

# WEEK OF STOCK MARKET OF KAZAKHSTAN

February 14 - 20

## Money market rates as of February 20 and weekly changes

Term	Currency	Rate	Trend
<b>"Overnight" on autorepo at KASE(TONIA)</b>			
1 day	KZT	6.59	+1.59
<b>Repo opening at KASE (WA, % APR)</b>			
1 day	KZT	6.53	+1.71
5-7 days	KZT	6.98	+1.67
14 days	KZT	7.00	+1.50
29 days	KZT	6.75	+0.75
<b>KIBOR (indicative, % APR)</b>			
1 week	KZT	8.50	+0.37
2 weeks	KZT	9.10	+0.47
1 month	KZT	9.90	+0.15
2 months	KZT	10.80	+0.17
3 months	KZT	11.40	+0.40

## Stock market indicators as of February 20 and their weekly change

Index	Value	Trend
<b>Shares of "A" listing</b>		
KASE_Shares	107.3959	+0.18%
<b>Corporate bonds of "A" listing</b>		
KASE_BP	120.32	+0.59%
KASE_BC	105.40	+0.37%
KASE_BY	11.20	+7.41%
<b>Euronotes of Kazakhstan</b>		
KASE_EP	137.07	+0.14%
KASE_EC	116.21	+0.001%
KASE_EY	5.19	-0.61%

US dollar = **151.90** tenge at official rate for the end of the period

US dollar = **151.93** tenge at weighted average rate of the Exchange for the end of the period

Weekly rate of tenge devaluation at the Exchange's rate – **negative 4.13% APR**

## THE CORPORATE SECURITIES SECTOR (CS)

In CS purchase-sale sector of KASE a total of 31 deals were concluded amounting to **\$14,433.9 th.** or KZT2,193.1m. Compared to previous week (14 deals, \$2,829.4 th., or KZT429.8m) the sector's turnover increased 5.1 times. A total of 14 instruments were used to make the deals, including 9 bonds. Last week the brokers were focused on 8 securities, including 4 bonds. Unusually high volume of transactions, dynamics of KASE\_B\* series indexes and price parameters of concluded deals indicate that on CS market extraordinary developments were taking place, and first of all, in the sector of corporate bonds trades.

Everything began on February 15 with three deals made in TMJLb2, which resulted in an increase of the yield to maturity of the bonds from 9.50% to 10.20% APR. On February 18 another two deals were made at the same yield. As a result, KASE\_BY indexed hiked by 7.4%. In this case, it is probably the case of initial offerings of the bonds by the issuer, which needs borrowed funds due to the reorganization and is demonstrating flexibility in forming the offer price (earlier TMJLb2 were placed at 9.19% APR on average).

Further on the KASE\_BY index was subjected to a series of big deals made in other bonds: yield of BTASe1 grew from 10.62% to 10.82% APR, KZASb1 – from 10.73% to 11.40%, KZOLb – from 4.00% to 6.50%. Here everything seemed like (especially compared to TMJLb2) a collapse of prices, that was a result of a gradual overheat of the market of corporate bonds in February. However, the results of the analysis of the deals exclude the possibility of their sheer market nature. By taking into account the general situation, that settled by the end of the period, when short-term liquidity of the banks have sharply fallen, it can be assumed with a great certainty that in CS purchase-sale sector at KASE the hidden repo deals have been made. They could be caused by

## Investment attractiveness of stock exchange instruments from February 14 through 20

Financial instrument	Currency of transaction	Yield, % APR value	trend
<b>Instruments denominated in national currency, tenge</b>			
TXBNb1	KZT	15.00	0
MEOKAM, MEAKAM	KZT	8.08	-1.05
MEKAM, notes	KZT	*5.86	+0.14
GS repo	KZT	*5.58	+0.52
CS repo	KZT	*6.25	-
<b>Instruments indexed to KZT/USD rate fluctuation</b>			
SMGZb1	USD	13.01	-0.01
ALKSb2	USD	11.99	-0.40
VTBNb1	USD	11.49	+0.05
KZASb1	USD	11.40	+0.40
RGBRb2	USD	11.02	-0.28
BTASb1	USD	10.83	+0.08
TEBNb2	USD	10.80	-0.10
TEBNb	USD	10.43	+0.48
TMJLb2	USD	10.20	+1.44
ASFlb1	USD	10.00	-0.96
CSBNb1	USD	9.97	0
KZTKb1	USD	9.19	+0.03
KARMB1	USD	9.18	-0.01
KZTOb	USD	9.10	+1.34
CCBNb1	USD	8.86	-0.01
SYRb1	USD	8.50	0
ARU060.003	USD	8.44	+0.26
HSBkb	USD	8.43	-0.01
ASU036.003	USD	7.81	-0.24
VKU036.001	USD	6.77	+0.01
KZOLb	USD	6.50	+3.54
ARU024.002	USD	6.26	+0.11
ASU012.002	USD	2.13	-0.22
<b>Instruments, denominated in foreign currency</b>			
BTASe1	USD	10.62	+0.61
KKGBe2	USD	9.20	0
KZTOe1	USD	8.68	-0.09
ENU07.05	USD	5.90	-0.03
ENU04.10	USD	3.95	-0.13
Supranational bonds	DEM	2.93	-0.04
Supranational bonds	USD	1.09	0

The yields at which the deals have been made (volume of deals is not zero) are calculated as average of the deals, for other corporate bonds – as average of offer bids. The correspondent ratio of last week is given in the parentheses. Securities marked by an asterisk are the instruments with less than a year circulation term (for them effective weighted average rate is given).

coupon payments on KZASb1, BTASb1 and TEBNb on February 19 and big budgetary payments of the bank clients for January and last year. The fairness of such statement is verified by an unusually high volume of CS repo sector lately (see below), which was caused by the opening of position on similar list of bonds: BTASe1, KZASb1, KZOLb, KZTOb, not speaking of the same operators of the deals.

