

WEEK OF STOCK MARKET OF KAZAKHSTAN June 14 - 20

1 US dollar = **146.45** tenge at official rate for the end of the period
1 US dollar = **146.46** tenge at weighted average rate of the Exchange for the end of the period

YIELD OF STOCK EXCHANGE INSTRUMENTS

Following is the table that allows to compare investment attractiveness of the financial instruments, which were regularly traded or quoted at Kazakhstan stock exchange (KASE) during June 14 - 20. In parentheses – figures of previous period. Instruments are given in ascending order, based on their attractiveness within specified groups.

Investment attractiveness of stock exchange instruments from June 14 through 20

Financial instrument	Currency	Yield, % APR	Volume of deals, mln KZT	Volume of deals, mln USD
Instruments denominated in national currency, tenge				
CS repo	KZT	*16.04 (*14.94)	87.8 (197.8)	598.9 (1,348.8)
MEOKAM, MEAKAM	KZT	10.02 (9.78)	1,305.8 (2,020.8)	8,914.8 (13,796.9)
GB repo	KZT	*5.67 (*4.71)	3,669.8 (2,595.1)	25,055.0 (17,717.3)
MEKKAM, notes	KZT	*4.40 (*4.60)	270.6 (12.0)	1,847.6 (81.8)
Instruments indexed to the US dollar				
VITAb2	USD	13.54 (13.54)	0 (0)	0 (0)
SMGZb1	USD	13.00 (13.00)	0 (0)	0 (0)
RGBRb2	USD	12.00 (12.00)	0 (0)	0 (0)
KZASb1	USD	11.24 (11.30)	0 (0)	0 (0)
CCBNb1	USD	10.99 (10.53)	0 (0)	0 (0)
KARMB1	USD	10.31 (10.19)	0 (14.8)	0 (101.4)
KZOLb	USD	9.66 (9.95)	111.0 (30.5)	757.3 (208.3)
KZTOb	USD	9.48 (10.00)	0 (7.2)	0 (49.5)
BTASb1	USD	9.20 (11.50)	0 (28.9)	0 (197.5)
HSBKb	USD	8.73 (11.06)	0 (451.2)	0 (3,084.0)
TEBNb	USD	8.65 (8.53)	0 (0)	0 (0)
SYRb1	USD	8.50 (8.50)	0 (0)	0 (0)
ATFBb	USD	7.98 (8.42)	0 (0)	0 (0)
KKGBb	USD	5.01 (5.31)	0 (0)	0 (0)
Instruments denominated in US dollars				
KKGBe2	USD	9.35 (9.50)	0 (0)	0 (0)
Euronotes-4	USD	7.27 (7.26)	320.2 (705.6)	2,186.4 (4,817.4)
Euronotes-3	USD	7.06 (7.11)	515.9 (998.5)	3,522.4 (6,816.9)
Euronotes-2	USD	5.86 (5.77)	560.5 (793.7)	3,826.8 (5,418.9)

Notes: Yields of KZOLb are calculated as average of the deals. Yields of other corporate bonds are calculated as average of offer bids.

Tenge devaluation rate is estimated at weighted average rate of the main session of KASE in the week by a trend of **1.15% APR**.

The yields, shown here, do not incorporate overhead expenses that are inevitable when conducting operations and fixing profits (commission and tax collections, membership fees etc). Marked by a star are the instruments with less than a year circulation term. Weighted average effective yields are given for them. The yields of all bonds with more than a year maturity term are calculated on a semiannual basis.

INDICATORS OF INTERBANK DEPOSIT MARKET

Indicators of Kazakhstan interbank deposit market as of June 20, 4:00 PM ALT and changes during the week

Term	Currency	Rate	Trend
1 week	KZT	9.90	+1.90
2 weeks	KZT	10.60	+1.93
1 month	KZT	11.10	+1.60
2 months	KZT	11.90	+1.73
3 months	KZT	12.60	+1.60

During the period indicative rates of interbank tenge deposits were inclined to grow, and during the last three days they grew especially fast. On one hand, it was happening under the change in current market liquidity, which began to decline clearly in the second half of the week. But, mainly the dynamics of the rates were in line with the traders' forecasts for July. Total repayment and servicing volume of GB in this month is almost three times lower than it was in June (KZT5.7bn and KZT15.0bn, respectively) as IRBIS estimates. This circumstance makes it possible to wait for the deficit of free tenge to reappear at the most of the banks, especially, taking into account the need to make budgetary payments by the results of the second quarter. The corporate debt servicing structure schedule in July is not optimistic either – the amounts are too small to have an impact on the situations in major sectors of financial market.

THE CORPORATE SECURITIES SECTOR (CS)

Secondary market

During observed period 7 deals amounting to **\$863.9 th.** (KZT126.6m) were made **in purchase and sale sector** of the securities on trade floors of the KASE. Relative to previous period (\$4,510.6 th., KZT660.1m, 15 deals) weekly turnover of the sector decreased 5.2 times. The most traded were **bonds of NOC KAZAKHOIL CJSC** (87.7% of sector's turnover). Then, there were common shares of Bank CenterCredit OJSC (10.0%). Of seven deals only one was a direct deal, the rest were made by the brokers using the main trade mode of the KASE. The deals were made in 3 instruments, and 11 – for last week.

These figures show that this sector of the market has significantly shrunk, which is hardly explainable by the working fluctuations of the volumes. It is more like that the decline in the Exchange's activity in CS sector was caused by a general decrease in the liquidity, as well as – by the beginning of the gray market money legalization period. Waiting for the consequences of the campaign taken by the government, the market participants are calm and not taking active steps.

There might be another explanation for the decrease in the volumes of deals in CS purchase-sale sector. It is not a secret that most of the deals made in this sector were so-called hidden repo deals made with shares of Bank TuranAlem OJSC. This instrument was present in the first lines of the ratings of the securities at the KASE during the 2000 and the beginning of this year. Lately the deals made in these shares are rarity. The strategies of those interested in such types of deals are changing, forcing the trade activity to decrease.

By the last deals of the period the price of CCBN increased by 2.5% relative to the previous successful trades. The yields of KZOLb rose from 9.66% to 9.95% APR.

The index KASE_Shares fell by 0.8280 (0.80%) during the week, at **102.3607** at June 20 closing. This change is mainly explained by a decline in bids of Kazakhtelecom preferred shares and Halyk Bank of Kazakhstan OJSC common shares. Growth of UKTMK OJSC shares by 10.0% had a positive impact on the index.

The dynamics of the indexes of corporate bonds market (changes during the week are in parentheses) is as follows: **KASE_BY – 11.57 (+1.47%)**, KASE_BP – 114.79 (+0.78%), KASE_BC – 104.06 (-0.30%). Last week KASE_BY index decreased by 0.64%. As experience shows, significant growth of KASE_BY index – is a local occurrence, and during the next days the index will likely to return to its previous levels, reflecting a gradual decline in the yields of corporate bonds, which has observed for at least 1.5 months.

On June 20, 2001 **the capitalization of the companies**, whose shares are traded on the securities exchange market of Kazakhstan, equaled **\$1,344.1m** or KZT196.9bn at tenge to dollar rate of the Exchange, effective on that date. During the week this number increased **by \$3.2m** in terms of dollars is explained mainly by an increase in the value of CCBN (see above).

