

# WEEK OF STOCK MARKET OF KAZAKHSTAN

## January 13 - 19

1 US dollar = 139.50 tenge at official rate for the end of the period  
 1 US dollar = 139.50 tenge at weighted average rate of the Exchange for the end of the period

### Trades in corporate securities

Volume of deals, made within observed week in private issue securities (PIS) on trade floors of Kazakhstan stock exchange (KASE), grew 2.3 times reached **\$1,421.5 th.** compared with \$622.7 th. of last period.

The most liquid securities were preferred shares of “**KAZAKHTELECOM**” (Almaty, official list of securities, category “A”, **KZTKp**), which account for more than half (57.6%) of weekly turnover of PIS. Volume of two deals amounted to 91,850 shares for \$821.1 th. By the results of the trades weighted average price of KZTKp is \$8.98 per share. Larger block of shares was sold at the highest price – \$9.00 per share. Market value of KZTKp rose 3 times within a week.

Volume of two deals in bonds of **OJSC “KAZKOMMERTSBANK”** (Almaty, official list of securities, category “A”, **KKGBb**) reached \$603.3 th. Full yield to maturity, including accumulated interest, varied from 14.076% APR (94.50% / KZT139.20 per dollar, Jan.13, 00) to 14.104% (94.51% / KZT139.50 per dollar, Jan.19, 00). Yield of KKGBb rose from 14.042 to 14.104 APR within a week.

Data on deals, demand and supply are given in the table.

#### Results of the trades in private issue securities from January 13 - 19

USD per share, unless otherwise specified

Company	Securities	Open	Max	Min	Close	Volume, #	Offer	Bid	Count
OJSC «Bank TuranAlem»	BTAS				72.41	0	75.03	72.99	0
OJSC «KAZKOMMERTSBANK»	KKGBb	T13,645.47	T13,699.53	T13,645.47	T13,699.53	6,150	T13,977.13	T13,698.13	2
«KAZAKHTELECOM»	KZTKp	2.50	9.00	2.50	9.00	91 850			2
OJSC «GEOTEKS»	GEOT					0	*0.18	*0.01	0
JSC «Aktobemunaigas»	AMGZp				2.00	0	*4.00		0
JSCOT KTSSHK	KCSK					0	*0.40		0
JSC «Kyrgyzenergo»	KGEN					0	*0.20		0
JSC «Kazakhstancaspishelf»	KKSHp				22.73	0	*20.00		0
OJSC «ULBA»	ULBAp					0	*10.00		0

**Note:** bid and offer prices are given for the period, for KKGBb – for last date of the period;  
 if no deals were made during reporting period, the last price of successful trades will be given;  
 marked by a star are indicative quotations in Quotation trade system of KASE unlike the bids submitted in usual trade mode.

It should be noted, that activation of the market for the bonds of OJSC «KAZKOMMERTSBANK» was due to **the market-maker of these securities**, which is the bank itself. The bank began to put regular quotations of its own bonds from early September, but began to act as a market-maker only from November 3, 1999. Since then, offer quotations of these bonds rose from 11.26 to 12.57% APR, and for real deals (quotations are put out by the market-maker in main trade mode of KASE and available to all) – up to 14.10% APR.

### Capitalization of the stock market for PIS

For January 19, 2000 total capitalization of the stock market for PIS of Kazakhstan (A+B+N without SBS) was **\$2,237.3 mln** or KZT312.1 bln at tenge to dollar rate of the Exchange, effective on that date. \$8.5 mln decrease in capitalization in terms of dollars during seven days was caused by the changes in the trade list of the Exchange (see below), which was partially compensated by a noticeable growth in prices of preferred shares of “KAZAKHTELECOM” (see above).

### Trades in depository receipts of Kazakhstani emitters

**On German stock exchanges** during the observed period:

- prices of depository receipts of OJSC «KAZKOMMERTSBANK» were moving bilaterally, but at the end of the period they were fixed higher than they were a week ago;
- GDR of «KAZAKHTELECOM» were quoted at the same level of previous period;
- prices and quotations of GDR of «SHNOS» remained at previous levels on Berlin stock exchange, and some growth is being observed on Frankfurt stock exchange lately.