All stated above indicate that these occurrences on CS market are local and the market will get back to its normal state (both in terms of prices and volumes) some time later.

Along with the described, other deals were made in bonds. Their prices seem to be normal in the context of current year. By the results of five trading days a symbolic growth of the yields of VTBN1 from 11.4909% APR to 11.4918% was observed, yield of BTASb1 fell from 10.9981% to 10.8333% APR, KZTOb – from 8.3529% to 7.7559%, RGBRb2 – from 11.2979% to 11.0249%, TEBNb – from 10.432% to 10.430% APR.

Capitalization figures of the Exchange's market of bonds, which was estimated at **\$616.5m** at the end of the week, or \$29.0m decline in 7 days. The influence of current prices on this indicator was softened by the admittance of first issue inscribed coupon bonds of Development Bank of Kazakhstan CJSC (Almaty; KZ2CKY05A473; KZT4.5bn; KZT1,000; Feb 15.02 - Feb 15.07; semiannual coupon at 8.5% APR) to the official list of KASE under category "A" on February 19.

The activity of the shares market also remained high mainly due to the securities of Bank CenterCredit OJSC. As a result of seven deals concluded in this week, again, that resembled hidden repo deals, the price of CCBN grew by 34.8%, returning to normal levels after a deep temporary collapse. The narrow range of brokers working with this instrument also draws the attention, which indicates that the money is re-allocated on the market through CCBN.

The volumes of isolated deals made in other shares were insignificant. During the week the price of ALKZ increased by 20.8%, ALKZp (direct deal) – 1.7 times, BTAS fell by 7.8%. It should be noted that ATFBp fell by 28.8%, which was actively traded lately. During the last several months the prices of these shares were inclined to grow and in last week they reached a record high level. However, the deals made on February 18 and 19 led to a sharp decline in prices of ATFBp to the historical minimum. This example clearly shows unevenness, narrowness of the Kazakhstani market of shares, where prices are not affected by the results of the issuers' activities.

On February 20 the capitalization of the companies, whose shares are traded within official list of KASE, reached **\$1,211.6m** (KZT184.1bn) and rose by \$1.9m during this period.

Data on the deals, bid and offer information in purchase and sale sector of the securities, as well as description of trade codes are given in the tables.

#### Results of the trades in shares from February 14 through 20

USD per share, unless otherwise specified						
Issuer	Securities	Last price	Volume, #	Volume, USD th.	Best bid	Best offer
Almaty Kus OJSC	ALKS		0	0	0.1540	0.3080
Almaty Kus OJSC	ALKSp		0	0	0.0900	0.1700
Almaty Kus OJSC	ALKSp3		0	0	0.0680	0.0700
Aliuminii Kazakhstana OJSC	ALKZ	*0.6580	110,359	72.6	*0.6580	*0.6580
Aliuminii Kazakhstana OJSC	ALKZp	*0.6580	110,359	72.6	*0.6580	*0.6580
Astana-finance OJSC	ASFI	6.632	0	0	4.000	8.000
AMB OJSC	ATFBp	5.450	6,000	33.6	6.900	5.450
Bank TuranAlem OJSC	BTAS	83.02	1,006	83.5	83.02	83.02
Bank CenterCredit OJSC	CCBN	1.3296	1,137,635	1,531.4	1.3663	0.9867
Halyk Bank of Kazakhstan OJSC	HSBK	1.2200	0	0	0.6700	1.3400
KAZKOMMERTSBANK OJSC	KKGB	*0.4500	0	0	0.2500	0.5000
KAZKOMMERTSBANK OJSC	KKGBp		0	0	0.2900	0.5800
Corporation Kazakhmys OJSC	KZMS	*61.000	0	0	60.000	120.000
Corporation Kazakhmys OJSC	KZMSp	119.990	0	0	60.000	120.000
Kazakhtelecom	KZTK	17.030	0	0	13.000	26.000
Kazakhtelecom	KZTKp	*14.999	0	0	11.000	20.500
SHNOS JSC	SYRG	1.6300	0	0	1.8000	
Temirbank OJSC	TEBN	*1.095	0	0	3.290	6.580
Temirbank OJSC	TEBNp		0	0	3.290	6.580
ULBA JSC	ULBAp	*10.00	0	0		*7.90
UKTMK OJSC	UTMK	39.000	0	0	30.000	50.000
UKTMK OJSC	UTMKp	45.0000	0	0	23.0000	46.0000
VALUT-TRANZIT BANK OJSC	VTBN	2.6617	0	0	1.4517	2.7714
VALUT-TRANZIT BANK OJSC	VTBNp	2.3033	0	0	1.7156	3.0683
<b>TOTAL</b>	<b>24</b>		<b>1,365,359</b>	<b>1,793.7</b>		

## Results of the trades in bonds from February 14 through 20

(% APR, unless otherwise specified)

