



The Corporate Bonds Market in Kazakhstan

VII Cbonds Emerging Markets Bond Conference
April 20, 2018



1 KAZAKHSTAN AT A GLANCE

Kazakhstan: Facts and Figures

- Territory – **2.7 m sq. km:**
 - worldwide – **9th place**
 - amongst CIS countries – **2nd place**
- Population – **17.9 m**
- **Sovereign Credit Ratings/ Investment Grade:**
 - Standard & Poor's – BBB-/stable (18.01.18)
 - Fitch – BBB/stable (16.04.18)
 - Moody's – Baa3/stable (26.07.17)
- Rich of **natural resources**, mainly comprised of mineral resources, oil and gas
- According to the World Bank's classification by income level in 2017 Kazakhstan is among **upper-middle-income countries** (gross national income per capita (\$3,956 - \$12,235))
- Member of **OSCE, WTO** and other international organisations

Indicator	2013	2014	2015	2016	2017
GDP, USD bn	236.63	221.42	184.39	137.28	158.18*
Changes in GDP, %	+6.0	+4.2	+1.2	+1.1	+4.0*
Inflation, % (YoY)	4.8	7.4	13.6	8.5	7.1
Unemployment, %	5.2	5.0	5.1	5.0	4.9*
Budget balance, % to GDP	-1.9	-2.7	-2.2	-1.6	-4.1*
Average USD/KZT rate	152.13	179.19	221.73	342.16	326.00
Money supply (M3), USD bn	75.26	70.20	50.33	59.40	59.68
National Fund Assets, USD bn	70.79	73.19	63.39	61.22	58.32

*operational data



Source: The World Bank

National Company "KAZAKH INVEST" JSC

Committee on Statistics of Ministry of National Economy of RK, National Bank of RK, KASE

Natural Resources

Kazakhstan's soil contains **99 elements** of the periodic table:

- **70** types of resources have been **explored**
- **60** elements are currently being **produced**



Ample Natural Resources.
Kazakhstan in the World Ranking of Explored Resources

Item	Ranking
Chrome	1
Uranium	2
Silver	5
Zinc	7
Coal	8

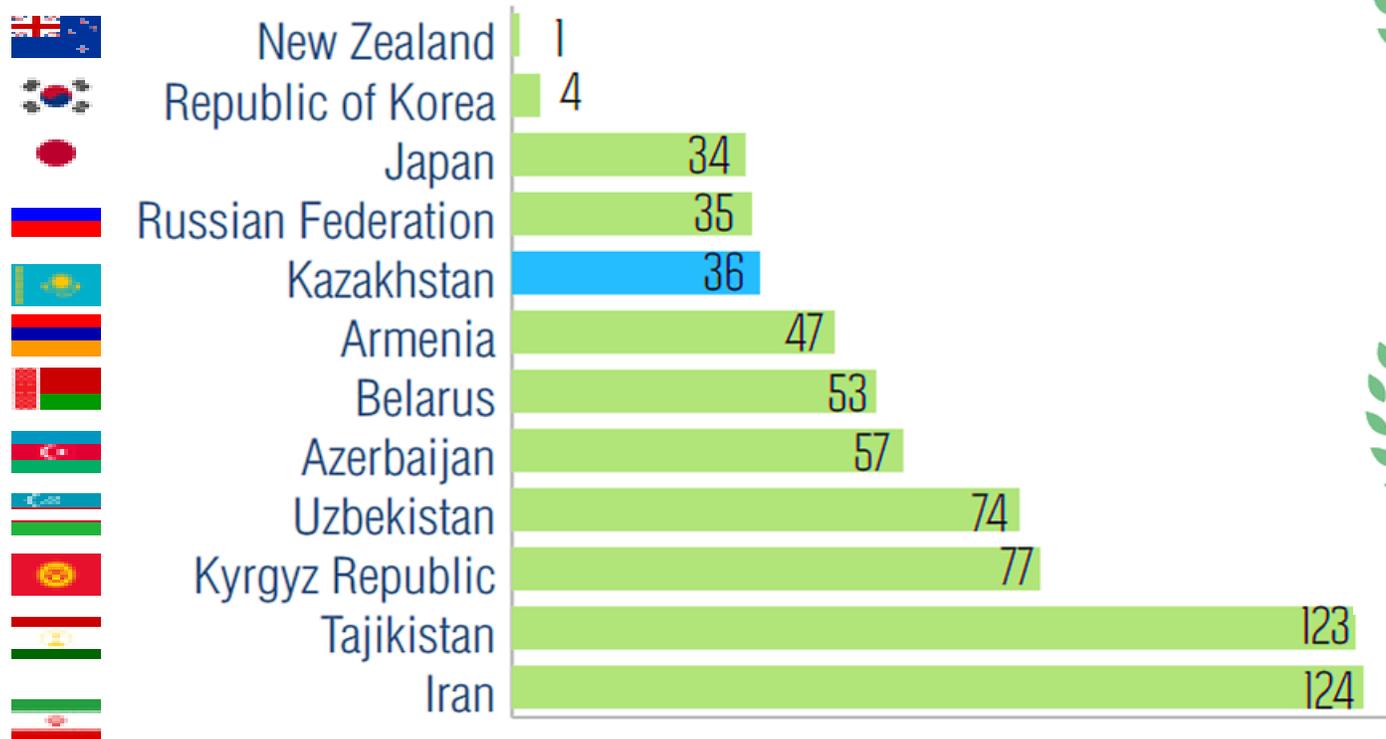
Item	Ranking
Gold	10
Lead	11
Oil	12
Iron	12
Copper	13

Business Climate (1/2)

DOING BUSINESS 2017 RANKING

Kazakhstan pays special attention to **creating a favorable business climate for investors and improving business environment.**

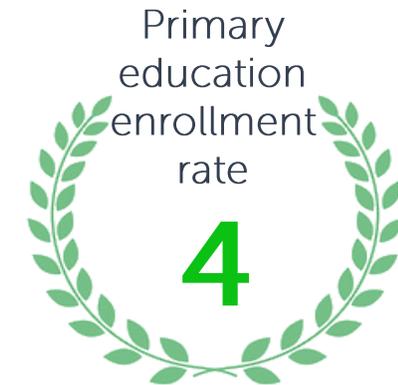
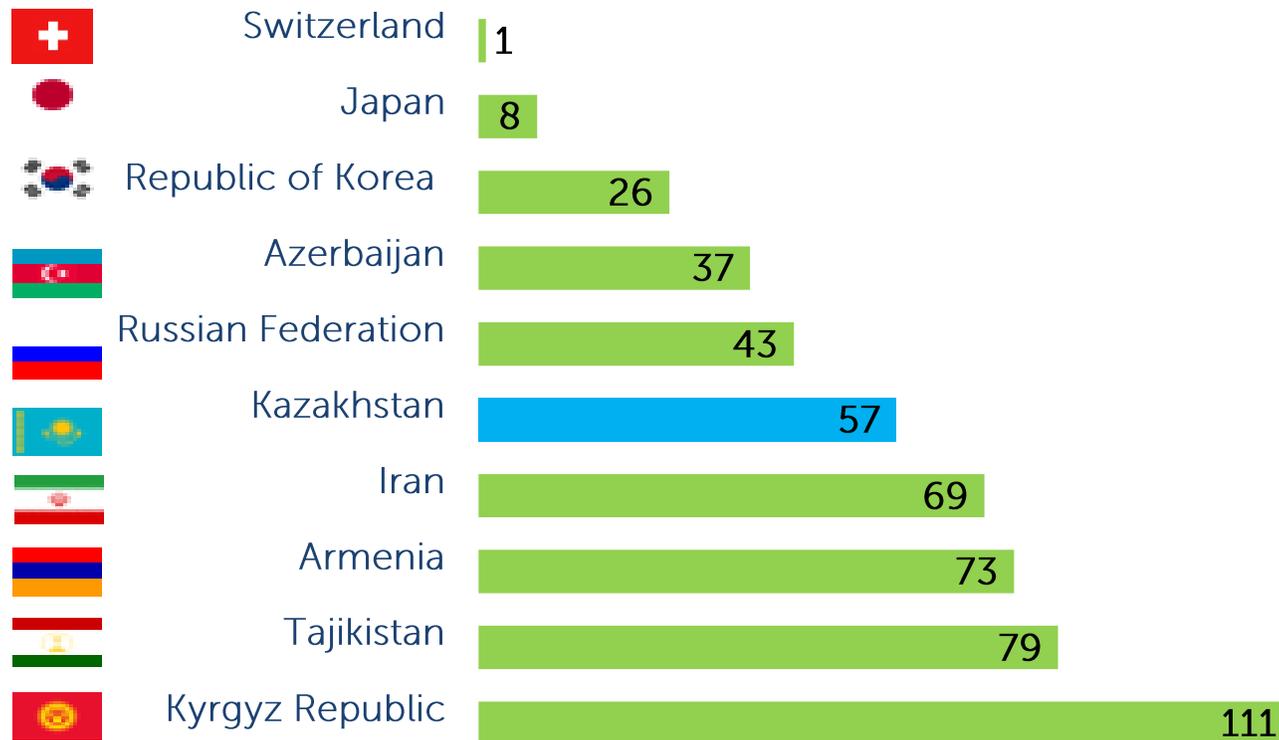
Kazakhstan ranks **1st in Central Asia** in investment climate.



