

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) NON U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the Base Prospectus following this page and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO, EXCEPT AS EXPRESSLY DESCRIBED HEREIN. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT (“**REGULATION S**”)) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED BASE PROSPECTUS.

Confirmation of your representation: In order to be eligible to view the attached Base Prospectus or make an investment decision with respect to the securities being offered, a prospective investor must be either a Qualified Institutional Buyer (“**QIB**”) (within the meaning of Rule 144A (“**Rule 144A**”) under the Securities Act) or a person who is not a U.S. person located outside the United States. This Base Prospectus is being sent to you at your request and, by accessing this Base Prospectus, you shall be deemed to have represented to the Issuer, the Arrangers and the Dealers that (1) either (a) you and any customers you represent are QIBs or (b) you and any customers you represent are not U.S. persons and are outside of the United States purchasing the securities being offered in an offshore transaction (within the meaning of

Regulation S) and the electronic mail address that you gave us is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia and (2) you consent to delivery of such Base Prospectus by electronic transmission.

You are reminded that this Base Prospectus has been delivered to you on the basis that you are a person into whose possession this Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Base Prospectus to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and an Arranger or a Dealer or any affiliate of an Arranger or Dealer is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by such Arranger, Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

The attached Base Prospectus may only be distributed to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order and other persons to whom it may be lawfully communicated falling within article 49(1) of the Order (all such persons together being referred to as “**relevant persons**”). Any person who is not a relevant person should not act or rely on the attached Base Prospectus or any of its contents.

The attached Base Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Arrangers, any Dealer or any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Arrangers.



THE REPUBLIC OF KAZAKHSTAN

*represented by the Ministry of Finance of the Republic of Kazakhstan
acting upon authorisation of the Government of the Republic of Kazakhstan*

U.S.\$10,000,000,000 Medium Term Note Programme

Under the Medium Term Note Programme described in this Base Prospectus (the “**Programme**”), the Republic of Kazakhstan (the “**Issuer**” or “**Kazakhstan**”), represented by the Ministry of Finance of the Republic of Kazakhstan acting upon the authorisation of the Government of the Republic of Kazakhstan, subject to compliance with relevant laws, regulations and directives, may from time to time issue medium term notes (the “**Notes**”). The aggregate principal amount of Notes outstanding at any time will not exceed U.S.\$10,000,000,000 (or its equivalent in other currencies).

This Base Prospectus has been approved by the Financial Conduct Authority (the “**FCA**”) in its capacity as competent authority for the purposes of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU (the “**2010 PD Amending Directive**”)) (the “**Prospectus Directive**”) and relevant implementing measures in the United Kingdom as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for purposes of giving information with regard to the issue of the Notes described in this Base Prospectus for the period of 12 months from the date of this Base Prospectus. Application has been made for such Notes to be admitted to the official list of the FCA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market (the “**Market**”). References in this Base Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. The relevant final terms (the “**Final Terms**”) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market.

The Notes of each Series (as defined in “*Overview of the Programme*”) will be issued in registered form and may be offered and sold (a) outside the United States in reliance on Regulation S under the Securities Act of 1933, as amended (“**Regulation S**”) (the “**Unrestricted Notes**”) and represented by a permanent registered global note (each an “**Unrestricted Global Note**”) without interest coupons which may be deposited on the relevant issue date (i) in the case of a Series intended to be cleared through Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, Société Anonyme (“**Clearstream, Luxembourg**”) with a common depository (the “**Common Depository**”) and (ii) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, Luxembourg, or delivered outside of a clearing system, as agreed between the Issuer and the relevant Dealers, and/or (b) within the United States only to “qualified institutional buyers” (“**QIBs**”) (as defined in Rule 144A under the Securities Act (“**Rule 144A**”)) in reliance on Rule 144A (the “**Restricted Notes**”) and will be represented by a permanent global note (each a “**Restricted Global Note**”) and together with the Unrestricted Global Notes, the “**Global Notes**”), without interest coupons, which, as specified in the Final Terms may be cleared through Euroclear and/or Clearstream, Luxembourg or through The Depository Trust Company (“**DTC**”) and which may be deposited on the relevant issue date with either a Common Depository or a custodian (the “**Custodian**”) for DTC and registered in the name of Cede & Co. as nominee for DTC. Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Interests in Restricted Global Notes will be subject to certain restrictions on transfer. See “*Transfer Restrictions*”. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in a Global Note.

The Issuer’s current long term debt rating by Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”) is BBB (outlook negative), Moody’s Investors Service Ltd. (“**Moody’s**”) is Baa2 (outlook stable) and Fitch Ratings Limited (“**Fitch**”) is BBB+ (outlook stable). Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (a) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (b) issued by a credit rating which is not established in the EEA by will be endorsed by a credit rating agency which is established in the ERA and registered under the CRA Regulation or (c) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will also be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Each of S&P, Moody’s and Fitch is established in the European Union (the “**EU**”), domiciled in the United Kingdom, and is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the “**CRA Regulation**”). The list of credit rating agencies registered and/or certified under the CRA Regulation is available on the ESMA website (<http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>) (last updated 12 December 2014).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any State or other jurisdiction of the United States, and may not be sold within the United States or for the account or benefit of, any U.S. person (as such terms are defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a summary of certain restrictions on resale, see “*Subscription and Sale*” and “*Transfer Restrictions*”.

This Base Prospectus should be read and construed together with any amendment or supplement hereto. Further, in relation to any Series of Notes, this Base Prospectus should be read and construed together with the relevant Final Terms.

Neither this Base Prospectus nor the Notes are required to be registered or cleared under the regulations of the Kazakhstan Stock Exchange (the “**KASE**”).

Investing in the Notes involves certain risks. See “*Risk Factors*” beginning on page 5.

Arrangers and Permanent Dealers

Citigroup

J.P. Morgan

Kazkommerts Securities

Halyk Finance

RESPONSIBILITY STATEMENT

This Base Prospectus constitutes a base prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors to make an informed assessment of the economic, fiscal and political condition of the Issuer and the rights attaching to the Notes.

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus to the best of its knowledge is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the best of the knowledge and belief of the Issuer, having taken all reasonable care and made all reasonable enquiries to ensure that such is the case, this Base Prospectus contains all information regarding the Issuer and the Notes which (in the context of the issue of the Notes) is material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Base Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the offering, issue and sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Arranger or Dealer (each as defined in “*Overview of the Programme*”).

Neither the Arrangers nor the Dealers have separately verified the information contained herein. None of the Arrangers or the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any Final Terms are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Base Prospectus or any Final Terms should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and any Final Terms and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers or the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus and any Final Terms nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers or the Dealers.

Generally, investment in emerging markets such as Kazakhstan is only suitable for investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors are urged to consult their own legal and financial advisers before making an investment. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than do more mature markets, which could affect the ability of governments to meet their obligations under issued securities.

Investors should also note that emerging markets such as Kazakhstan are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly.

SUPPLEMENTS TO THIS BASE PROSPECTUS

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”), the Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further Base Prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplementary prospectus as requested by the UK Listing Authority and Section 87G of the FSMA.

The Issuer has undertaken, in connection with the listing of the Notes on the Official List, that in the event of a change in the condition of the Issuer, which is material in the context of the Programme or the issue of Notes, and if there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of any Notes, which inclusion would be

required by investors for the purpose of making an informed assessment of the economic, fiscal and political condition of the Issuer and the rights attaching to the relevant Notes, the Issuer will prepare or procure the preparation of a supplement to this Base Prospectus or, as the case may be, publish a new base prospectus, for use in connection with that or any subsequent issue by the Issuer of Notes listed on the Official List.

IMPORTANT NOTICES

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, under any circumstances, create any implication that the information contained in this Base Prospectus is accurate subsequent to the date hereof or that there has been no change in the affairs of the Issuer since the date hereof or the date upon which the Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the economic, fiscal and political condition of the Issuer since the date hereof or the date upon which the Base Prospectus has been most recently amended or supplemented or any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. This Base Prospectus may only be used for the purpose for which it has been published.

The distribution of this Base Prospectus and any Final Terms and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Arrangers and the Dealers to inform themselves and to observe any such restriction. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus and any Final Terms and the offering material relating to the Notes, see “Subscription and Sale”. In particular, Notes have not been and will not be registered under the Securities Act and will be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and sold in the United States to QIBs in reliance on Rule 144A. Prospective purchasers of Notes are hereby notified that sellers of Notes may be relying on the exemption from registration requirements of Section 5 of the Securities Act provided by Rule 144A.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arrangers or the Dealers to subscribe for, or purchase, any Notes. In particular, this Base Prospectus does not constitute an offer of securities to the public in the United Kingdom. Consequently this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order and other persons to whom it may be lawfully communicated falling within article 49(1) of the Order (all such persons together being referred to as “**relevant persons**”). Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Base Prospectus may come are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe such restrictions.

STABILISATION

In connection with the issue of any Tranche (as defined in “*Overview of the Programme*”) of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)**”) (or persons acting on behalf of the Stabilising Manager(s)) in the relevant Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over allotment must be conducted by the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.**

NOTICE TO PROSPECTIVE UNITED STATES INVESTORS

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES REVIEWED OR PASSED UPON OR

ENDORSED THE MERITS OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This Base Prospectus is being furnished only to a limited number of investors in the United States who are persons reasonably believed to be QIBs and to investors outside the United States. Any reproduction or distribution of this Base Prospectus, in whole or in part, in the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than in considering an investment by the recipient in the Notes, is prohibited. Each potential investor in the Notes, by accepting delivery of this Base Prospectus agrees to the foregoing and each purchaser or holder of interests in Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain acknowledgements, representations and agreements as set out in “*Subscription and Sale*” and “*Transfer Restrictions*”.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421 B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421 B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FORWARD LOOKING STATEMENTS

Certain statements included herein may constitute “forward looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”); however, this Base Prospectus is not entitled to the benefit of the safe harbour created thereby. Such statements, certain of which can be identified by the use of forward looking terminology such as “believes”, “expects”, “may”, “are expected to”, “intends”, “will”, “will continue”, “should”, “could”, “would be”, “seeks”, “approximately”, “estimates”, “predicts”, “projects”, “aims” or “anticipates”, or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions, involve a number of risks and uncertainties. Such forward looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised. Therefore, undue reliance should not be placed on them. The Issuer has based these forward looking statements on its current view with respect to future events and financial results.

Forward looking statements speak only as at the date on which they are made and the Issuer undertakes no obligation to update publicly any of them in light of new information or future events. Forward looking statements involve inherent risks and uncertainties. Forward looking statements include, but are not limited to: (i) plans with respect to the implementation of economic policy; (ii) expectations about the behaviour of the economy if certain economic policies are implemented; (iii) the outlook for gross domestic product, inflation, exchange rates, interest rates, commodity prices, foreign investment, balance of payments, trade and fiscal balances; and (iv) estimates of external debt repayment and debt service.

The Issuer cautions that a number of important factors could cause actual results to differ materially from those contained in any forward looking statement. The information contained in this Base Prospectus identifies important factors that could cause such differences, including, but not limited, to the following adverse external factors, such as:

- changes in international oil and gas prices, foreign exchange rates or prevailing interest rates, which could adversely affect Kazakhstan’s balance of payments and external reserves;

- adverse events in other emerging market countries, which could dampen foreign investment or adversely affect the trading price of the Notes; and
- adverse domestic factors, such as:
 - changes in economic or other policies, including monetary policy applicable in Kazakhstan, which could affect inflation, growth rates and/or other aspects of the Kazakhstan economy;
 - a decline in foreign direct investment (“**FDI**”), increases in domestic inflation, high domestic interest rates, exchange rate volatility or an increase in the level of domestic and external debt, which could lead to lower economic growth, a decrease in Kazakhstan’s fiscal revenues or an increase in debt service requirements; and
 - any deterioration in political or economic stability or in investor perceptions thereof.

The sections of this Base Prospectus entitled “*Risk Factors*”, “*The Republic of Kazakhstan*” and “*The Economy of Kazakhstan*” contain a more complete discussion of the factors that could adversely affect the Issuer. In light of these risks, uncertainties and assumptions, the forward looking events described in this Base Prospectus may not occur. The Issuer does not undertake any obligation to update or revise any forward looking statement, whether as a result of new information, future events or otherwise, except as may be required by law or applicable regulations. All subsequent written and oral forward looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

All subsequent written or oral forward looking statements attributable to the Issuer, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Base Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward looking statements.

ENFORCEMENT OF FOREIGN JUDGMENTS AND AWARDS

The Issuer is a sovereign state and substantially all of its assets are located in the Republic of Kazakhstan. As a result, it may not be possible (a) to effect service of process upon the Issuer outside of the Republic of Kazakhstan, (b) to enforce against it in courts of jurisdictions other than the Republic of Kazakhstan, judgments obtained in such courts unless the Issuer has effectively waived its state immunity or (c) to enforce against it in the Republic of Kazakhstan’s courts, judgments obtained in other jurisdictions unless that other jurisdiction and the Republic of Kazakhstan are party to a treaty on mutual recognition and enforcement of judgments. Neither the United Kingdom nor the United States is party to any such treaty with the Republic of Kazakhstan and even if an applicable international treaty is in effect, the recognition and enforcement in Kazakhstan of a foreign judgment will in all events be subject to exceptions and limitations provided for in the laws of the Republic of Kazakhstan. For example, a court in Kazakhstan may refuse to recognise or enforce a foreign judgment if its recognition or enforcement would contradict public policy. As a result, it may be difficult to obtain recognition or enforcement in the Republic of Kazakhstan of a foreign judgment in respect of the Notes.

Nevertheless, the Issuer will irrevocably appoint the Ambassador of the Republic of Kazakhstan to the Court of St. James’s as its authorised agent on whom process may be served in any action arising out of or based on the Notes in an English Court.