Issuer	Code	Last	Volume, th. USD	Best bid	Best offer
Almaty Kus OJSC	ALKSb2	12.3903	0	12.7148	11.9937
Astana-finance OJSC	ASFib1	10.9595	0	11.7975	10.0243
Bank TuranAlem OJSC	BTASb1	10.8333	82.3	10.8333	10.8676
TuranAlem Finance B.V.	BTASe1	10.8211	2,583.4	10.3203	10.8211
Bank CenterCredit OJSC	CCBNb1	11.0190	0	12.3217	8.8613
Bank Caspian OJSC	CSBNb1	9.8960	0	11.0374	9.9703
Halyk Bank of Kazakhstan OJSC	HSBKb	11.0249	0	13.4957	8.4401
Karazhanbasmunai OJSC	KARMB1	10.9977	0	10.9812	9.1843
KAZKOMMERTSBANK OJSC	KKGBe2		0	11.2016	9.2049
DAGOK Kustanaiasbest OJSC	KZASb1	11.3981	2,698.0	11.3981	11.3981
NOC Kazakhoil CJSC	KZOLb	6.5007	3,658.0	6.5007	6.5007
Kazakhtelecom	KZTKb1	10.0000	0	10.3925	9.3753
NOTC KazTransOil CJSC	KZTOb	7.7559	533.1	7.7559	9.2475
NOTC KazTransOil CJSC	KZTOe1	9.5816	0	9.3452	8.8311
RG Brands OJSC	RGBRb2	11.0249	87.6	11.0249	11.1684
SHAHARMUNAIGAS OJSC	SMGZb1	13.6192	0	19.0018	13.0333
SHNOS OJSC	SYRGb1	10.8001	0	11.9979	8.5010
Temirbank OJSC	TEBNb	10.4300	50.1	10.4300	10.4300
Temirbank OJSC	TEBNb2	10.9815	0	10.9956	10.8034
Kazakhstan Temir Joly NSE	TMJLb2	10.2000	2,290.1	10.2000	10.2000
TexaKaBank OJSC	TXBNb1		0	16.9972	15.0029
VALUT-TRANZIT BANK OJSC	VTBNb1	11.4918	657.6	11.4916	11.4918
<b>TOTAL</b>	<b>22</b>		<b>12,640.2</b>		

Notes: bid and offer prices are given for the period; if no deals were made during reporting period (volume =0), 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 regular trade mode, or the price of direct deals.

**In the repo sector of CS** 5 deals were made amounting **\$8,486.6 th.** (KZT1,289.5m). All deals were repo closing deals. No deals were made in previous week. IRBIS analysts tend to assume that the activation of the CS repo sector is a temporary occurrence caused mainly by the payment of the coupons on bonds of Bank CenterCredit OJSC and its affiliated DAGOK Kustanaiasbest OJSC on February 19. Notably, all repo opening deals were made on February 19.

**In all CS trade floors of KASE** (purchase-sale and repo sectors) a total of 36 deals were concluded amounting to **\$22,920.5 th.** (KZT3,482.7m). Last week volume of 14 deals did not exceed \$2,829.4 th. (KZT429.8m).

## Changes in KASE trade lists

**From February 19, 2002**, by the decision of the Exchange council of the KASE **first issue inscribed coupon bonds of Development Bank of Kazakhstan** (Almaty; KZ2CKY05A473; KZT4.5bn; KZT1,000; Feb 15.02 - Feb 15.07; semiannual coupon at 8.5% APR) were admitted to the official list of KASE securities under category "A". By the decision of the Board of KASE, the bonds were assigned a trade code BRKZb1. The quotation accuracy in the trade system of the Exchange is set at three decimal places. The market-maker status of BRKZb1 at KASE was given to Halyk Bank of Kazakhstan OJSC (Almaty) and AMB OJSC (Almaty) based on their submitted applications. The minimum volume of mandatory bids for the market-makers is set at 400 bonds. Additional information will be presented about the opening date of the trades at KASE, as well as admittance of the bonds into the list used to calculate KASE\_BP, KASE\_CP and KASE\_BY indexes. More detailed information on the securities and the issuer is published by IRBIS in [a special issue](#) (see below).

## SECTOR OF GOVERNMENT SECURITIES (GS)

**In GS purchase and sale sector** of KASE (including euronotes of Kazakhstan) a total volume of 49 deals did not exceed **KZT2,565.2m** (\$16,880.2 th.). Corresponding figure of last week did not exceed KZT1,942.8m (\$12.781.2 th.).

The trades were getting active with respect to the expansion of the market of euronotes of Kazakhstan, which was taking place influenced by the local factor, the same factor that affected the CS market (temporary re-allocation of assets due to the payment of the coupons on bonds of Bank CenterCredit OJSC and DAGOK Kustanaiasbest OJSC). As a result, this market segment was highly monopolized – 70% of the euronotes' turnover was created by the single deal. The increase in liquidity of the market of euronotes of Kazakhstan was also stimulated by the growth of supply of the third issue securities from one of the entities of the pension market.

During this week in the turnover structure of the purchase-sale deals the segment of the notes of the National Bank shrank, because they were not traded actively due to the limited tenge liquidity of the banks at the end of the period, as well as decline in supply of these securities at KASE from Primary agents of the National Bank.

#### Parameters of Exchange's transactions in GS from February 14 through 20

(in parentheses are comparable figures of the previous period)

Days till maturity	Yield to maturity for a buyer, % APR.				Volume,	
	min	max	last deal	weighted average	mln tenge discounted	Number of deals
<b>Discounted GS (KZT): notes</b>				<b>5.7% (31.1%) of purchase and sale sector's turnover</b>		
8 - 14	5.26	5.26	5.26	5.26 ( -)	3.0	1
43 - 56	5.46	5.46	5.46	5.46 (5.57)	19.9	1
57 - 63	5.72	5.72	5.72	5.72 ( -)	73.3	2
64 - 91	5.86	5.86	5.86	5.86 (5.77)	49.4	1
Total					145.6 (604.0)	5 (10)
<b>Coupon GS (KZT): MEOKAM-24, 36, MEAKAM</b>				<b>40.9% (50.9%) of purchase and sale sector's turnover</b>		
less than 730	7.81	8.70	7.99	8.04 (8.36)	967.4	27
731 - 1,095	7.99	8.00	8.00	7.99 (7.98)	61.7	3
1,826 - 2,190	10.32	10.32	10.32	10.32 (10.51)	19.8	1
Total					1,048.9 (989.1)	31 (22)
<b>Euronotes of Kazakhstan (USD)</b>				<b>53.4% (18.0%) of purchase and sale sector's turnover</b>		
*958 - 964	3.82	4.02	3.85	3.95 (4.08)	395.3	7
**1,881 - 1,883	5.90	5.94	5.90	5.90 (5.93)	975.4	6
Total					1,370.7 (349.7)	13 (12)
<b>GRANDTOTAL</b>					<b>2,565.2 (1,942.8)</b>	<b>49 (44)</b>

Notes: for euronotes (\* – third issue, \*\* – fourth issue) volumes of the deals are calculated at weighted average USD/KZT rate of the Exchange, over domestic devaluation indexed bonds - official KZT/USD exchange rate.

