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### Major Economic and Financial Indicators

CURRENCY RATES (February 06, 2009)			
	US\$	EUR	RUB
UZS	1402.51	1869.27	39.6
UZS (weekly change, %)	0.14 ▲	5.04 ▼	7.00 ▼
KZT	149.97	192.4	4.13
KZT (weekly change, %)	23.37 ▲	21.12 ▲	18.34 ▲

Source: Central Bank of Uzbekistan, National Bank of Kazakhstan

COMMODITY PRICES (February 06, 2009)		
	Price (US\$)	Bi-Weekly change (%)
WHEAT FUTURE (CBT) (bu)	564.00	2.55 ▼
CORN FUTURE (bu)	374.75	1.38 ▼
NATURAL GAS FUTR (MMBtu)	4.61	0.99 ▲
BRENT CRUDE OIL FUTR (bbl)	46.13	0.83 ▲
GOLD 100 OZ FUTR	915.50	1.36 ▲
COTTON NO.2 FUTR (lb)	49.60	1.00 ▼

Source: Bloomberg

ECONOMIC INDICATORS (9 months 2008)		
	Uzbekistan	Kazakhstan
GDP (US\$, bln)	18.6	96.7
GDP (% , y-o-y)	9.4	3.9
Agricultural output (US\$, bln)	5.78	9.42
Industrial output (% , y-o-y)	12.4	2.9
Foreign Trade Turn-over (US\$, bln)	15.7	84.2
Export (US\$, bln)	10.1	56.1
Import (US\$, bln)	5.6	28.1
Inflation (%)	4.5	8.8
Population (mln)	27.4	15.7

Source: State Statistics Committee of the Republic of Uzbekistan, State Statistics Committee of Kazakhstan



## Economy

Since January 16, 2009 the **KASE Index** rose the first time and recorded biggest jump since November 2008.

**IFC new investments** totaled US\$ 16.2 bln in fiscal 2008, a 34% increase over the previous year.

Most of the Tajik joint-stock companies have expressed a desire to see **national corporate governance** regulations raised to international standards.

## Kazakhstan sharply devalues currency amid crisis

Kazakhstan's central bank devalued the tenge 18% on February 4, 2009, ending speculation whether it would be able to sustain the exchange rate which had been effectively pegged to the dollar at KZT120 since the summer of 2007.

The National Bank of Kazakhstan, the central bank, ended supporting the currency on February 4, 2009 morning, and the exchange rate quickly fell from KZT122.32 to KZT143.98 on the Kazakhstan Stock Exchange (KASE), briefly piercing the KZT150 at midday, according to SRI.

In a statement, the central bank said it will keep its currency at about KZT150 to the dollar, and will allow fluctuations of 3% on either side of that rate.

"We have reached a new market

equilibrium level and we will defend it," central bank chairman Grigoriy Marchenko said at a news conference.

The main reason for the devaluation of Kazakh tenge is struggling of commercial banks and companies of the country to refinance their debt and overcome current crisis.

The country's banks have the outstanding foreign debt amounted approximately US\$40 bln, of which US\$ 10.6 bln is due in 2009.

National Bank stated not to support the tenge exchange rate in its previous corridor to save foreign currency reserves.

The central bank has faced pressure to devalue the currency, as world price of oil, Kazakhstan's main export commodity, have fallen sharply from

record highs in 2008, and the country's banking system has been hit hard by the global financial crisis. Moreover, Russia, Kazakhstan's largest trading partner, has devalued its currency more than 40% since last summer, putting a strain on Kazakh manufacturers and traders.

The central bank intervened heavily in the currency markets to keep the tenge stable and reportedly spent US\$ 6.0 bln in the last four months in its attempts to protect the exchange rate.

Societe Generale SA forecasts the currency may fall to about 175 by the end of March.

We expect exchange rate will be around 172 KZT per dollar at the beginning of March 2009.

## IFC helps improve Tajikistan's investment climate

IFC, a member of the World Bank Group, is helping improve the investment climate in Tajikistan by getting banks, private companies, NGOs, and other stakeholders to work with the government to develop a national corporate governance code that would reflect international best practice.

Tajik companies that want to improve their corporate governance currently lack national guidance on how to proceed. To help address that problem, IFC's Central Asia Corporate Governance Project recently organized a roundtable discussion that brought together government representatives and a variety of local stakeholders.

The participants agreed to work together to develop a national

corporate governance code that will make Tajik companies more transparent and attractive to foreign investors.

## Uzbekistan's private sector gets more credits

The National Bank of the Republic of Uzbekistan (NBU) allocates credits for implementation of projects in various branches of the economy of Uzbekistan.

Totally in 2008, regional units and branches of NBU extended more than 7 thousand micro-credits in national currency. Currently, NBU serves 145 foreign credits under 110 investment projects.

Press service of the bank said crediting of the economy is the core activity of the National Bank.