Business Climate (2/2)

GLOBAL COMPETITIVENESS INDEX 2017

Kazakhstan ranks **57th** out of **137** countries



Taxation

Kazakhstan operates one of the **most competitive tax regimes** in the region.

Taxes	Kazakhstan	Russia	China
Corporate Income Tax (CIT)	20%	20%	25%
Value Added Tax (VAT)	12%	18%	17%
The Land Tax	\$0.03-\$0.16/1 m ²	0.3%, 1.5%	–
The property tax	1.5%	2.2%	1.2%*, 12%**

* appraised value, **rental property

Source: The Ministry of Finance of the RoK, Federal Tax Service of Russia, State Administration of Taxation of the People's Republic of China



2018 Index of Economic Freedom

Kazakhstan ranks 41st out of 186 economies



Gender Inequality Index 2017

Kazakhstan ranks 52nd out of 144 economies



2 KASE OVERVIEW

KASE – Universal Exchange

5
currency pairs

>150
issuers

>125
shares in
trade list

>250
corporate bonds in
the trade list

4th place
among stock exchanges of FEAS by
domestic market capitalisation
(as the end of 2017)*

2nd place
among CIS exchanges by traded volume
(2017)

57
members of the
exchange

>110 000
accounts of retail
investors

25
years on the
capital market

Frontier
MSCI FTSE

Note: as of April 16, 2018

* domestic market capitalisation (companies admitted to listing only) includes value of total number of issued shares of domestic companies. Only 19 out of 37 members provided data on this indicator for 2017 year according to FEAS Statistics

Kazakhstan's Stock Market Classification



- Frontier
- Secondary emerging
- Advanced emerging
- Developed



- Frontier
- Emerging
- Developed



- Frontier
- Emerging
- Developed

March 2017

"Clearing and settlement" criteria was upgraded from "Restricted" to "Compliant"

September 2017

Achievement of 'frontier market status'

Membership in International Organisations and International Partnership



Member of the World Federation of Exchanges (WFE)



Member of Federation of Euro-Asian Stock Exchanges (FEAS)



Member of the Software & Information Industry Association's Financial Information Services Division (SIIA/FISD)



Member of International Association of Exchanges of the Commonwealth of Independent States (IAE CIS)



Participant of The Organisation of Islamic Cooperation (OIC) Member States' Stock Exchanges Forum



UN Initiative "Sustainable Stock Exchanges"



Cooperation with Bloomberg and Thomson Reuters (dissemination of real-time data)



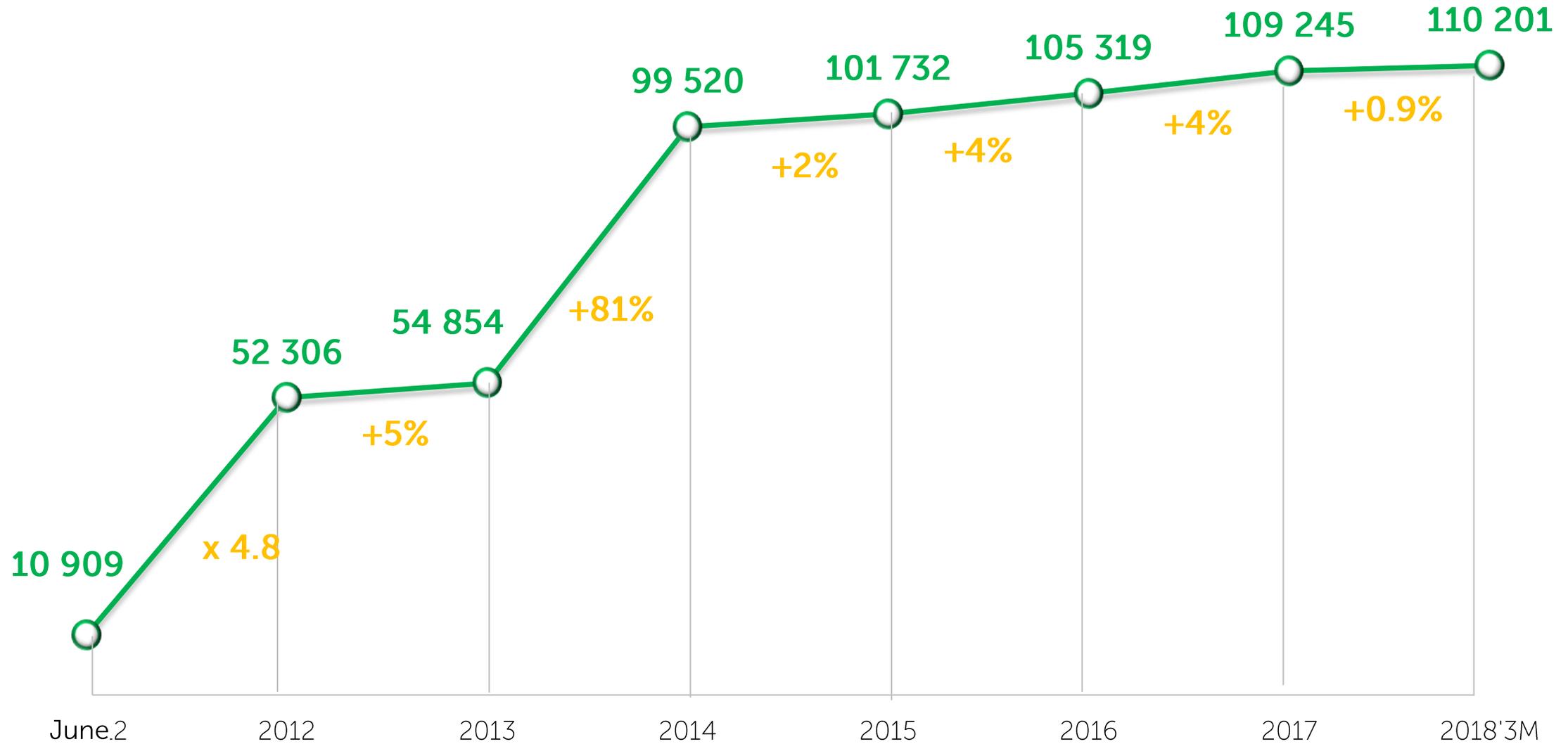
Partnership with Exchange Data International Ltd., Interactive Data Corporation, Cbonds (dissemination of information products)



Cooperation with Wiener Börse and China Investment Information Services Ltd. (dissemination of all market data)

Retail Investors

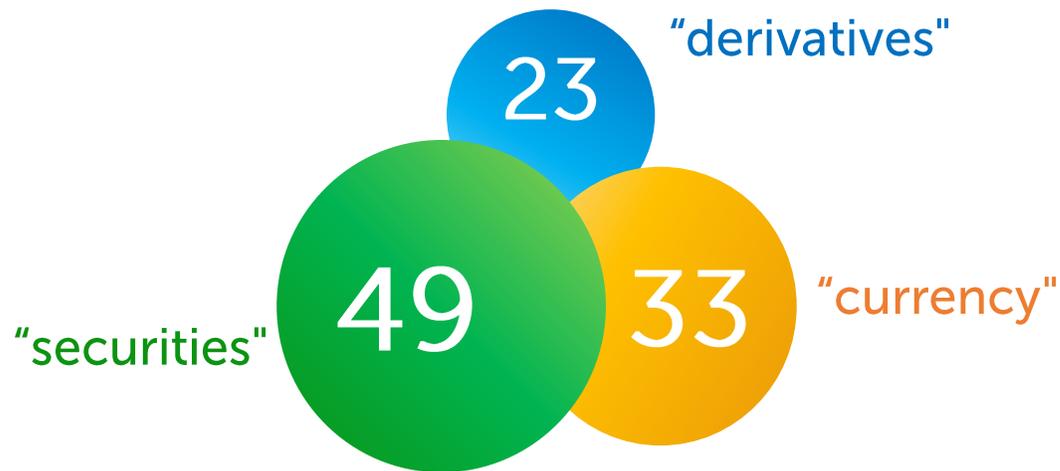
Number of individuals' accounts at the Central Securities Depository



Note: data as of end of the year

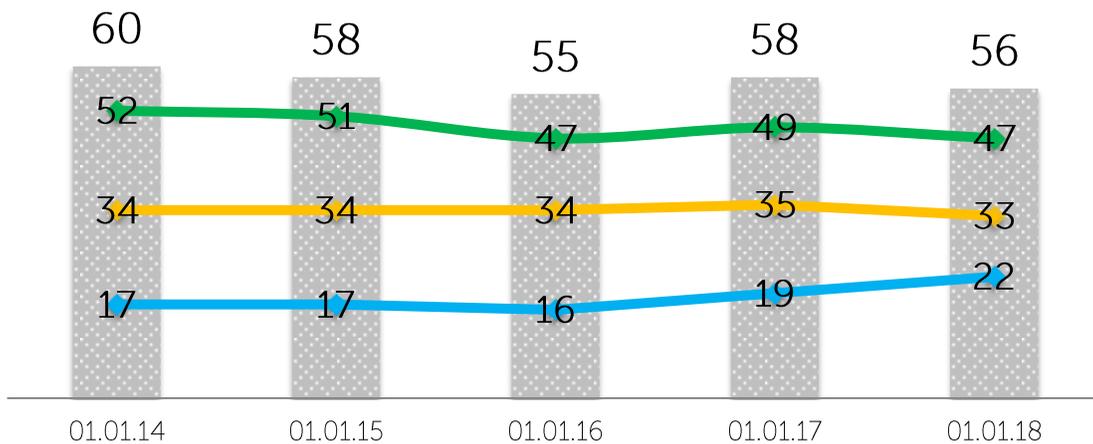
Source: Central Depository of Kazakhstan Republic