The Issuer will also agree that any claims or disputes arising in respect of the Notes shall be referred to and finally settled by arbitration in accordance with the rules of the London Court of International Arbitration. The Republic of Kazakhstan is a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”) and, accordingly, an arbitral award should generally be recognised and enforceable in Kazakhstan under the New York Convention provided the conditions to enforcement set out in the New York Convention are met. Kazakhstan’s Law On International Arbitration No. 23-III (the “**Arbitration Law**”) together with Kazakhstan’s Civil Procedure Code provide clear statutory guidelines for the enforcement of arbitral awards under the conditions set forth in the New York Convention and since under the Terms and Conditions of the Notes the Issuer has, to the fullest extent permitted by applicable laws, waived any immunity that may be otherwise attributed to it in respect of the Notes, the Issuer should not

be able to claim any immunity for itself or its property in relation to proceedings in Kazakhstan to enforce such an award.

PRESENTATION OF INFORMATION

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary to reflect such rounding, and figures shown as totals may not be the arithmetical aggregate of their components.

Statistical data appearing in this Base Prospectus has, unless otherwise stated, been obtained from the Ministry of National Economy of Kazakhstan (the “**MNE**”), the Ministry of Finance of Kazakhstan (the “**Ministry of Finance**”) and the National Bank of Kazakhstan (the “**NBK**”). Some statistical information has also been derived from information publicly made available by third parties such as the International Monetary Fund (the “**IMF**”), the International Bank for Reconstruction and Development (the “**IBRD**”) and other third parties. Where such third party information has been so sourced the source is stated where it appears in this Base Prospectus. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced inaccurate or misleading. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. Information included in this Base Prospectus and identified as being derived from information published by Kazakhstan or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of Kazakhstan. All other information herein with respect to Kazakhstan is included herein as a public official statement made on the authority of the Ministry of Finance. Although every effort has been made to include in this Base Prospectus the most reliable and the most consistently presented data, no assurance can be given that such data was compiled or prepared on a basis consistent with international standards. However, as far as the Issuer is aware and is able to ascertain from information published by these parties, the information has been accurately reproduced and no facts have been omitted which would render the reproduced information inaccurate or misleading.

The information presented in this Base Prospectus with respect to the State Budget has been prepared substantially in accordance with the guidelines and definitions set forth in the Budget Code of the Republic of Kazakhstan dated 4 December 2008 No. 95-IV (the “**Budget Code**”) and applicable budget laws including the law on the Republican Budget of the Republic of Kazakhstan for 2015-2017 dated 28 November 2014 No 149-V.

References to gross domestic product (“**GDP**”) are to nominal GDP unless indicated otherwise.

In this Base Prospectus, unless otherwise specified, references to “**Kazakhstan**” or the “**State**” are to the Republic of Kazakhstan; references to “**Government**” or “**Parliament**” are to the Government or Parliament of Kazakhstan, respectively; references to the “**CIS**” are to the Commonwealth of Independent States; references to “**KZT**” and “**Tenge**” are to the currency of Kazakhstan; and references to “**U.S. dollars**” and “**U.S.\$**” are to the currency of the United States of America. References to “**billions**” are to thousands of millions.

Conversions of amounts from Tenge to U.S. dollars are solely for the convenience of the reader and, unless otherwise stated, are made at various exchange rates. No representation is made that Kazakhstan Tenge or U.S. dollar amounts referred to herein could have been or could be converted to U.S. dollars or Tenge, as the case may be, at any particular rate or at all.

Websites referred to in this Base Prospectus and the information therein do not form part of this Base Prospectus.

EXCHANGE RATES

Solely for convenience, this Base Prospectus includes conversions of certain Tenge amounts into U.S. dollars at specified rates. Unless otherwise stated, any consolidated statement of financial position data in U.S. dollars is converted from Tenge at the applicable exchange rate on the date of such consolidated statement of financial position (or, if no such rate was quoted on such date, the immediately preceding date on which such rate was quoted) and any income statement data in U.S. dollars is converted from Tenge into U.S. dollars at the average exchange rate applicable to the period to which such income statement data relates, in each case, calculated in accordance with the published exchange rates for U.S. dollars on the KASE, as reported by the NBK.

The following table sets forth the period-end, average and high and low rates for Tenge, each expressed in Tenge and based on the Tenge/U.S. dollar exchange rates quoted on the KASE, as reported by the NBK for the periods indicated:

	Period End	Average⁽¹⁾	High	Low
	<i>(Tenge/U.S. dollar)</i>			
Month				
January 2015	184.45	179.20	184.95	154.06
February 2015	185.05	183.55	184.45	182.35
March 2015	185.65	184.92	185.05	184.45
April 2015.....	185.80	184.59	185.65	185.05
May 2015.....	185.80	185.73	185.80	185.65

	Period End	Average⁽¹⁾	High	Low
	<i>(Tenge/U.S. dollar)</i>			
Year				
2010	147.40	147.36	148.46	146.41
2011	148.04	146.62	148.36	145.17
2012	150.29	149.11	150.86	147.50
2013	153.61	152.12	154.52	150.23
2014	182.35	179.20	184.95	154.06

Source: NBK

Notes:

- (1) The average rate is calculated based on the rate on each business day of the month for monthly averages, and on the last business day of each month for annual averages.

As at 17 June 2015, the official exchange rate of the NBK was U.S.\$1.00 to KZT 186.05.

The exchange rates set out in the table above may differ from the actual rates used in the preparation of the information appearing in this Base Prospectus. The inclusions of these exchange rates is not meant to suggest that any amount of the currencies specified above has been, or could be, converted into the applicable currency at the exchange rates indicated or at any other exchange rate.

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OVERVIEW OF THE PROGRAMME

This overview does not purport to be complete and must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of this Base Prospectus as a whole.

Words and expressions defined in “*Terms and Conditions of the Notes*” shall have the same meanings in this overview.

Issuer The Republic of Kazakhstan represented by the Ministry of Finance of the Republic of Kazakhstan acting upon the authorisation of the Government of the Republic of Kazakhstan

Description and Size Medium Term Note Programme

U.S.\$10,000,000,000 (or its equivalent in other currencies calculated in accordance with the provisions of the Programme Agreement) outstanding at any one time. The Issuer may increase the amount of the Programme at any time in accordance with the Programme Agreement.

Arrangers Citigroup Global Markets Limited
J.P. Morgan Securities plc
Kazkommerts Securities
Halyk Finance

Dealers Citigroup Global Markets Limited
J.P. Morgan Securities plc
Kazkommerts Securities
Halyk Finance

The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranche of Notes or in respect of the whole Programme. References in this Base Prospectus to “**Permanent Dealers**” are to those person listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “**Dealers**” are to all Permanent Dealers and all persons appointed as a dealers in respect of one or more Tranches of Notes

Fiscal Agent, Exchange Agent and Calculation Agent Citibank, N.A., London Branch

Principal Paying and Transfer Agent Citibank, N.A., London Branch

Registrar Citigroup Global Markets Deutschland AG

Method of Issue The Notes will be issued in series (each, a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may comprise one or more tranches of notes (each, a “**Tranche**”) issued on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the denominations, issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Final Terms.

Issue Price Notes may be issued at any price on a fully paid basis, as specified in the Final Terms. The price and amount of the Notes to be issued under the Programme will be determined by the

	Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Form of Notes	Each Series of Notes will be issued in registered form only. Restricted Notes will initially be represented by a Restricted Global Note and Unrestricted Notes will initially be represented by an Unrestricted Global Note. The Global Notes will be exchangeable for Definitive Note Certificates (as defined herein) in the limited circumstances specified in the Global Notes.
Clearing Systems	Euroclear, Clearstream, Luxembourg and DTC, unless otherwise agreed, and such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer(s).
Currencies	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal, regulatory and central bank requirements.
Maturities	Subject to compliance with all relevant laws, regulations, directives and/or central bank requirements, any maturity.
Denominations	Notes will be issued in such denominations as may be specified in the relevant Final Terms (the “ Specified Denomination ”), provided that, subject to the below, the Specified Denomination(s) shall not be less than €100,000 or its equivalent in another currency. For so long as the Notes are represented by a Global Note, and the relevant clearing system(s) so permit, subject to the below, the Notes shall be tradeable only in the minimum authorised denomination of €100,000 or its equivalent in another currency and higher integral multiples of any smaller amount specified in the relevant Final Terms. Interests in the Restricted Notes shall be held in amounts of not less than U.S.\$200,000 or its equivalent in other currencies. Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 (“ FSMA ”) will have a minimum denomination of £100,000 (or its equivalent in another currency).
Interest	Notes may be interest-bearing or non interest-bearing (as set out in the relevant Final Terms). Interest (if any) may accrue at a fixed rate or a floating rate.
Redemption	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whole issue otherwise would constitute a contravention of section 19 of the FSMA will have a minimum redemption amount of £100,000 (or its equivalent in the relevant currency).
Status of the Notes	Subject as set out in “ <i>Negative Pledge</i> ” below, the Notes are unsecured obligations of the Issuer which rank <i>pari passu</i> , without any preference among themselves and at least <i>pari passu</i> in right of payment with all other outstanding present and future unsecured External Indebtedness (as defined in the Terms and Conditions of the Notes) of the Issuer.
Negative Pledge	The Notes will have the benefit of a negative pledge as described in Condition 6 (<i>Negative Pledge</i>).
Credit Ratings	Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (a) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (b) issued by a credit rating which is not established in the EEA but will be endorsed by a credit rating agency which is established in the ERA and registered under the CRA Regulation or (c) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will also be

disclosed in the relevant Final Terms. The list of credit rating agencies registered and/or certified under the CRA Regulation is available on the ESMA website (<http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>) (last updated 12 December 2014).

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Taxation All payments of principal and interest in respect of the Notes will be made free and clear of withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.

In that event, the Issuer shall pay such amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction has been required, subject to certain exceptions set out in Condition 12 (**Taxation**).

Governing Law English law.

Transfer Restrictions The offering and sale of Notes is subject to applicable laws and regulations including, without limitation, those of the United States, the United Kingdom and the Republic of Kazakhstan. See “*Subscription and Sale*”.

The Notes have not been and will not be registered under the US Securities Act or any U.S. state securities law. Consequently, the Notes may not be sold in the United States except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and any applicable state securities laws. See “*Transfer Restrictions*”

Neither this Base Prospectus nor the Notes are required to be registered or cleared under the regulations of the KASE.

Listing and Trading Applications have been made for the Notes to be admitted during the twelve months after the date hereof to listing on the Official List and to trading on the Market and references to “listing” shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market.

Enforcement of Notes in Global Form In the case of Global Notes, individual investors’ rights against the Issuer will be governed by a deed of covenant dated on or around 24 September 2014 (the “**Deed of Covenant**”), a copy of which is available for inspection at the specified office of the Fiscal Agent.

Risk Factors Investing in the Notes involves a high degree of risk, which investors should ensure they fully understand. These include: risks associated with emerging markets, risks relating to Kazakhstan and risks relating to the Notes. See “*Risk Factors*”

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which the Issuer believes are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Risks Associated with Emerging Markets

General

Investors in emerging markets such as Kazakhstan should be aware that such markets are subject to greater risk than more developed markets, including in some cases significant legal, regulatory, economic, social and political risks. Investors should also note that emerging economies such as Kazakhstan's are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, making an investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

Disruptions experienced in the international capital markets over the last few years and changing regulatory environments have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Countries located in emerging markets may be particularly susceptible to these disruptions and changes and also to reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty.

In addition, the availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole. Accordingly, any factors that impact market confidence, such as a decrease in credit ratings or state or central bank intervention in a particular market, could affect the price or availability of funding for entities within any of these markets, which could, in turn, have an impact on the wider economies of such markets.

Fluctuations in the global economy or an increase in the perceived risks associated with investing in countries located in emerging markets could reduce foreign investment in Kazakhstan and, as a result, have an adverse effect on Kazakhstan's economy. If foreign investment in Kazakhstan's economy declines, it may experience liquidity constraints. Kazakhstan's economy is also not immune from developments in the economies of other countries located in emerging markets. Even if Kazakhstan's economy remains relatively stable, financial unrest or instability experienced in one or more countries located in an emerging market, especially countries in the CIS, the Caspian Sea or Central Asian regions (which have recently experienced significant political instability, including terrorism and internal unrest), could have a negative impact upon Kazakhstan's economy.

Any of the aforementioned risks could have a negative effect on Kazakhstan's economy, and thus could have a material adverse effect on the trading price of the Notes.

Risks Relating to the Conflict in Ukraine

The ongoing, and significant, civil and political unrest relating to Ukraine is inherently volatile and uncertain. Following political unrest and the formation of a new government in Ukraine in early 2014, escalating military activities within the country and on its borders, which have included Crimea's independence vote and subsequent absorption by Russia, have combined with Ukraine's very weak economic conditions to create significant uncertainty in Ukraine, the region as a whole and global markets. Resolution of Ukraine's volatile

political and economic situation will likely not be obtained for some time, and the situation could further deteriorate into increased violence and/or economic collapse. Such instability could have a material adverse effect on Kazakhstan's economy, particularly as a result of the impact on the global economy and the Russian economy, which could in turn have a material adverse effect on the trading price of the Notes.

Risks Relating to Kazakhstan

Kazakhstan's economy is vulnerable to external shocks and fluctuations in the global economy

Kazakhstan's economy and finances have been and continue to be affected adversely by the recent global financial crisis and recent political turmoil in certain emerging markets (for example, Ukraine and Russia). Real GDP growth decreased from 8.9% in 2007 to 3.3% in 2008 and to 1.2% in 2009, before increasing to 7.3% in 2010 and 7.5% in 2011 and then decreasing to 5.0% in 2012 and increasing to 6.0% in 2013 and further decreasing to 4.3% in 2014. Real GDP growth year-on-year in the three months ended 31 March 2015 was 2.2%, as compared to 3.8% in the three months ended 31 March 2014, according to preliminary data. The global financial crisis and resulting changes in the regulatory environment have resulted in, among other things, lower liquidity levels across the banking sector, tighter credit conditions for Kazakhstan companies generally and fluctuating global demand for and instability in the price of crude oil and other commodities and downward pressure on the Tenge.