**Results of the trades in GDR of Kazakhstani companies on German stock exchanges from January 13 - 19**

in euro per GDR, unless otherwise specified

Company	Stock Exchange	Open	Max	Min	Close	Price USD
OJSC «KAZKOMMERTSBANK»	Berlin	8.50	9.05	8.50	8.90	↑ 0.30
	Frankfurt	8.10	9.00	8.10	8.85	↑ 0.30
«KAZAKHTELECOM»	Berlin*	3.75	3.75	3.75	3.75	↓ 11.38
OJSC «SHNOS»	Berlin*	3.60	3.70	3.00	3.60	↓ 0.73
	Frankfurt*	3.50	3.60	3.30	3.60	↑ 0.72

Note: price per share was calculated from the price of the last GDR transaction at FOREX exchange rate on corresponding date; marked by a star are rows with the quotations (no deals were made)

RKA composite index of REUTERS, which reflect the price dynamics of the most liquid GDRs on European market, reached **73.58** on January 19 closing, 7.49 point decrease within a week.

**Market for state securities**

During the reporting period turnover of **purchase and sale sector** for state securities decreased 1.4 times (KZT798.4 mln) relative to last period. In absolute monetary terms total turnover of **59 deals** did not exceed **KZT1,882.1 mln**. Last week volume of 53 deals was KZT2,680.5 mln.

Parameters of stock exchange transactions in SS from January 13 - 19

(in parentheses are comparable figures of the previous period)

Days till maturity	Yield to maturity for a buyer, % APR.				Volume, mln tenge discounted	Number of deals
	min	max	last deal	weighted average		
<b>Discounted SS: MEKKAM-3, 6, notes of the National Bank</b>						
					<b>36.5% (68.8 %) of purchase and sale sector's turnover</b>	
less than 8	10.93	14.08	10.93	12.70	110.2	6
8 - 14	12.32	12.32	12.32	12.32	49.9	1
15 - 28	13.93	13.93	13.93	13.93	42.4	1
29 - 36	16.11	16.15	16.11	16.13	36.8	2
43 - 56	14.08	15.16	14.48	14.54	151.4	11
57 - 63	14.50	14.50	14.50	14.50	48.9	1
64 - 91	15.18	15.18	15.18	15.18	41.0	1
92 - 181	16.51	16.54	16.51	16.52	205.5	2
Total					686.1 (1,844.8)	25 (26)
<b>Discounted indexed SS: MEKAVM-6, 9, 12, MGU</b>						
					<b>23.9% (11.9%) of purchase and sale sector's turnover</b>	
92 - 181	8.52	9.00	8.82	8.71	183.1	3
183 - 364	9.01	14.12	9.31	9.63	266.7	9
Total					449.9 (319.1)	12 (15)
<b>Euronotes of Kazakhstan, USD</b>						
					<b>39.6% (19.3%) of purchase and sale sector's turnover</b>	
*973 - 992	10.7133	10.8304	10.8144	10.7921	325.5	7
**1709 - 1740	11.3795	11.6492	11.6193	11.5126	420.7	15
Total					746.2 (516.6)	22 (12)
<b>SUBTOTAL</b>					<b>1,882.1 (2,680.5)</b>	<b>59 (53)</b>

Note: for euronotes (\* – first issue; \*\* – second issue; \*\*\* – third issue) yield is given for a buyer in APR, calculated by an algorithm of KASE, taking into account weighted average USD/KZT rate of the Exchange; yields for indexed domestic SS are calculated considering official rate of USD/KZT.

This time, turnover decrease was caused by the developments in the currency sector. Systematic growth of the dollar from the beginning of the year finally had its impact on the traders' behaviors in the secondary market for SS. Volume of transactions in bonds, not tied to devaluation, decreased three times, rates jumped up. On the contrary, currency papers – domestic and international (euronotes) – are being actively traded (see the table). However, not so active to compensate for earlier popularity of notes and MEKKAM.

By the end of the period the dollar exchange rate stabilized, and signs of tenge firming have appeared. For this reason only turnover structure shows approximately equal portions of deals in three major segments of the market: non-indexed, indexed SS and euronotes. There is no active restructuring of the portfolios, and more likely, such disposition will remain in the market for a few weeks.

No principal changes have been observed in **the repo sector**. During the period volume of two deals exceeded **KZT118.0 mln**. The banks, as before, were not in much need for external financing. However, the situation may change soon, since liquidity has decreased in terms of tenge, and the quotations of the shortest money began to rise.