KASE Members



Total number – 57

Number of KASE members for the last 5 years



- 54** local members
- 3** remote members
- 14** members providing DMA

New members:

2018

- "Freedom Finance" IC / securities
- "Tsesna Capital" JSC / derivatives
- "Tengri Bank" JSC / securities

2017

- "UNIVER Investment Group" / securities and derivatives
- "ATFBank" JSC / derivatives
- "Eurasian Capital" JSC / derivatives

2016

- "NGDEM Finance" JSC / securities
- Eurasian Development Bank/ securities and derivatives
- Interstate Bank/ currency
- "Islamic Bank "Al Hilal" JSC / currency
- "AsiaCredit Bank" JSC / derivatives

KASE Indices and Indicators



Securities Market

Equities

KASE index

Benchmark
(8 equities)

Joint indices

S&P/OIC ComCec 50 Shariah index

KZTO shares are among the TOP-50 largest Shariah-compliant securities that are available for trading on stock exchanges of Organization of Islamic Cooperation (OIC) Member States

Corporate Bonds

KASE_BMC
KASE_BMY

KASE_BAC
KASE_BAY

Primary Market

Alternative Market

Money Market

TONIA

TWINA

SWAP-1D (USD)

SWAP-2D (USD)

MM Index – Weighted average interest rate on money market

Interbank Deposits

KIBOR

KazPrime-3M

Weighted average deposits rate

2017 | year of new achievements

+60%
traded volume

+56%
number of trades

+15
new listing companies

+20%
equities market capitalisation

+59%
KASE Index growth

+8%
publicly traded corporate debt

KASE Markets (1/3)

Market indicators for 2017

Market sector	Volume, KZT bn	Volume, USD mln	Average daily number of deals	Average daily volume of deals, USD mln	Average volume of one deal, USD mln
Securities Market	3,450.4	10,575.7	465	43.2	0.1
Equities	269.4	828.9	454	3.4	<0.1
Corporate bonds	1,153.8	3,482.5	7	14.2	2.0
State securities	1,985.8	6,137.2	3	25.0	8.5
International Financial Organisations bonds	40.2	124.0	0*	0.5	5.4
Investment funds securities	1.1	3.2	0*	<0.1	<0.1
Foreign currency (spot)	12,321.5	37,726.3	349	154.0	0.4
Money market	135,726.4	419,318.3	419	1,711.5	4.1
Repo transactions	73,790.2	226,545.8	371	924.7	2.5
Foreign currency swap	61,936.2	192,772.5	48	786.8	16.5
Derivatives	22.1	66.2	0*	0.3	4.7
TOTAL	151,520.3	467,686.5	1,233	1,908.9	1.5

* average daily number of deals was less than one

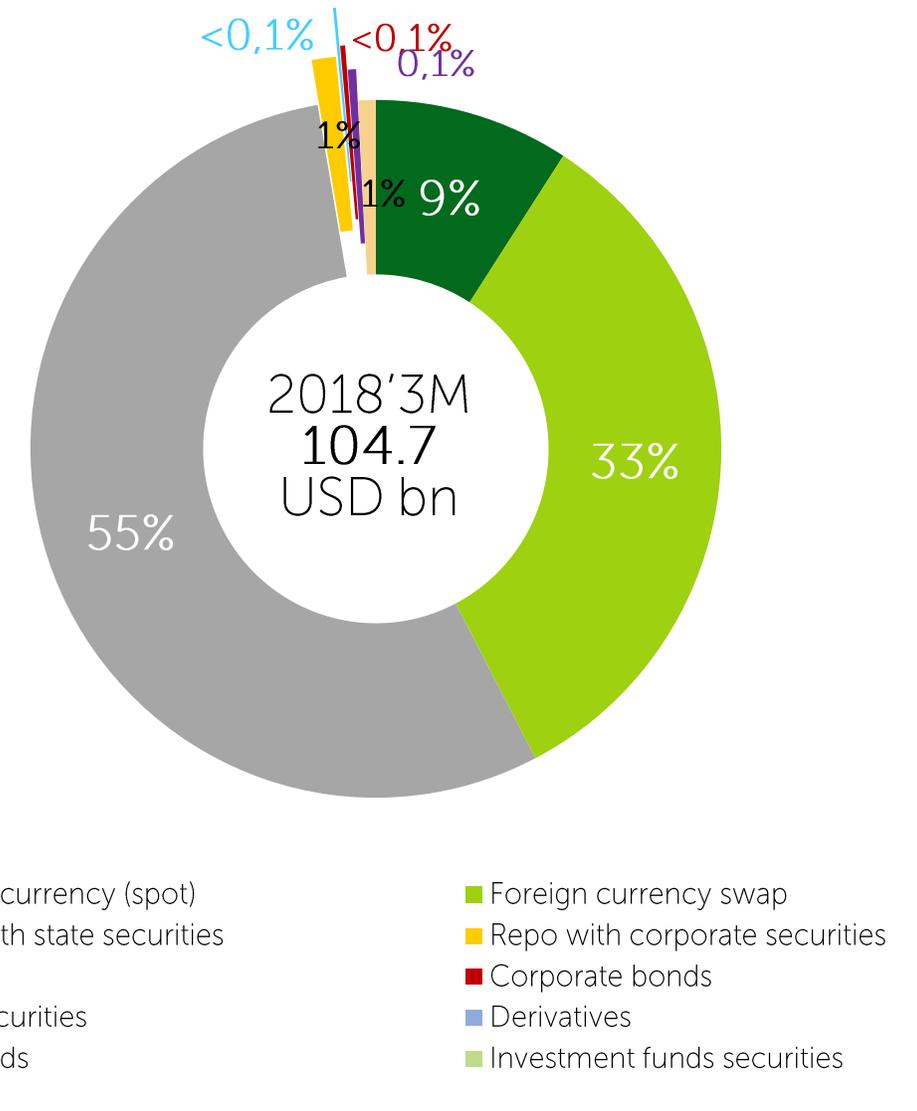
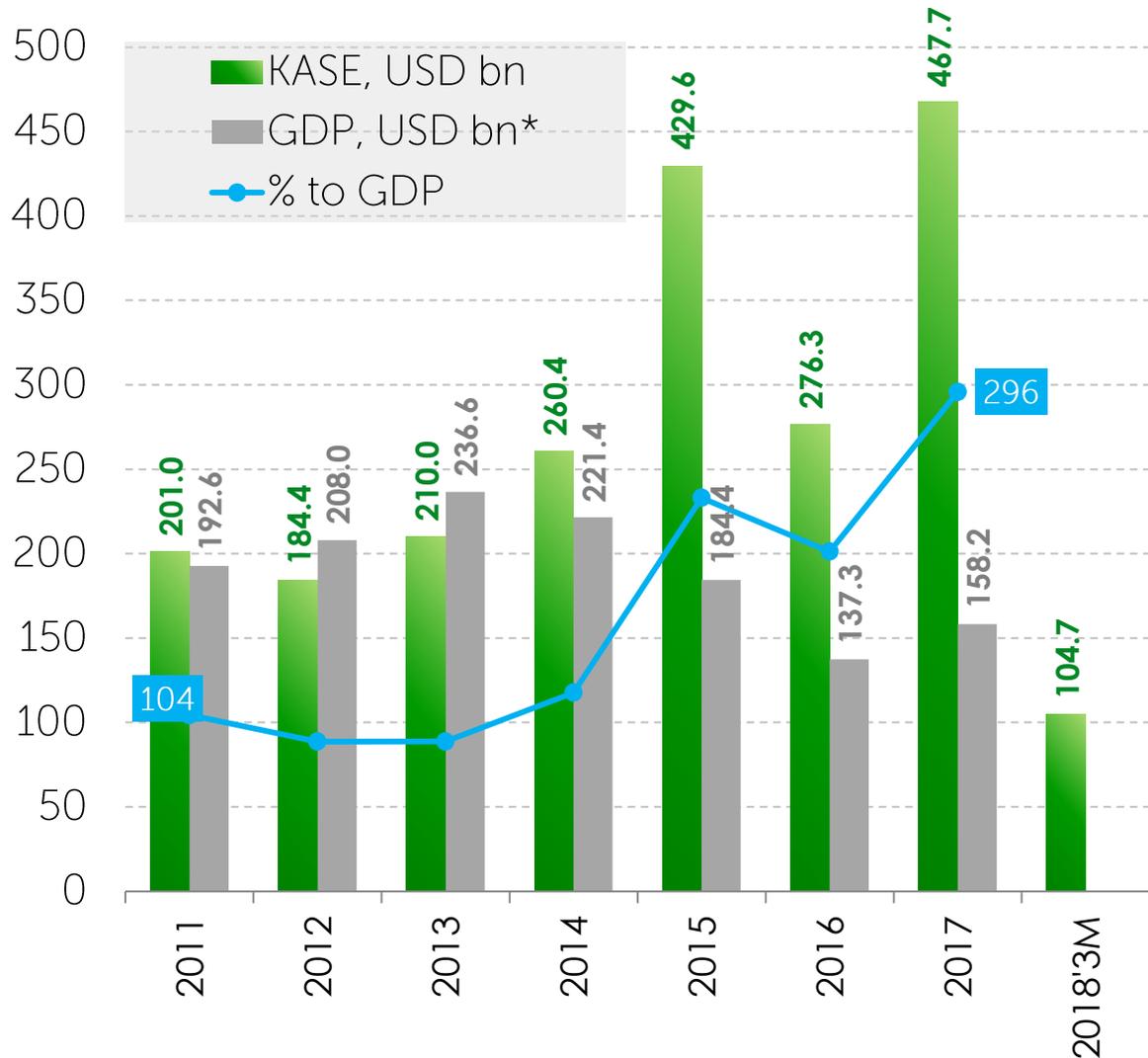
KASE Markets (2/3)