While Kazakhstan's economy has generally recovered following the most severe stage of the global financial crisis, its economy remains vulnerable to further external shocks and the economic performance of its trading partners. A significant decline in economic growth in the EU or any of Kazakhstan's other major trading partners, including Russia (whether or not resulting from the recent sanctions imposed by, among others, the U.S. and the EU), could have a material adverse effect on Kazakhstan's balance of trade and adversely affect Kazakhstan's economic growth. Kazakhstan also depends on neighbouring states to access world markets for a number of its major exports. Should access to these export routes be materially impaired, this could adversely impact Kazakhstan's economy. Events occurring in one geographic or financial market sometimes have so-called "contagion effects", whereby they result in an entire region or class of investments being disfavoured by international investors. Kazakhstan has been adversely affected by contagion effects in the past and it is possible that the market for investments in Kazakhstan, including the Notes, will be similarly affected in the future by negative economic or financial developments in neighbouring countries or countries whose economies or credit ratings are similar to those of Kazakhstan. See "*—Sanctions imposed on Russia could have an indirect adverse impact on Kazakhstan's economy*" below.

There can be no assurance that current weaknesses in the global economy, or a future external economic crisis, will not have a negative effect on Kazakhstan's economy or on investors' confidence in Kazakhstan's markets or Kazakhstan's ability to raise capital in the international debt markets, all of which could have a material adverse effect on the trading price of the Notes.

Sanctions imposed on Russia could have an indirect adverse impact on Kazakhstan's economy

The U.S. and the EU (as well as other nations, such as Australia, Canada, Japan and Switzerland) have imposed sanctions on certain Russian and Ukrainian persons and entities in connection with the current conflict in Ukraine, including, sanctions imposed by the U.S. and the EU on 12 September 2014. The sanctions imposed to date have had an adverse effect on the Russian economy, prompting downward revisions to the credit ratings of the Russian Federation and a number of major Russian companies that are ultimately controlled by the Russian Federation, causing extensive capital outflow from Russia and impairing the ability of Russian issuers to access the international capital markets. The governments of the U.S. and certain EU member states, as well as certain EU officials, have indicated that they may consider additional sanctions should such tensions between Russia and Ukraine continue.

While Kazakhstan maintains strong independent diplomatic relationships with both Russia and Ukraine and has confirmed its neutral position with respect to the tensions between Russia and Ukraine, Kazakhstan has significant economic and political relations with Russia. Russia and Kazakhstan, together with Belarus, are members of the Customs Union and Common Economic Space and established the Eurasian Economic Union (the "EEU") on 1 January 2015. While the establishment of the EEU is not expected to have an immediate significant impact on Kazakhstan's relationship with Russia because it is essentially a continuation of the Customs Union and Common Economic Space structures that have been in place since 1 January 2010 and 1 January 2012, respectively, the establishment and functioning of the EEU is expected to continue to strengthen

Kazakhstan's economic relations with Russia going forward. In 2014, based on actual trade flows, Kazakhstan's imports from Russia accounted for 33.3% of Kazakhstan's total imports, and its exports to Russia accounted for 6.6% of its total exports. In addition, a significant amount of the natural gas transported through Kazakhstan's natural gas pipeline system is transported to Russia or from one part of Russia to another through Kazakhstan's territory.

As at 1 April 2015, the total assets of four Russian banks operating in Kazakhstan (Sberbank, Alfa-Bank, VTB Bank (Kazakhstan) and Bank Home Credit) represented 9.8% of the total assets of Kazakhstan's banking sector. Primarily due to the effects of the recently imposed sanctions on the Russian economy, Kazakhstan's trade turnover with Russia decreased from approximately U.S.\$4.1 billion in the first quarter of 2015, as compared to U.S.\$3.3 billion in the first quarter of 2014, and it may decrease further, as may the activities of the Russian banks operating in Kazakhstan. The Issuer will use the proceeds of the issue of Notes for general budgetary purposes, including financing budget deficits, and this may include providing funding to State-owned or State-affiliated entities. These entities may trade with Russian entities. While it is expected that State-owned and State-affiliated companies will comply with sanctions restrictions, the Issuer has no direct control over their day-to-day management.

Kazakhstan's close economic links with Russia, the existing sanctions imposed on Russia or any future sanctions could have a material adverse effect on Kazakhstan's economy, which in turn could have a material adverse effect on the trading price of the Notes.

Any material reduction in the price of commodities, particularly oil and petroleum products, may materially adversely affect the revenues and financial condition of Kazakhstan

Kazakhstan is a major exporter of commodities, including oil, natural gas, steel, copper, ferrous-alloys, iron ore, aluminium, coal, lead, zinc and wheat. In 2014, oil and petroleum products accounted for 68.5% of Kazakhstan's exports. Kazakhstan's economy and the State Budget particularly rely on fiscal revenues from the export of oil products and are also significantly affected by imports of capital equipment and foreign investments in oil sector infrastructure projects. Output from crude oil extraction accounted for 28.2%, 30.9%, 28.5%, 26.1% and 24.0% of Kazakhstan's GDP in 2010, 2011, 2012, 2013 and 2014, respectively and taxes on exports of crude oil accounted for approximately 4%, 11%, 9%, 11% and 14% of Kazakhstan's total State Budget revenues in 2010, 2011, 2012, 2013 and 2014, respectively. In addition, taxes on oil and petroleum product companies are a major source of revenue for the National Fund of Kazakhstan (the "National Fund"), which has an important stabilising function in the Kazakhstan economy and is responsible for accumulating financial resources for the benefit of future generations in Kazakhstan. The National Fund's revenues were KZT 5.4 trillion in 2014 as compared to KZT 4.0 trillion, KZT 3.8 trillion, KZT 3.5 trillion and KZT 2.4 trillion in 2013, 2012, 2011 and 2010, respectively. As a result, fluctuations in international oil prices may have a material impact on Kazakhstan's GDP, fiscal revenues, balance of payments, external reserves and future financial condition.

The National Fund is currently the source for official transfers to the State Budget, amounting to KZT 2 trillion in 2014 and budgeted to be KZT 2.5 trillion in 2015 and KZT 2 trillion in 2016, respectively. The National Fund acts as a fiscal buffer against external shocks to the economy and it compensates for losses that may be incurred as a result of tax revenues from extraction sector enterprises being less than anticipated in a given year. However, there can be no assurance that the resources of the National Fund will be sufficient in the event of a sustained decline in oil prices and in the absence of a corresponding rise in oil production. With regard to this latter consideration, the development of the Kashagan oil field has experienced material delays in achieving forecast production and significant cost overruns associated with the need to replace the oil and gas pipelines, which could lead to continued reduced revenue for the National Fund and continued use of its resources until oil production from the Kashagan oil field resumes, which is currently expected to be in 2016.

International crude oil prices have fluctuated widely in recent years in response to global supply and demand, general economic conditions, competition from other energy sources and other factors. While crude oil prices declined in June 2012, prices recovered in July 2012 and generally remained high in 2012 and 2013. In 2013 crude oil prices ranged from U.S.\$102.25/bbl to U.S.\$116.05/bbl. According to the U.S. Energy Information Agency, the spot price of Brent crude oil averaged U.S.\$99.02/bbl in 2014, as compared to an average of U.S.\$108.64/bbl in 2013, U.S.\$111.66/bbl in 2012, U.S.\$111.26/bbl in 2011 and U.S.\$79.61/bbl in 2010.

As at the date of this Base Prospectus, the price of crude oil is below the record high average monthly price of U.S.\$132.72/bbl recorded in July 2008. As at 17 June 2015, the spot price for Brent crude oil was U.S.\$63.87/bbl.

Kazakhstan's 2015 Budget Law (as amended) assumes an average price per barrel of Brent crude oil of U.S.\$50 in 2015, 2016 and 2017. See "*Public Finance—2015 Budget Law*". However, there can be no assurance that prices will stay at that level or that further revisions of the State Budget will not be required in light of continuing oil price volatility.

In addition, any fluctuations in the value of the U.S. dollar relative to the Tenge may cause volatility in revenues in Kazakhstan from U.S. dollar denominated oil exports. An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant markets for oil or other commodities or weakening of the U.S. dollar relative to the Tenge would have a material adverse effect on Kazakhstan's economy.

Any material reduction in commodity prices generally would have an adverse effect on Kazakhstan's economy and a sustained or further material decline in the price of crude oil will have a significant effect on Kazakhstan's budgetary revenues and foreign reserves and may materially adversely affect Kazakhstan's financial condition, including its ability to make payments on the Notes.

Kazakhstan's banking sector remains weak and vulnerable to external shocks

Kazakhstan's banking sector was adversely affected by the global financial crisis. Between 2000 and 2007, while the economy was experiencing rapid growth, banks in Kazakhstan incurred high levels of foreign debt in order to fund a rapid expansion of credit, largely concentrated in the construction and real estate sectors. Following the onset of the global financial crisis which began in 2008, credit growth stopped due to the lack of availability of wholesale debt financing, deposits became volatile and property prices decreased significantly. Oil prices declined significantly as well, which had an adverse effect on Kazakhstan's banking sector and the broader economy. These factors caused significant losses for Kazakhstan's banks and a general destabilisation of Kazakhstan's banking sector.

Weaknesses in the global financial markets since the onset of the global financial crisis have also contributed to several major bank failures in Kazakhstan and their subsequent restructurings. Overall, the Kazakhstan banking sector remains under stress with persistently high levels of non-performing loans ("NPLs"), and there can be no assurance that the reforms implemented recently, with the aim of reducing NPLs, will be successful or sufficient. There is also a high level of concentration in the banking sector, with the five largest banks holding more than half of all customer deposits. While measures have been taken to address and reduce systemic risk, such measures are ongoing and there remains a risk that further reforms may be required, the impact of which is not certain. There is also a risk that further financial assistance to the banking sector may be needed from the State, which it may not be willing and/or able to provide. Deficiencies in the Kazakhstan banking sector, combined with a deterioration in NPL portfolios held by banks in Kazakhstan, may result in the banking sector being more susceptible to the current worldwide credit market downturn and economic slowdown. See "*Monetary and Financial System*".

The Kazakhstan banking sector remains vulnerable and there can be no assurance that future turmoil in the global banking sector and the wider economy will not have a negative effect on Kazakhstan's banking sector, which could have a material adverse effect on the trading price of the Notes.

The Kazakhstan currency is subject to volatility and depreciation

The depreciation of the Tenge against the U.S. dollar or other foreign currencies, and any future devaluations in the currencies of Kazakhstan's neighbouring countries (including countries forming part of the CIS and, specifically, Russia) may adversely affect the financial condition of Kazakhstan and its economy, as well as Kazakhstan's ability to repay its debt denominated in currencies other than the Tenge, including amounts due under the Notes. The value of the Tenge is impacted by a number of factors which are outside of the State's control. See "*Monetary and Financial System -Monetary Policy*". While the NBK decided to devalue the Tenge in February 2014, there can be no assurance that there will not be a need for a further devaluation as a result of external factors. There is a risk that the depreciation or further devaluation of the Tenge could result in reduced revenues in the balance of payments or outflow of capital from Kazakhstan, each of which could have a material adverse effect on Kazakhstan's economy.

In addition, given that, as at 31 March 2015, 38.2% of total loans granted and 54.8% of deposits in the banking system in Kazakhstan were denominated in a foreign currency, there is a risk that the depreciation or further devaluation of the Tenge could also have a material adverse effect on Kazakhstan's economy.

Official statistics may be unreliable

Kazakhstan's system for gathering and publishing statistical information relating to its economy generally or specific economic sectors within it or corporate or financial information relating to companies and other economic enterprises may not be as complete or reliable as the systems of more developed countries. Official statistics and other data may also be produced on different bases from those used in more developed countries. In particular, information about Kazakhstan's hydrocarbon and mineral reserves is partially based on a system employed in the former Soviet Union and does not necessarily reflect economically recoverable reserves, and economic data may underestimate the contribution of the unofficial economy to Kazakhstan's overall economy.

Corruption

Kazakhstan is a member of the Extractive Industries Transparency Initiative in relation to a number of companies, and Kazakhstan continues to work towards improving accountability and governance standards in various extractive sectors. However, independent analysts, including Transparency International, have identified corruption as a problem in Kazakhstan. Of the 175 countries and territories included in the 2014 Corruption Perceptions Index published by Transparency International, Kazakhstan ranked number 126, indicating that a perception of public sector corruption occurring within the country remains widespread. Any future allegations of corruption in Kazakhstan could have a negative effect on the ability of Kazakhstan to attract foreign investment, and thus have a negative effect on both the economy of Kazakhstan and the ability of Kazakhstan to repay principal and make payments of interest on the Notes.

Enforcement of liabilities

Kazakhstan is a sovereign state and has not submitted to the jurisdiction of any foreign courts in connection with the Notes. The Conditions provide that arbitration will be the exclusive remedy in relation to any dispute relating to the Notes and, accordingly, if a Noteholder is made a monetary award in any arbitration proceedings in relation to the Notes it may attempt to enforce that award or bring proceedings on the award as a debt owing to it and attempt to obtain a judgment thereon. There is a risk that, notwithstanding the waiver of sovereign immunity by Kazakhstan, a claimant will not be able to enforce a judgment or award against assets of Kazakhstan in certain jurisdictions (including by way of an arrest order or attachment or seizure of such assets and their subsequent sale) without Kazakhstan having specifically consented to such enforcement at the time when the enforcement is sought. Furthermore, Kazakhstan reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it under any United States federal or state securities law. See "*Enforcement of Foreign Judgments and Awards*".