After closing of trades on January 19 total amount of repos opened on the trade floor reached **KZT318.0 mln**. Current repo rates for January 19 (% APR):

- for 6 days (KZT118.0 mln) – **7.00**;
- for 31 days (KZT200.0 mln) – **10.00**.

**Total of 61 deals** amounting to **KZT2,000.1 mln** were made on trade floors of KASE during last period (purchase and sale and repo sector). Last week volume of 54 deals reached KZT2,718.7 mln. Decrease in

volume of operations relative to previous week was mainly due to decline in activity of the banks in the repo sector.

In this week **share of the stock market turnover** in total volume of deals on Kazakhstani secondary market for SS for comparable operations (including euronotes and repo operations) equaled **50.1%**, for last week it was 17.9%. Growth in the share of the stock market turnover was due to sharp decline in volume of interbank repo deals, which were held before and after the holidays mainly in MEAKAM. Now turnover of the secondary market for SS is gradually returning to KASE.

### **New system of bond quotation**

From January 15 KASE installed a new module of the trade system, which will allow to conduct trades in coupon bonds (SS and corporate) by entering “**net**” **prices** in applications – prices, that do not include accumulated interest. Such system is used all around the world. So far, participants of KASE trades had to work with so called “dirty” prices on the trade floor. Also, system of discount bond quotation has been changed. When bidding for buying or selling the bonds in the Trade system of KASE, traders now indicate par value of the bonds being sold or bought in the currency it was issued instead of the number of securities. Prices of the bonds should be indicated in percents of the par value with two places after the decimal point. Prices of the bonds, denominated in foreign currency, will be calculated by the Trade system into tenge by following way:

- prices of Kazakhstani euronotes, AVMEKAM and domestic bonds of OJSC “Kazkommertsbank” – at weighted average rate of the Currency exchange for that currency towards tenge, which was settled in the morning session of KASE on the day the deal was made;
- prices of MEKAVM and the bonds of local executive bodies – at an effective official rate of that particular currency towards tenge on the day the deal was made.

Moreover, system of discounted bond quotations was changed.

### **Changes in trade lists**

**From January 14** of current year, due to the absence of transactions and quotations for the securities that are allowed to circulate in “Non-listing securities” sector, following securities were removed from KASE lists:

- common inscribed (trade code – CHMF) and preferred (CHMFp) shares of OJSC “Khimfarm”;
- common inscribed (trade code – KGNN) shares of OJSC “Karagandy-Nan”.

The shares were removed from KASE trade lists in connection with the decision #45 of the Board of KASE, dated April 9, 1999, which states that non-listing securities should be removed from the trade lists of the Exchange if no deals were made and no quotations were put out within 3 months from the date they were entered into the trades or from the date the last deal was made.

**From January 17, 2000** by the decision of the Exchange council of Kazakhstan stock exchange (KASE), dated January 17, 2000, common inscribed shares of **open joint stock company “Astana-finance”** (Astana) were entered into official list of securities in category “B”.

OJSC “Astana-finance” started as CJSC “Fond-Akmola” in April of 1998, which was established by the decision of an Administrative council of Akmola special economic zone (SEZ, presently – special economic zone of Astana) on the base of State institution “Fond ekonomicheskogo i sotsialnogo razvitya Akmolinskoj spetsialnoi ekonomicheskoi zony” (Economic and social development fund of Akmola special economic zone). By the decision of the Administrative council of SEZ, which is the only founder and shareholder of CJSC “Fond Akmola”, it was reregistered as OJSC “Astana-finance” on August 14, 1999. As of December 2, 1999 the company had 73 employees.

The company is an organization that conducts some banking operations in accordance with the license #25 of the National Bank of Kazakhstan to conduct banking operations in tenge and foreign currency, dated October 1, 1998:

- lending operations: granting loans;
- other operations, specified by the banking legislature: leasing a property with keeping the ownership rights of the lessor on that property for a whole time of the contract (the lease); factoring operations – acquiring the rights for the payment from the buyer of the goods (work, services) by accepting the risk of non-payment.

Apart from the license of the National Bank of Kazakhstan, OJSC “Astana-finance” has the State license #0000058 of the Agency for real estate and legal entity registration of the Justice Ministry of Kazakhstan to conduct real estate appraisal activities, dated February 17, 1999.