Market indicators for three months of 2018

Market sector	Volume, KZT bn	Volume, USD mln	Average daily number of deals	Average daily volume of deals, USD mln	Average volume of one deal, USD mln
Securities Market	527.5	1,645.3	722	8.9	<0.1
Equities	45.1	140.1	712	0.8	<0.1
Corporate bonds	77.8	241.3	5	1.3	0.3
State securities	130.5	405.8	2	2.2	0.9
IFO bonds	0	0	0	0	0
Investment funds securities	0.1	0.2	1	<0.1	<0.1
GDR	274.0	857.9	2	4.6	2.3
Foreign currency (spot)	3,091.2	9,562.1	346	52.4	0.2
Money market	30,212.0	93,501.9	503	512.1	1.0
Repo transactions	18,968.2	58,713.2	444	321.5	0.7
Foreign currency swap	11,243.8	34,788.7	59	190.6	3.2
Derivatives	0	0	0	0	0
TOTAL	33,830.7	104,709.3	1,571	573.4	0.4

* average daily number of deals was less than one

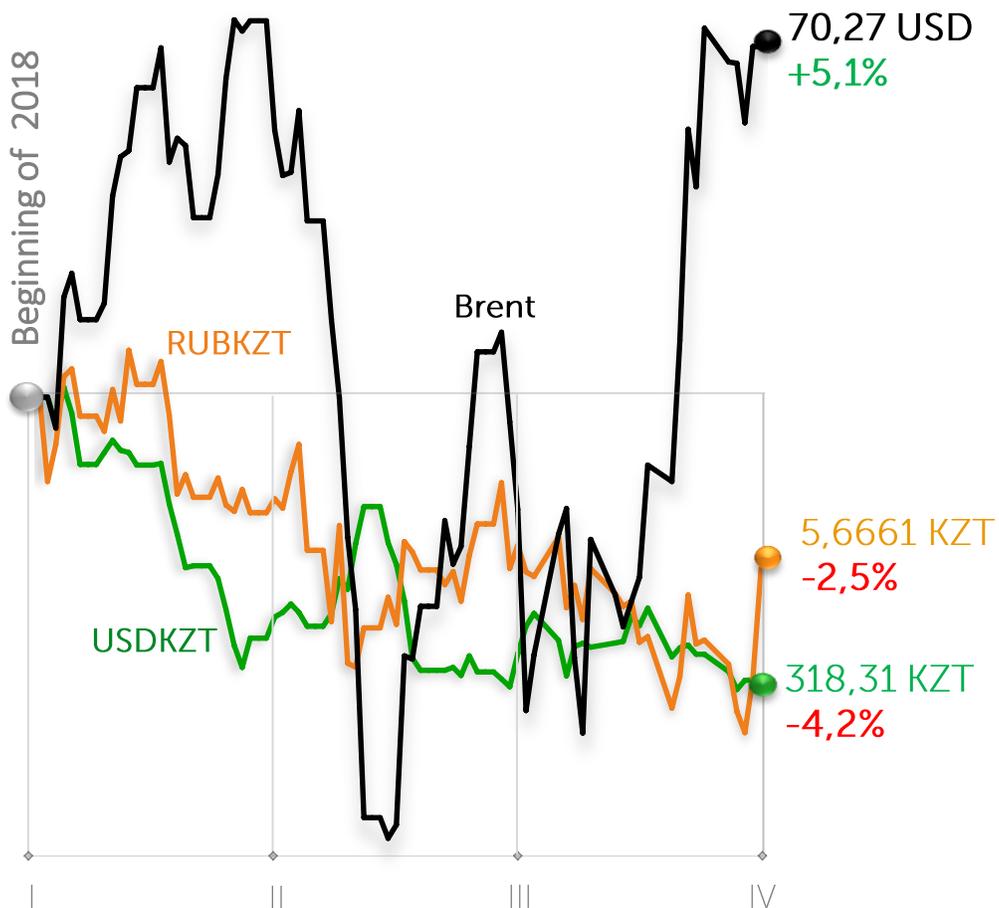
KASE Market Volume and Kazakhstan's GDP



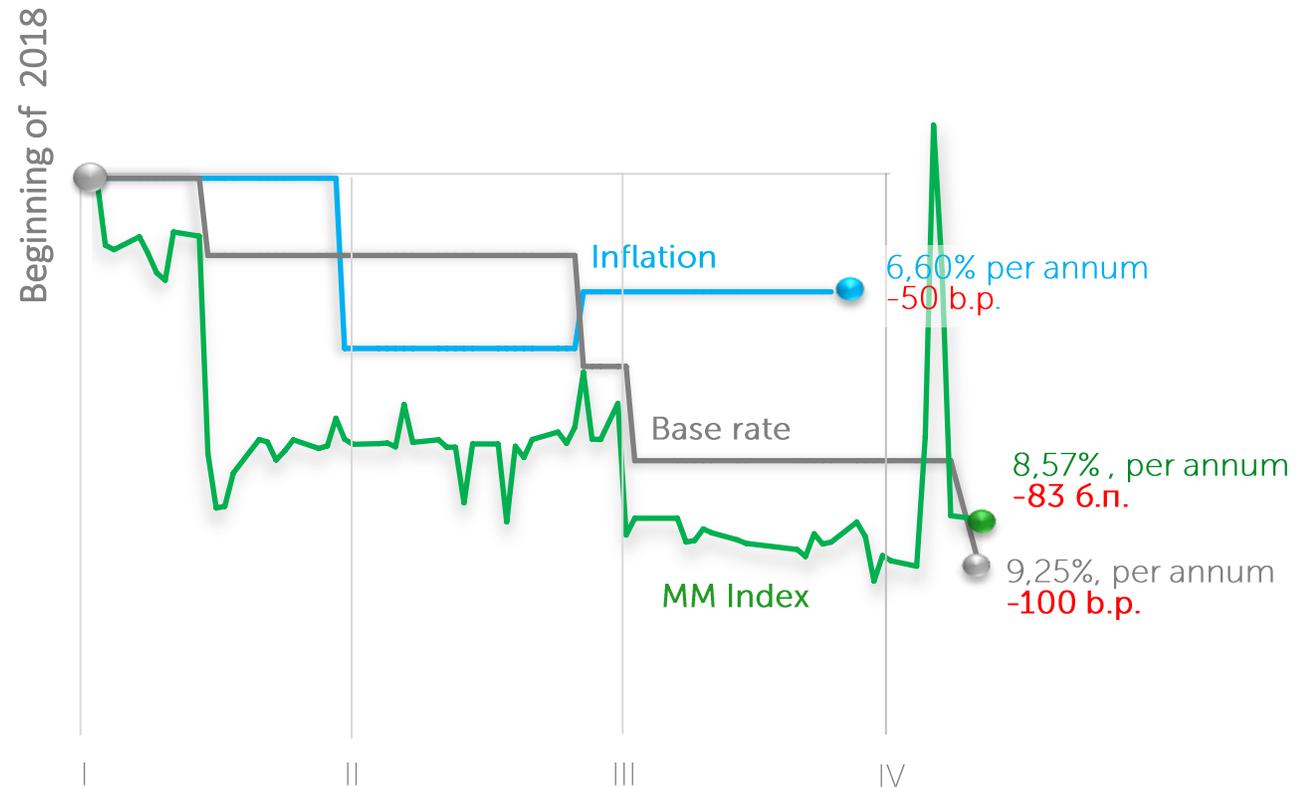
* operational data of the statistics Committee on Statistics of Ministry of National Economy of the Republic of Kazakhstan