The capitalization of corporate bonds market of the Exchange by their best ask prices, that are regularly put out by the market-makers of these securities in the trade system of the Exchange, was fixed at **\$255.3m** as of June 20, or KZT37,397.2m. In nominal value (total face value of the bonds that were entered into trade lists of KASE) is estimated at **\$282.3m** as of this check date, or KZT41,343.7m.

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 June 14 - 20

USD per share, unless otherwise specified

Issuer	Securities	Close	WA price	Volume	Best bid	Best offer
Almaty Kus OJSC	ALKS			0	0.1540	0.3080
Almaty Kus OJSC	ALKSp			0	0.0900	0.1700
Astana-finance OJSC	ASFI	*10.000		0	5.000	10.000
Bank TuranAlem OJSC	BTAS	*72.01		0	71.00	72.00
Bank CenterCredit OJSC	CCBN	1.3656	1.3583	63 495	1.3724	1.2973
Halyk Bank of Kazakhstan OJSC	HSBK	0.8324		0	0.6200	1.2200
KAZKOMMERTSBANK OJSC	KKGB	*0.9328		0	1.3656	0.5000
Kazakhoil-Emba OJSC	KZEMp	*1.9100	1.9100	10 645	1.9100	1.9100
Kazakhtelecom	KZTK	*12.000		0	12.000	16.500
Kazakhtelecom	KZTKp	11.510		0	7.000	12.000
Raushan OJSC	RAUS			0		*4.1500
SAUR OJSC	SAYR			0		*0.3400
SHNOS OJSC	SYRG	1.6300		0	1.3000	
TEMIRBANK OJSC	TEBN	*1.095		0	0.683	7.164
TEMIRBANK OJSC	TEBNp			0	1.370	6.830
ULBA JSC	ULBAp	*10.00		0		*10.24
UKTMK OJSC	UTMK	35.000		0	22.000	42.000
UKTMK OJSC	UTMKp	28.0000		0		40.0000
VALUT-TRANZIT BANK OJSC	VTBN	2.5032		0	1.3657	2.4904
VALUT-TRANZIT BANK OJSC	VTBNp	2.3033		0	1.5023	2.8657
Zerde OJSC	ZERD			0		*0.1362

Results of the trades in bonds from June 14 - 20

yield for the buyer in % APR till maturity, unless otherwise specified

Issuer	Code	Currency	Last	WA	Volume, th. USD	Best bid	Best offer
AMB CJSC	ATFBb	USD	9.2471		0.00	8.2199	8.3448
Bank TuranAlem OJSC	BTASb1	USD	11.5000		0.00	10.4452	9.2050
Bank CenterCredit OJSC	CCBNb1	USD	11.6998		0.00	11.9810	11.1331
Halyk Bank of Kazakhstan OJSC	HSBKb	USD	10.9952		0.00	13.4971	9.6548
Karazhanbasmunai OJSC	KARMb1	USD	10.2001		0.00	11.6208	10.3501
KAZKOMMERTSBANK OJSC	KKGBb	USD	7.00		0.00	10.00	5.03
KAZKOMMERTSBANK OJSC	KKGBe2	USD			0.00	11.1976	9.4970
DAGOK Kustanaiasbest OJSC	KZASb1	USD	11.7958		0.00	12.2026	11.2969
NOC Kazakhoil CJSC	KZOLb	USD	9.6552	9.6552	757.34	9.6552	9.6552
NOTC KazTransOil CJSC	KZTOb	USD	10.0044		0.00	9.9011	9.7191
RG Brands OJSC	RGBRb2	USD	12.0000		0.00	12.0000	12.0000
SHAHARMUNAIGAS OJSC	SMGZb1	USD			0.00	18.9993	13.0023
SHNOS OJSC	SYRGB1	USD			0.00	11.9980	8.5048
Temirbank OJSC	TEBNb	USD	10.8609		0.00	9.1252	9.1252
VITA LLP	VITAb2	USD	*14.0093		0.00	14.4760	13.5416

Notes: bid and ask 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 CS repo sector 6 deals were made for a total of \$1,520.1 th. (KZT222.7m). Of this number, 2 deals (\$598.9 th.) were repo opening deals and 4 (\$921.2 th.) – closing deals. Last week volume of deals equaled \$4,346.4 th. (KZT636.9m). On June 20 evening 16 CS repos in tenge and U.S. dollars were opened on the trade floor of the Exchange for a total of **\$6,474.9 th.** Common and preferred shares of VALUT-TRANZIT BANK OJSC, common shares of Bank TuranAlem OJSC, common shares of Bank CenterCredit OJSC, preferred shares of Kazakhtelecom, bonds of NOC KAZAKHOIL CJSC and VITA LLP were used as the object of repo deals. The terms vary from 27 to 30 days, and rates from 8.03% to 14.97% APR for tenge denominated repos, and 28 to 123 days, 7.86 to 14.72% APR for USD denominated repos.

Total of 13 deals amounting to **\$2,384.0 th. (KZT349.3m)** were made in securities **on trade floors of KASE** during last week (purchase and sale and repo sector). A week ago volume of 25 deals was \$8,857.0 th. (KZT1,297.1m).

Changes in trade lists

From June 15, 2001, based on the application of the trade member of the KASE and conclusion of Listing Commission, dated Sep.05, 2000 (on common shares of the company), **preferred inscribed shares** (KZ1P40070710, trade code – **KZEMP**) of **Kazakhoil-Emba OJSC** (Atyrau) are admitted to the “Non-listed securities” sector under second admission level. Authorized paid capital of the company equals KZT3,971,307,750.0, its declared figure - KZT4,765,569,250.0. The previous issue was the sole issue of common registered shares registered on Nov.23, 1999 (code A4007 in government register). That issue included 15,855,231 shares (KZT250 at face value) of which 14,296,705 are common and 1,588,523 are preferred shares. No data on dividend payments have been presented.

Common shares have been traded in the non-listing sector from Sep.17, 2000. Five deals for a total of \$265,282.71 have been made so far (124,045 shares at \$0.7500-2.8500). Last deal was made on Feb.22, 2001 at \$1.7300. The market capitalization equaled \$24.7m.

Kazakhoil-Emba OJSC is oil production company created in June 1999 by merger between Embamunaigas JSC and Tengizmunaigas JSC. The company is a branch establishment of NOC KAZAKHOIL, which takes 855 shares. The oil production is priority of 6 oil departments including Zhaikneft, Dossrosneft, Makatneft, Kaynarmunaigas, Kulsaryneft and Prorvanneft which develop 33 oil and gas fields.

SECTOR OF GOVERNMENT BONDS (GB)

Primary market

On June 19, 2001 the initial offering auction of the first issue of coupon bonds of local executive body of Eastern-Kazakhstan region (EKR) with 1,095 days (3 years) of circulation was held in the trade system of the Kazakhstan Stock Exchange (KASE). Announced floatation volume – KZT500m at face value. Only competitive bids were accepted at the auction.

The bonds were offered by the issuer at face value. The trade was held over the fixed coupon rate, which is to be paid to bondholders semiannually.

Following are the parameters of the issue and complete auction data.