As a non-banking financial establishment, according to the Charter and possessed licenses, the company engages in following activities:

- a financial operator of the Administrative council of SEZ of Astana in accordance with the agent agreement of February 6, 98;
- an agent on servicing private external borrowing to reconstruct International airport “Astana”;
- finances projects according to ABRD credit line for import substitute production development and industry of Astana development programs, for small and medium sized business support program;
- offers services to the Administrative council of SEZ of Astana to issue municipal bonds and implementation of mortgage credit programs for housing development;
- an agent of the government of Kazakhstan, the Ministry of finance of Kazakhstan and Administrative council of SEZ of Astana on servicing loans and financing economic and social development programs of SEZ of Astana and entrepreneurship support programs.

As a non-banking financial establishment, OJSC “Astana-finance” has no correspondent relationships with the banks. Accounts settlement system of the company is based on the existence of accounts in the banks of the second tier. Settlement and currency accounts are opened in OJSC “Tsesnabank”, OJSC “KAZKOMMERTSBANK”, OJSC “Irtyshtyshbusinessbank”, only settlement accounts in OJSC “Halyk Bank of Kazakhstan” and OJSC “Bank TuranAlem”. Payments are made by a remote access to “Bank-Client” payment system via a modem connection.

The main task of the company, as a financial operator of the Administrative council of SEZ of Astana, is rational and effective use of funds allocated for economic and social programs, projects and activities to stimulate highly effective, profitable businesses, optimization of city’s economic structure, support and development of the entrepreneurship, creation of modern production and social infrastructure to provide new manufacturing facilities and work places in the new capital of Kazakhstan – Astana.

The company participates in the projects within a general development program of Astana, which provides for the construction of the capital using state investments, foreign borrowings, direct investments of domestic and foreign investors.

OJSC “Astana-finance” has received auditing report of “Arthur Andersen” on its financial statements of 1998.

As of January 1, 2000 announced authorized capital of the company was KZT5.0 bln, issued capital – KZT3.1 bln, paid – KZT100.0 mln. Based on financial statements of the emitter as of October 1, 1999 book value of the assets (currency of the balance sheet) was at KZT15,820.8 mln, shareholders’ equity – KZT2,378.9 mln, net working capital – KZT759.2 mln, accounts receivable – KZT15,020.2 mln, accounts payable – KZT1,253.0 mln, net income – KZT2,176.0 mln. In 1998 return on assets reached 1.69%, return on equity – 57.34%, by the results of 9 months of 1999 – 13.75% and 91.47%, respectively.

Within two issues the company has issued 3,100,000 common inscribed shares (KZ1C7671418) for KZT3,100,000,000, including: first issue (registration date – February 8, 99) – 100,000 shares, second issue (registration date – December 14, 99) – 3,000,000 shares. Par value of a share – KZT1,000. Book value of one paid share, based on financial statements of the emitter as of October 1, 99, is KZT23,788.55.

As of November 10, 1999 Administrative council of SEZ of Astana was a single shareholder (founder) OJSC “Astana-finance”, which also held 100% of the company shares.

Date the trades will start in common shares of OJSC “Astana-finance” – January 28, 2000.

### Information about the companies

According to listing requirements OJSC “Neftebank” (Aktau, official list of securities, category “B”) provided KASE with financial reports as of October 1, 99: balance sheet and income statement.

Following are the results of the emitter in 9 months of 1999 (in th. tenge):

Ratio	As of Oct.1'98	As of Oct.1'99	Increase/ decrease, %
Authorized capital, paid	479,768	551,141	+14.9
Shareholders' equity	692,837	999,847	+44.3
Book value of the assets	1,430,675	2,141,392	+49.7
Liquid assets	227,019	382,411	+68.4
Loans and deposits	710,797	1,112,335	+56.5
Credits granted	924,751	1,413,867	+52.9
Income from operating activities	316,910	372,977	+17.7
General expenses	377,717	319,276	-15.5
Net income (loss) of the period	(60,807)	53,701	+188.3

Increase in shareholders’ equity of OJSC “Neftebank” amounted to KZT307.01 mln or 44.3% relative to similar period of last year, which was due to a growth in:

- paid portion of the authorized capital – by KZT71.37 mln (as a result of partial placement of the 7th issue shares);
- fixed assets revaluation fund – by KZT105.27 mln;
- total amount of income – by KZT130.37 mln;

with a decrease in additional paid-in capital by KZT0.01 mln.