Main Market Conditions in 2018

Strengthening of the national currency during the tax payments period



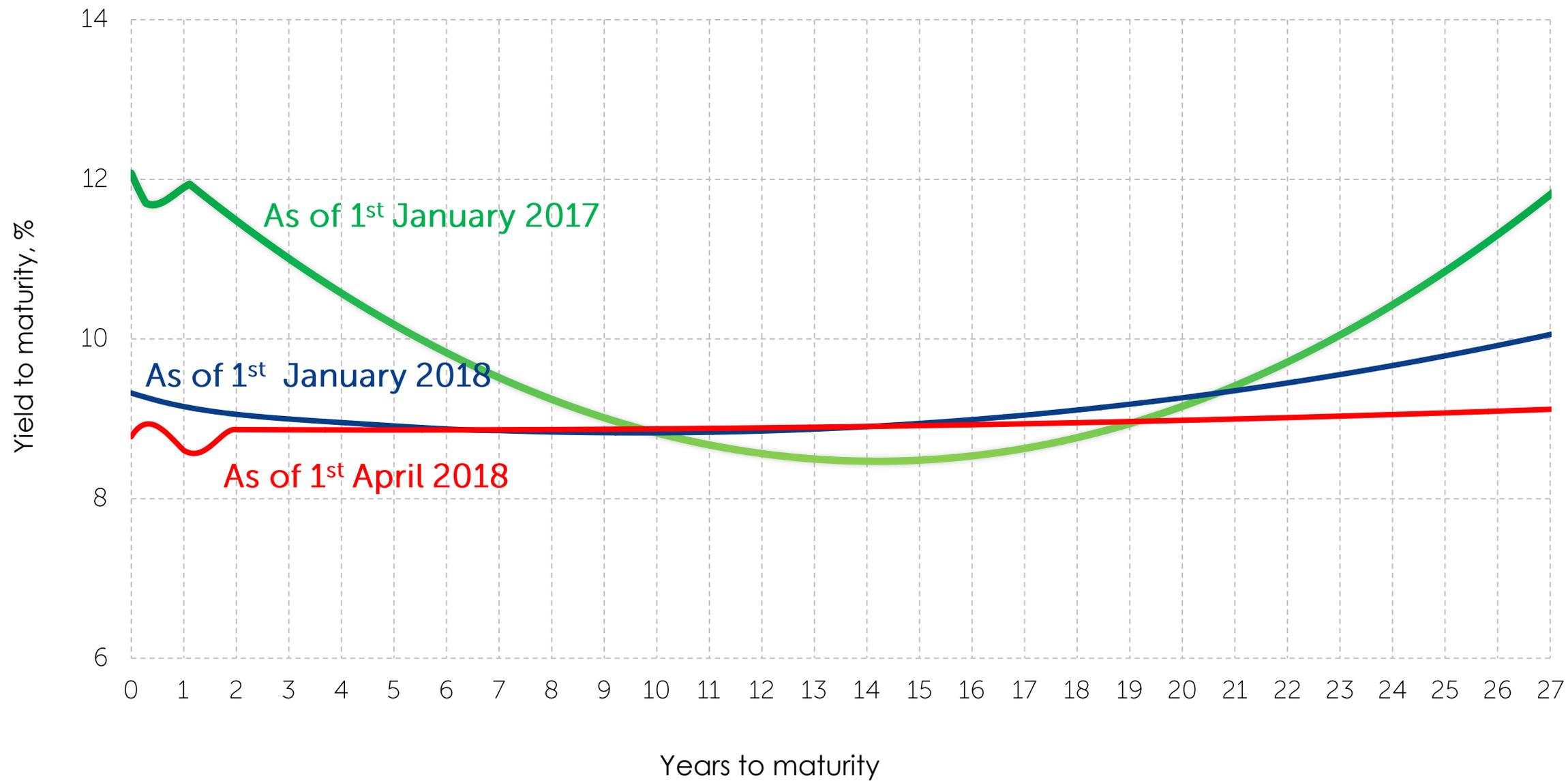
Further decrease in money market rates and inflation



Note: MM Index (Money Market Index) - Money Market Index is a composite indicator of the money market representing the average value of average weighted interest rates (yield) on USD/KZT currency swap transactions and 1-business day auto repo transactions in Kazakhstan's government securities, weighted by the transactions amount. The indicator is calculated on all swap and repo opening transactions concluded in KASE trading system within a day

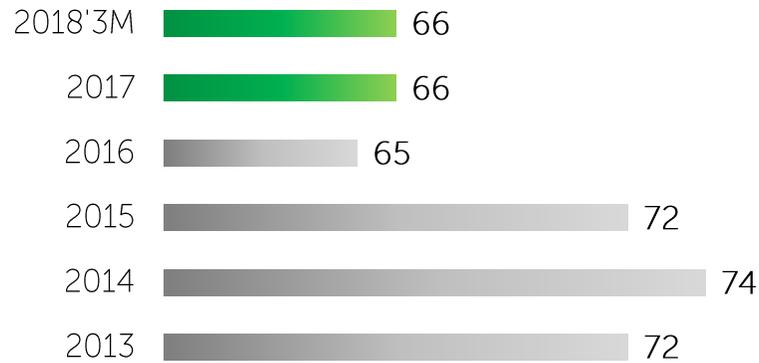
Source: The National Bank of RK, Bloomberg