Type of securities	registered coupon bonds indexed to KZT/USD exchange rate
NIN	KZ7051806A46
Trade code of KASE	VKU036.001
Face value, USD	100,00
Auction date	June 19, 01
Settlement date (till 16:00 ALT)	June 19, 01
Circulation starts on	June 20, 01
Maturity (nominal / actual)	June 18, 04 / June 18, 04
Circulation term	1,095 (3 years)
Coupon type	semiannual
Dates of coupon payments (nominal / actual)	1 18.12.01 / 18.12.01 2 19.06.02 / 19.06.02 3 18.12.02 / 18.12.02 4 19.06.03 / 19.06.03 5 18.12.03 / 18.12.03 6 18.06.04 / 18.06.04
Announced issue volume, KZT	1,000,000,000.00
Offering volume at auction, KZT	500,000,000.00
Time basis for payments	actual/365
Servicing exchange rate (KZT/USD)	146.45
Number of participants - KASE members	7
Volume of submitted bids, bonds	57,500
Volume of submitted bids, KZT	842,087,500.00
Minimum yield on demand, % APR	3.0000
Maximum yield on demand, % APR	11.0000
WA yield on demand, % APR	8.7445
Volume of satisfied bids, bonds	6,000
Volume of satisfied bids, USD	600,000.00
Volume of satisfied bids, KZT	87,870,000.00
Yield set by issuer, % APR	6.3000

Total of 15 bids from 8 investors have been made at the auction. Demand exceeded the supply 1.68 times at the auction. The banks expressed the most interest in buying the bonds, who accounted for 53.9% of the demand. The proportion of bids submitted by using the pension assets equaled 40.9%. Brokerage-dealing companies accounted for 5.2%.

After the cut-off procedure and setting the coupon rate at 6.3% APR only 2 bids have been satisfied (from two investors). By the results of the auction, 50% of the floatation volume was purchased by accumulative pension funds, and another 50% – brokerage-dealing companies. Actual floatation volume was KZT412.1m, or 5.7 times less than planned volume. The coupon rate that has settled at the auction corresponds to 6.30% APR YTM on semiannual basis or 6.40% APR on an annual basis (effective yield in the National Bank's terminology).

On June 26 the issuer will hold additional offering auction of the bonds for KZT412,130,000.00 at face value in the Trade system of the KASE. This time the bonds are offered not at face value, but at the prices in submitted bids at a fixed coupon rate (6.30% APR). Only competitive bids are accepted at the auction.

The issuer is a local executive body of Eastern-Kazakhstan region (akimat). Financial consultants of the issuer are DB SECURITIES (KAZAKHSTAN) OJSC and TuranAlem Securities LLP. The legal consultant of issue and the issuer is White & Case LLP (Almaty). Financial agent - Kazakhstan Stock Exchange CJSC (Almaty). The register is maintained by Central Depository of Securities CJSC (Almaty). The market maker of bonds is TuranAlem Securities LLP.

Issue, circulation and redemption procedures of the bonds are regulated by the "Issuing, floatation, circulation, repayment and servicing rules for bonds of the local executive body of Eastern-Kazakhstan region", which was approved by the resolution of the Government of Kazakhstan #685 dated May 22, 2001.

The bonds were admitted to trades on June 12, 2001 by the decision of the Board of KASE and resolution of the Exchange Council dated June 11, 2001. The purchasing of the bonds by Pension Assets Management Companies and State Accumulative Pension Fund CJSC (SAPF) using the pension assets is permitted by the resolution #846 of the National Securities Commission of Kazakhstan Directorate, dated June 18, 2001 "On investing the pension assets into the bonds of local executive body of East-Kazakhstan region".

The bonds are issued with the object of implementing Regional Investment Program (RIP) that includes three projects:

- construction and launching of a beer plant (Vostok-pivo LLP, Semipalatinsk)

- production and processing of gold ore from the Bolshevik deposit. The project is operated by mining metallurgy company (MMC) "Altyn-Aimak" (Ust-Kamenogorsk, created in 1999 by merger of Irtysh Zoloto CJSC and Artel Trud CJSC. Final product is commodity gold.
- small and medium business assistance, assistance to agricultural producers.

All settlements regarding the purchasing (including at the auction), servicing and repayment of the bonds are made in Kazakhstani tenges **at official KZT/USD rate** of the National Bank, effective on the dates preceding the settlement dates.

Based on the rules, the issuer can call back the bonds by paying the coupon for their actual circulation term during corresponding period.

Secondary market

In **GB purchase and sale sector** of KASE total volume of 69 deals equaled **KZT2,973.1m**. Last week the turnover equaled KZT4,530.6m with 63 deals made. The market was influenced by a limited liquidity in tenge, as a result, the trades were less active. Insignificant deformation of the turnover structure, which took the form of the increase in the proportion of MEKKAM and notes and decrease in that of eurobonds of Kazakhstan, can be explained by this occurrence, as IRBIS analysts tend to believe. Due to a very low yields of discounted GB denominated in tenge the banks use these securities usually to regulate their liquidity.

Parameters of stock exchange transactions in GB from June 14 - 20

(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		
Discounted GB: notes					9.1% (0.3%) of purchase and sale sector's turnover	
less than 8	2.00	2.00	2.00	2.00 (-)	40.0	1
8 - 14	2.00	2.00	2.00	2.00 (4.50)	40.0	1
37 - 42	5.15	5.15	5.15	5.15 (-)	21.1	1
43 - 56	5.50	5.50	5.50	5.50 (-)	12.0	1
57 - 63	5.40	5.40	5.40	5.40 (-)	99.1	2
64 - 91	5.10	5.10	5.10	5.10 (-)	58.5	2
Total					270.6 (12.0)	8 (1)
Coupon GB: MEOKAM-24, 36, MEAKAM					43.9% (44.6%) of purchase and sale sector's turnover	
470 - 637	8.61	10.78	8.61	8.94 (8.44)	253.9	3
832 - 997	8.52	14.14	8.52	9.90 (9.97)	431.8	18
1,000 - 2,390	8.15	12.94	8.99	10.56 (10.87)	620.1	12
Total					1,305.8 (2,020.8)	33 (31)
Euronotes of Kazakhstan, USD					47.0% (55.1%) of purchase and sale sector's turnover	
*462 - 467	5.73	6.04	5.86	5.86 (5.77)	560.5	11
**1,198 - 1,204	7.02	7.10	7.04	7.06 (7.11)	515.9	8
***2,121 - 2,127	7.20	7.31	7.28	7.27 (7.26)	320.2	9
Total					1,396.7 (2,497.8)	28 (31)
SUBTOTAL					2,973.1 (4,530.6)	69 (63)

Notes: for euronotes (* - second issue, ** - third issue, *** - fourth issue) volumes of the deals are calculated at weighted average USD/KZT rate of the Exchange.

By the results of the week the dynamics of the KASE indexes that indicate the condition of the market of Kazakhstani sovereign debt at the Exchange is as follows (in parentheses - weekly changes): **KASE_EY** – equaled **7.05 (-0.001%)**; **KASE_EP** – 126.99 (+0.12%); **KASE_EC** – 112.89 (-0.04%). Last week **KASE_EY** decreased by 0.43%. No changes in the trend was observed here.

In **GB repo sector 98 deals for a total of KZT6,453.4m** were made during the period. Of this number 56 deals (for KZT3,669.8m) were repo opening deals and 42 (KZT2,783.6m) were repo closing deals. Last period the turnover of this sector of the market reached KZT4,671.8m.

