



# KAZAKHSTAN STOCK EXCHANGE: *Market Brief Description*

Chart 1

Volume and structure of KASE's market in 2005 (m USD)

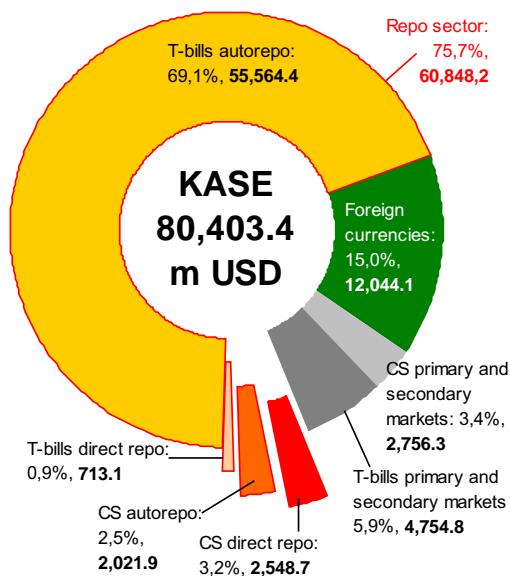
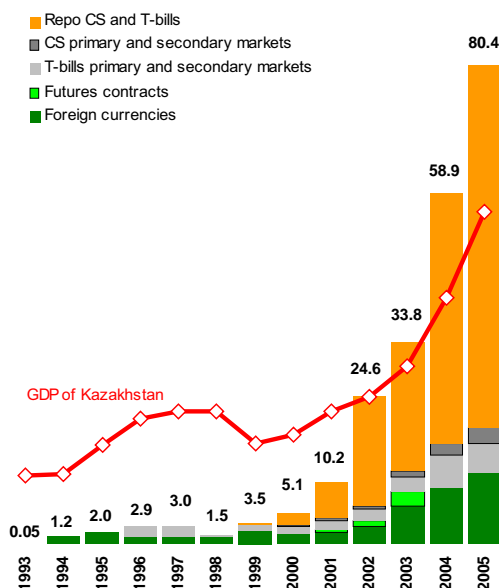


Chart 2

Dynamics of the turnover structure and volume of Kazakhstan's stock exchange market over the last 13 years (bn USD)



Kazakhstan stock exchange (KASE) started its activity on November 17, 1993 as Kazakh Interbank Currency Exchange closed joint-stock company, which specialized in organization of US dollar trades. Within nearly 13 years of existence the exchange changed its name several times, constantly expanding the list of traded instruments and improving trade and settlement technologies. Today the exchange operates as a non-commercial organization – Kazakhstan stock exchange Inc., shares of which are held by 52 legal entities. KASE's biggest shareholder as of January 1, 2006 was National Bank of Kazakhstan, which owned 17.82% of KASE's offered shares.

Today KASE is the only exchange in Kazakhstan, which services the republic's financial market. It's situated in the country's financial capital – Almaty city. It is a universal floor, on which foreign currencies, money market instruments (repo transactions sector), T-bills (including Treasury bills, notes and bonds; State bills, notes and bonds; and Municipal bills, notes and bonds) of Kazakhstan and other states, corporate securities (CS) of Kazakhstan and foreign issuers, bonds of international financial organizations, futures contracts and promissory notes, are traded every day. T-bills, corporate bonds and shares of listing companies are regularly placed on KASE.