Treasury Yield Curve

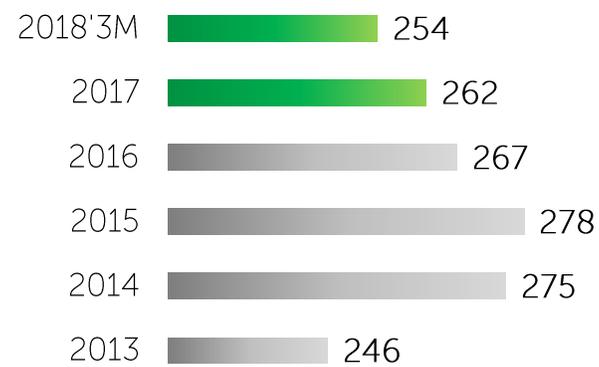


Corporate Bonds Market

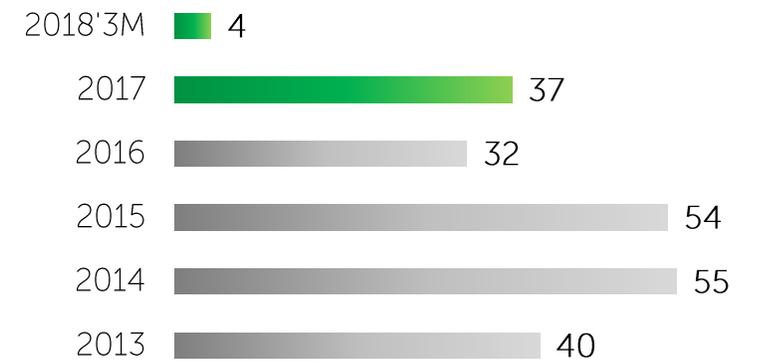
Issuers



Instruments



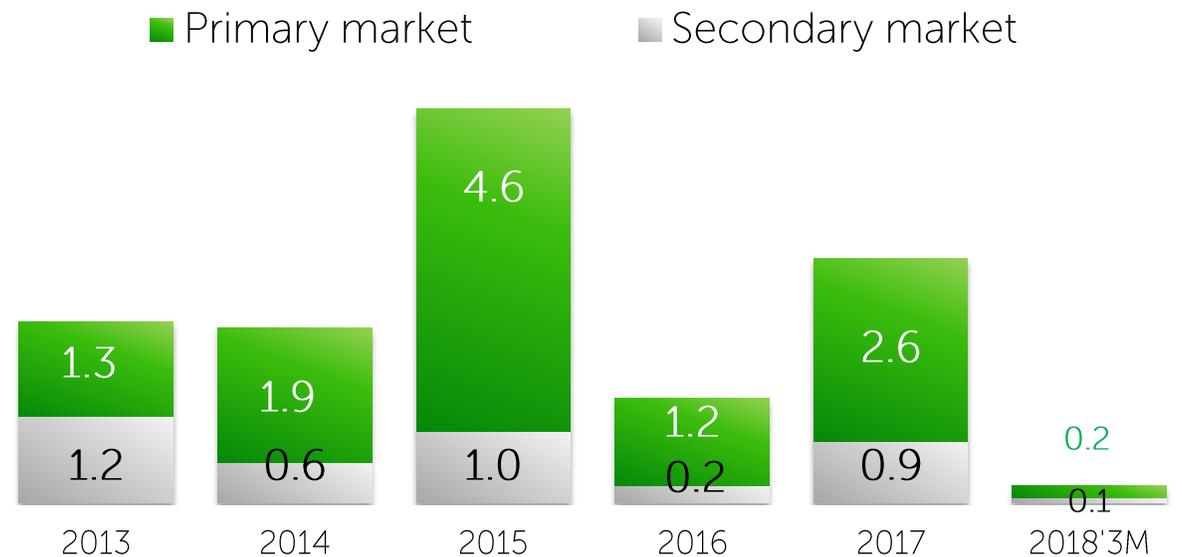
New listings



Outstanding Corporate Debt, USD bn



Traded Volume, USD bn

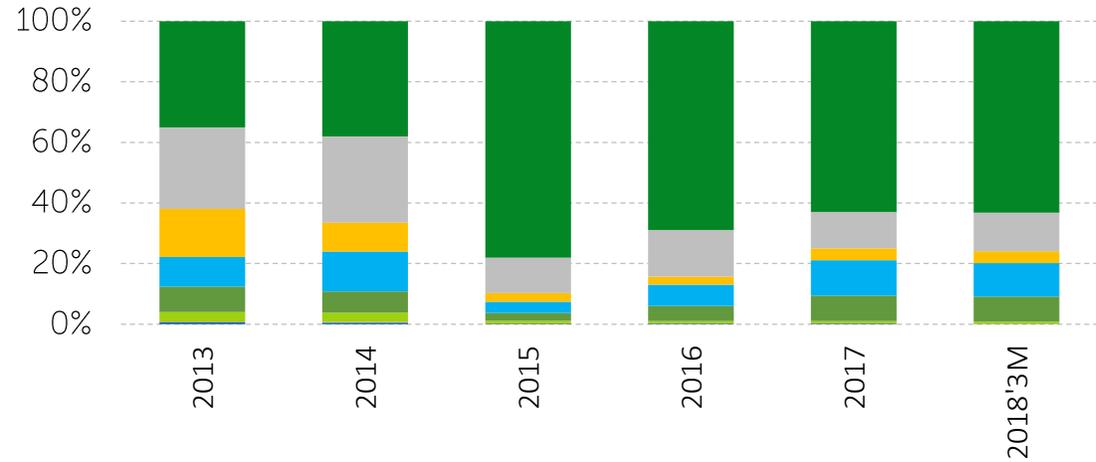


Industry Structure

Equities

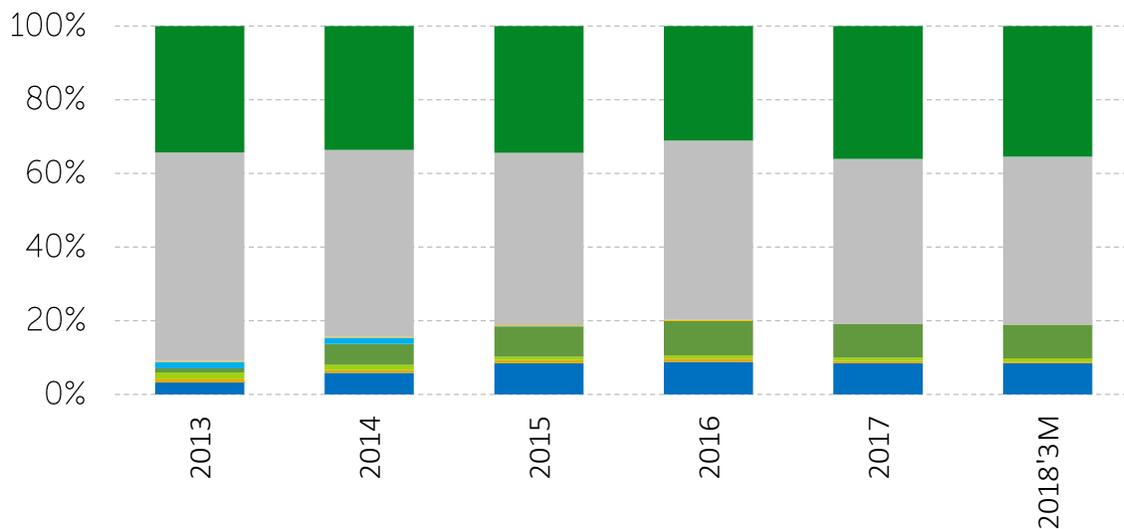
Share in capitalisation, %

Equities Corporate bonds



Energy	63.2	35.5
Finance	12.8	45.6
Provision of telecommunications services	3.9	0.1
Materials	1101	<0.1
Industrials	8.2	9.1
Consumer staples	0.7	0.9
Provision of municipal services	<0.1	0.1
Information technology	0	0
Health care	0	0
Consumer discretionary	0.1	8.5

Corporate bonds



Corporate Bonds Placements in 2017 (1/2)



Maturity
4,3 years
Volume:
0,9 billion KZT
Yield to maturity:
15% per annum
Subscription:
33 %



KAZAKHSTAN
MORTGAGE
COMPANY

Maturity
6 / 10 years
Volume:
5,9 / 8,5 billion KZT
Yield to maturity:
10,75% / 10,5% per
annum
Subscription :
235% / 112%



Maturity
10 years
Volume:
25,0 billion KZT
Yield to maturity:
10,5% per annum
Subscription :
153 %



Maturity
7 years
Volume:
2,6 billion KZT
Yield to maturity:
13,5% per annum
Subscription :
100 %



Maturity
3 года / 2 years
Volume:
10,0 / 5,0 billion KZT
Yield to maturity:
15% / 13% per
annum
Subscription :
102,8%



Development Bank
of Kazakhstan

Maturity
5 / 7 years
Volume:
20,0 / 30,0 billion
KZT
Yield to maturity:
10,5 / 10,5 %per
annum
Subscription :
135% / 127%



Maturity
5 years
Volume:
13,0 billion KZT
Yield to maturity:
12,5%per annum
Subscription :
100%



Maturity
1 year
Volume:
1,5 billion KZT
Yield to maturity:
14,8% per annum
Subscription :
186%

Corporate Bonds Placements in 2017 (1/2)



Мaturity
117 months
Volume:
25,0 billion KZT
Yield to maturity:
11% per annum
Demand:
100 %



Мaturity
3 years
Volume:
1,0 billion KZT
Yield to maturity:
8% per annum
Demand:
108 %



Мaturity
15 years
Volume:
36,3 billion KZT
Yield to maturity:
11,5% per annum
Demand:
155%



Мaturity
15 years
Volume:
620,0 billion KZT
Yield to maturity:
4,0% per annum



Мaturity
10 years / 9 months
Volume:
5,1 / 10 billion KZT
Yield to maturity:
14% / 11% per annum
Demand:
129% / 81.7%



Мaturity
5 / 5 лет
Volume:
12,9 / 28,0 billion KZT
Yield to maturity:
13% / 12,5 % per annum
Demand:
- / 100 %



Development Bank of Kazakhstan
Мaturity
15 / 13 / 11 years
Volume:
8,8 / 8,8 / 8,8 billion KZT
Yield to maturity:
11,25/ 11,25 / 11 % per annum
Demand:
145% / 108% / 141%



Мaturity
4,3 years
Volume:
2,4 billion KZT
Yield to maturity:
12,5% per annum
Demand:
27,2 %

Corporate Bonds Placements in 2018



Maturity
3 years
Volume:
4,95 billion KZT
Yield to maturity:
11,5% per annum
Demand:
16,5 %



BANKRBK

Maturity
14,8 years
Volume:
33,7 billion KZT
Yield to maturity:
4,08% per annum



CENTERCREDIT
БАНК ТРАДИЦИОННЫХ ЦЕННОСТЕЙ

Maturity
9,9 years
Volume:
10,2 billion KZT
Yield to maturity:
11,75% per annum
Demand:
43,0 %