After closing of the trades on June 20 total amount of opened repo equaled **KZT7,014.3m**. Current weighted average rates as of June 13 (% APR) equaled: for 1 day – 5.70; for 3 days – 5.63; for 5 days – 5.58; for 7 days – 5.97; for 8 days – 5.49; for 9 days – 5.49; for 14 days – 6.81; for 15 days – 5.29; for 16 days – 5.49; for 17 days – 4.64; for 18 days – 6.38; for 20 days – 6.91; for 22 days – 7.98; for 24 days – 7.48; for 27 days – 6.68; for 28 days – 7.48; for 29 days – 7.87; for 30 days – 7.33; for 60 days – 11.97.

Total of 167 deals amounting to **KZT9,426.5m** were made in GB on trade floors of KASE during last week (purchase and sale and repo sector). A week ago volume of 150 deals was KZT9,202.4m. This week **the proportion of the stock market turnover** in total volume of deals on Kazakhstani secondary market for GB for comparable operations equaled **78.2%**, for last week it was 81.2%.

INFORMATION ON COMPANIES

On June 13, 2001 the register of the holders of first issue inscribed coupon bonds of **RENATA LLP** (Energeticheskii comm., Ili district of Almaty region; production of consumer goods, wholesale and retail trade, designing works etc; KZ2C3AJK6A19, \$10, \$280 th.; June 21.00 - June 21.01, annual coupon at 18.0% APR).

Based on issue terms, the bondholders, who have registered themselves in the register till indicated date, are entitled to receive a coupon and the face value. Therefore, the circulation of the bonds actually ends on June 13.

The bonds were traded at the Kazakhstan Stock Exchange (KASE) in "Non-listed securities" sector under second admittance level from July 31, 2000 (trade code – RENTb). During the circulation term no deals have been made in these bonds. Last time the bonds were offered for sale on April 11, 2001 at a net price of 100.3359%, which corresponds to the yield of 15.00% APR. There has been no demand for the bonds during the circulation time either.

By the data of the National Securities Commission of Kazakhstan, the report on the floatation of the bond issue was registered on November 2, 2000.

On June 13, 2001, NSC received on approval the report on issue and offering results of bonds issued by **NOTC KazTransOil CJSC** (first issue, KZ73LAONAA35, official list of the KASE securities, category "A", trade code - KZTOb, face value - \$100; volume of issue - \$30.0m; circulation period - Oct 23, 00 - Oct. 23, 03; semiannual coupon at 9.0% APR, current market rate - 10.0%). The amount stated in the report equals **\$26,146,392.04**. By the beginning of 2001, floated amount of issue equaled \$25,010.0 th. (83.4% of the announced volume). Offering term is three years from interest accrual date or equal to circulation period. Meanwhile, the issuer did not intend to offer the whole amount of bonds in 2000. Considering volume of accrued interest, the issue was not floated on full volume. Thus, the issuer did change plans. As of Jan.01, 2001, (data of official the company' consultants) 46% of floated volume were bought by pension assets management companies (PAMC), banks - 53%, other investors - 2%.

Halyk Bank of Kazakhstan OJSC (Almaty), in compliance with the listing requirements, informed the Kazakhstan Stock Exchange (KASE) on convocation of the annual general meeting of shareholders to be held on **June 30, 2001** with the following agenda:

- Election of authorized bodies of the Annual General Meeting (AGM)
- Approval of the Account commission members.
- Approval of the bank's financial statements for year 2000
- Net income distribution, amount of accumulation into reserve capital
- Suspension of the Board of Director's authority
- Election of new Board and its composition
- Suspension of the Inspection Commission's authority. Election of new commission.
- Other businesses

The place of the meeting: 4, Republic square, Almaty. In case of quorum absence, next meeting will be held on July 31, 2001.

KAZKOMMERTSBANK OJSC (Almaty) informed the KASE on convocation of the extraordinary general meeting of shareholders to be held on **July 12, 2001** with the following agenda:

- Approval of the banks liabilities for 2001.
- On issue of bonds
- Other businesses

The place of the meeting: 135-G Gagarin St, Almaty. In case of quorum's absence, next meeting will be held on July 13, 2001.

Bank CenterCredit OJSC (Almaty) sent official notification to the KASE that on June 18, 2001 it paid out a coupon on its first issue bonds (KZ75KARGCA53, official list of KASE securities, category "A", CCBNb1, \$100, \$4.5m, Dec 16.00 - Dec 17.05, semiannual coupon at 12.0% APR, current market return – 11.70% APR) **completely**. Based on the bank's information, the payment was made in compliance with the issue terms of the bonds at **KZT39,571.2 th**. The bonds are serviced at KZT/USD rate of the Exchange, effective on the payment date.

NOC KAZAKHOIL CJSC (Astana) confirmed that the company's credit rating was raised by the Moody's Investors Service international rating agency from "B1" to "**Ba2**" with "stable" forecast.

Increase in a credit rating by **two points** is a result of recent evaluation of the company's activities and it was followed after a similar raise in the rating of Kazakhstan, is said.

Moody's believes that it is in the country's long-term interests to build a powerful national oil company, since hydrocarbon industry is the most important industry for Kazakhstan, accounting for almost half of the exports and more than third of total industrial output.

It is also said that NOC KAZAKHOIL plans to get into international capital markets with a debut issue of eurobonds in the fall of this year. The issue volume is set at **\$100m**.

Kazakhtelecom (Astana) submitted to the KASE information on convocation of Annual General Meeting on August 07. Following is agenda of AGM:

- approval of the company's audited financial statements for 2000 (IAS and KAS)
- approval of dividend payments
- approval of the Board of Directors elected on extraordinary general meeting on May 28, 2001
- approval of return of KFW banks credit for equipment inscribed on to Mangistaumunaigas OJSC and Kaskortelecom OJSC
- Other businesses

The meeting will be held in Astana at: 49, Abai Ave. In case of the absence of quorum, the meeting will be held on August 08, 2001.

Karazhanbasmunai OJSC (Aktau; development of "Karazhanbas" oil field; extraction, preparation, realization and processing of oil, introduction of thermal methods of oil productivity, construction of wells, purification and processing of crude oil, construction of facilities for oil preparation, exporting marketing and sales of hydrocarbons and hydrocarbon products) released an information on repayment of first coupon of the company's bonds (first issue) on June 20 (KZ73BAQLBA36; official list of the KASE securities of category "A"; code KARMb1; \$20.0m; \$100; Dec. 12.00 - Dec.20, 03; semiannual coupon at 11.0% APR). The repayment was made in strict accordance to bonds servicing schedule registered by National Securities Commission on Dec.06, 2000. The amount of coupon payments was **KZT161,095,000.00**.

Net income of the company totaled KZT4,684.061 th. The authorized capital - KZT4,139.601 th. The sale of goods and services offered reached KZT16,450.017 th. in 2000.

Halyk Bank of Kazakhstan OJSC (Almaty) officially informed the KASE that on June 20, 2001 the bank paid the second coupon on its first issue subordinated bonds (KZA7KAKK6A78, official list of KASE securities of category "A", HSBKb; \$100, **\$16m**, June 20.00 - June 20.07; semiannual coupon at 11.8% APR). based on the bank's certificate, the payment amount totaled in tenge an equivalent of \$944 th., or **KZT138,248.8 th.** at official rate of KZT/USD on the payment date (bonds are services at the rate of the National Bank). The amounts given by the bank fully match those of bond issue parameters.