Kazakhstan's courts will not enforce a judgment obtained in a court outside Kazakhstan unless there is a treaty in effect between the relevant country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and England or the United States. However, Kazakhstan, the United Kingdom and the United States are parties to the New York Convention and, accordingly, an arbitral award should generally be recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in the New York Convention are met.

However, even if an applicable international treaty is in effect or a foreign judgment might otherwise be recognised and enforced on the basis of reciprocity, the recognition and enforcement of a foreign judgment will in all events be subject to exceptions and limitations provided for in Kazakhstan law. For example, a Kazakhstan court may refuse to recognise or enforce a foreign judgment if its recognition or enforcement would be contrary to Kazakhstan public policy.

As a result, it may be difficult to obtain recognition or enforcement in Kazakhstan of a foreign judgment in respect of the Notes.

Furthermore, the enforcement of a foreign judgment by Kazakhstan's courts in respect of the State's obligations under the Notes is limited by the Civil Code of the Republic of Kazakhstan, which restricts enforcement against the State's assets to those assets which are held by the State treasury. Assets held by the state treasury include all property and other assets not allocated to state-owned entities, assets of the Republic Budget and objects of

State ownership (such as natural resources). Judgments cannot, therefore, be enforced against those assets which have been allocated to state-owned entities.

The President of Kazakhstan, Nursultan Nazarbayev, has been in office since 1991; should he leave office without a smooth transfer to a successor, the socio-political and macroeconomic situation in Kazakhstan could become unstable

The President of Kazakhstan, Nursultan Nazarbayev, is 74 years old and has been in office since Kazakhstan became an independent sovereign state in 1991. As a result, Kazakhstan's constitutional succession processes have never been tested. Under President Nazarbayev's leadership, the foundations of a market economy have taken hold, including the privatisation of state assets, the liberalisation of capital controls, tax reforms and pension system development. In May 2007, Kazakhstan's parliament voted to amend Kazakhstan's constitution to allow President Nazarbayev to run in an unlimited number of elections. Most recently, in April 2015, President Nazarbayev was re-elected by a 97.75% majority for a new five year term. While the constitutional amendment will allow President Nazarbayev to seek re-election at the end of his current term, there is no guarantee that he will seek or achieve re-election. Should President Nazarbayev leave office for whatever reason without a smooth transfer to a successor, Kazakhstan's socio-political situation and economy could become unstable and the investment climate could change, which could have a material adverse effect on the economy of Kazakhstan.

Factors Which Are Material for the Purpose of Assessing the Risks Associated with the Notes

Risks related to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

- Variable Rate Notes

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

- Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate, such as LIBOR. The market values of these Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate on the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

- Notes Issued at a Substantial Discount or Premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility compared to conventional interest-bearing securities with comparable maturities.

- Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

The Notes contain collective action clauses under which the terms of any one Series of Notes and/or multiple Series of Notes may be amended, modified or waived without the consent of all the holders of the Notes of that Series or all the holders of any other Series of Notes being aggregated, as the case may be.

The Terms and Conditions of the Notes contain provisions regarding amendments, modifications and waivers, commonly referred to as “collective action” clauses. Such clauses permit defined majorities to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority. The relevant provisions also permit, in relation to reserved matters, multiple Series of Notes to be aggregated for voting purposes (provided that each such Series also contains the collective action clauses in its Terms and Conditions).

The Issuer expects that all Series of Notes issued under the Programme will include such collective action clauses, thereby giving the Issuer the ability to request modifications or actions in respect of reserved matters across multiple Series of Notes. This means that a defined majority of the holders of such Series of Notes (when taken in the aggregate) would be able to bind all holders of Notes in all the relevant aggregated Series.

Any modification or actions relating to reserved matters, including in respect of payments and other important terms, may be made to a single Series of Notes with the consent of the holders of 75% of the aggregate principal amount outstanding of such Notes, and to multiple Series of Notes with the consent of both (i) the holders of 66⅔% of the aggregate principal amount outstanding of all Series of Notes being aggregated and (ii) the holders of 50% in aggregate principal amount outstanding of each Series of Notes being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable Condition in the Terms and Conditions of the Notes, any such modification or action relating to reserved matters may be made to multiple Series of Notes with the consent of 75% of the aggregate principal amount outstanding of all Series of Notes being aggregated only, without requiring a particular percentage of the holders in any individual affected Series of Notes to vote in favour of any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of some Series of Notes only and, for the avoidance of doubt, the provisions may be used for different groups of two or more Series of Notes simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Issuer.

There is a risk therefore that the Terms and Conditions of a Series of Notes may be amended, modified or waived in circumstances whereby the Noteholders voting in favour of an amendment, modification or waiver may be Noteholders of a different Series of Notes and as such, less than 75 per cent. of the Noteholders of the relevant Series would have voted in favour of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple Series of Notes may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation. Further, any such amendment, modification or waiver in relation to any Notes may adversely affect their trading price.

In the future, the Issuer may issue debt securities which contain collective action clauses in the same form as the collective action clauses in the Terms and Conditions of the Notes. If this occurs, then this could mean that any Series of Notes issued under the Programme would be capable of aggregation with any such future debt securities. The Terms and Conditions of the Notes also include a provision in respect of the establishment of a Noteholders’ Committee, which may represent the holders of a single Series of Notes or multiple Series of Notes.

The Issuer is not required to effect equal or rateable payment(s) with respect to the Notes or any other External Indebtedness, and is not required to pay other External Indebtedness at the same time or as a condition of paying sums on the Notes and vice versa.

Notes issued under the Programme will at all times rank at least *pari passu* in right of payment with all other unsecured External Indebtedness (as defined in the Terms and Conditions of the Notes) of the Issuer, from time to time outstanding. However, the Issuer will have no obligation to effect equal or rateable payment(s) at any time with respect to the Notes or any other External Indebtedness and, in particular, will have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa. See Condition 5 (*Status*) of the Terms and Conditions of the Notes.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), each member state is required to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, that other member state. However, for a transitional period, Austria will (unless during such period it elects otherwise) instead operate a withholding system in relation to such payments. Under such a withholding system, the beneficial owner of the interest payment must be allowed to elect that certain provision of information procedures should be applied instead of withholding. The rate of withholding is 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income. A number of non-EU countries and certain dependent or associated territories of certain member states have adopted similar measures to the EU Savings Directive, including a withholding system in the case of Switzerland. The Council of the European Union formally adopted certain amendments extending the scope of the EU Savings Directive on 24 March 2014 (see “*Taxation*” section for more details), which Member States must implement with effect from 1 January 2017. Investors who are in any doubt as to their position under the EU Savings Directive should consult their professional advisers.

If a payment were to be made or collected through a member state or other country or territory that has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to, the EU Savings Directive, neither Kazakhstan nor the paying and transfer Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Kazakhstan is required to maintain a paying agent and transfer agent in a member state (if such exists) that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to, the EU Savings Directive.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

Credit ratings may not reflect all risks

The credit rating(s) assigned to the Notes at any time may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

TERMS AND CONDITIONS OF THE NOTES AND FORM OF FINAL TERMS

The following is the text of the terms and conditions that, subject to completion and as read in conjunction with the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. References in the terms and conditions to “Notes” are, unless the context requires otherwise, to the Notes of one Series only, not to all Notes that may be issued under the Programme.

1. INTRODUCTION

The Republic of Kazakhstan (the “**Issuer**”), represented by the Ministry of Finance of the Republic of Kazakhstan acting upon authorisation of the Government of the Republic of Kazakhstan, has established a Medium Term Note Programme (the “**Programme**”) for the issuance of up to U.S.\$10,000,000,000 in aggregate principal amount of notes (the “**Notes**”) outstanding. The Notes are constituted by, are subject to and have the benefit of a deed of covenant dated 24 September 2014 (as may be amended or supplemented from time to time, the “**Deed of Covenant**”) executed by the Issuer for the benefit of holders of the Notes (“**Noteholders**” or “**holders**”) and are the subject of an amended and restated fiscal agency agreement dated 19 June 2015 (as may be further amended or supplemented from time to time, the “**Fiscal Agency Agreement**”) and made between the Issuer, Citibank Global Markets Deutschland AG as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the transfer agents, paying agents and other agents named therein.

Notes issued under the Programme will be issued in series (each, a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may comprise one or more tranches of notes (each, a “**Tranche**”) issued on the same or different issue dates. The specific terms of each Tranche (which will, save in respect of the denominations, issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set forth in the applicable Final Terms (the “**Final Terms**”), which should be read in conjunction with these terms and conditions. The terms and conditions applicable to any particular Tranche of Note are these terms and conditions, as completed by the relevant Final Terms (together, the “**Terms and Conditions**”). In the event of any inconsistency between these terms and conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

All subsequent references in these Terms and Conditions to “**Notes**” are to the Notes of the same Series. Copies of the relevant Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.

Certain provisions of these Terms and Conditions are summaries of the Fiscal Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement and the Deed of Covenant applicable to them. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of the Fiscal Agent, the initial Specified Office of which are set out below.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

Terms defined in the Fiscal Agency Agreement or the Deed of Covenant shall, unless otherwise defined herein or the context requires otherwise, bear the same meanings herein. In these Terms and Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning as specified hereon;

“**Broken Amounts**” has the meaning as specified hereon;

“**Business Centre(s)**” means the city or cities as specified hereon;

“**Business Day**” means:

- (a) in the case of Euros, a TARGET Settlement Day;
- (b) in the case of a Specified Currency other than Euros, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency; or
- (c) in the case of a Specified Currency or one or more Business Centre(s) specified in the relevant Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres so specified;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) “Following Business Day Convention” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) “Modified Following Business Day Convention” or “Modified Business Day Convention” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) “Preceding Business Day Convention” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) “FRN Convention”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) “No Adjustment” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Amount**” has the meaning as specified hereon;

“**Calculation Agent**” means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and such other amount(s) as may be specified in the relevant Final Terms;

“**Day Count Fraction**” means (subject as provided in Condition 7 (Fixed Rate Note Provisions)), in respect of the calculation of an amount of interest for any Interest Period:

- (a) if “Actual/365” or “Actual/Actual (ISDA)” is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of the Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (b) if “Actual/365 (Fixed)” is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365;
- (c) if “Actual/360” is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 360;
- (d) if “30/360”, “360/360” or “Bond Basis” is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30 day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month)); and
- (e) if “30E/360” or “Eurobond Basis” is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month);

“**Euro Exchange Date**” means the date on which the Issuer gives notice (the “**Euro Exchange Notice**”) to the Noteholders that replacement Notes denominated in Euros are available for exchange;

“**External Indebtedness**” means all obligations, and Guarantees in respect of obligations, for money borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable, in a currency other than the lawful currency of the Issuer;

“**Extraordinary Resolution**” has the meaning given in the Fiscal Agency Agreement;

“**Financial Centre(s)**” means the city or cities specified as specified hereon;

“**Fixed Coupon Amount**” has the meaning as specified hereon;

“**Guarantee**” means any guarantee of or indemnity in respect of indebtedness or other like obligation;

“**indebtedness**” means any indebtedness of any Person for money borrowed, whether incurred, assumed or guaranteed, other than trade credit in the ordinary course of business;

“**Instalment Amount**” has the meaning as specified hereon;

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“**Interest Determination Date**” has the meaning as specified hereon;

“**Interest Payment Date**” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**International Monetary Assets**” means all the Issuer’s official holdings of gold and all the Issuer’s and the Issuer’s Monetary Authorities’ holdings of (i) Special Drawing Rights, (ii) Reserve Positions in the Fund and (iii) Foreign Exchange, and the terms “**Special Drawing Rights**”, “**Reserve Positions in the Fund**” and “**Foreign Exchange**” have, as to the types of assets included, the meanings given to them in the publication of the IMF entitled “International Financial Statistics” or such other meanings as shall be formally adopted by the IMF from time to time;

“**ISDA Definitions**” means the 2000 ISDA Definitions (as supplemented by the Annex to the 2000 ISDA Definitions and as further amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.);

“**Issue Date**” has the meaning as specified hereon;

the “**Issuer’s Monetary Authorities**” means the Issuer’s monetary authorities, including, the National Bank of the Republic of Kazakhstan and, to the extent that they perform monetary authorities’ functions, currency boards, exchange stabilisation funds and treasuries of the Issuer;

“**Margin**” has the meaning as specified hereon;

“**Maturity Date**” has the meaning as specified hereon;

“**Participating Member State**” means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty;

“**Payment Business Day**” means:

- (a) if the currency of payment is Euros, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Financial Centre; or
- (b) if the currency of payment is not Euros, any day which is:

- (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
- (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Financial Centre and which, if the currency of payment is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively;

“Permitted Security Interest” means:

- (i) any Security Interest upon property to secure Public External Indebtedness incurred for the purpose of financing the acquisition of such property and any renewal and extension of such Security Interest which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing;
- (ii) any Security Interest existing on property at the time of its acquisition to secure Public External Indebtedness and any renewal or extension of any such Security Interest which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing;
- (iii) any Security Interest arising by operation of law which has not been foreclosed or otherwise enforced against the assets to which it applies; and
- (iv) any Security Interest securing Public External Indebtedness or any Guarantee of Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, provided that (a) the holders of such Public External Indebtedness or Guarantee expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (b) the property over which such Security Interest is granted consists solely of such assets and revenues;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality;

“Potential Event of Default” means any event which, with the giving of notice or lapse of time, would be an Event of Default;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (a) in relation to Euros, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“Public External Indebtedness” means External Indebtedness of the Issuer which is in the form of, or represented by, bonds, notes, or other securities and which is, or may be, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system, or over-the-counter securities market or other securities market;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in relevant Final Terms or calculated or determined in accordance with the provisions of these Terms and Conditions and the relevant Final Terms;

“**Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Reference Price**” has the meaning as specified hereon;

“**Reference Rate**” means one of the following benchmark rates (as specified in the relevant Final Terms);

- (c) London Interbank Offered Rate (LIBOR); or
- (d) Euro Interbank Offered Rate (EURIBOR);

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, the Reuters Markets 3000 Money Rates Service and Telerate) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Reserved Matter**” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“**Security Interest**” means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenues of such Person;

“**Specified Currency**” has the meaning as specified hereon;

“**Specified Denomination(s)**” has the meaning as specified hereon;

“**Specified Interest Payment Date**” has the meaning as specified hereon;

“**Specified Office**” has the meaning given in the Fiscal Agency Agreement;

“**Specified Period**” has the meaning as specified hereon;

“**TARGET System**” means the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET) System 2 or any successor thereto;

“**TARGET Settlement Day**” means any day on which the TARGET System is open;

“**Tax Redemption Amount**” means, in respect of any Note, its then outstanding principal amount;

“**Treaty**” means the Treaty establishing the European Communities, as amended; and

“**Zero Coupon Note**” means a Note specified as such hereon.