In GS repo sector 269 deals for a total of KZT28,035.0m were made (including automatic repo sector) during the period. Of this number 152 deals (for KZT15,733.0m) were repo opening deals and 117 (KZT12,302.0m) were repo closing deals. Last period the turnover of this market sector equaled KZT10,165.5m. After closing of the trades on February 20 total amount of opened repo reached **KZT20,240.7m**. Parameters of automatic repo market are given in the table.

#### Major parameters of automatic repo market from February 14 through 20

(in parentheses – comparable figures of previous period)

Instrument (currency, term or repo)	Yield, % APR				Volume, m KZT	Number of deals	Portion, %
	at first deal	MIN	MAX	at last deal			
<b>Repo opening</b>							
KZT_001	4.50	3.00	9.00	7.00	5.00 (4.74)	7,410.0	81 61.4
KZT_002	4.80	4.80	5.10	5.10	4.97 (4.88)	350.0	5 2.9
KZT_003	5.10	5.00	6.00	6.00	5.13 (4.72)	965.0	7 8.0
KZT_007	5.60	5.50	7.00	6.00	6.15 (5.25)	1,740.0	12 14.4
KZT_014	6.30	6.30	7.00	7.00	6.89 ( -)	770.0	6 6.4
KZT_028	6.50	6.50	8.00	7.50	6.86 (6.99)	825.0	7 6.8
<b>TOTAL</b>						<b>12,060.0 (16,675.0)</b>	<b>118 100.0</b>

Total of 318 deals amounting to KZT30,600.2m were made in GS on all trade floors of KASE during the week (purchase-sale and repo sector). A week ago volume of 302 deals equaled KZT42,108.3m. This week the proportion of the Exchange's turnover in total volume of deals on Kazakhstani secondary market for GS for comparable operations reached **87.4%**, for last week it was 98.2%.

## INFORMATION ON ISSUERS

NEFTEBANK OJSC (Aktau) provided KASE with the copy of protocol of next extraordinary General meeting of shareholders that took place on January 12, 2002. In accordance with adopted agenda of the day shareholders of NEFTEBANK OJSC made following decisions: annual seventh issue of shares for the amount of USD10m consisting of 1,000,000 common inscribed shares with par value of USD10.0 each (authorized capital in compliance with the requirement of article 2 of the Law of the Republic of Kazakhstan "On banks and banking activity" should be formed in national currency); announce eighth issue of shares for total amount of KZT1,321.0m consisting of 1,000,000 common inscribed shares with par value of KZT1,321.0 each; introduce corresponding changes into the Charter of the bank concerning a change of announced authorized capital structure.

Financial consultant of **DAGOK Kustanaiasbest OJSC** (Jetykara, of Kostanai region; production and concentration of chrysotil-asbestos and production of commercial asbestos and accompanying construction materials), TuranAlem Securities OJSC (Almaty) informed the Kazakhstan Stock Exchange (KASE) that on February 20, 2002 according to the schedule of payments, DAGOK Kustanaiasbest OJSC paid the second coupon on its first issue bonds (KZ739AVI2A42, official list of KASE securities under category "A", KZASb1, Feb 19.01 - Feb 19.04, \$6.0m, \$100.00, semiannual coupon at 12.0% APR) in full. As the financial consultant informed, payment was made according the issue terms of the bonds and amounted to \$54,702.0 th. The bonds are serviced at KZT/USD rate of the Exchange effective on the settlement date.

## **KASE NEWS**

By the decision of the Board of Kazakhstan stock exchange (KASE) **from February 15, 2002** based on recommendation of the Stock regulatory department of the National Bank of the Republic of Kazakhstan KASE **will stop a practice of prolongation of the trades** with corporate securities (CS) over the sated schedule (11:30 – 17:00 ALT). The decision was made with the purpose of exclusion of conditions and premises for making by trades' participants of "contractual" deals, prices manipulation and deals making with unprofitable for clients price parameters.

By the decision made at the meeting of the members of the Kazakhstan Stock Exchange (KASE) holding "K", "P" and "H" categories, dated February 6, 2002, **from March 1, 2002** the changes and amendments into the internal document of KASE **Rules of making repo deals** (Rules), which were coordinated with the National Bank of Kazakhstan on February 18, 2002, will be enacted. Accepted changes will allow the participants of repo deals to change the parameters of repo closing deals, by making necessary actions in the trade system of KASE. According to previous version of the Rules all participants had to make a written applications. The terms of repo closing deals were changed by authorized personnel of KASE on the basis of submitted applications.

**Prepared by the agency IRBIS**

## First issue bonds of Development Bank of Kazakhstan CJSC passed KASE listing under category “A”

*Special issue based on materials of Development Bank of Kazakhstan CJSC, Halyk Bank of Kazakhstan OJSC, AMB OJSC, Kazakhstan Stock Exchange (KASE)*

From February 19, 2002, by the decision of the Exchange council of the Kazakhstan Stock Exchange (KASE) first issue inscribed coupon bonds of Development Bank of Kazakhstan (Astana) were admitted to the official list of KASE securities under category “A”.