Affiliated company of the Bank TuranAlem OJSC, TuranAlem Finance B.V. (Rotterdam, the Netherlands) is floating \$100m euronotes jointly with lead-manager Dresdner Kleinwort Wasserstein (DrKW). Euronotes are issued under full guarantee of the bank as in case with Kazkommertsbank and Kazkommerts International B.V. (Rotterdam, the Netherlands). The bank gives no official information as operation is not yet completed.

In May this year, the bank disclosed intention to float three-year euronotes (\$100m). It was supposed that presentation could take place in Frankfurt, Vienna, London, New-York and Boston between May 30 and June 05.

Sources in the bank and TuranAlem Securities LLP presented IRBIS agency with several issue parameters: circulation term - 3 years, value - \$100m, fixed semiannual coupon rate - **11.5% APR**, the issuer expects discount price to be at 99.076% (or **11.875 APR** of initial issue yield). Expected date of offering is **June 28, 2001**. Maturity date - June 28, 2004. Bank TuranAlem plans to initiate admission procedure of bonds to Kazakhstan market. The domestic underwriter is TuranAlem Securities LLP

TuranAlem Finance B.V. was created according to decision of the Directors' Board of the bank on March 16, 2001 with total authorized capital of 18 th. euros. The sole founder is Bank TuranAlem OJSC. TuranAlem Finance B.V. is limited liability company, registered under the law of the Netherlands. The registration was held on April 23, 2001 (#B.V.1161598).

According to REUTERS information, Moody's assigned "**Ba2**" rating for euronotes ("B1" - previous assessment).

Moody's Investors Service raised ratings in foreign currency deposits to Ba3 from B2 to three Kazakhstani banks: **Bank TuranAlem OJSC, KAZKOMMERTSBANK OJSC and Halyk Bank of Kazakhstan OJSC**, is said in REUTERS.

The change in the ratings is due to a recent statement of Moody's Sovereign Team on raising the rating of Kazakhstan on bank deposits in foreign currency to Ba3 from B2 and ceiling of currency ratings of Kazakhstan to Ba2 from B1. Forecast of all ratings is positive.

Prepared by the agency "IRBIS"

Municipal bonds of Eastern-Kazakhstan region were admitted to the KASE

Special issue based on the information of DB SECURITIES (KAZAKHSTAN), TuranAlem Securities LLP, Kazakhstan Stock Exchange (KASE), and agency IRBIS

By the decision of the Board of the Kazakhstan Stock Exchange (KASE), dated June 12, 2001, and based on the decision of the Exchange council of the KASE, dated June 11, 2001, first issue inscribed coupon bonds of local executive body of Eastern-Kazakhstan region are admitted to the Exchange.

BOND ISSUE INFORMATION

Type of securities registered coupon bonds indexed to KZT/USD exchange rate
Issuer: local executive body (akimat) of EKR
NIN KZ7051806A46
Issue currency: U.S. dollar
Servicing (payment) currency: Kazakhstani tenge
Face value, USD: 100,00
Circulation begins on: June 20, 01
Maturity date: June 18, 04
Circulation term: 1,095 (3 years)
Coupon type: semiannual
Coupon rate: fixed (determined at the initial offering auction)
Dates of coupon payments: 18.12.01, 19.06.02, 18.12.02, 19.06.03, 18.12.03, 18.06.04
Time basis for payments: actual/365
Register fixed for coupons: not later than 3 business days till the payment date
Register fixed at maturity: not later than 3 business days till the payment date
Servicing of the issue: at KZT/USD rate, set by the National Bank on the date, preceding the payment or maturity date
Financial consultant of the issuer: DB SECURITIES (KAZAKHSTAN) OJSC (Almaty), TuranAlem Securities LLP (Almaty)
Legal advisor of the issue and the issuer: White & Case LLP (Almaty)
Financial consultant of the issuer: KASE
Register maintained by: Central Depository of Securities CJSC (Almaty)
Initial offering auction date: 16.06.01
KASE trade code: VKU036.001
quotation accuracy: four decimal places
Market-maker at KASE: TuranAlem Securities LLP

The bonds are the government bonds issued in non-documentary form with the object of implementing **Regional Investment Program (RIP)**, (see below).

Issue, circulation and redemption procedures of the bonds are regulated by the "Issuing, floatation, circulation, repayment and servicing rules for bonds of the local executive body of Eastern-Kazakhstan region", which was approved by the resolution of the Government of Kazakhstan #685 dated May 22, 2001. Based on the rules, the issuer can call back the bonds by paying the coupon for their actual circulation term during corresponding period.

The list of normative documents regulating the borrowing (documents are at the KASE and can be presented for familiarization) are:

- resolution #385 of the Government of Kazakhstan "On regional investment program and borrowing of local executive body of Eastern-Kazakhstan region", dated March 26, 2001;
- decision of Eastern-Kazakhstan Maslikhat "On regional budget for 2001", dated December 26, 2000, #7/2-11;
- decision of Eastern-Kazakhstan Maslikhat "On making changes and amendments to the decision of Eastern-Kazakhstan Maslikhat "On regional budget for 2001", dated December 26, 2000, #7/2-11 "On regional budget for 2001", dated March 27, 2000, #8/5-11;
- decision of Eastern-Kazakhstan Maslikhat "On making changes and amendments to the decision of Eastern-Kazakhstan Maslikhat "On regional budget for 2001", dated December 26, 2000, #7/2-11 "On regional budget for 2001", dated April 25, 2001, #9/2-11;
- decision of Eastern-Kazakhstan Akim "On implementing Regional investment program on borrowing by regional budget in compliance with the Law of Kazakhstan "On budgetary system", dated March 21, 2001, #1013;

The purchasing of the bonds by Pension Assets Management Companies and State Accumulative Pension Fund CJSC (SAPF) using the pension assets is permitted by the resolution #846 of the National Securities Commission of Kazakhstan Directorate, dated June 18, 2001 "On investing the pension assets into the bonds of local executive body of East-Kazakhstan region".

INITIAL OFFERING RESULTS

On June 19, 2001 initial offering auction was held in the trade system of the KASE for floatation of EKR bonds. Announced offering volume was set at **KZT500m** by the issuer. Only competitive bids were accepted at the auction. The bonds were offered by the issuer at face value. The trade was held over the fixed coupon rate. The

bids placed to buy bonds were satisfied by the issuer by the results of the auction after the cut-off procedure made at 0.01% increments. The bids, where the yields exceed the rate chosen by the issuer as a cut-off rate, will be eliminated. All bids submitted at the rates equal to or lower than the cut-off rate will be satisfied by the issuer at a single rate, which equals the cut-off rate. The purchased bonds should be paid for till 4:00PM Almaty time on June 19.

A total of **15 bids** were made by 8 investors at the auction to buy 57,500 bonds amounting to \$5,750,000.00 at debt face value. At current official rate (KZT146.45 per dollar) it corresponds to **KZT842,087,500.00**. Demand exceeded the supply **1.68 times** at the auction. The banks expressed the most interest in buying the bonds, who accounted for **53.9%** of the demand. The proportion of bids submitted by using the pension assets equaled **40.9%**. Brokerage-dealing companies accounted for **5.2%**. Coupon varied from 3.00% APR to 11.00% in submitted bids and equaled 8.7445% APR on average.