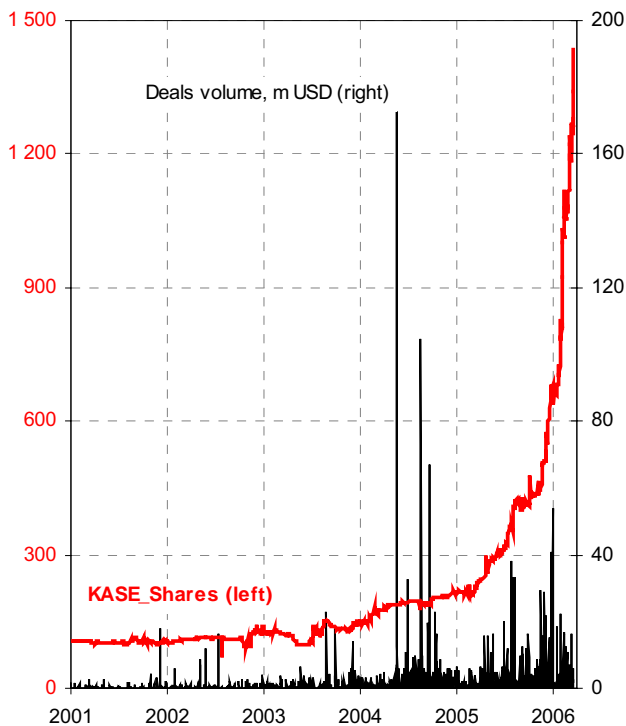
All trades are held in the electronic trade system, software of which has been developed by KASE's specialists. It lets participate in the exchange's trades using remote access. 66 legal entities, which are the exchange's members under five categories, are admitted to trades in this system. These members are banks, broker-dealer organizations, assets management companies, accumulative pension funds. Other investors work on KASE via these members, as well as using internet-trading service. Primary settlement scheme on deals made on the exchange is T+0.

Conjuncture of the exchange's market is described every day by indexes and indicators, major of which at present are:

- **KASE\_Shares** – index, reflecting change of best bid prices for shares of exchange's official "A" listing category taking into account their issuers' capitalization;
- **KASE\_BY** – indicator, showing weighted average (via capitalization) yield of corporate bonds of exchange's official "A" listing category;
- **TONIA** – weighted average rate on T-bills "overnight" repo opening deals in automatic repo sector;
- **KIBOR** – average on indicative rates of money offering by Kazakhstan banks on deposits.

Chart 3

KASE\_Shares index and deals volume of shares at KASE (daily)



Volume and structure of KASE's market turnover in year 2005 is described in chart 1. Within the last several years turnover structure did not change considerably.

Development of KASE's market in latest years is characterized by a rapid growth of exchange's turnover (chart 2), which occurs mainly due to growth of the volume of repo transactions and foreign currency deals. The former thing is explained by excessive tenge liquidity of Kazakhstan's financial market, which can not be used by real sector entirely because of its lack of development and stock market's lack of development. The latter thing is explained by raw stuff orientation of Kazakhstan's economy and, as a result, considerable inflow of foreign currency to the country as export proceeds and foreign borrowings.

Nevertheless, most interesting phenomenon on KASE during latest years is advance development of CS market. Growth rate of the volume of deals in shares and corporate bonds is considerably higher than growth rate of similar indicator in other sectors. Today KASE's securities lists comprise 152 corporate bonds of 58 issuers with total face value of USD9, 029.7 m, and share market is represented by 93 shares of 64 issuers. Share market capitalization on KASE as of March 21, 2006 is estimated by the exchange at USD23, 648.9 m.

KASE's securities lists at present consist of two sectors – official list, initiators of securities admission to which are issuers, and "Non-listing securities" list, where any member of KASE can be the initiator of admission. KASE's official securities list is divided into two categories – "A" and "B". Securities of "A" category are instruments of the highest investment quality. The exchange raises the highest listing requirements for these securities and their issuers.

The most interesting tendency of latest time on Kazakhstan's exchange market is an unexampled growth of costs of Kazakhstan companies' shares of KASE's official "A" listing category. This growth is well illustrated by the behavior of KASE\_Shares index (chart. 3). According to results of year 2005 even by the most conservative estimation holders of some shares of this category could get from 90 to 1114% APR due to growth of their costs on KASE. In the average growth of costs of 38 shares, included in KASE's official "A" category, in year 2005 was 90.1% – 154.9% depending on estimation methods. As it's seen in chart 3, year 2006 can bring a bigger income to a portfolio investor working with shares.

Meanwhile, development of share market of Kazakhstan is considerably restrained by the low liquidity of shares on KASE that is caused by absence of sufficient number of leading companies' shares in free circulation. Due to the conservative policy of strategic shareholders free float on most production companies of Kazakhstan does not exceed 10%, and the companies themselves yet do not consider Kazakhstan stock market as the major source of capital growth. On this reason CS market on KASE is represented mainly by securities of banks and non-banking financial organizations, which work in a very severe competitive environment and have to use all available sources of funding.

Detailed information about KASE and Kazakhstan financial exchange market of is available on the exchange's official web-site at

<http://www.kase.kz/eng/>