### BONDS

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Type of securities:	Inscribed coupon indexed bonds
Indexing type:	Of par value at a change of rate of tenge to USD
Debt type:	Unsubordinated unsecured
Issue currency:	Kazakhstan tenge (KZT)
Servicing currency:	Kazakhstan tenge (KZT)
Credit ratings of issue:	absent as of issue date
Credit ratings of issuer:	absent as of issue date
National identification number:	KZ2CKY05A473
Issue number in state register:	A47
Register maintenance:	Center DAR LLP (Almaty)
Date of issue registration:	Feb 01,02
Par value in issue currency:	1,000.00
Issue volume in issue currency:	4,500,000,000
Issue volume in securities:	4,500,000
Date of circulation start (issue date):	Feb 15,02
Floatation term:	5 years from date of circulation start
Circulation term:	5 years
Maturity date:	Feb 15,07
Coupon rate (interest rate):	8.5% APR of indexed par value
Date of coupon payment (interest rate):	August 15 and February 15 each year
Time basis at all settlements:	30/360
Register fixation term at coupon payment	30 days to payment date
Register fixation date for coupon payment:	July 15 and January 15 each year
Register fixation term at maturity:	30 days to maturity date
Register fixation date at maturity:	Jan 15,07
Financial consultants:	Halyk Bank of Kazakhstan OJSC (Almaty), AMB OJSC (Almaty)
Date of admittance in trade lists of KASE:	Feb 19,02
Date of first trades:	Will be determined later
Trade code of KASE:	BRKZb1
Accuracy of price change at quoting:	Three decimal figures
Market-makers at KASE:	Halyk Bank of Kazakhstan OJSC, AMB OJSC
Minimal volume of obligatory quotation:	400 bonds

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**Indexed par value** of a debt is calculated as a multiplication of par value by devaluation temp coefficient (revaluation) of tenge.

**Coefficient of devaluation (revaluation) temp (Kd)** is calculated as a ratio of current weighted average exchange rate of USD (Xt), specified at morning (main) session of KASE, to analogous rate (Xo) for date bonds circulation start ( $Kd=Xt/Xo$ ).

Persons who acquired bonds not later than 30 days prior to coupon payment date have a right for receiving of coupon payments on bonds and par value of debt. If date of coupon payment or maturity date is not working day then payment is made on next working day. Holder has no right to demand compensation for such delay in payment.

**Coupon payment** is calculated as a multiplication of indexed for payment date coupon of par value of bonds, coupon rate and number of days in coupon accrual period divided by 360.

**Bonds repayment** will be realized at indexed for maturity date par value of debt.

Issuer has a right to make before the appointed time maturity of bonds at their indexed value for maturity date or at negotiated price. At that coupon repayment is made based on actual term of bonds circulation. Notification of bondholders about before appointed time repayment is held 30 days prior to it through publication in official newspapers "Kazakhstan pravda", "Egemen Kazakhstan" and through KASE infrastructure of information distribution.

## ISSUER

The following information is published by agency IRBIS due to the admittance of the first issue indexed inscribed coupon bonds of Development Bank of Kazakhstan CJSC into official list of the Kazakhstan Stock Exchange (KASE) under category "A".

### General information

Date of initial state registration – May 31, 2001. Legal status – closed joint stock company. Primary activities – banking services. The legal address: 33, Pobeda Ave., Astana, 473000, Kazakhstan. Actual address: microdistrict Samal 12, ASTANA TOWER, office 18-I, Astana, 473000, Kazakhstan. Tel.: (8-3172) 580260, fax: 580269. Email: info@kdb.kz.

### Licenses

Development Bank of Kazakhstan CJSC has a license #235 issued by the National Bank of Kazakhstan on October 12, 2001 to conduct banking operations in tenge and foreign currency, including: trust operations - managing the money and securities in the interest of and upon the trust of the trustee; opening and confirming the letter of credit and meeting its obligations, as well as other operations set in the banking legislature, including leasing.

Based on the law of Kazakhstan #178-II of April 25, 2001 "On the Development Bank of Kazakhstan", the bank has the right to conduct following activities without obtaining the license of the National Bank of Kazakhstan:

- granting credits and issuing guarantees to legal entities, excluding the banks of second tier, credit partnerships, state pension funds, pension assets management companies, investment funds, insurance companies and lessors, as well as excluding issuance of guarantees on the obligations of these institutions;
- opening and maintaining special accounts of conditional deposits, as well as reserve accounts according to the agreements on loans guaranteed by the state;
- opening and maintaining banking accounts to serve investment projects, financed through the funds of the national and local budgets;
- fulfilling the orders of the bank borrowers on money transfer (transfer operations);
- settlements upon the request of the bank borrowers, as well as correspondent banks on their bank accounts;
- receipt of payment documents (except for bills) in favor of the borrower;
- issue of debt securities;
- renting its own property;
- dealing activities with government securities, as well as other securities in cases specified by the banking law of Kazakhstan.

The bank has no rights to attract deposits, open banking accounts to individuals and legal entities, except for the cases of opening and maintaining accounts of conditional deposits, reserve accounts in compliance with the agreements on loans guaranteed by the state, as well as on serving investment projects, financed through the funds of the national and local budgets.

### History

The bank was established on April 25, 2001 based on the Decree #531 of the president of Kazakhstan, dated December 28, 2001 "On Development Bank of Kazakhstan" and according to the resolution #659 of the Government of Kazakhstan, dated May 18, 2001 "On establishing closed joint stock company Development Bank of Kazakhstan as a joint stock company with 100% state stake in authorized capital of the bank".

The founders of the bank: Government of Kazakhstan represented by the Ministry of Finance of Kazakhstan with the stake in the bank's authorized capital at 75% and local executive bodies (akimats of 14 regions and Astana and Almaty), whose total stake reaches 25% (1.5625% for each).

The purpose of foundation of this bank is the perfection and increasing the effectiveness of the state investing activities, development of the production infrastructure and processing industries, assistance in attracting external and internal investments and solving the problems, satisfy the needs of real sector of the economy in mid- and long-term investing.