By the results of the auction, cut-off rate (and fixed coupon rate of EKR bonds) was set by the issuer at **6.30% APR**. As a result, only 2 bids have been satisfied from two investors, for a total of **\$600 th.** at face value (6,000 bonds) or **KZT87,870,000.00** at current official rate (KZT146.45 per dollar). Actual floatation volume was KZT412.1m, or 5.7 times less than planned volume. By the results of the auction, 50% of the floatation volume was purchased by accumulative pension funds, and another 50% – brokerage-dealing companies. The coupon rate that has settled at the auction corresponds to 6.30% APR YTM on semiannual basis or 6.40% APR on an annual basis.

On June 26 the issue will hold additional offering auction of the bonds for **KZT412,130,000.00 at face value** in the Trade system of the KASE. The bids are made for the auction **from 9:00AM to noon Almaty time**. This time the bonds are offered not at face value, but at the prices in submitted bids at a fixed coupon rate (6.30% APR). Only competitive bids are accepted at the auction.

Following information is given based on the conclusion of the KASE Listing commission and was not checked by the specialists of IRBIS agency. The akimat of EKR, as well as its financial consultants assume all the responsibility for the information presented to the KASE.

REGIONAL INVESTMENT PROGRAM OF EKR

By the resolution of the Government of Kazakhstan #385, dated March 26, 2001 "On Regional investment program and borrowing of the local executive body of East-Kazakhstan region" the funds raised through offering of municipal bonds of the region should be used to implement RIP. Both RIP and servicing of the debt of local executive body are subjected to a nonsequester based on the decisions of Akim and regional Maslikhat.

First project is construction and putting in operation of a beer plant (Vostok-pivo LLP, Semipalatinsk) during 2001-2003. Vostok-pivo is affiliated company of Semey-Su LLP (Semipalatinsk) created in 2000. Amount of capital investments is \$16m including equipment -\$10m, construction works - \$6m. The facility will start operations on the second year. Borrowing volume -\$6m, including budget borrowing - \$3m (18.75% of the project cost). The five-year profit forecast is \$154.34m, costs - \$92.20m, taxable profit - \$24.82m, net profit - \$17.30m. Within the five years of operations the internal revenue rate (IRR) would equal - 13%, NPV (at 10% interest rate) - \$970 th., within 10 year the same figures would equal to 30.5% and \$13,379.7 th.

Second project includes production and processing of gold ore from the Bolshevik deposit. Final product is commodity gold. Realization period - 2001-2003. The project is operated by mining metallurgy company (MMC) "Altyn-Aimak" (Ust-Kamenogorsk). The company created in 1999 by merger of Irtysh Zoloto CJSC and Artel Trud CJSC. The latter had had ten-year experience in gold mining supported by corresponding licenses. Meanwhile, Irtysh Zoloto CJSC possesses know-how on processing technologies. The amount of capital investments is \$8m. The facility will start operations on the second year. Borrowing volume - \$10.5m, including budget borrowing - \$2m (19.0% of the project cost). The seven-year sales revenues would reach \$53.6m, production costs \$23.1m, net profit - \$11.1m, IRR -18.2%, payback period - 4.8 years.

Third project - small and medium business assistance, assistance to agricultural producers. Realization term - 2001-2003. No financial figures are given due to nature of the project.

All RIP projects conform with economic priorities set by Government Investment Program "Domestic producers assistance and small-medium scale business development." The project realization would provide creation of 1,500 jobs and 400 jobs would be restored. Total financing volume equals KZT7,784m (First project - KZT5,672m, the second - KZT1,450m, the third - KZT662m). Financing from the local budget would equal KZT1,387m (KZT1,000m in 2001 of which: the first project - KZT435m, the second - KZT 218m, the third - KZT347m). All mentioned projects were approved by the Ministry of Finance and the Ministry of Economy and Trade.

RISK ASSESSMENT

Following is the characteristics of the risks that the Akimat of Eastern-Kazakhstan region may face with when servicing and repaying its bonds.

Risks stated by financial consultants

The consultants presented following information on risks, which could undermine financial conditions of the issuer and lead to inability of the issuer to meet obligations:

- Difficulties of budget forecasting for the circulation period as a result of underdevelopment of the budget system, lack of transparency of budget withdrawals and subventions.
- Modifications of the legislation related to distribution of tax revenues between local and republican budgets. For instance, revenue side of the local budget will be affected by forthcoming lowering of social tax from 26% to 21%. It is not clear whether this measure would be compensated by broadening of the taxable base. Amount of income tax collected from legal entities could be also subjected to variations thanks to creation of the National Fund. The revenues could be impeded by planned foundation of the Development Bank of Kazakhstan (formation of the authorized capital).
- Shortage or overestimation of revenues could hinder ability of the issuer to service obligations (coupon rates and principal). At the same time, local legislative authorities have stated that expenditures of the local budget related to bonds servicing will not be subjected to sequestering.
- Reserved right of the issuer for prescheduled redemption of bonds creates difficulties in forecasting of cash flows provoking rise refinancing risk (yet, current situation in the securities market significantly lowers impact of the risk). The liquidity will be supported by market-maker, TuranAlem Securities LLP. Nevertheless, there is no confidence that the secondary market will be active.
- In case of significant devaluation of tenge vis-a-vis dollar, the issuer could meet servicing problems. According to the MOF, risks associated with dollar exchange rate or losses of the local budget could vary between 517.6m and 551.3m tenge.

The money raised through issue will be distributed using two-level system. Firstly, the issuer transfers money to banks selected on a tender. Secondly, according to the credit agreements with the issuer, banks conduct crediting of final borrowers. The issuer and its consultants noted that participation of banks as intermediaries would increase efficiency of funds distribution, and would lower risks associated with default.

Risks stated by the Ministry of Finance

The credit terms and particularly, lump sum repayment creates high risks of untimely or incomplete redemption of loans. Thus, the local budget is at danger to default on bonds (lump sum payment as well) for a total of KZT1bn.

The money distribution scheme at which returned credits are being kept in banks during the whole period of borrowing could rise budget money misuse risk (objectives that are not set by the Regional investment program (RIP)).

The realization of the RIP stipulates some budget expenditures on covering of interest rate subsidy (small-, medium scale business support, about 3.8%) and expenditures related to consulting and other services to the professional participants of the stock exchange market. These expenses require additional sources to be fulfilled.

RISKS STATED BY THE MINISTRY OF ECONOMY AND TRADE

Financial conditions of the final borrowers. No data on financial condition of the final borrowers (according to the RIP) have been presented. Meanwhile these data are important for banks.

Comments of the Listing commission of KASE

In 2000, 26.0% of the budget revenues (1999 - 21.0%) were formed by a single company, Kazzinc OJSC. Worsening of the company's financial conditions could seriously affect revenue side of the budget.

Approved budget withdrawals equaled KZT2,407,479 th. (according to the republican budget law for 2001 dated Dec.22, 2000) and were increased by KZT52,373 th. (according to modifications put in the same law on April 25, 2001). These changes were not put into documents presented by the issuer and consultants. However, they informed that amendments will be considered in the budget after approval on the session of regional legislative body.