2.2 Interpretation

In these Terms and Conditions:

- (a) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (Taxation), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Terms and Conditions;
- (b) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Terms and Conditions;
- (c) references to Notes being “outstanding” shall be construed in accordance with the Fiscal Agency Agreement; and
- (d) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes.

3. FORM, DENOMINATION AND TITLE

The Notes are issued in registered form in the Specified Denomination(s) shown in the relevant Final Terms, without interest coupons, provided that:

- (a) the Specified Denomination(s) shall not be less than €100,000 or its equivalent in another currency;
- (b) interests in the Restricted Notes shall be held in amounts of not less than U.S.\$200,000 or its equivalent in other currencies; and
- (c) Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in another currency).

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

4. TRANSFERS OF NOTES

4.1 Transfer

One or more Notes may be transferred, in whole or in part in the Specified Denominations set out in the applicable Final Terms and subject to the minimum transfer amounts specified therein, upon the surrender (at the specified office of any Transfer Agent or Paying Agent) of the relevant Note or Notes, together with the form of transfer endorsed on such Note or Notes (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Transfer Agent or Paying Agent (as applicable) may reasonably require, including for the purposes of establishing title to the relevant Note, and the identity of the person making the request. In the case of a transfer of part only of a holding of a Note, a new Note shall be issued to the transferee in respect of the part transferred and a further new Note in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. A copy of the current regulations will be made available by any Transfer Agent or Paying Agent to any Noteholder upon request.

4.2 Delivery

Each new Note to be issued pursuant to Condition 4.1 (*Transfer*) shall be available for delivery within five business days of receipt of the form of transfer and surrender of the Note for exchange. Delivery of the new Note(s) shall be made at the specified office of any Transfer Agent or Paying Agent (as the case may be) to whom delivery or surrender of such form of transfer or Note shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Note to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or Paying Agent the costs of such other method of delivery and such insurance as it may specify. In this Condition 4.2, “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or Paying Agent (as the case may be).

4.3 No Charge

Transfer of Notes shall be effected without charge by or on behalf of the Issuer, the Transfer Agent or Paying Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and security as the Registrar or the relevant Transfer Agent or Paying Agent may require).

4.4 Restrictions on Transfer

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount or interest amount in respect of, that Note.

4.5 Forced Transfer

As specified in the Fiscal Agency Agreement, if, at any time, the Issuer determines that any beneficial owner of Notes, or any account for which such owner purchased Notes, who is required to be a QIB is not a QIB, the Issuer may (a) compel such beneficial owner to sell its Notes to a person who is (i) a U.S. person who is a QIB and that is, in each case, otherwise qualified to purchase such Notes in a transaction exempt from registration under the Securities Act or (ii) not a U.S. person within the meaning of Regulation S or (b) compel the beneficial owner to sell such Notes to the Issuer or an affiliate thereof at a price equal to the lesser of (x) the purchase price paid by the beneficial owner for such Notes, (y) 100% of the principal amount thereof and (z) the fair market value thereof. The Issuer has the right to refuse to honour the transfer of interests in the Restricted Global Note or of Restricted Definitive Note Certificates to a U.S. person who is not a QIB.

5. STATUS

The Notes constitute direct, general, unconditional and (subject to Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer and the full faith and credit of the Issuer is pledged for the due and punctual payment of principal and interest on the Notes and for the performance of all obligations of the Issuer in respect of the Notes and the Deed of Covenant. The Notes will at all times rank *pari passu* without preference among themselves and at least *pari passu* in right of payment, with all other unsecured External Indebtedness of the Issuer from time to time outstanding, provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to the Notes or any other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and *vice versa*.

6. NEGATIVE PLEDGE

So long as any Note remains outstanding the Issuer shall not create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its International Monetary Assets, present or future, to secure any Public External Indebtedness unless, at the same time or prior thereto, the Issuer’s obligations under the Notes and the Deed of Covenant are

secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of Noteholders.

7. FIXED RATE NOTE PROVISIONS

7.1 Application to Fixed Rate Notes

This Condition 7 is applicable to the Notes only if the relevant Final Terms specifies the Fixed Rate Note Provisions as being applicable.

7.2 Rate of Interest for Fixed Rate Notes

The Notes bear interest on the outstanding principal amount from the Interest Commencement Date at the rate(s) per annum equal to Rate(s) of Interest payable in arrears on each Interest Payment Date in each year and on the Maturity Date if the Maturity Date does not fall on an Interest Payment Date, subject as provided in Condition 11 (*Payments*). The amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount(s) so specified.

7.3 Calculation of Interest Amounts for Fixed Rate Notes

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest subunit of the Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. In these Terms and Conditions “**sub unit**” means, with respect of any currency other than the U.S. dollar, the lowest amount of such currency that is available as legal tender in the country of such currency, and with respect to U.S. dollars means one cent.

7.4 Additional Definitions

For the purposes of these Terms and Conditions, “**Day Count Fraction**” means:

- (a) if “Actual/Actual (ICMA)” is specified in the relevant Final Terms:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; or

For the purposes of Condition 7.4(a), “**Determination Period**” means each period from (and including) an Interest Determination Date to (but excluding) the next Interest Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not an Interest Determination Date, the period commencing on the first Interest Determination Date prior to, and ending on the first Interest Determination Date falling after, such date);

- (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (i) the number of days in such Determination Period and (ii) the number of Interest Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; and

- (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Interest Determination Dates that would occur in one calendar year; and
- (b) if “30/360” is specified in the relevant Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30 day months) divided by 360.

8. FLOATING RATE NOTE PROVISIONS

8.1 Application to Floating Rate Notes

This Condition 8 is applicable to the Notes only if the relevant Final Terms specifies the Floating Rate Note Provisions.

8.2 Interest Payment Dates

The Notes bear interest on the outstanding principal amount from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:

- (a) the Specified Interest Payment Date(s) (each, an “**Interest Payment Date**”) in each year specified in the relevant Final Terms; or
- (b) if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls in the number of months or other period specified as the Specified Period in the relevant Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or, as the case may be, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

8.3 Rate of Interest for Floating Rate Notes

The Rate of Interest payable from time to time in respect of the Notes shall be determined in the manner specified in the relevant Final Terms.

- (a) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will, subject as provided below, be either:
 - (i) the offered quotation; or
 - (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

- (b) Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

8.4 Minimum and Maximum Rate of Interest

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

8.5 Calculation of Interest Amounts for Floating Rate Notes

The Calculation Agent will, as soon as reasonably practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, determine the Rate of Interest for the relevant Interest Period and calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention.

8.6 Calculation Agent

If the relevant Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as reasonably practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

8.7 Notice

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Fiscal Agent and each listing authority, stock exchange and quotation system (if any) by which the Notes have than been admitted to listing, trading and quotation as soon as reasonably practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 21 (*Notices*). The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

8.8 Notices Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the

absence of manifest error) be binding on the Issuer and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9. ZERO COUPON NOTE PROVISIONS

9.1 Application for Zero Coupon Notes

This Condition 9 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

9.2 Redemption Amount Improperly Refused

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (a) the Reference Price; and
- (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. REDEMPTION AND PURCHASE

10.1 Redemption

Unless previously purchased and cancelled, the Notes will be redeemed at their Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*).

10.2 No other Redemption

The Issuer shall not be entitled to redeem the Notes otherwise than in accordance with Condition 10.1 (*Redemption*).

10.3 Purchase

The Issuer may at any time purchase, or procure others to purchase for its account, Notes in the open market or otherwise and at any price. Notes so purchased may be held or resold (provided that such resale is outside the United States as defined in Regulation S under the United States Securities Act of 1933, as amended, or, in the case of any Notes resold pursuant to Rule 144A under that Act is only made in accordance with that Rule and otherwise in compliance with all applicable laws) or surrendered for cancellation, at the option of the Issuer. Any Notes so purchased, while held by or on behalf of the Issuer or any Person acting on behalf of the Issuer, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders.

10.4 Cancellation

All Notes which are submitted for cancellation pursuant to Condition 10.2 (*Purchase*) will be cancelled and may not be reissued or resold. For so long as the Notes are admitted to trading on the London Stock Exchange plc (the “**Stock Exchange**”) and the rules of such exchange so require, the Issuer shall promptly inform the Stock Exchange of the cancellation of any Notes under this Condition 10.3 (*Cancellation*).

11. PAYMENTS

11.1 Payments

Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent or of the Registrar by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is Euros, any other account to which Euros may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

11.2 Record Date

Payments of interest shall, subject to Condition 11.4 (*Payment Business Day*), be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Note shall be made in the relevant currency by cheque drawn on a bank and mailed by uninsured post to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. The holder of such Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of such Notes as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. Upon application by the holder to the specified office of the Registrar or any Paying Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

11.3 Payments Subject to Applicable Laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

11.4 Payment Business Day

If the due date for payment of any amount in respect of any Note is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

12. TAXATION

12.1 Payments Free and Clear of Taxes

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note presented for payment:

- (a) by a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with Kazakhstan other than the mere holding of such Note; or
- (b) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note on the last day of such period of 30 days; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive

implementing the conclusions of the ECOFIN Council meeting of 26 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;

- (d) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union; or
- (e) where (in the case of a payment of principal or interest on redemption) the relevant Note is surrendered for payment in the Republic of Kazakhstan.

In addition, if and to the extent that the obligations of the Issuer, to pay additional amounts pursuant to this Condition 12 are or have become illegal, unenforceable or otherwise invalid, the Issuer will indemnify and hold harmless each holder of a Note from and against, and will, upon written request of a holder and presentation of reasonable supporting documentation, reimburse each such holder for, the amount of any Taxes withheld or deducted from, or paid by such holder in respect of, payments made under or with respect to the Notes or the Deed of Covenant and which would not have been withheld, deducted or paid had the said obligations not been or become illegal, unenforceable or otherwise invalid. Solely for purposes of these Terms and Conditions, any payment made pursuant to this paragraph shall be considered an additional amount.

12.2 FATCA

Notwithstanding anything to the contrary in this Condition 12, none of the Issuer, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (“**FATCA**”) or any laws of Kazakhstan, or any intergovernmental agreement between the United States of America and Kazakhstan or any other jurisdiction, implementing FATCA.

13. EVENTS OF DEFAULT

The Fiscal Agent shall upon receipt of written requests from the holders of not less than 25% in aggregate outstanding principal amount of the Notes or if so directed by an Extraordinary Resolution shall, give notice to the Issuer that the Notes are and they shall immediately become due and repayable at their principal amount together with accrued interest if any of the following events (each, an “Event of Default”) occurs and is continuing:

- (a) Non-payment: the Issuer is in default with respect to the payment of interest or additional amounts on any of the Notes and such default continues for a period of 30 days; or
- (b) Breach of other Obligations: the Issuer is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes (other than a default or breach elsewhere specifically dealt with in this Condition 13 and such default or breach is not remedied within 60 days after notice thereof has been given to the Issuer at the Specified Office of the Fiscal Agent by any holder of Notes; or
- (c) Cross Default: (a) any other Public External Indebtedness of the Issuer (i) becomes due and payable prior to the due date for payment thereof by reason of default by the Issuer, or (ii) is not repaid at maturity as extended by the period of grace, if any, applicable thereto, or (b) any Guarantee given by the Issuer in respect of Public External Indebtedness of any other Person is not honoured when due and called upon; provided that the aggregate amount of the relevant Public External Indebtedness or liability under such Guarantee in respect of which one or more of the events mentioned in this Condition 13(c) shall have occurred equals or exceeds U.S.\$65,000,000 or its equivalent in other currencies; or
- (d) Moratorium: a general suspension of, or a moratorium on, the payment of principal of, or interest on, the Public External Indebtedness of the Issuer is declared by the Issuer, or the Issuer is, or admits that it is, unable to pay any Public External Indebtedness as it falls due, or

the Issuer commences proceedings with a view to the general adjustment of its indebtedness;
or

- (e) Invalidity or unenforceability: the validity of the Notes is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes or all or any of its obligations set out in the Notes shall be or become unenforceable or invalid.

If the Issuer receives notice in writing from holders of at least 50% in aggregate outstanding principal amount of the Notes to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect, but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

14. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

15. REPLACEMENT OF NOTES

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Replacement Agent (as defined in the Fiscal Agency Agreement), subject to all applicable laws and listing authority, stock exchange or quotation system requirements (if any), upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

16. AGENTS

16.1 Agents of the Issuer

In acting under the Fiscal Agency Agreement and in connection with the Notes, the Fiscal Agent acts solely as agent of the Issuer. The Fiscal Agent does not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

16.2 Requirements to Maintain Agents

The initial Fiscal Agent, Transfer Agent and Registrar and their respective initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent and to appoint a successor Fiscal Agent, Transfer Agent, Registrar or Calculation Agent and additional or successor agents; provided, however, that:

- (a) the Issuer shall at all times maintain a Fiscal Agent;
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent;
- (c) if and for so long as the Notes are admitted to listing, trading or quotation, by any listing authority, stock exchange or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange or quotation system;

- (d) the Issuer shall maintain a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (e) the Issuer shall maintain a Registrar whose Specified Office shall be outside the United Kingdom.