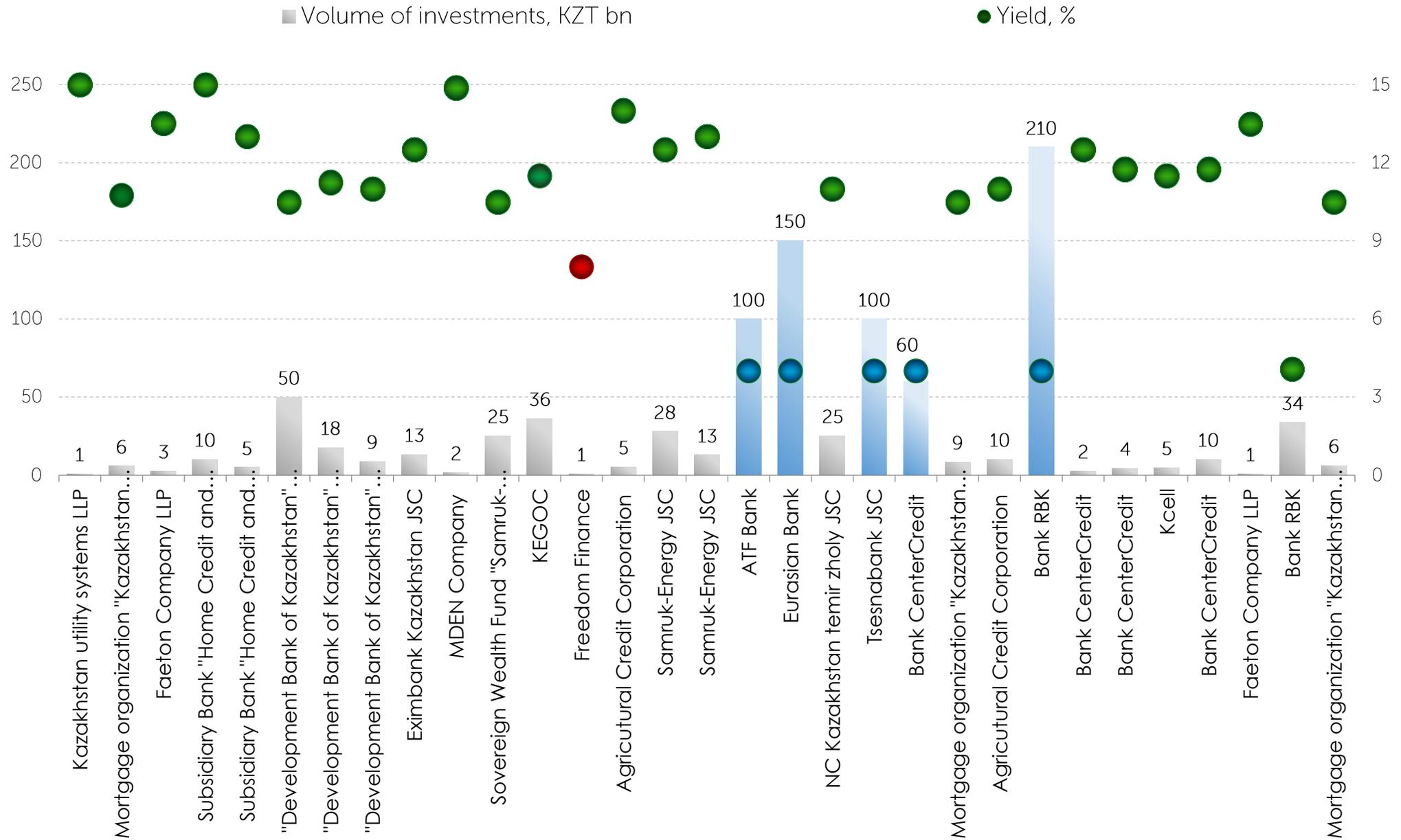


Maturity
9,8 years
Volume:
6,0 billion KZT
Yield to maturity:
10,5% per annum
Demand:
168,4 %



Maturity
6,3 years
Volume:
1,0 billion KZT
Yield to maturity:
13,49% per annum
Demand:
100,0 %

Corporate Bonds Placements in 2017-2018



Commercial bonds

Company name	Volume of issue, mln KZT	Maturity, months	Coupon, %
PAVLODARENERGO JSC	300.0	12	13,0
SevKazEnergo JSC	301.0	12	13,0
Eastcomtrans LLP	1200.0	6	14.0
National company Food contract corporation JSC	3 500.0	12	3,75
Mangistau Distribution Electricity Network Company JSC	1 505.2	12	15,0
Agricultural Credit Corporation JSC	10 000.0	9	11,0
Kazakhstan utility systems LLP (KSYSb2)	Placement has not been conducted yet	12	-
Kazakhstan utility systems LLP (KSYSb3)	Placement has not been conducted yet	12	-
Subsidiary organization of Halyk Bank of Kazakhstan Halyk Finance JSC	Placement has not been conducted yet	12	-
Tsesnabank JSC	20 000,0	12	11,0

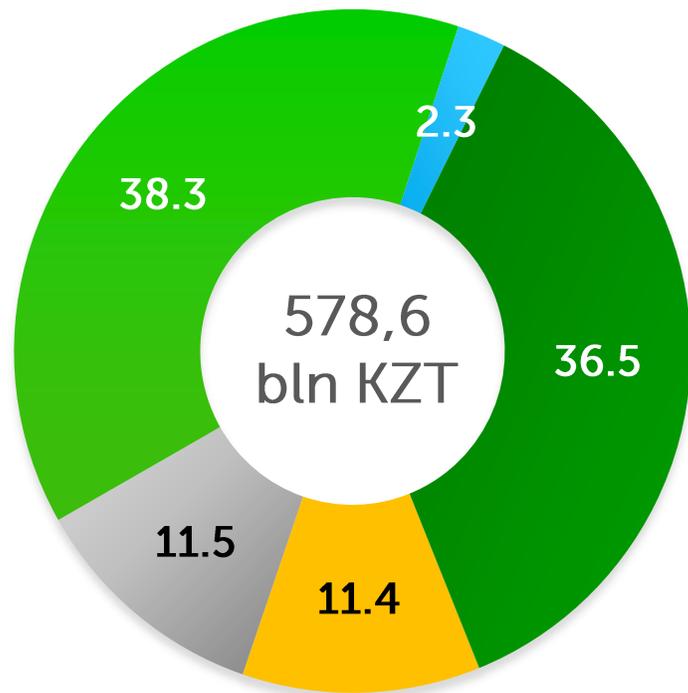
"Commercial Bonds" are used to satisfy the needs of listed companies in short-term funding as well as needs of investors in short-term investing



* active bonds issues are highlighted in green

Corporate Bonds: Investor Base

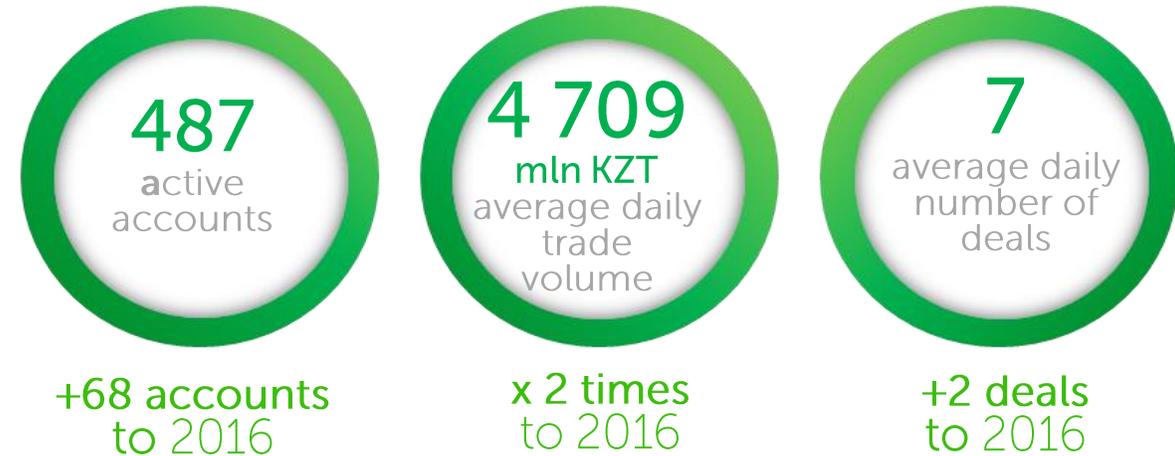
Shares of investor on the secondary market in 2017, %*



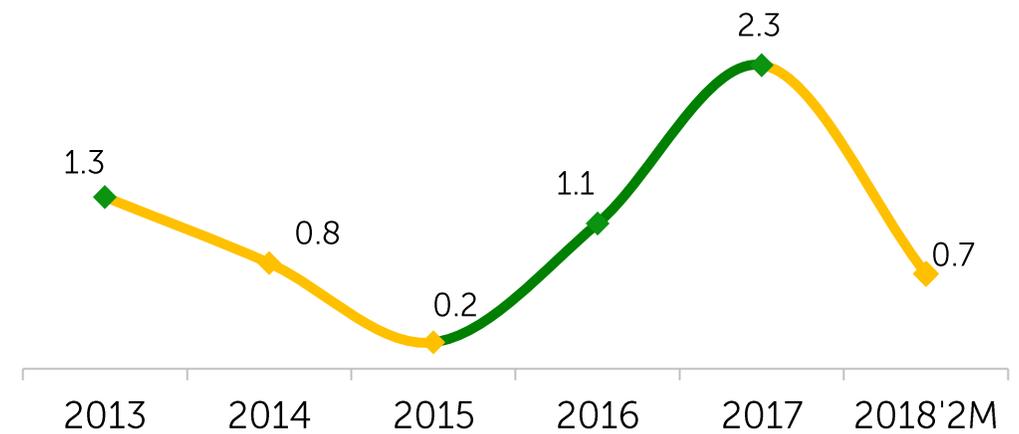
- Banks
- Institutional Investors
- Other Institutional Investor
- Individuals
- Other legal entities

