

Weekly digest on business and market related news focused on Kyrgyzstan, produced by MGN Capital's Global Research Department

TOP STORIES

Economic News

- Major Breakthrough at Kambarata 2
- Parliament Ratifies National Budget for 2010

Business News

- Since 1991 Grant Worth \$840m Received From ADB
- FMO Opened Credit Line for KICB

Industry News

- NBKR Sold \$10m the Past Month to Support KGS
- Banking News

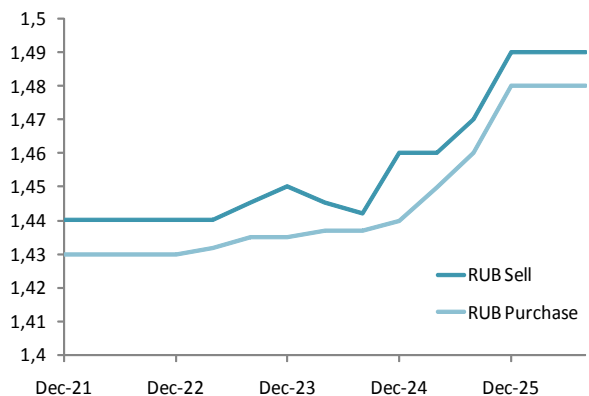
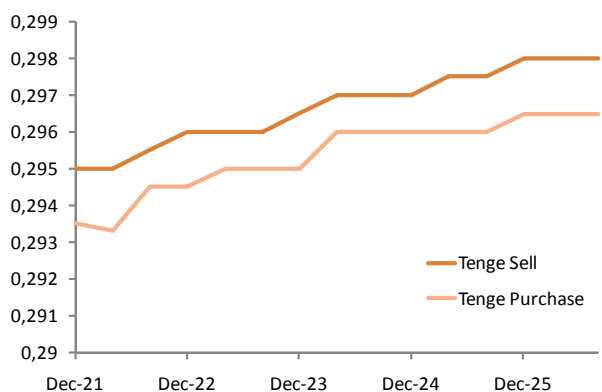
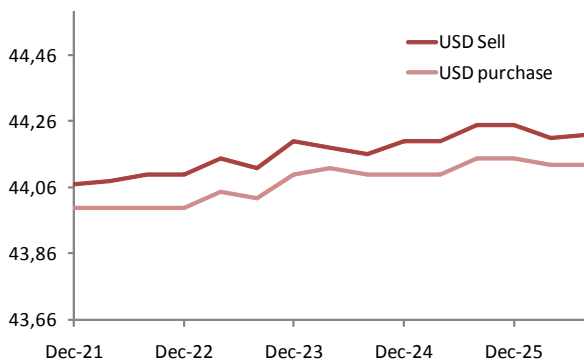
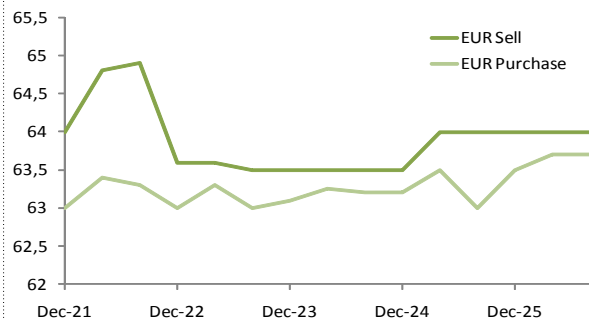
Investment News

- Gov Deliberates Selling Its Stakes in Electricity Co's
- Kyrgyz Parliament Ratifies Agreement with ADB

Stock Market

- Auctions of Government Treasury Bills

Changes in Major
Currency Rates
December 21 - 25, 2009



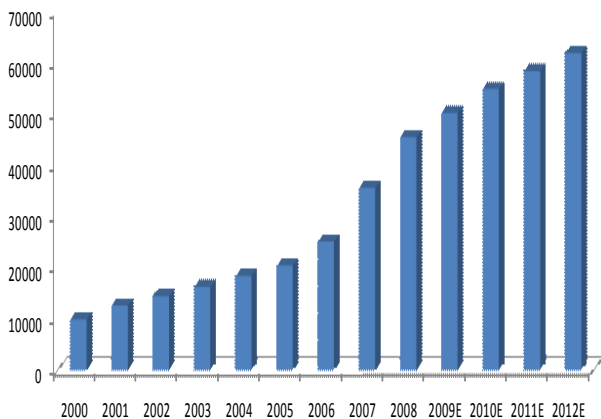
WEEKLY UPDATE

December 21-25, 2009

Economic News



BUDGET REVENUES FORECAST
for 2010-2012



Major Breakthrough at Kambarata 2

Construction of the Kambar-Ata-2 hydroelectric station will contribute to increase of export capacity of Kyrgyzstan and will provide for sufficient amount of water for irrigation purposes of the neighboring countries, said President Kurmanbek Bakiyev upon explosion made at the Kambar-Ata-2 hydroelectric station.