Development Bank of Kazakhstan CJSC has established correspondent relations with following banks of Kazakhstan: KAZKOMMERTSBANK OJSC, Bank TuranAlem OJSC, Halyk Bank of Kazakhstan OJSC, as well

as with a number of foreign banks: ING Barings (Amsterdam), Commerzbank AG (Frankfurt), Commerzbank AG (London), Citibank (New York), Deutsche Bank (New York).

In order to acquire international expertise, receive consultations and exchange the information, Development Bank of Kazakhstan CJSC is building a partnership relations with the International Monetary Fund, World Bank and European Bank for Reconstruction and Development.

According to the law of Kazakhstan, the bank has the right to hold stakes in authorized capitals of legal entities only in case it imposes penalty on the stakes or shares of legal entities which were previously recorded as the collateral by the bank for further sales.

Now, Development Bank of Kazakhstan CJSC is conducting talks about getting credit ratings with rating agencies Standard & Poor's and Fitch Ratings. Due to a special status of the bank, it plans to receive short- and long-term ratings from these agencies in 2002.

### **Management of the bank**

Members of the Board of directors:

Dosaev Erbolat Askarbekovich: chairman of the Board of directors, from November 28, 2001 to present – chairman of the Natural Monopoly Regulation, Competition Protection and Small Business Support Agency of Kazakhstan;

Beisembetov Iskander Kalykbekovich: from October 2001 to present – chairman of the Strategic Planning Agency of Kazakhstan;

Daukeev Serikbek Jusupbekovich: from February 2000 to present – akim of Atyrau region;

Khrapunov Viktor Vyacheslavovich: last 3 years – akim of Almaty;

Dunaev Arman Askarovich: from May 2001 to present – vice-minister of Ministry of Finance of Kazakhstan;

Andryushenko Aleksandr Ivanovich: from January 2001 to present – vice-minister of the Ministry of Economy and Trade of Kazakhstan;

Mynbaev Sauat Mukhambetovich: from May 2001 to present – president of Development Bank of Kazakhstan CJSC.

Top management of the bank:

Mynbaev Sauat Mukhambetovich – president, acting sole executive body of Development Bank of Kazakhstan CJSC, from July 1999 to May 2001 the minister of Agriculture of Kazakhstan.

Kudyshev Murat Tishbekovich – vice-president from June 2001, from November 1997 to June 2001 the deputy chairman of the National Bank of Kazakhstan.

Jakselekov Timur Ermekovich – vice-president from June 2001, till now – deputy chairman of Eximbank of Kazakhstan CJSC (Almaty).

Sartbaev Medet Maksutovich – vice-president from June 2001, from August 2000 to June 2001 deputy chairman of Halyk Bank of Kazakhstan (Almaty).

Balalanov Erik Jumakhanovich – managing director from July 2001, from December 2000 to July 2001 chairman of Almaty Merchant Bank OJSC.

Jumagulov Baurjan Kusainovich – managing director from June 2001, from March 2001 to June 2001 director of the department of Natural Monopoly Regulation, Competition Protection and Small Business Support Agency of Kazakhstan.

Orynbekov Kanat Zeifoldanovich – chief accountant – director of accounting department from June 2001, from May 2001 to June 2001 worked at PricewaterhouseCoopers branch office.

### **Capital, shares, shareholders**

**As of February 5, 2002** announced and issued authorized capital of Development Bank of Kazakhstan CJSC is KZT30.0bn, and KZT26,993,615,000 is paid. It consists of 600,000 common shares at KZT50,000.0 each. The register is maintained independently.

Based on the article 22 of the Law of Kazakhstan #178-II of April 25, 2001 “On Development Bank of Kazakhstan CJSC”, the bank shareholders are the government of Kazakhstan and local executive bodies of Kazakhstan.



As of February 5, 2002 the bank had 17 shareholders, and all of them had voting rights. The shareholder that has more than 5% in authorized capital is Information-Account Center NSE, which has 83.35% of paid authorized capital of Development Bank of Kazakhstan CJSC in its nominal holding.

Based on the article 18 of the Law of Kazakhstan #178-II of April 25, 2001 "On Development Bank of Kazakhstan CJSC", net income of the bank is used solely to form the reserve capital by the results of approved annual statements.

### **Characteristics of activities**

The main goal of Development Bank of Kazakhstan CJSC is the mid- and long-term financing of investment projects in processing industry, as well as: financing of exports of resident of Kazakhstan in order to stimulate exports of goods produced in the country, using its own and borrowed funds; financing production sector of the economy by issuing guarantees on loans and credits granted to other credit institutions, including co-financing; improvement of financing of investment projects undertaken by the government of Kazakhstan.

Since the bank can not use the deposits as the resources, the main source of its financing is the funds borrowed on domestic and external markets, as well those received from national and local budgets on agent contracts.

Based on the Memorandum of credit policy, approved by the resolution #1187 of the government of Kazakhstan on September 12, 2001, the funds of the authorized capital of Development Bank of Kazakhstan CJSC can be used only for financing of short-term export credits not exceeding 20% of the authorized capital. Authorized capital of the bank serves as a collateral for borrowed funds raised on financial markets and placed in highly liquid financial instruments. This requirement determines financial stability of the bank and is due to the need in maintaining high liquidity under simultaneous growth of loan portfolio volume and borrowed funds portfolio.

The major functions of the Development Bank of Kazakhstan CJSC based on its charter and law are:

- borrowing;
- financing of investment projects and exports on the return basis, including co-financing;
- working as an agent: on servicing (without repayment obligations) investment projects, financed through national and local budgets, as well as state external borrowings which are guaranteed by the state; pay back of the funds drawn from national budget in order to meet the obligations on state guarantees and meeting other debt of the government of Kazakhstan;
- conducting bank study of investment projects, which are offered to finance both at own risks, and through investment activities of the state;
- monitoring of the investment projects financed through the national and local budgets, as well as non-state external borrowings guaranteed by the state;
- receipt, servicing and repayment of non-state loans, including those guaranteed by the state as a borrower;
- managing its own equity and others.