* of the total gross turnover of trades in corporate bonds

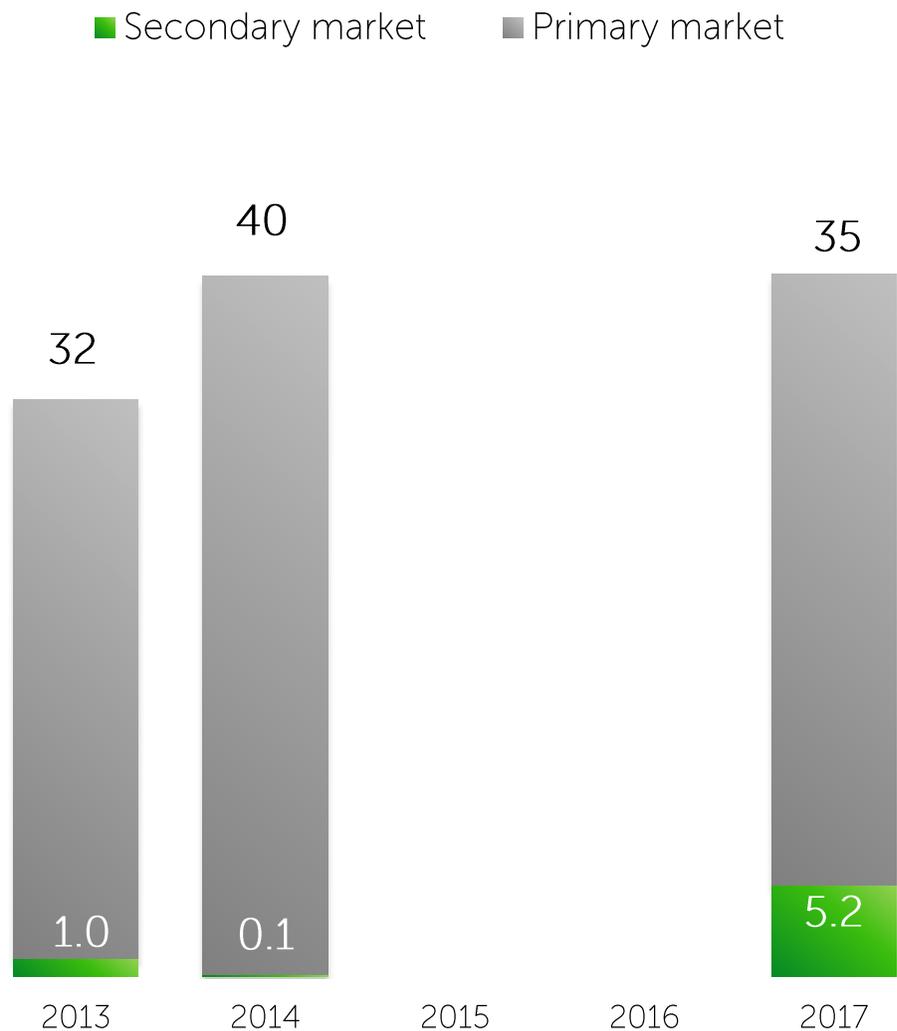
Key indicators for 2017



Percentage of non-residents in gross turnover, %

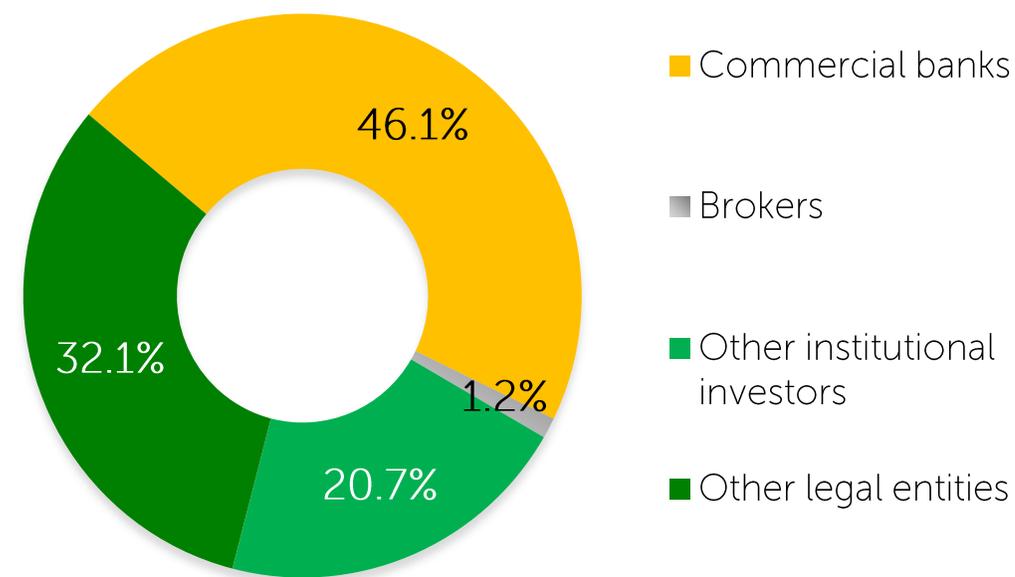


Trading volume, KZT bn



As of April 1, 2018 in the official list of KASE there are 6 issues of bonds of the Eurasian Development Bank and 2 issues of bonds of the European Bank for Reconstruction and Development

Shares of major investor categories, %





3 STRATEGY FOR DEVELOPMENT

Focus areas for development

Strategic Direction

Stock Market Growth

Targets

- attract new issuers
- extend investor base
- develop foreign exchange market
- improve clearing services

Customer Focus Improvement

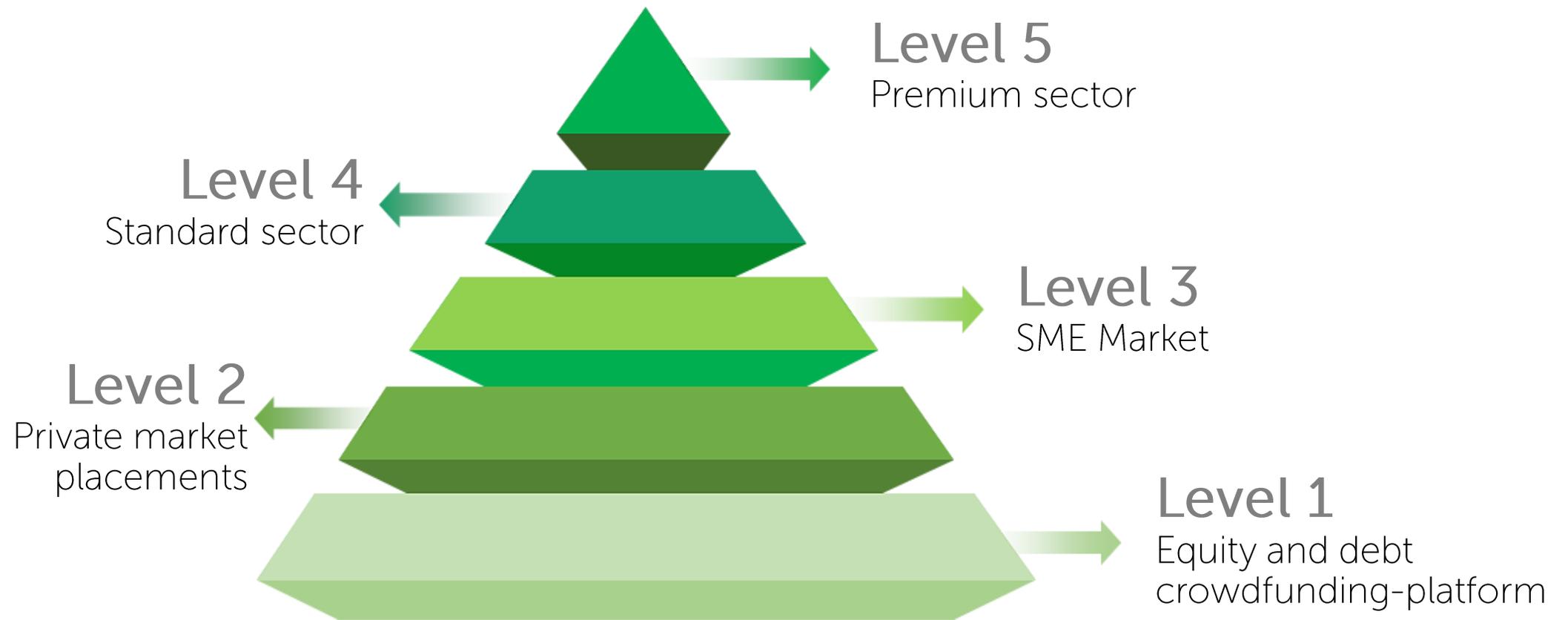
- strengthen cooperation with market participants and KASE members
- improve quality of services
- new corporate website
- enhance the KASE image and raise awareness of its activities

Efficiency and
Competitiveness Raising

- promote market data
- upgrade IT-systems
- improve operational risk management system

Our Aim - Multi-level Stock Exchange

From Start-up to Blue Chips



Focus on SMEs

- ✓ The new listing structure - Alternative Market for SMEs
- ✓ Minimal listing fees
- ✓ Mitigated listing rules and requirements



Developing Skills & Sharing Experience

"Securities market: new business growth opportunities"

Seminar

- Underlying principles of securities market
- Stocks and bonds – what to choose
- Main players – KASE, brokerage companies
- Steps to go public

"Securities market: ways to invest"

Seminar

- Securities market framework
- Financial instruments
- Main players – KASE, brokerage companies
- Investment strategy
- Risk assessment and investor's protection



Increasing Awareness and Financial Literacy



Active participation of KASE's team in regional and international business events

- **exhibitions**
- **forums**
- **round tables**
- **conferences**
- **training and seminars**

Round tables and consulting sessions in all regions of Kazakhstan

Individual consulting

- **2016-2017: >100 consulting sessions in 14 regions of Kazakhstan**

Development of Trading system and Settlements

- Extension of the transaction period of REPO deals with netting up to two days
- Application of the T + n scheme on securities market
- KASE suggests to use **T + 1 scheme** on Bonds
- Settlement of trades with securities issued in accordance with the laws of other states, in the denominated currency
- Implementation of auto-repo transactions using Eurobonds as collateral with settlements done in the denominated currency

25 жыл
лет
years

KASE

Қазақстан қор биржасы
Казахстанская фондовая биржа
Kazakhstan Stock Exchange

 Kazakhstan Stock Exchange

 kase_kz

 Kazakhstan.stock.exchange

 Казахстанская фондовая биржа KASE

Republic of Kazakhstan, 050040
Almaty, Baizakov str., 280
North Tower
Multifunctional complex
"Almaty Towers", 8th floor
Phone.: +7 (727) 237 5300
Fax: +7 (727) 296 6402
e-mail: info@kase.kz
www.kase.kz