Book value of a share rose KZT370.03 or 25.6%, at KZT1,814.41.

Bank assets grew KZT710.71 mln or 49.7% to comparable period of last year as a result of an increase in:

- liquid assets– by KZT64.07 mln (increase in amounts in correspondent accounts – by KZT100.12 mln with decrease in cash currency – by KZT33.08 mln and securities in the bank’s portfolio – by KZT2.97 mln);
- volume of loan portfolio – by KZT502.59 mln;
- residual value of fixed assets – by KZT 103.42 mln;
- other assets – by KZT69.81 mln;

with a decrease in investments in capitals of other legal entities by KZT29.18 mln.

Total amount of bank liabilities grew KZT403.69 mln or 54.7% relative to 9 months of 1998 as a result of an increase in:

- amount of funds raised – by KZT 401.54 mln (from the National Bank – by KZT46.13, from other banks and organizations – by KZT85.74 mln, from bank deposits – by KZT269.67 mln);
- other liabilities – by KZT2.15 mln.

Operating income of the bank grew KZT56.07 mln or 17.7% to similar period of last year as a result of an increase in non-interest income of KZT86.72 mln or 55.1%, which is partially covered by KZT30.65 mln or 19.2% decrease in interest income.

At the same time amount of general expenses of OJSC “Neftebank” decreased KZT58.44 mln or 15.5% to comparable period of 1998, including:

- non-interest expenses – by KZT17.86 mln or 11.0%;
- payments to form the reserves to cover losses of classified assets and conditional liabilities – by KZT62.86 mln or 39.0%;
- tax payments – by KZT5.27 mln or 29.7%;

with an increase in interest income by KZT27.55 mln or 75.9%.

As a result of income growing at faster paces than the expenses, net income of the period reached KZT53.70 mln against KZT60.81 mln of losses in similar period of last year.

Following is dynamics of changes in some ratios of OJSC “Neftebank” for 1999 quarterly on non-accruing basis (in th. tenges):

Ratio	I-99	II-99	Change, %	III-99	Change, %
Client deposits	-75,578	309,977	+510.1	73,155	-76.4
Operating income	108,008	176,492	+63.4	88,477	-49.9
Net income	-13,789	59,854	+534.1	7,636	-87.2

It was pointed out in auditing report of “Arthur Andersen” that as of December 31, 1998 the bank did not create enough reserves to cover possible credit losses for KZT96,604,000. As a result, net loss of the bank for the year and provision to cover credit losses were reduced by that amount.

In auditor’s opinion, except for this matter, all other financial statements give true and objective picture of OJSC “Neftebank” financial situation in all essential aspects as of December 31, 1998, and the results of its activities and cash flows for the year ended on that date in accordance with the instructions and the requirements of the National Bank of Kazakhstan. The auditor’s conclusion is conditional.

In addition, the auditor drew the attention of the management of OJSC “Neftebank” on the bank’s resulting shareholders’ equity, which is calculated at KZT852,006,000 as of December 31, 1998, whereas the National Bank requires the shareholders’ equity to be KZT1,000,000,000.

Auditing report, presented by the auditor, does not contain financial statements of OJSC “Neftebank” corrected by him to make them in accordance with International accounting standards.

**OJSC “SHNOS”** (Shymkent, KASE official list of securities, category “A”) has informed Kazakhstan stock exchange (KASE) of the shareholders general meeting to be held on February 11, 2000 with the following agenda:

- Reduction of paid (issued) part the authorized capital of OJSC “SHNOS”.
- Approval of the company’s annual financial statement.

- Payment of dividends to the shareholders and approval of the dividends based on the results of the year.

OJSC “SHNOS” gives a clarification in its memo, that reduction in paid (issued) part of the authorized capital of the company was made on the basis of the Board of directors’ decision, dated December 10, 1999.

The meeting will be held in Almaty branch of OJSC “SHNOS” at: 69, Karasai batyr St., Almaty. If quorum is not reached the meeting will be held again on February 12, 2000.

**Prepared by the agency «IRBIS»**