CHARACTERISTICS OF EKR

General information

The region was founded in 1932 and was merged with Semipalatinsk region in 1996. The area is 283.3 th. sq. m. or 10.4% of the country's area. As of Jan.1, 2001 the population equaled 1,504.3 th. people (10% of total population) including urban - 883.8 th. people or 58.6%. Density of population is 5.3 people per sq. km. The regional center is located in Ust-Kamenogorsk. There are 10 cities and 900 rural settlements. The region is divided by 19 districts, 15 of which are rural.

Main economic and social indicators of East-Kazakhstan regions for last two years

(KZT bn, unless otherwise indicated)

Indicator	1999	2000	2000 to 1999, %
Industrial production including household sector	114.1	142.6	124.9
Industrial; production excluding household sector including:	101.1	130.6	129.1
mining industry	11.7	12.9	109.5
processing industry	72.7	100.4	138.0
production and distribution of electricity, gas and water	16.6	17.3	104.1
Gross production of agricultural sector	29.2	33.4	114.4
Foreign trade turnover (USD m)	834.7	1,058.9	126.9
including:			
exports (USD m)	470.8	571.2	121.2
imports (USD m)	363.9	487.7	134.0
Fixed assets investments	20.6	25.8	124.8
Transportation turnover (billion tons-kilometers)	5.1	6.4	125.2
Passenger turnover (billions of passenger-kilometers)	1.21	1.26	104.5
Total income of enterprises	5.5	19.6	356.0
Monthly average wage (KZT)	11,614	12,038	103.6
Official unemployment (%)	4.9	4.1	

Industry

The East-Kazakhstan is one of the industrially developed regions in Kazakhstan. In 2000, industrial production equaled KZT142.6bn or 24.9% more than in previous year. Industrial production growth rate was higher than the country's average. Index of real production equaled 119.4% including: mining industry - 23.2%, processing industry - 32.6%, production and distribution of electricity, gas and water - remained unchanged. The basis for economic development is unique deposits of non-ferrous metals. The share of lead production takes 84.5% of the total, refined gold - 62.5%, refined silver - 38.7%, titanium, magnesium and zinc - 100%. The regions is the sole producer of fuel for nuclear power stations, Ulba-metallurgical plant OJSC.

Non-ferrous metallurgy is the base industry taking 52.0% of the regional industrial production. Among leading companies are - Kazzinc OJSC that amount for 26.0% of budget receipts in 2000, Ust-Kamenogorsk Titanium and Magnesium plant, 1.8%, VostokKazmed - 6.5% (affiliated to Corporation Kazakhmys OJSC). Besides, there are several large companies producing commodity coal.

Engineering industry takes 2.4% of the industrial production and is represented by Vostokmashzavod OJSC (mining equipment, metallurgical and technological equipment), Semmashzavod OJSC (industrial transportation equipment), Ust-Kamenogorsk armaturnii zavod OJSC (pipeline equipment), Mashzavod LLP (electricity engines), Kazakhkabel LLP (cables). In 2000, industrial equipment production grew up 2.3 times, electricity equipment - 78%, textile and light industry - 1.6 times, chemical industry 1.9 times.

Agricultural processing industry (8.6% of total industrial production) includes 80 companies. The food-stuff industry saw 32.4% growth of meat, canned meat - 1.6 times, liquors and beverages - 2.4 times, vine - 5.4 times. In the sectors production declined (from 15 to 50%).

Energy sector

The sector is represented by several hydro and power stations with total capacity of 2,405.5 MW producing 18bn kWh (30% of the total energy in the republic). Its share in the total industrial production equals 11.2%. The production volume grew up by 6.3%. In 2000, region imported 131m kWh.

Transportation and communication

Rail-road transportation links regional center with Leninogorsk, Ziryaynovsk, Semipalatinsk and other cities. The total length equals 1,423 km. Transportation volume was 25.6m tons or 114.6% to 1999, turnover - 6,326.5m tons/km (124.9%), passenger turnover - 622.4m passengers per kilometer (111.6%).

Sea routes are operated by two companies Irtishtrans LLP and Verhneirtishskoye rechnoye parohodstvo OJSC. There are two river ports. Some underdevelopment of the infrastructure impedes river transportation with Russia.

Air-transportation is also operated by two companies Irtish-Avia OJSC and Semey-Avia OJSC. The passenger turnover grew up by 83.7% compared to 1999.

Communications are represented by international telephone lines through Almaty. There are 369 automatic telephone stations of which 12 are digital.

Small business

There are 15.3 th. legal entities registered as small-scale companies with total staff of 50 th. people. The production volume equaled KZT67.3bn including industrial production - KZT4.1bn (2.95 of the total volume). Retail trade turnover equaled KZT64.2bn (103.2%) of which small business takes 78.8%.

Agriculture

As of Jan.01, 2001 total of 7,576 agro-companies were registered in the region, of which 7,422 are private farms and 154 legal entities. In 2000, gross production increased by 44.6% compared to 1997 and totaled KZT33.4bn. The wheat production was 598.6 th. tons or 2.8 times higher. The livestock breeding industry recorded double growth of poultry and pigs production, 6% growth was reached in cattle farming. The sector produced 453.2 th. tons of milk (135% to 1997), 207.4m eggs (155%).

About 90% of total production in the sector falls on farmers and households.

Expected growth of agricultural production would fully cover consumer demand in the region, including bread - 110%, vegetable oil - 156%, potato - 136%, vegetable - 128%, meat - 107%, milk - 119%. Production capacities of processing companies (84) and mini plants (999) are sufficient to process all agricultural production.

Development prospects

In 2001, the planned growth rate of industrial production would equal 9.3% (including mining - 2.4%, processing - 12.9%, production and distribution of electricity, gas and water - 1.2%). The growth will be attributed to non-ferrous metals production.

By year 2003, this sector would grow by steady 15.4% annually. The growth would be reached due to strengthening of internal raw material base:

- construction of Maleev deposit will increase ore extraction up to 2.2m tons, sufficient level to cover demand of Kazzinc OJSC;
- construction of Artemyev deposit with capacity of 150 th. tons of ore per year;
- completion of explorations over Bektemir deposit will provide Ust-Kamenogorsk Titanium-Magnesium plant with raw material base.

There are plans to expand capacities of Ulbinsk-metallurgical plant in regarding production of beryllium, tantalum and uranium.

Fixed capital investments reached KZT25.75bn and increased by 64.4%. The investment activity was concentrated in transportation sector and metallurgy complex. The biggest volume of funds (82%) was directed to mining and metallurgy industries. The same industries will maintain their attractiveness as an object of investments in future.

Own funds of companies still maintains their importance as a main source of investments (Kazzinc OJSC plans to reconstruct and acquire Tishinks ore deposit, explore and develop Novo-Leninsk and Obruchevsk mines, technological modernization of equipment). The domestic and foreign investments (construction of rail road line from Tchar to Ust-Kamenogorsk, construction of Artemyevsk ore mine) take second position.

The budget investments will be directed to construction of roads between Leninogorsk to Altai, modernization of water recycling facilities in Semipalatinsk.

Government control

The regional government is represented by Akim, the governor of local executive body, who is directly controlled by the President of Kazakhstan. The regional government includes independent regional departments, each of them specializes in particular activity (financial department, economic department, educational department, health department, etc.).