“Unlike the neighboring countries, we have no reserves of oil or gas. The God gave the Naryn river and we should use it. Everyone will benefit from construction of this water station, including neighboring countries. We will save water in winter time and export it in summer time,” the President said.

“That was our dream. There are no doubts that Kyrgyzstan will erect similar facilities. Benefit from construction of the hydroelectric station is more than obvious, since 1.4b cubic meters of water will be saved at the Toktogul reservoir per annum along with over 1b kWh of electricity,” Kurmanbek Bakiyev said.

“There are no doubts in that we will complete construction of Kambar-Ata-1 and 2 hydroelectric stations and that we will move upward the Naryn river... Kyrgyzstan should take a lead in energy space of the region”

Parliament Ratifies Republican Budget for 2010

The Parliament of Kyrgyzstan has ratified republican budget for 2010 and 2011-2012 estimates in the second and third readings on Thursday.

As to Askarbek Shadiyev Chairman of the Budget and Finances Committee, budget revenues made up 52.100b KGS and expenditures-65.670b KGS in 2010. “Thus, budget gap comes to 13.400b KGS that amounts to 5.6% of GDP. Internal and external reserves will be allocated for filling up the gap,” Shadiyev said. Besides, over 20b KGS will be reportedly transferred to the development budget.

According to the parliament member, deputies have managed to raise 500m KGS for implementation of some suggestions. It was decided to allocate 12m KGS to the National Eye Microsurgery Hospital, 12m- to the Kyrgyz Haematology Center, 15m- State Physical Culture and Sports Agency, 5m – for replenishment of library’s fund, 16m- for payment of increment in judges’ pensions, 100m-capital investments, sum of promotional grants will be increased by 50m, financing of the Finance Ministry for support of population amid utility hikes will be raised by 190m KGS, and at least 100m KGS is allocated for additional expenses.

Daniyar Usenov the Prime Minister of Kyrgyzstan admitted that 2008 budget had some shortcomings. “But we correct them. As for budget of 2009, it is implemented word for word. Collection of all residual funds will be carried out on December 28-30,” the prime minister said.

WEEKLY UPDATE

December 21-25, 2009

Business News

Since 1991 Grant Worth \$840m Received From ADB

Kyrgyzstan received 28 loans, 11 grants for more than \$800m and 73 grants as part of technical assistance for \$41.7m from the Asian Development Fund since 1994.

During 15 years of cooperation ADB support in Kyrgyzstan covers a broad range of sectors, including development of infrastructure, human resources, environmental protection, agriculture, assistance to financial and private sectors. The keynote in this support is improvement of foundations for stimulation of long-term economic growth and development.

FMO Opened Credit Line for KICB

Kyrgyz Investment and Credit Bank (KICB) and Netherlands Development Finance Company (FMO) signed a \$10m credit-line agreement for long-term debt financing. The signing ceremony was held in the Hague, Netherlands, on December 10th, 2009. The agreement was signed by Mr. Kwang-Young Choi, Chief Executive Officer of KICB and Mr. Jurgen Rigterink, Chief Investment Officer, and Mr. Ruurd Brouwer, Director Financial Institutions from FMO. By signing credit line agreement with FMO, KICB has attracted total \$5m credit lines in one year - 2009.

This is the third credit line that KICB attracted from international financial institutions in 2009. The first credit line of \$10m was signed with Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG) on November 5th and the second credit of \$5m with the European Bank for Reconstruction and Development (EBRD) on December 2nd. The third credit line of \$10m with FMO is considered as very important in a sense that it is the first credit-line agreement which KICB attracted from financial institution which is not a shareholder of the bank.

“The signing of this credit line agreement is another important milestone for the bank in realizing the bank’s strategic objectives and represents a significant contribution to the economic development of the Kyrgyz Republic,” said Mr. Kwang Young Choi, CEO of KICB.

He also added that “the bank has achieved good results in building a strong credit portfolio and will continue to support private sector companies through sufficient funding from international market. We believe that bank is able to attract funds from external sources thanks to its reputable shareholders, sound banking practice and very solid performance of KICB since its establishment.”

WEEKLY UPDATE

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Industry News

NBKR Sold \$10m the Past Month to Support KGS

NBKR sells approximately \$10m domestically in the past month, Kyrgyz National Bank reported.

Thus, the NBKR performed foreign currency sales transactions three times in the past four weeks. Total amount of interventions made up \$10.05m.