Notice of any change in any of the Agents or their respective Specified Offices shall promptly be given to the Noteholders.

17. MEETINGS OF NOTEHOLDERS; WRITTEN RESOLUTIONS

17.1 Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions

- (a) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the provisions of the Fiscal Agency Agreement. The Issuer will determine the time and place of the meeting and will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.
- (b) The Issuer or the Fiscal Agent will convene a meeting of Noteholders if the holders of at least 10 per cent. in principal amount of the outstanding Notes (as defined in the Fiscal Agency Agreement and described in Condition 17.9 (*Notes controlled by the Issuer*)) have delivered a written request to the Issuer or the Fiscal Agent (with a copy to the Issuer) setting out the purpose of the meeting. The Fiscal Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer or the Fiscal Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.
- (c) The Issuer (with the agreement of the Fiscal Agent) will set the procedures governing the conduct of any meeting in accordance with the Fiscal Agency Agreement. If the Fiscal Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.
- (d) The notice convening any meeting will specify, *inter alia*;
 - (i) the date, time and location of the meeting;
 - (ii) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;
 - (iii) the record date for the meeting, which shall be no more than five business days before the date of the meeting;
 - (iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;
 - (v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;
 - (vi) whether Condition 17.2 (*Modification of this Series of Notes only*), or Condition 17.3 (*Multiple Series Aggregation - Single limb voting*), or Condition 17.4 (*Multiple Series Aggregation - Two limb voting*) shall apply and, if relevant, in relation to which other series of debt securities it applies;

- (vii) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;
 - (viii) such information that is required to be provided by the Issuer in accordance with Condition 17.6 (*Information*);
 - (ix) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 17.7 (*Claims Valuation*); and
 - (x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.
- (e) In addition, the Fiscal Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to this Condition 17.1 shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.
- (f) A “**record date**” in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.
- (g) An “**Extraordinary Resolution**” means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.
- (h) A “**Written Resolution**” means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
- (i) Any reference to “**debt securities**” means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year.
- (j) “**Debt Securities Capable of Aggregation**” means those debt securities which include or incorporate by reference this Condition 17 and Condition 18 (*Aggregation Agent; Aggregation Procedures*) or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

17.2 Modification of this Series of Notes only

- (a) Any modification of any provision of, or any action in respect of, these Conditions or the Fiscal Agency Agreement in respect of the Notes may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.
- (b) A “**Single Series Extraordinary Resolution**” means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) by a majority of:
 - (i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or

- (ii) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the outstanding Notes.
- (c) A “**Single Series Written Resolution**” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
 - (i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or
 - (ii) in the case of a matter other than a Reserved Matter more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

- (d) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

17.3 Multiple Series Aggregation - Single limb voting

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.
- (b) A “**Multiple Series Single Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).
- (c) A “**Multiple Series Single Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.
- (d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.
- (e) The “**Uniformly Applicable**” condition will be satisfied if:

- (i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (A) the same new instrument or other consideration or (B) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
 - (ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).
- (f) It is understood that a proposal under paragraph (a) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected Series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and, the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected Series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected Series of debt Securities Capable of Aggregation electing the same option from such menu of instruments).
- (g) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 17.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

17.4 Multiple Series Aggregation - Two limb voting

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.
- (b) A “**Multiple Series Two Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of:
 - (i) at least 66⅔ per cent. of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (ii) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (c) A “**Multiple Series Two Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

- (i) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
- (ii) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.
- (e) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 17.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

17.5 Reserved Matters

In these Conditions, “**Reserved Matter**” means any proposal:

- (a) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;
- (b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;
- (c) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;
- (d) to change this definition, or the definition of “Extraordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution” or “Multiple Series Two Limb Written Resolution”;
- (e) to change the definition of “debt securities” or “Debt Securities Capable of Aggregation”;
- (f) to change the definition of “Uniformly Applicable”;
- (g) to change the definition of “outstanding” or to modify the provisions of Condition 17.9 (*Notes controlled by the Issuer*);
- (h) to change the legal ranking of the Notes;

- (i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 13 (*Events of Default*);
- (j) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 25 (*Governing Law and Arbitration*);
- (k) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;
- (l) to modify the provisions of this Condition 17.5;
- (m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security;
- (n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Terms and Conditions in connection with any exchange of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer, which would result in the Terms and Conditions as so modified being less favourable to the Noteholders which are subject to the Terms and Conditions as so modified than:
 - (i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or conversion; or
 - (ii) if more than one series of other obligations or debt securities results from the relevant exchange or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

17.6 Information

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 17.2 (*Modification of this Series of Notes only*), Condition 17.3 (*Multiple Series Aggregation - Single limb voting*) or Condition 17.4 (*Multiple Series Aggregation - Two limb voting*), the Issuer shall publish in accordance with Condition 18 (*Aggregation Agent; Aggregation Procedures*), and provide the Fiscal Agent with the following information:

- (a) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;
- (b) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;
- (c) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and
- (d) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 17.1(d)(vii).

17.7 Claims Valuation

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 17.3 (*Multiple Series Aggregation - Single limb voting*) and Condition 17.4 (*Multiple Series Aggregation - Two limb voting*), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

17.8 Manifest error, etc.

The Notes, these Terms and Conditions and the provisions of the Fiscal Agency Agreement may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

17.9 Notes controlled by the Issuer

For the purposes of (a) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) Condition 17.1 (*Convening Meetings of Noteholders: Conduct of Meetings of Noteholders; Written Resolutions*) and (c) Condition 13 (Events of Default), any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where:

- (i) “**public sector instrumentality**” means the National Bank of Kazakhstan, any department, ministry or agency of the government of the Republic of Kazakhstan or any corporation, trust, financial institution or other entity owned or controlled by the government of the Republic of Kazakhstan or any of the foregoing; and
- (ii) “**control**” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 18.4 (*Certificate*) which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

17.10 Publication

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 18.7 (*Manner of publication*).

17.11 Exchange and Conversion

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Terms and Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

18. AGGREGATION AGENT; AGGREGATION PROCEDURES

18.1 Appointment

The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Terms and Conditions or the Fiscal Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

18.2 Extraordinary Resolutions

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Terms and Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

18.3 Written Resolutions

If a Written Resolution has been proposed under the Terms and Conditions to modify any provision of, or action in respect of, these Terms and Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

18.4 Certificate

For the purposes of Condition 18.2 (*Extraordinary Resolutions*) and Condition 18.3 (*Written Resolutions*), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 17.2 (*Modification of this Series of Notes only*), Condition 17.3 (*Multiple Series Aggregation - Single limb voting*) or Condition 17.4 (*Multiple Series Aggregation - Two limb voting*), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

- (a) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and
- (b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 17.9 (*Notes controlled by the Issuer*) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

18.5 Notification

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 18 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

18.6 Binding nature of determinations; no liability

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 18 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

18.7 Manner of publication

The Issuer will publish all notices and other matters required to be published pursuant to the Fiscal Agency Agreement including any matters required to be published pursuant to Condition 17 (*Meetings of Noteholders; Written Resolutions*), this Condition 18, Condition 19 (*Noteholders' Committee*) and Condition 13 (*Events of Default*):

- (a) through Euroclear, Clearstream Luxembourg and DTC and/or any other clearing system in which the Notes are held;
- (b) in such other places and in such other manner as may be required by applicable law or regulation; and
- (c) in such other places and in such other manner as may be customary.

19. NOTEHOLDERS' COMMITTEE

19.1 Appointment

- (a) Holders of at least 25 per cent. of the aggregate principal amount of the outstanding debt securities of all series of affected debt securities (taken in aggregate) may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), appoint any person or persons as a committee to represent the interests of such holders (as well as the interests of any holders of outstanding debt securities who wish to be represented by such a committee) if any of the following events has occurred:
 - (i) an Event of Default under Condition 13 (*Events of Default*);

- (ii) any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 13 (*Events of Default*) become an Event of Default;
 - (iii) any public announcement by the Issuer, to the effect that the Issuer is seeking or intends to seek a rescheduling or restructuring of the Notes or any other affected series of debt securities (whether by amendment, exchange offer or otherwise); or
 - (iv) with the agreement of the Issuer, at a time when the Issuer has reasonably reached the conclusion that its debt may no longer be sustainable whilst the Notes or any other affected series of debt securities are outstanding.
- (b) Upon receipt of a written notice that a committee has been appointed in accordance with Condition 17.1(a) and a certificate delivered pursuant to Condition 18.4 (*Certificate*), the Issuer shall give notice of the appointment of such a committee to:
- (i) all Noteholders in accordance with Condition 21 (*Notices*); and
 - (ii) the holders of each affected series of debt securities in accordance with the terms and conditions of such affected series of debt securities,

as soon as practicable after such written notice and such certificate are delivered to the Issuer.

19.2 Powers

Such committee in its discretion may, among other things:

- (a) engage legal advisers and financial advisers to assist it in representing the interests of the Noteholders;
- (b) adopt such rules as it considers appropriate regarding its proceedings;
- (c) enter into discussions with the Issuer and/or other creditors of the Issuer; and
- (d) designate one or more members of the committee to act as the main point(s) of contact with the Issuer and provide all relevant contact details to the Issuer.

Except to the extent provided in this Condition 19.2, such committee shall not have the ability to exercise any powers or discretions which the Noteholders could themselves exercise.

19.3 Engagement with the committee and provision of information

- (a) The Issuer shall:
 - (i) subject to paragraph (b) immediately below, engage with the committee in good faith;
 - (ii) provide the committee with information equivalent to that required under Condition 17.6 (*Information*) and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations; and
 - (iii) pay any reasonable fees and expenses of any such committee (including without limitation, the reasonable and documented fees and expenses of the committee's legal and financial advisers, if any) following receipt of reasonably detailed invoices and supporting documentation.
- (b) If more than one committee has been appointed by holders of affected series of debt securities in accordance with the provisions of this Condition 19 and/or equivalent provisions set out in

the terms and conditions of any affected series of debt securities, the Issuer shall not be obliged to engage with such committees separately. Such committees may appoint a single steering group (to be comprised of representatives from such committees), whereupon the Issuer shall engage with such steering group.

19.4 Certification

Upon the appointment of a committee, the person or persons constituting such a committee (the “**Members**”) will provide a certificate to the Issuer and to the Fiscal Agent signed by the authorised representatives of the Members, and the Issuer and the Fiscal Agent may rely upon the terms of such certificate.

The certificate shall certify:

- (a) that the committee has been appointed;
- (b) the identity of the Members; and
- (c) that such appointment complies with the terms and conditions of the relevant bond documentation.

Promptly after any change in the identity of the Members, a new certificate which each of the Issuer and the Fiscal Agent may rely on conclusively, will be delivered to the Issuer and the Fiscal Agent identifying the new Members. Each of the Issuer and the Fiscal Agent will assume that the membership of the committee has not changed unless and until it has received a new certificate.

The provisions of this Condition 19.4 shall apply, *mutatis mutandis*, to any steering group appointed in accordance with Condition 19.3 (*Engagement with the committee and provision of information*).

In appointing a person or persons as a committee to represent the interests of the Noteholders, the Noteholders may instruct a representative or representatives of the committee to form a separate committee or to join a steering group with any person or persons appointed for similar purposes by other affected series of debt securities.

20. FURTHER ISSUES AND CONSOLIDATION

The Issuer may from time to time, without notice to or the consent of the Noteholders and in accordance with the Fiscal Agency Agreement, create and issue further notes having the same terms and conditions as the Notes of a particular Series in all respects (or in all respects except for the issue price, issue date and first payment of interest) so as to form a single series with the Notes of the particular Series, provided that, unless such further notes are issued pursuant to a qualified reopening for U.S. federal income tax purposes, such further notes will be issued with a separate CUSIP and ISIN.

The Issuer may, with the prior approval of the Fiscal Agent (which shall not be unreasonably withheld), from time to time on any Interest Payment Date occurring on or after the Redenomination Date (as defined in Condition 24 (*Redenomination*)) on giving not less than 30 days’ prior notice to the Noteholders in accordance with Condition 21 (*Notices*), without the consent of the Noteholders, consolidate the Notes of one Series with the Notes of one or more other Series issued by it, whether or not originally issued in the same currency provided such other Notes have been redenominated into the Specified Currency (if not originally so denominated) and which otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Notes.

21. NOTICES

Notices to Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. Notices to Noteholders will be valid if published, for so long as the Notes are admitted to trading on the Stock Exchange and the rules of such exchange so require, in a leading newspaper having general circulation in London (which is

expected to be the Financial Times) or, if, in the opinion of the Fiscal Agent, such publication is not practicable, in a leading English language daily newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

22. CURRENCY INDEMNITY

The Fiscal Agency Agreement provides that if any Noteholder receives or recovers any amount in a currency other than the Contractual Currency (as defined in the Fiscal Agency Agreement) (whether as a result of, or of the enforcement of, an award, judgment or order of any court or other tribunal) in respect of any sum expressed to be due to it from the Issuer that amount will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the relevant Noteholder under the Notes, the Issuer will indemnify such Noteholder against any loss sustained by it as a result on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Registrar or any Paying and Transfer Agent with its Specified Office in London. In any event, the Issuer will indemnify the relevant Noteholder against the cost of making any such purchase.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

23. ROUNDING

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in these Terms and Conditions), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with 0.000005%, being rounded up to 0.00001%), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up) and (c) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24. REDENOMINATION

24.1 Redenomination

This Condition 24 is applicable to the Notes only if it is specified in the relevant Final Terms as being applicable.