Akimat: Governor of East-Kazakhstan region (Akim) - **Mette V. L.** Deputy Governor - **Shvaichenko Yu. P.** - in charge of industry, transportation, trade, communication and emergency. Deputy Governor - **Bergenev A. S.** - in charge of construction, municipal property, architecture, roads, transport. Deputy Governor - **Kaliyev A. B.** - in charge of agriculture and processing. Deputy Governor - **Abaidildin T. Zh.** - in charge of ideology and social infrastructure. Deputy Governor - **Kazhibayev A. K.** - in charge of defense

BUDGET AND ITS PERFORMANCE

Revenues

According to the "Law on Budget System" Kazakhstan two tier system of the budget. The government budget consists of republican and local budgets. The regional budgets have purely territorial divisions on municipal and district budgets.

The Law defines list of local tax and non-tax revenues, authority to conduct capital operations, types of official transfers. Another important source of budget revenues is redemption of local budget credits. The excess of funds over planned volume of centralized budget transfers remains at disposal of local authorities.

Budget performance of East-Kazakhstan region for 1998-2000

(in thousand tenge, unless otherwise indicated)

Budget article	2000		1999		1998	
	Amount	% of planned volume	Amount	% of planned volume	Amount	% of planned volume
I. Receipts	25,892,409	101.7	17,330,975	93.2	16,046,239	80.3
Revenues:	22,348,473	103.1	16,983,899	94.0	11,240,431	74.1
Tax revenues	21,090,626	104.0	15,772,064	96.7	9,946,378	75.8
Non tax revenues	1,158,481	89.4	1,113,265	66.3	1,271,493	62.1
Capital operations	99,366	103.8	98,570	128.2	22,560	1,156.9
Official transfers received	3,472,583	100.0	325,154	97.8	4,796,816	100.0
Redemption of loans, borrowings	71,353	23.5	21,922	11.3	8,992	6.3
II. Expenditures and financing	25,422,315	99.4	17,816,413	89.4	16,531,095	81.1
Expenditures:	25,165,667	99.4	17,796,013	89.4	16,449,476	81.0
General services	926,296	99.1	739,754	96.9	726,402	87.2
Defense	770,145	99.9	574,629	99.2	470,414	83.8
Public order	999,209	99.8	821,798	97.8	788,672	88.8
Education	7,115,017	99.7	6,746,748	97.7	5,966,266	90.7
Health care	4,983,195	99.9	4,398,243	87.5	1,785,479	81.6
Social security	2,068,574	97.7	2,195,133	89.4	5,071,917	69.8
Housing utilities	776,015	99.4	443,970	83.1	532,891	90.9
Culture, sport, information	1,022,881	99.6	696,740	94.2	681,930	89.9
Agriculture, water resources, forestry and ecology	485,183	91.3	250,806	78.6	207,461	73.5
Industry, construction, mining	29,500	100.0	28,994	94.2	45,202	72.2
Transportation and communications	4,173,265	100.0	835,699	52.0	0	
Other	537,585	98.4	63,499	88.6	170,797	58.4
Official transfers (withdrawal)	1,278,802	100.0	-	-	-	-
Financing	256,648	99.8	20,400	81.3	81,619	87.2
III. Budget deficit (-) / surplus (+)	+470,094		-485,438		-484,856	

Budget performance for the first four months of 2001

(in thousand tenge, unless otherwise indicated)

Budget article	Planned figure		Performance		
	4 months 2001	4 months 2001	Actual	in % to period year	
I. Receipts	27,665,794	6,755,421	7,011,292	103.8	25.3
Revenues:	24,599,992	6,663,617	7,007,993	105.2	28.5
Tax revenues	23,050,412	6,298,668	6,685,711	106.1	29.0
Non tax revenues	1,294,674	306,538	281,581	91.9	21.7
Capital operations	254,906	58,411	40,701	69.7	16.0
Official transfers received	2,655,450	0	0	-	-
Redemption of loans, borrowings	410,352	91,804	3,299	3.6	0.8
II. Expenditures and financing	28,799,527	7,067,311	5,333,366	75.5	18.5
Expenditures:	27,592,835	6,674,219	5,287,576	79.2	19.2
General services	987,026	265,610	199,226	75.0	20.2
Defense	873,705	266,288	231,450	86.9	26.5
Public order	1,009,858	290,435	260,288	89.6	25.8
Education	7,488,232	2,045,774	1,789,141	87.5	23.9
Health care	5,077,726	1,278,453	979,499	76.6	19.3
Social security	3,572,456	763,869	533,963	69.9	14.9
Housing utilities	513,521	139,483	129,703	93.0	25.3
Culture, sport, information	861,209	222,239	150,362	67.7	17.5
Agriculture, water resources, forestry and ecology	565,807	121,847	41,354	33.9	7.3
Industry, construction, mining	167,494	3,503	223	6.4	
Transportation and communications	3,553,150	378,473	183,167	48.4	5.2
Other	510,172	201,590	107,540	53.3	21.1
Debt servicing	5,000	5,000	0	-	-
Official transfers	2,407,479	691,655	681,660	98.6	28.3
Financing	1,206,692	393,092	45,790	11.6	3.8
III. Budget deficit (-) / surplus (+)	-1,133,733	-311,890	+1,677,926		

Tax revenues. Tax revenues take largest part of total revenues. In 1998, they amounted to 62.0% of the budget receipts, 1999 - 91.0%, 2000 - 81.5% ,in first quarter 2001 - 95.4%.

The revival of non-ferrous metals industry in last year (2000) contributed to budget performance. For instance, corporate income tax doubled compared to 1999, income tax from individuals increased by 58.4%, social tax - 17.3% (these two are attributed to growth of average wage) and property tax - 10.6%.

Non-tax revenues including receipts from sale and rent of municipal property have been insignificant. Their share in total revenues equaled 7.9% in 1998, 1999 - 6.4%, 2000 - 4.5%, in first quarter - 4.0%. Capital operations receipts are also low and vary between 0.1%-0.6%.

Official transfers and grants. From 1997, the region was a recipient of transfers from the republican budget on construction of the bridge through Irtish river. Last year volume amounted KZT9.74bn. For 2001, the volume of transfers for completion of construction would reach KZT2.66bn. According to the issuer, the construction has already been completed and it was put into operation in last year, while there is still infrastructure to be improved. The total project cost is 28.32bn yens, including external borrowing - 21.53bn yen and government budget financing - 6.79bn yens.

According to the article 12, Law "On the Republican Budget for 2001" the local budget canceled any obligations to the republican one from Jan.01, 2001. It included fund received in 1997-1999 under the same project.

Expenditures

The most part of the budget expenditures (1998 - 89.7%, 1999 - 90.6%, 2000 - 83.1%, first quarter 2001 - 75.5%) falls on seven main directions of development: housing utilities, health care, education, social security, transportation and communications, public order, culture, sport and information.

Till year 2000, there have no been any official transfers (withdrawals) to the republican budget. For 2000, the Law "On Republican Budget for 2000" defined the size of transfers as equal to KZT1,278,802 th. or 4.95 of the total budget receipts.

Approved withdrawal for 2001 equals KZT2,407,479 th. or 8.7% correspondingly (based on the law "On national budget for 2001", dated Dec 22, 00). On April 25, this amount was increased up to KZT52,373 th. (based on the law "On making changes and amendments to the Law of Kazakhstan "On national budget for 2001", dated April 25, 01).

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