By holding interventions, the NBKR attempted to meet the increasing demand for foreign currency. The US dollar, however, continued its growth. Whereas a month ago (November 20) weighted average US dollar rate was 43.9 KGS, by December 21 it reached 44.02 KGS.

The US dollar has already reached the 44 KGS threshold three times this year. The first instance was registered in late August of 2009. By the second half of September the foreign currency rate dropped below 44 KGS. The second spike took place in the first half of December with a short-term insignificant increase to follow.

Banking News

Kyrgyz Banks' Deposits Grow by 1,109.9b KGS

Deposits in acting commercial banks of Kyrgyzstan grew by 1.11b KGS last week, Kyrgyz National Bank reported. As of December 18, 2009 amount of deposits has reportedly reached 37.62b KGS, while the week ago the rate made up 36.51b KGS. The main part of the amount is traditionally foreign currency deposits, which averaged to 23.3b KGS as of December 18, 2009 having increased by KGS 530.4m. National currency deposits amounted to 14.3b KGS, while a week ago the rate came to 13.7b KGS (579.5m KGS increase).

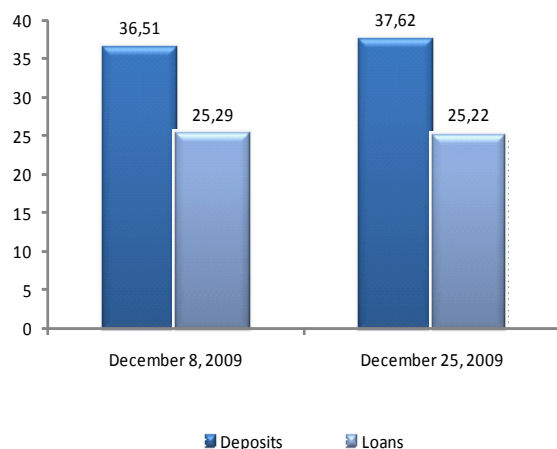
Kyrgyz Banks' Loans Decrease by 65.3m KGS

Loans of acting commercial banks of Kyrgyzstan decreased by 65.3m KGS last week, Kyrgyz National Bank reported. As of December 18, 2009 the amount of loans reportedly reached 25b 227.3m KGS, while the week ago the rate made up 25b 292.7m KGS. This is explained by a drop in the amount of foreign currency loans which averaged 15b 840.2m KGS as of December 18, 2009 having decreased by 117.2m KGS. National currency loans grew by 51.9m KGS and amounted to 9b 387.1m KGS as of December 18, 2009.

Kyrgyz Cash outside Banks Increases by 236.3m KGS

Kyrgyz cash outside banks increases by 236.3m KGS last week, Kyrgyz National Bank reported. As of December 18, 2009 the amount of cash outside banks reportedly reached 31b 968.2m KGS compared to 31b 731.9m KGS one weeks prior. Commercial banks' reserves also demonstrated growth in the period indicated, having increased by 140.1m KGS reaching 7b 492.4m KGS on December 18, 2009. The Kyrgyz monetary base on the whole has grown by 376.4m KGS in the past week reaching the total of 39b 460m KGS.

CHANGE IN DEPOSITS AND LOANS
December 18 - 25, 2009



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Investment News

Gov Deliberates Selling Its Stakes in Electricity Co's

Kyrgyz Government's presidium reviewed the matter of selling government stakes in OJSC Vostokelectro, Oshelectro and Zhalalabadelectro in a closed-door meeting. As reported by the press office of the prime minister, a meeting of Kyrgyz Government's presidium was held yesterday.

Due to the public administration reform that is currently underway and with view of the new frame of the government, an item was placed on the agenda to form a committee to liquidate the State Agency on Public Procurement and Material Reserves of the Kyrgyz Republic.

Over twenty other draft regulations were reviewed by Kyrgyz Government's presidium members.

Kyrgyz Parliament Ratifies Agreement with ADB

The Parliament of Kyrgyzstan ratified the agreement with Asian Development Bank on Issyk-Kul Sustainable Development Project entered on 5 November 2009 in Bishkek.

The Asian Development Bank will provide US\$13.5 million grant and US\$16.5 million loan to improve condition of Issyk-Kul.

The project will be implemented in three selected towns: Balykchy, Cholpon-Ata and Karakol. The project envisages improvement of the urban infrastructure, including rehabilitation, replacement, improvement and expansion of sewage, sanitation, processing of solid waste, urban water supply and improvement of community life.