24.2 Redenomination Date

If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Fiscal Agent and the Noteholders, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

24.3 Calculation of Redenominated Notes

Notwithstanding the other provisions of these Terms and Conditions, with effect from the Redenomination Date:

- (a) the Notes shall be deemed to be redenominated into Euros in the denomination of Euros 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into Euros at the rate for conversion of such currency into Euros established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community

regulations); provided, however, that, if the Issuer determines, with the agreement of the Fiscal Agent that the then market practice in respect of the redenomination into Euros 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange or quotation system (if any) by which the Notes have then been admitted to listing, trading or quotation and the Fiscal Agent of such deemed amendments;

- (b) if Notes have been issued in definitive form:
 - (i) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 24) shall remain in full force and effect; and
 - (ii) new Notes denominated in Euros will be issued in exchange for Notes denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and
- (c) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub division of the Euros, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euros by cheque drawn on, or by credit or transfer to a Euros account (or any other account to which Euros may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.

24.4 Calculation of Interest on redenominated Definitive Note Certificates

Following redenomination of the Notes pursuant to this Condition 24, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes held by the relevant holder.

24.5 Change of Interest Determination Date

If the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

25. GOVERNING LAW AND ARBITRATION

25.1 Governing Law

The Notes and the arbitration agreement in Condition 25.2 (Arbitration) (including any non-contractual obligations arising out of or in connection with the Notes) are governed by, and shall be construed in accordance with, English law.

25.2 Arbitration

Any claim, dispute or difference of whatever nature arising under, out of or in connection with the Notes (including a claim, dispute or difference regarding its existence, termination or validity or any non-contractual obligations arising out of or in connection with the Notes) (a “**Dispute**”), shall be referred to and finally settled by arbitration in accordance with the LCIA (the “**Rules**”) as in force at the date of the Fiscal Agency Agreement and as modified by this Condition, which Rules shall be deemed to be incorporated into this Condition. The number of arbitrators shall be three, one of whom shall be nominated by the claimant(s), one by the respondent(s) and the third of whom, who shall act as Chairman, shall be nominated by the two party nominated arbitrators, provided that if the third arbitrator has not been nominated within 30 days of the nomination of the second party nominated arbitrator, such third arbitrator shall be appointed by the LCIA Court. The parties may nominate and

the LCIA Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

25.3 Service of Process

The Issuer agrees that the process by which any proceedings are commenced in the English courts in support of, or in connection with, an arbitration commenced pursuant to Condition 25.2 (*Arbitration*) may be served on it by being delivered to the Ambassador of the Republic of Kazakhstan to the Court of St. James's from time to time, at the Embassy of the Republic of Kazakhstan, currently located at 125 Pall Mall, London SW1Y 5EA or, in his absence, his designate as its authorised agent for service of process in England. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of a Noteholder appoint a further person in England to accept service of process on its behalf and, failing such appointment within 14 days, such Noteholder shall be entitled to appoint such a person by written notice to the Issuer. Nothing in this paragraph shall affect the right of the Noteholder to serve process in any other manner permitted by law.

25.4 Enforcement of Awards; Waiver of Immunity

Any award made pursuant to Condition 25.2 (*Arbitration*) in relation to a Dispute may be enforced in any tribunal or court of competent jurisdiction. To the extent that the Issuer may in any jurisdiction claim for itself or its assets, property or revenues (irrespective of their use or intended use) immunity from jurisdiction, suit, enforcement, execution, attachment (whether in aid of execution, before the making of a judgment or award or otherwise) or other legal process, including in relation to the enforcement of any arbitration award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets, property or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction subject to the provisions of Condition 25.5 (*Waiver of Immunity - Exclusions*). The Issuer reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of, or in, the United States of America under any United States federal or state securities law.

25.5 Waiver of Immunity - Exclusions

Notwithstanding any of the provisions of Condition 25.4 (*Enforcement of Awards; Waiver of Immunity*), the Issuer does not waive any immunity in respect of any of property which is real property or buildings or the contents belonging to diplomatic missions, consular posts, special missions to international organisations or delegations or organs of international organisations or conferences, in each case situated outside the Republic of Kazakhstan.

25.6 Consolidation of Disputes

In this Condition 25.6:

“**Joinder Order**” means an order by a Tribunal that a Primary Dispute and a Linked Dispute be resolved in the same arbitral proceedings;

“**Linked Dispute**” means any Dispute and/or any dispute, claim, difference or controversy arising out of, relating to or having any connection with these Terms and Conditions and/or the Deed of Covenant, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them, in which a Request for Arbitration (as defined in the Rules) is served after a Request for Arbitration has been served in respect of a Primary Dispute;

“**Primary Dispute**” means any Dispute and/or any dispute, claim, difference or controversy arising out of, relating to or having any connection with these Terms and Conditions and/or the Deed of Covenant, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising

out of or in connection with them, in which a Request for Arbitration has been served before a Request for Arbitration has been served in relation to any Linked Dispute; and

“**Tribunal**” means any arbitral tribunal appointed under these Terms and Conditions.

- (i) Any party to both a Primary Dispute and a Linked Dispute may apply to the Tribunal appointed in relation to the Primary Dispute for a Joinder Order in relation to any Linked Dispute.
- (ii) The applicant for a Joinder Order must promptly notify all parties to the Primary Dispute and the Linked Dispute of any application under (i) above.
- (iii) The Tribunal appointed in relation to the Primary Dispute may, if it considers it just, make a Joinder Order on hearing an application brought under (i) above. In determining whether to make a Joinder Order, the Tribunal must take account of:
 - (A) the likelihood and consequences of inconsistent decisions if joinder is not ordered;
 - (B) any failure on the part of the party seeking joinder to make a timely application; and
 - (C) the likely consequences of joinder in terms of cost and time.
- (iv) If the Tribunal makes a Joinder Order:
 - (A) it will immediately, to the exclusion of any other Tribunal, have jurisdiction to resolve finally the Linked Dispute in addition to its jurisdiction in relation to the Primary Dispute;
 - (B) it must order that notice of the Joinder Order and its effect be given immediately to any arbitrators already appointed in relation to the Linked Dispute and to all parties to the Linked Dispute and to all parties to the Primary Dispute;
 - (C) any appointment of an arbitrator in relation to the Linked Dispute before the date of the Joinder Order will terminate immediately and that arbitrator will be deemed to be functus officio with effect from the date of the Joinder Order. Such termination is without prejudice to:
 - (1) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
 - (2) his entitlement to be paid his proper fees and disbursements; and
 - (3) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.
 - (D) it may also give any other directions it considers appropriate to:
 - (1) give effect to the Joinder Order and make provisions for any costs which may result from it (including costs in any arbitration terminated as a result of the Joinder Order); and
 - (2) ensure the proper organisation of the arbitration proceedings and the proper formulation and resolution of the issues between the parties.

- (v) If a Tribunal appointed in respect of a Primary Dispute under these Terms and Conditions makes a Joinder Order which confers on that Tribunal jurisdiction to resolve a Linked Dispute arising under these Conditions, that Joinder Order and the award of that Tribunal will bind the parties to the Primary Dispute and the Linked Dispute being heard by that Tribunal.
- (vi) For the avoidance of doubt, where a Tribunal is appointed under these Conditions, the whole of its award (including any part relating to a Linked Dispute) is deemed for the purposes of the New York Convention on the Recognition and Enforcement of Arbitral Awards 1958 to be contemplated by these Conditions.
- (vii) Each of the Issuer and the Noteholders waives any objection, on the basis of a Joinder Order, to the validity and/or enforcement of any arbitral award made by a Tribunal following any Joinder Order.

26. RIGHTS OF THIRD PARTIES

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

FORM OF FINAL TERMS

THE REPUBLIC OF KAZAKHSTAN, REPRESENTED BY THE MINISTRY OF FINANCE OF THE REPUBLIC OF KAZAKHSTAN ACTING UPON AUTHORISATION OF THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the
U.S.\$10,000,000,000 Medium Term Note Issuance Programme

PART A—CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Base Prospectus dated 19 June 2015 [and the Base Prospectus Supplement dated [_____]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC as amended by Directive 2010/73/EU) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental base prospectus] [is] [are] available for viewing during normal business hours at [_____], [has] [have] been published on the website of the [London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html] and copies may be obtained from [_____].

1. Issuer: The Republic of Kazakhstan, represented by the Ministry of Finance of the Republic of Kazakhstan acting upon authorisation of the Government of the Republic of Kazakhstan
2. [(i)] Series Number: [_____] [(ii)] Tranche Number: [_____]
3. Specified Currency or Currencies: [_____]
4. Aggregate Nominal Amount of Notes:
[(i)] Series: [_____] [(ii)] Tranche: [_____]
5. Issue Price: [_____]%, of the Aggregate Nominal Amount
[plus accrued interest from [_____]]
6. (i) Specified Denomination(s): [_____] [(ii)] Calculation Amount: [_____]
7. [(i)] Issue Date: [_____] [(ii)] Interest Commencement Date: [_____]
8. Maturity Date: [[_____] / [Interest Payment Date falling on or nearest to

- [_____]]
9. Interest Basis: [[_____] % Fixed Rate]
 [LIBOR/EURIBOR] +/- [_____] % Floating Rate]
 [Zero Coupon]
10. Payment Basis: [Redemption at par]
 Redemption Amount: [_____]
11. Date approval for issuance of Notes obtained: [_____]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12. Fixed Rate Note Provisions: [Applicable/Not Applicable]
 Rate[(s)] of Interest: [_____] % per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
 Interest Payment Date(s): [_____] in each year [adjusted in accordance with [_____] /not adjusted]
 Fixed Coupon Amount[(s)]: [_____] per Calculation Amount
 Broken Amount(s): [_____] per Calculation Amount payable on the Interest Payment Date falling [in/on]
 Day Count Fraction: [Actual/365/Actual/Actual (ISDA)/Actual/365(Fixed)/Actual/360/360/360/Bond Basis/ 30E/360/ Eurobond Basis/Actual/Actual (ICMA)/30/360]
 Interest Determination Date(s): [_____] in each year
13. Floating Rate Note Provisions: [Applicable/Not Applicable]
 Specified Interest Period(s): [_____]

 Specified Interest Payment Dates: [_____]

 First Interest Payment Date: [_____]

 Business Day Convention: [FRN Convention/Floating Rate Convention/Eurodollar Convention/Following Business Day Convention/Modified Following Business Day Convention/Modified Business Day Convention/Preceding Business Day Convention/No Adjustment]

 Business Centre(s):

 Manner in which the Rate(s) of Interest [Screen Rate Determination/ISDA Determination] is/are to be determined:

 Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent]): [_____]

Screen Rate Determination:

Reference Rate: [[] month LIBOR/EURIBOR]

Interest Determination Date(s): []

Relevant Screen Page: []

Reference Banks: []

ISDA Determination: []

Floating Rate Option: []

Designated Maturity: []

Reset Date: []

Margin(s): [+/-][]% per annum

Minimum Rate of Interest: []% per annum

Maximum Rate of Interest: []% per annum

Day Count Fraction: [Actual/365/Actual/Actual (ISDA)/Actual/365 (Fixed)/Actual/360/360/360/Bond Basis/30E/360/ Eurobond Basis/Actual/Actual (ICMA)]

14. Zero Coupon Note Provisions: [Applicable/Not Applicable]

[Amortisation Yield/Accrual Yield] []% per annum

Reference Price: []

GENERAL PROVISIONS APPLICABLE TO THE NOTES

15. Financial Centre(s): [Not Applicable/[]]

Redenomination: [Applicable/Not Applicable]

Calculation Agent: []

LISTING AND ADMISSION TO TRADING APPLICATION

Application has been made to the London Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market with effect from []. These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange of the Notes described herein pursuant to the U.S.\$10,000,000,000 Medium Term Note Programme of the Republic of Kazakhstan.

[THIRD PARTY INFORMATION

[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: _____
Duly authorised

PART B — OTHER INFORMATION

1. LISTING

- (i) Listing and admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Regulated Market with effect from [_____].
- (ii) Estimate of total expenses related to admission to trading: [_____]

2. RATINGS

Ratings: The Notes to be issued have been rated:

[S & P: [_____]]

[Moody's: [_____]]

[[Fitch: [_____]]

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER] [_____]

[4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer: [_____]

[(ii) Estimated net proceeds: [_____] after deduction of management and underwriting commissions and fees and expenses of the Lead Managers' and the Issuer's legal advisers.

[(iii) Estimated total expenses: [_____] including fees and expenses of the Lead Managers' and the Issuer's legal advisers (but excluding the management and underwriting commissions).

[5. Fixed Rate Notes only— YIELD Indication of yield: [_____]

6. OPERATIONAL INFORMATION ISIN (Reg S Notes): [_____]

ISIN (Rule 144A Notes): [_____]

Common Code (Reg S Notes): [_____]

CUSIP (Rule 144A Notes): [_____]

USE OF PROCEEDS

The net proceeds of each offering of Notes will be used by the Issuer for general budgetary purposes, including financing of the State Budget deficit.

THE REPUBLIC OF KAZAKHSTAN

Territory, Population and Natural Resources

The Republic of Kazakhstan, which is the second largest former Soviet Union republic after Russia based on land mass, became an independent state in 1991.

Kazakhstan is located in Central Asia and is bordered by Russia to the north and west, China to the east, Kyrgyzstan, Uzbekistan and Turkmenistan to the south and the Caspian Sea to the west. In the Caspian Sea, Kazakhstan shares maritime boundaries with Russia, Iran, Turkmenistan and Azerbaijan. It is the ninth largest country in the world based on land mass, covering 2.7 million square kilometres, approximately the same size as Western Europe, and spans two time zones. In December 1997, the capital moved from Almaty to Astana (formerly known as Akmola), which is located in northern Kazakhstan, and the President, the Parliament and all ministries have since relocated to Astana. Almaty remains, however, the financial, cultural and scientific capital of the country and is the largest city in Kazakhstan.

