on KASE is represented by five currency pairs, shares and bonds, GS, currency risk hedging instruments. Overall, more than 800 instruments are currently traded on KASE.

The most important project was the launch by the Exchange of services of the Central Counteragent on the currency market in October 2018. This is a new stage in development of the exchange market in Kazakhstan that brings the Exchange closer to international standards of operation of the stock market infrastructure and creates opportunities for attracting foreign participants of the capital market, by leveling market risks of trading participants. KASE will continue implementing this project in 2019-2020 and will launch services of the Central Counteragent on the stock market and repo transactions market.

As part of the implementation of the Exchange's strategy and for purposes of attracting a strategic partner, the Exchange has conducted negotiations and signed an agreement on cooperation with Moscow Exchange. Cooperation with MOEX has significant potential for development of the exchange services and is aimed at modernization of the Exchange's clearing and trading systems, increasing the reliability of the infrastructure, provision to trading participants and investors from Kazakhstan and Russia of mutual access to both countries' markets. Switching to MOEX's trading system will allow KASE to offer new types of financial instruments and settlement schemes to market participants.

The most pleasing moment of last year was the celebration by the Exchange of its 25th anniversary. In a quarter of a century KASE from a currency platform turned into a unique universal exchange providing its participants with a complete infrastructure for trading in various instruments of the currency, stock, derivatives and money markets.

In honour of this important event, the Exchange conducted a series of events: a cycle of open lessons KASE Talks was launched which will be continued in 2019, a book called "Building the future" was released, market participants were interviewed for the online project "KASE: history in persons", the first Kazakhstan exchange forum took place and KASE museum was opened. Via these events the broad public, partners and professional participants of the financial market were able to share their memories and information about conditions in which the country's financial market emerged and about main factors influencing its development.

Thanks to the successful implementation of the strategy and launch of new services the Exchange's operating income in 2018 amounted to KZT 3,105 mln, which is up 23.1% on the previous year. Revenues from services and fees made up KZT 2,361.0 mln, increasing by 21.7%, interest income rose by 21.2%.

We are going to continue active work on developing the stock market, we will face a substantial modernization of information technologies and provision of a new range of services and instruments for our clients.

We thank our shareholders, professional participants, clients and partners for constructive cooperation, support and vote of confidence.

Alina Aldambergen
Chairperson of the Management Board