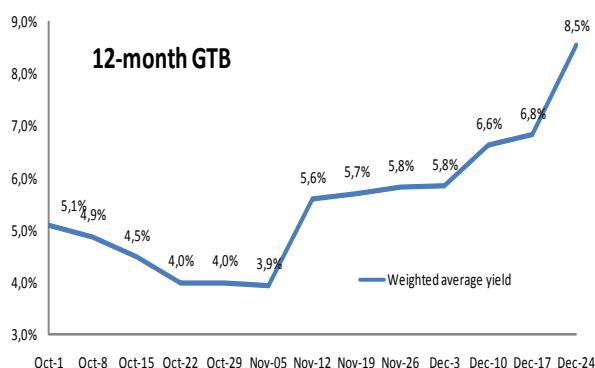
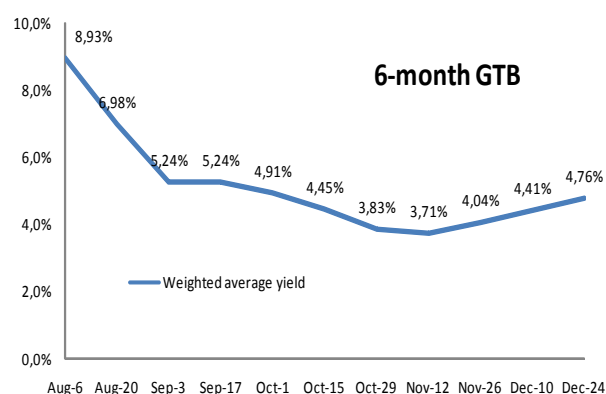
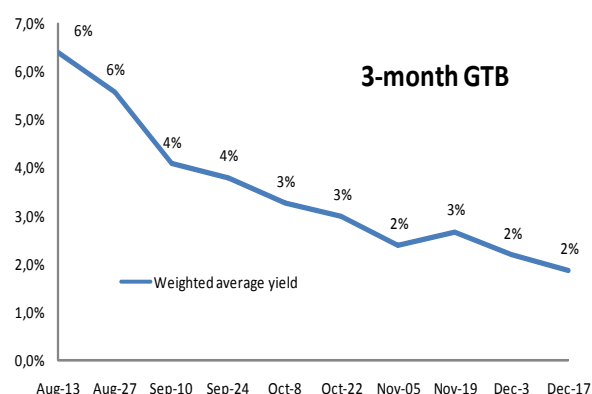
The current water supply system and sanitation in Issyk-Kul oblast is in poor condition, it functions bad. The flow of tourists excessively impacts the current infrastructure, which results in lake pollution.

WEEKLY UPDATE

December 21-25, 2009

Stock Market

CHANGE IN WEIGHTED AVERAGE
RETURN ON GTBs
December 21 - 25, 2009



Auctions of Government Treasury Bills

There were no sales of 3-month GTBs for the reporting period (December 21-25). On December 17, 2009, 25mln KGS worth of 3-month maturity GTBs were put up for sale. Demand reached 106.69mln KGS. Weighted average return on 3-month GTBs amounted to 1.87%.

Weighted average return on 6-month GTBs at the close of the last trading on December 24, 2009 amounted to 4.76%, which is 0.35% points higher than the last sale two weeks before. 30mln KGS worth of 6-month maturity GTBs were put up for sale on. The demand reached 87.04mln KGS.

With regards to 12-month GTBs, their sales reached 55mln KGS, demand amounted to 55mln KGS. Weighted average return on 12-month GTBs amounted to 8.53% which is 0.71% points higher than the last sale week before.

Type of securities	Date	Demand ('000 KGS)	Sale ('000 KGS)	Min yield	Max yield	Weighted average yield
3-month GTB	Nov-05	91 790	25 000	2,31%	3,23%	2,39%
	Nov-19	54 140	25 000	2,19%	2,99%	2,67%
	Dec-3	155 660	25 000	1,99%	2,31%	2,19%
	Dec-17	106 690	25 000	1,79%	1,91%	1,87%
6-month GTB	Nov-12	15 160	15 160	3,50%	4,49%	3,71%
	Nov-26	42 422	30 000	3,50%	5,01%	4,04%
	Dec-10	71 130	30 000	3,61%	5,01%	4,41%
	Dec-24	87 038	30 000	2,99%	5,20%	4,76%
12-month GTB	Oct-29	22 490	22 490	3,80%	4,30%	4,00%
	Nov-05	47 670	47 670	3,70%	5,10%	3,94%
	Nov-12	9 250	9 250	3,94%	6,00%	5,59%
	Nov-19	63 620	60 000	4,00%	7,00%	5,70%
	Nov-26	70 890	60 000	4,00%	6,50%	5,82%
	Dec-3	79 310	60 000	4,00%	7,00%	5,84%
	Dec-10	72 700	60 000	4,50%	7,00%	6,63%
	Dec-17	75 190	60 000	4,51%	8,50%	6,82%
	Dec-24	55 900	55 900	4,50%	15,00%	8,53%

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December 21-25, 2009

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MGN Research

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