### Borrowing

Based on current law, Development Bank of Kazakhstan CJSC can borrow both on domestic and international markets in any currency using any financial instruments that do not contradict with the law. The collateral for the loans are the assets of the bank. The bank also can borrow under state guarantees on terms coordinated with the Ministry of Finance of Kazakhstan.

Funds are borrowed by the bank in volumes sufficient to finance concrete investment projects and exports. Based on the credit policy of the bank, reflected in the Memorandum, the volume of borrowed funds and conditional liabilities should not exceed the equity in the proportion of 6:1, and the limit on conditional liabilities is set at 2:1, and for direct borrowing – 4:1. The borrowing terms on repayment terms, interest payments are set based on the terms of the credits granted by the bank.

### Financing

Development Bank of Kazakhstan CJSC finances legal entities (except for financial institutions) in accordance with the list of priorities set in the Memorandum, and based on the payback, term and return, including projects, financed through the national and local budgets, as well as non-state external loans, guaranteed by the state, where the bank bears solidarity obligation to return budgetary funds along with the final borrower.

The main principle – financing of profitable projects – is maintained as a result of thorough selection of projects offered through conducting bank study of the project itself and solvency of the borrower. Apart from commercial

profitability of the projects other principle of financial stability of the bank is: diversification of the loan portfolio based on sectors, gradual increase of payback periods and capital investments, division of the risks with other financial institutions, exclusion of political pressure and independence of the study when projects are selected.

The mandatory condition of the financing is the proper collateral – liquid assets or the guarantee of the third parties. The bank should monitor constantly the implementation of the project, solvency of the issuer and liquidity of the collateral.

The bank finances mid- (5-10 years) and long- (10-20 years) investment projects and short-term exports on payback basis.

To finance the investment projects at its own risk the bank can use borrowed funds from national and local budgets on a payback basis and other borrowed funds including those raised by the bank under the state guarantee.

To finance the exports the bank can use borrowed funds on a payback basis and its own funds not exceeding 20% of the authorized capital. Minimum volume of export credit – 1m USD, maximum – 5m USD. The decision on granting the export credits over 5m USD is made by the Board of the bank, including the representatives of the administration of the president of Kazakhstan, government of Kazakhstan and local executive bodies.

The financing of the bank can be divided into three groups.

1. Infrastructure and other investment projects, financed through state and local budgets on a non-payback basis (expense financing), where the bank is a financial agent.
2. Projects on organizing potentially competitive production, which can receive budgetary credits through the bank on co-financing terms. These are the production of chemical and petrochemical products, agriculture and special machinery.
3. Projects financed through out-of-budget sources at the bank's own risk, which are: services of agricultural producers; oil and gas production services (except for surveys); construction of oil, gas and condensate transportation systems; production of food and beverages; textile and shoe industry; production of electricity and electronics; forestry and lumber; production of oil products and nuclear fuel; metals processing and machinery; construction; transportation (except for the road construction, power transmission); warehouses, communication; furniture.

The bank can finance projects in almost all sectors of the industry, except for mining sector. Investment projects in mining industry are not in priority because of their high commercial and investment attractiveness to private investments. Besides, the capitalization of the bank does not allow big scale capital investments into mining sector.

#### Loan portfolio

By the information presented to the KASE, for 2002 the bank plans to finance investment and export projects, selected now, for a total of KZT12.5bn. The bank has set following planned loan portfolio structure for 2002:

*By types of financing:* to finance investment projects – 82% of loan portfolio, to finance exports – 18%.

*By types of financing instruments:* credits of Development Bank of Kazakhstan CJSC – 96% of loan portfolio, documentary operations – 4%.

*By sources of financing:* own funds – 17% of loan portfolio, borrowed funds – 79%, documentary operations – 4%.

*By industry:* processing of agricultural products – not more than 50% of loan portfolio, oil machinery – 10%, production of construction materials – 10%.

*By regions:* Almaty, South Kazakhstan, Atyrau regions, Astana and Almaty. The funds granted to companies of one region should not exceed 40% of loan portfolio.

#### implementation of study

The major instrument in implementing its credit policy for the bank is to conduct bank study of investment projects, offered for financing at its own risks, both through borrowed funds of the bank and the funds of national and local budgets on a payback and expenses basis (national and local investment projects). The bank study is conducted in order to find and minimize the credit risks and it is overall. Besides, the projects financed through the budget on the expenses basis should meet requirements on substantiation and optimal expenses, priorities of the state, sectoral and regional investment policy.

As of January 1, 2002 the bank received more than 40 investment projects in processing of agricultural products, production of construction materials, special machinery, railroad transportation, metallurgy, electroenergy, and only one project has been approved (“Construction of the plant for deep processing of corn” for \$14m for 11 years) and one export project for \$1.5m for 6 months. In late January 2002 the Board of directors of the bank approved the investment project “Production of paper, corrugated cardboard and paper-cardboard items” for \$10.0m for 5 years. Soon these projects will be financed.

Five projects on agent servicing are under the study.

Another 15 projects have been declined due to their incompliance with the norms of the Memorandum and high credit risks. Other projects are under a complex bank study.

### Agent services

Development Bank of Kazakhstan CJSC is an agent on servicing investment projects financed through national and local budgets, as well as on non-state loans guaranteed by the state.

The agent servicing of investment projects does not require from the bank to be responsible for their repayment by the final borrowers. The obligations of the bank on proper fulfillment of the agent functions are regulation by the agent contract.