The size of its credit portfolio as of January 1, 2009 made over

2.105 bln soums, which is about US\$ 1.5 mln.

Among the bank's special projects, experts noted foundation of an investment company, NBU INVEST GROUP, with 100% of the bank's stake in the authorized capital.

NBU INVEST GROUP is intended to promote further inflows of foreign investments to the economy of Uzbekistan, organization of investment funds, consulting, underwriting, deposit services and assets management.

At the moment the company is seeking a large foreign partner for participation in its capital. The new company will be also specializing in restructuring, helping out to a designed capacity and sale of bankrupt enterprises.



Financial Markets

**Kazakhstan government said it will buy 78.14% of shares in the biggest bank, BTA, which has assets of US\$ 28 bln.**

**Kazakhstan to acquire BTA shares on a temporary basis**

Kazakhstan announced plans on February 2, 2009 to effectively nationalize two of its leading banks as the global financial crisis tightened its grip on Central Asia's biggest economy, Reuters reported.

BTA, like most local banks, has suffered as a result of the global credit crunch which ended oil-producing Kazakhstan's double-digit economic growth and crippled its once-vibrant banking industry.

The government said it was looking to rescue No.4 bank Alliance Bank by buying 76% of the shares belonging to its main shareholder for a symbolic sum of less than US\$ 1.0.

It also said it would deposit US\$ 200 mln into Alliance accounts to boost its liquidity and help it stay afloat.

Thanks to years of uninterrupted economic boom and windfall oil revenues, Kazakhstan grew into Central Asia's biggest economy over past years and boasted growth of around 10% a year between 2000 and 2007.

The government said it would acquire BTA shares only on a temporary basis.

"This measure is not nationalization, it is temporary according to existing Kazakh legislation which stipulates that the government will eventually exit its shareholder base," the government statement said.

Indeed, Prime Minister Karim Masimov told a cabinet meeting earlier that Kazakhstan may sell part of its BTA stake once the transaction was over, adding the government was in talks with

Russia's Sberbank on this.

Kairat Kelimbetov, head of the state Samruk-Kazyna holding, said the government would transfer \$1.75 billion to BTA as part of the planned takeover.

Kazakhstan has proposed partially nationalizing the four biggest banks to help them withstand the global financial crisis, but some investors worry the measure may lead to tighter state regulation or further nationalization.

Two other big local banks, Kazkommertsbank and Halyk, have already agreed on terms to sell about 25% of their shares to the state.

The total market value of shares of the BTA traded on amounts US\$ 442 mln as of February 06, 2009.

*The devaluation of the Kazakh tenge and interest rate cut came at the same time.*

**Kazakhstan National Bank cuts its refinancing rate**

Kazakhstan is planning to save its foreign currency reserves. This was point of the National Bank of Kazakhstan on stopping supporting the tenge exchange rate in its previous corridor.

As Bloomberg reported, Kazakhstan depleted its foreign currency and gold reserves by 6% in January 2009 as it sold more dollars. The holdings slumped US\$ 1.6 bln in January 2009 from US\$ 19.4 bln in 2008, the central bank said in a separate statement, citing preliminary data.

The central bank will cut the refinancing rate to 9.5% and reduce its reserve requirement by 0.5% percentage point, Chairman Grigori Marchenko said at a press briefing.

**Uzbek Banks remain Stable amid Financial Crisis**

Uzbek commercial banks have been boosting their activities supporting the country's economic growth, including the positive trend of 34% increase in the volume of loans issued to the real sector of economy in 2008.

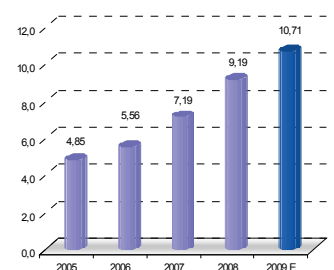
As banks are more optimistic about future, 78.3% of loans are issued for long terms. Loans to small businesses also increased by 68.2% y-o-y reaching US\$ 895 mln. All these financing activities of Uzbek banks created additional opportunities in the real sector of the economy.

Uzbek Banks expanded the volume of mortgage loans to US\$ 179.5 mln in 2008. Total assets and market capitalization of the sector have been increas-

ing constantly representing 42% and 6.9% of GDP respectively. As of year end-2008, total assets and equity grew by 30% and 40% respectively y-o-y.

In 2009 Central Bank of Uzbekistan is planning to further expansion of the sector. The loans for the real sector of the economy is expected to grow at 40% y-o-y.

**Dynamics of Market Capitalization of Banks (US\$ bln)**



*Additional charter capital of Uzbek banks will be reflected on increase of total assets of banking sector in 2009. We expect 20% (in national currency) increase in the volume of banking sector assets that will reach to US\$ 10.71 bln.*



## Company & Industry

National Holding Company "Uzbekneftegaz" is a major diversified industrial company of the country and one of the key oil and gas companies in the Central Asian region, to carry out all kinds of activities - from exploration to implementation of finished products to consumers.