Agent servicing of investment projects includes: monitoring of the implementation of the projects, servicing and repayment of non-state loans including those guaranteed by the state; repayment of the funds drawn from the nation budget as a result of meeting obligations on state guarantees by taking a payment for offered services on terms specified in agreements based on the tariffs of the bank.

As an agent of the government the bank monitors and takes measures towards borrower companies with overdue amounts on non-state loans including those guaranteed by the state.

Now, the bank, as an agent of the Ministry of Finance of Kazakhstan, based on the agreements services the projects financed through the external non-state loans attracted under the state guarantee of Kazakhstan, including:

- Gorkommunkhoz NCE project – “Modernization of removal of housing wastes and improvement of environmental condition of Astana” for \$19,660.0 th.
- Kazakhstan Temir Joly NSE project – “Reduction of commuting time of passenger trains between Almaty-Astana to 12-14 hours” for \$27,400.0 th.
- International airport Atyrau OJSC project – “Reconstruction of runway of Atyrau airport.
- NOC KAZAKHOIL CJSC project – “Reconstruction and modernization of Atyrau oil refinery”.

### **Financial indexes**

Development Bank of Kazakhstan CJSC makes its financial statements in compliance with the Kazakhstani Accounting Standards, as well as banking law, instructions and regulations of the National Bank of Kazakhstan. International auditing of the bank’s 2001 financial statements was conducted by KPMG Janat (Almaty, Kazakhstan) according to the requirements of the International Accounting Standards.

Following are the financial data (th. KZT, unless otherwise specified), presented to the KASE by the issuer, and ratios calculated by the Exchange on their basis.

<b>Article</b>	<b>as of Oct 1.01</b>	<b>as of Jan 1.02</b>
Authorized capital	14,228,602	24,026,677
Shareholders' equity	14,643,709	24,797,730
Total assets	14,680,661	24,928,602
Liquid assets	14,156,399	24,024,363
Credits granted (net)	0	0
Liabilities, total	36,952	130,872
Loans and deposits	0	15,234
Operating income	450,954	968,425
Net income	415,107	771,053
Return on assets (ROA), %	2.83	3.09
Return on equity (ROE), %	2.83	3.11

Based on auditing report of KPMG Janat, financial statements reflect the financial condition of the bank in all essential aspects as of December 31, 2001, as well as the results of its activities and cash flows during indicated period in compliance with KAS.

Nonaudited and audited data of financial statements of the issuer are in full compliance with each other.

## Assets

### Structure of assets of Development Bank of Kazakhstan CJSC (th. KZT)

<b>Asset</b>	<b>as of Jan 1.02</b>
Cash	947
Deposits in National Bank	5,380,105
Deposits in other banks (less loss coverage reserves)	1,127
Securities	18,642,184
Refined rare metals	0
Loans and leases (less loss coverage reserves)	0
Investments into capital of other legal entities	0
Liabilities of bank clients on unpaid acceptances	0
Fixed assets (less depreciation)	85,276
Intangible assets (less amortization)	7,621
Other assets	811,342
Less: Other loss coverage provisions on classified assets and accounts receivable	0
<b>Total assets</b>	<b>24,928,602</b>

Based on notes 6 and 7 of the auditing report of KPMG Janat, the article item "Securities" includes portfolio of the bank's securities for a total of KZT3,296,184 th. and reverse repo transactions for KZT15,346,000 th. to be completed in 2005-2007. By the reverse repo contracts, the deal is revocable and can be ceased at any time by the bank through the notification of the counterpart.

## Equity

### Structure of equity of Development Bank of Kazakhstan CJSC (th. KZT)

<b>Equity</b>	<b>as of Jan 1.02</b>
Authorized capital	24,026,677
Additional capital	0
Reserve capital	0
Fixed assets re-evaluation fund	0
Re-evaluation reserves	77,530
Undistributed net income (uncovered loss) of previous years	0
Undistributed net income (uncovered loss) of reporting year	693,523
<b>Total equity</b>	<b>24,797,730</b>

As of January 1 the most of the bank's equity, 96.9%, was made of authorized capital. Based on the Memorandum, which is approved by the government for a three-year period, authorized capital of Development Bank of Kazakhstan CJSC can be used only to finance short-term export projects not exceeding 20%, and being a collateral for the funds raised on capital markets, is placed in highly liquid financial instruments.

By the information of the bank, the investment portfolio is made of the funds of the authorized capital, where: 70% of the total volume are the government securities (Ministry of Finance, National Bank and local executive bodies), 7.45% – corporate bonds (namely, NOC KAZAKHOIL CJSC, KazTransOil CJSC, Kazakhtelecom, Almaty Kus OJSC), 21.15% – short-term deposits, most of which are placed in the National Bank.

## Liabilities

### Structure of liabilities of Development Bank of Kazakhstan CJSC (th. KZT)

<b>Liabilities</b>	<b>as of Jan 1.02</b>
Deposits	15,234
including:	
call deposits	15,234
savings deposits	0
time deposits	0
Liabilities to the National Bank of Kazakhstan	0
Liabilities to other banks and organizations	0
Securities of the bank	0
Liabilities to international financial organizations	0
Bank liabilities on unpaid acceptances	0
Other borrowings	0
Other liabilities	115,638
<b>Total liabilities</b>	<b>130,872</b>

## **Income and expenses**

Operating income of Development Bank of Kazakhstan CJSC in 2001 equaled KZT968.4m, including 88% (KZT852.6m) interest income from securities, 8% (KZT77.1m) – re-evaluation income, 2% (KZT18.5m) – income from financing operations, 2.1% (KZT20.2m) – other income.

The expenses of the bank in 2001 reached KZT197.4m, including: KZT133.3m or 67.5% is the personnel expenses, KZT45.9m or 23.3% – office and equipment maintenance expenses, KZT18.2m or 9.2% – other expenses.

**Prepared by the agency IRBIS**