The agreement envisages cooperation between **Uzbektelecom** and **Afgan Telecom Corp.** on mutual providing of international telecommunication services through fiber-optic line, which is under construction now and it will connect Uzbekistan and Afghanistan.

## Uzbekneftegaz implemented 12 investment projects in 2008

Uzbekneftegaz realized 12 projects via attraction of direct foreign investments and credits in 2008.

Volume of investment utilization exceeded 33% of forecast. Enterprises of Uzbekneftegaz national holding company produced goods 2.3% more compared to 2008 forecast.

Growth rate of industrial products in comparable prices made up 22.9% and production of consumer goods comprised 1.6% to forecast and growth rate made up 5.2%.

Enterprises of Uzbekneftegaz were equipped with drilling and 3D seismic complexes, development works started at Kandym deposits' group, Khauzak and Shady and exploration works were carried out at Ustyurt region with Lukoil Overseas Uz-

bekistan based on the product-sharing agreement.

The exploration works of the Uzbek part of the Aral Sea was continued. It is expected that consortium of investors will develop the area at newly opened deposits.

Development of difficult deposits in Gissar region was carried out with the Swiss Zeromax and works within the product-sharing agreement with Soyuzneftegaz Vostok Limited (Russia) was also conducted at southern-western Gissar and Ustyurt region.

The project on exploration of Baisun investment block in Surkhandarya region with the Malaysian partners is underway. Exploration works at investment blocks with the Gazprom, CNPC were carried out.

Uzbekneftegaz and Korean consortium, including KOGAS, LG International, Lotte Petrochemical Corporation, SK Gas and STX Energy created a joint venture UzKorGasChemical to organize complex gas-field construction at Surgil in Ustyurt region.

Uzbekneftegaz and CNPC started work on construction of Uzbekistan-China gas pipeline and signed a document on creation of the venture Mingbulakneft on joint exploration and development of Mingbulak deposit in Namangan region.

The company sees its role in further accelerating the development of fuel and energy sector, by ensuring sustainable and balanced growth, the continuation of structural reforms, modernization and renovation industry.

## UzbekTelecom and AfganTelecom signed inter-operator agreement

Uzbektelecom and Afgan Telecom Corp. signed inter-operator agreement on 29 January 2009 within the visit of the Afghan delegation led by Afgan Telecom Corp. CEO Gul Ahmad Rastman to Uzbekistan. The agreement was signed on the result of the negotiations between director-general of Uzbektelecom Shukhrat Sadikov and Afgan Telecom Corp. CEO Gul Ahmad Rastman.

The commissioning of the fiber-optic line will help to organize direct communication between Afghanistan and Uzbekistan and it will provide international telephony and Internet services to Afghanistan through Uzbekistan to the CIS and other foreign states.

## Georgia's trade deficit widens to US\$ 4.5 bln in 2008

Georgia's negative trade balance widened to US\$ 4.56 bln, against US\$ 3.98 bln in 2007, according to the Statistics Department.

It said that Georgia's total foreign trade turnover rose 17.2% amounting to US\$ 7.55 bln in 2008, with export reaching US\$ 1.49 bln - 21.5% more than in 2007 and import - US\$ 6.05 bln, a 16.2% increase over 2007.

Turkey is the Georgia's major trading partner with the trading volume amounting to US\$ 1.2 bln, up by 33.7% over 2007. Trading volume with Turkey accounted for 15.9% (rose by 1.9%) of the total foreign trade turnover.

Azerbaijan comes second with

US\$ 813,2 mln - up by 56.4% over 2007 and now accounts 10.8% of the total foreign trade turnover.

Ukraine comes third with US\$ 791,8 mln (rose 18.3%); followed by Germany - US\$ 467 mln; Russia - US\$ 454 mln, (it was third in 2007 and second in 2006); the United States - US\$ 343.5 mln; China - US\$ 307 mln; United Arab Emirates - US\$ 283.8 mln; Bulgaria - US\$ 231 mln and Italy - US\$ 198.7 mln.

Ferro-alloys remained the number one Georgian export in 2008, amounting over US\$ 267 mln and accounting 17.8% of total exports; followed by ferrous metal scrap - US\$ 128.5 mln (8.6%) and copper - US\$ 118 mln (7.9%). Oil products and hydrocarbons top the list of imports totaling US\$ 967 mln.

**Ansher Capital** is the leading investment banking company in Central Asia. The Company offers full-fledged investment banking and advisory services to both international investors and the companies in Central Asia. Ansher Capital represents major foreign investors in Central Asia and assists in implementation of their strategic acquisitions and investment projects in the country. The Company advises key government agencies and leading Central Asian enterprises in areas of privatization, attracting foreign investment and raising capital in international and domestic capital markets.“

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