As at 1 April 2015, the population of Kazakhstan was approximately 17.5 million. Kazakhstan is one of the most sparsely populated countries in the world with an average population density of approximately 6.4 people per square kilometre. The population of Kazakhstan is ethnically diverse. Kazakhs are the largest among the country's approximately 130 different ethnic groups, accounting for 66% of the population as at 1 January 2015, followed by Russians (21%), Uzbeks (3.1%), Ukrainians (1.7%), Uigurs (1.4%), Tatars (1.2%), Germans (1.0%) and others (4.6%). The relative size of the Kazakh ethnic group has increased since the country's independence, mainly because of the emigration of non-Kazakh ethnic groups and because of the return of many ethnic Kazakhs to the country.

Historically, Kazakhstan belongs to the Turkic-speaking world. Kazakh, the state language, is spoken by approximately 74% of the population. Russian is spoken by more than 90% of the population and is permitted under Kazakhstan's constitution to be used officially on equal grounds with the Kazakh language in State institutions and local self-administrative bodies.

Primary school education is provided by the State free of charge, is compulsory from the age of six or seven and children typically attend school for at least nine years. The majority of the population has a primary, junior and secondary school education. All secondary school graduates are required to pass the Unified National Test, which serves as the entrance examination to universities and colleges, and approximately 20% of the population has a degree from a college and approximately 25% of the population has a university level degree. Kazakhstan's adult literacy rate exceeds 99%.

The secular status of the country is enshrined in Kazakhstan's constitution, which also provides for the right to religious freedom. Various religious and ethnic groups live in peaceful co-existence. The principal religions are Islam and Orthodox Christianity. The country is also home to Jews, Buddhists, Catholics and Protestants, particularly in the German communities.

Kazakhstan is rich in natural resources. It is a leading producer of both mineral and fossil fuel products. Kazakhstan is the second largest oil producer in the CIS after Russia. Kazakhstan is ranked in the top fifteen globally based on the amount of its reserves of each of coal, uranium, gold, silver, lead, zinc, manganese and copper. The country is also a significant exporter of wool, wheat, meat, machinery and various chemicals. Kazakhstan has recently enjoyed high levels of foreign direct investment, particularly in the oil and gas sector, compared to other former Soviet Union nations.

History

Almaty is located on the site of a Silk Road oasis. Trade began along the Silk Road, a web of caravan tracks connecting the east (China) and west (Persia or present day Iran), in the second century. Gold, silver, ivory, jade, wool, Mediterranean coloured glass, grapes, wine and spices flowed east, while silk, porcelain, spices, gems and perfumes moved west. In the middle lay Central Asia, including what is now southern Kazakhstan, which provided horses and camels to keep goods flowing along the route. The historical significance of the Silk Road for Kazakhstan is derived not only from the trade that flowed from it, but also from the exchange of ideas, technologies and religions among the different cultures that used it.

Before Genghis Khan led the Mongols into what is modern day Kazakhstan in the 13th century, the region had been inhabited by various, mostly nomadic, peoples, including the Persian horsemen, the Kushanads, the Persian dynasty of the Sassanids, the Turks, the Abbasids and the Seljuk Turks. Over time, the Mongols mixed with the nomadic peoples of Kazakhstan. After the fall of the Mongol empire in the 17th century, the Kazakh nomads joined in establishing a political federation which, although it later split, left an important legacy of cultural ties and influences.

Russian influence in the region began in the 17th century, when the Cossacks settled along the Ural River in the west of the country. In the 18th century some khans (the hereditary title held by Turkic rulers) in Kazakhstan began to accept the protection offered by the Russian Tsars. Russian influence spread gradually and, despite a number of uprisings against Russia between 1820 and 1847, the khans were gradually overthrown and Russia secured political control. By 1854, the year of the founding of the garrison town of Verny (now Almaty), all of present day Kazakhstan was under Russian administration. The fall of the Tsarist Empire in 1917 liberated the country from Russian rule for a short period and during this time the Alash Orda government was formed by the Kazakhs. However, Russian rule was reasserted in 1920 when the Bolsheviks consolidated power.

Under the Soviet regime, large Soviet forced labour camps were located in Kazakhstan and more than five million people were deported to these camps during these years of repression. Approximately 110,000 citizens of the Kazakh Soviet Socialist Republic (the “KSSR”) were imprisoned for political reasons between 1920 and 1953 and approximately 25,000 of these were executed.

Approximately two million Kazakhs died as a result of a famine in the early 1930s, which was caused by the regime’s policies of “liquidation of the kulaks (relatively affluent farmers) as a class”, collectivisation and confiscation of livestock by the central authorities. During this period, approximately 48% of the indigenous population died or left Kazakhstan, including Kazakhs that were forced to move to Mongolia, China, Afghanistan and other countries.

Kazakhstan played a vital industrial and agricultural role within the Soviet system. Many European Soviet citizens and much of Russia’s industry were relocated to Kazakhstan during the Second World War. In the years 1953-1965, large tracts of Kazakhstan’s territory were used for the cultivation of wheat and other cereal grains during the so-called “Virgin Lands Campaign”. In the late 1960s and in the 1970s, there was a programme to relocate Soviet industry close to the extensive coal, gas and oil deposits of Kazakhstan and elsewhere in Central Asia.

Under the Soviet regime, senior positions in industry, the judiciary and politics were generally held by Russians until the 1950s. Thereafter, ethnic Kazakhs increasingly began to assume power in the KSSR. However, during this period, ethnic Kazakhs accounted for only approximately 30% of the population, primarily as a result of a significant number of deportations under Stalin’s orders of ethnic Koreans, Germans, Greeks and Tatars from Russia during the Second World War.

The increasing political power of ethnic Kazakhs is demonstrated by the fact that Dinmukhamed Kunaev, a Kazakh, became First Secretary of the Kazakh Communist Party in 1960. Except for a two year period during which he was removed as First Secretary for opposing the policies of Nikita Khrushchev, Kunaev remained in office until 1986, when he was succeeded by a Russian, Gennady Kolbin, prompting violent demonstrations from Kazakhs. In 1989 Kolbin was replaced by Nursultan Nazarbayev.

Kazakhstan adopted the Constitutional Law on State Independence on 16 December 1991. Kazakhstan is also a signatory to the agreement putting a formal end to the former Soviet Union and creating the Commonwealth of Independent States. Nursultan Nazarbayev, then First Secretary of the Kazakh Communist Party, became President of Kazakhstan with the formation of the newly independent state and has held the position of head of state since that time. President Nazarbayev was most recently re-elected in April 2015 and his current term of office expires in 2020. See “*–Early Presidential Election in 2015*” for more information on the recent presidential election.

Constitution, Government and Political Parties

Constitution

Kazakhstan’s current constitution (the “**Constitution**”) was adopted in August 1995 by a general referendum and came in to force on 5 September 1995. The Constitution provides for a separation of powers between the

executive, legislative and judicial functions. It establishes and sets out the powers and functions of the President, the Parliament, the Government, the Constitutional Council and local governments and administrations and establishes an independent judicial system.

The Constitution protects certain fundamental rights and personal freedoms of the citizens of Kazakhstan, including protection from discrimination based on ethnicity, social status, occupation, gender, race, nationality or beliefs. The Constitution also provides for the right to a private life, the right to own property and the right to defend oneself in a court of law. Foreign individuals and stateless persons benefit from the fundamental rights under the Constitution (although this is subject to statutory derogations).

Amendments to the Constitution can be proposed by the President, Parliament or the Government. Such proposals are then required to be submitted to a general referendum. More than 50% of Kazakhstan citizens who have a right to vote must participate in any general referendum regarding a proposed amendment to the Constitution in order for it to be valid. The proposed amendments are then adopted if more than 50% of Kazakhstan citizens, in not less than two-thirds of the country's 14 regions ("**oblasts**"), major cities and Astana, vote in favour of the amendments. However, as an alternative to a referendum, the President may decide to submit a proposal for an amendment to the Constitution directly to Parliament, which can approve such an amendment with not less than 75% of the votes of each chamber. The President also has the power to refuse to submit a Parliamentary proposal for an amendment to the Constitution to a general referendum. Following such a refusal by the President, Parliament can, with not less than 80% of the votes of each chamber, adopt the law on amendments to the Constitution, after which the President must then sign this law or submit it for a general referendum.

The Constitution was amended in 2007 to allow the first President of the Republic of Kazakhstan to be re-elected to the presidency for an unlimited number of terms. See "*—The President*" below. The Constitution was most recently amended in 2011.

The President

Under the Constitution, the President is the head of State and Kazakhstan's highest ranking official. The President ensures the responsibility and accountability of Kazakhstan's authorities to the citizens of Kazakhstan, is commander-in-chief of the armed forces and has the power to issue decrees and orders that are binding on the entire State. The President can initiate constitutional amendments and call referenda. The President also appoints administrative heads of oblasts and the heads of the capital, Astana, and the city of Almaty with consent from the local representative body (the "**maslikhat**") of the relevant oblast, the capital, Astana and the city of Almaty. The President has the power to dissolve Parliament as a whole or solely the lower chamber of the Parliament (the "**Majilis**") following consultation with the chairpersons of both chambers of Parliament and the Prime Minister.

The President has other significant powers of appointment and dismissal, including the power to appoint and dismiss the Prime Minister (in consultation with and following the approval of the Majilis), members of the Government (in consultation with the Prime Minister) and the Governor of the NBK (following approval from the upper chamber of Parliament (the "**Senate**")).

The Constitution, as amended in 2007 and 2011, provides that the President is elected to office by popular vote for a term of five years and allows the first President of Kazakhstan to be re-elected to the presidential office for an unlimited number of terms. In December 1991, Nursultan Nazarbayev, who had been the First Secretary of the Kazakh Communist Party, was elected as the first President of Kazakhstan. A referendum in April 1995 extended the term of his presidency until 2000, and he was re-elected in January 1999, December 2005, April 2011 and April 2015. In April 2015, President Nazarbayev was re-elected with 97.75% of the vote for a new five-year term. See "*—Early Presidential Election in 2015*" for further information on the recent presidential election.

The Constitutional Law "On the first President of the Republic of Kazakhstan - Leader of the Nation" provides for certain prerogatives and guarantees to President Nazarbayev as the first President of Kazakhstan. These include a guarantee that he cannot be found liable, whether during his term of office as President or any time thereafter, for any acts performed in his capacity as the first President. Also, he cannot be subjected to detention, arrest, custody, search, interrogation or a personal search. This immunity extends to all private property, correspondence and communications of the President and to members of his family that reside with him.

If the President is unable to perform his duties for a sustained period of time due to illness, Parliament must form a commission consisting of an equal number of members of Parliament from both chambers of Parliament and a number of medical experts. If the commission opines that the President is unable to perform his duties due to illness and the Constitutional Council opines that the established constitutional procedures have been complied with, the President can be removed if, at a meeting of both chambers of Parliament, at least 75% of each chamber of Parliament votes in favour of such removal. The President may also be dismissed from office if found guilty of high treason. An investigation into accusations of high treason may be conducted with the approval of a majority of the members of the Majilis at the initiative of at least 25% of its members. Following an investigation arranged for by the Senate, the President may, at a meeting of both chambers of Parliament, be dismissed by a final vote of at least 75% of each chamber of Parliament, provided that the Supreme Court confirms that the accusations are valid and the Constitutional Council confirms that the established constitutional procedures have been complied with. Should the resolution dismissing the President not be voted within two months from the charges of high treason being brought, the charges against the President shall be discharged. Upon discharge of such charges, the members of the Majilis who had initiated the investigation shall be dismissed from their office.

In the case of premature release or dismissal of the President from office (including in the case of death), the presidential powers and duties are assumed by the chairperson of the Senate for the remainder of the presidential term, and if the chairperson of the Senate is unable to assume the presidential powers and duties then they are assumed by the chairperson of the Majilis. If the chairperson of the Majilis is unable to assume the presidential powers they are passed on to the Prime Minister.

Early Presidential Election in 2015

An early presidential election was held in Kazakhstan on 26 April 2015, having been originally scheduled for 2016. On 14 February 2015, an advisory body to the President (the “**Assembly of the People of Kazakhstan**”), proposed that an early election be held and requested that the Majilis provide its support. This was requested on the basis that an early election would provide stability to the political and economic situation in Kazakhstan in light of the challenging economic environment and complex political agenda and maintain the increasing effectiveness of the implementation of the Nurlı Zhol programme. On 18 and 19 February 2015, the Majilis and the Senate unanimously voted in favour of an early presidential election. As a result, on 25 February 2015, President Nazarbayev signed a decree scheduling the presidential election for 26 April 2015. On 26 April 2015, President Nazarbayev was re-elected with 97.75% of the votes. The turnout for this election was high at 95.11%.

Following an invitation from the Ministry of Foreign Affairs of Kazakhstan, the Organisation for Security and Cooperation in Europe (the “**OSCE**”), deployed an Election Observation Mission (EOM) to observe the early presidential election. The OSCE observed that the election was efficiently administered and organised but confirmed that there is a genuine need for reform.

Following the election, the President has announced that five institutional reforms are to be implemented in Kazakhstan, which includes the re-balancing of power between the President, the Parliament and the Government. See “*The Economy of Kazakhstan—Recent Trends in the Economy—100 Steps*”.

Executive Branch

The executive branch of the Government is responsible for implementing laws, decrees and international agreements, preparing and implementing the budget, establishing social and economic policy and defending the rights and freedoms of citizens.

The composition of the Government is formed by the President in accordance with the Constitution. The Government is led by the Prime Minister and is composed of Deputy Prime Ministers, ministers and other officials. Members of the Government are appointed by the President, based on the Prime Minister’s recommendations. The Government is dissolved after each presidential election to allow the President to form a new administration. Neither the Prime Minister nor the members of the Government are members of Parliament.

On 6 August 2014, President Nazarbayev issued a decree “On the reform of public administration of the Republic of Kazakhstan”, which set out numerous, and immediately effective, changes in the structure of the Government. As a result of these reforms, several ministries have been merged into other ministries and/or

combined to form new ministries, resulting in a Government comprising 12 ministries, approximately 30 committees and one agency, whereas previously there had been 17 ministries, nine agencies, 54 committees and 272 departments. According to President Nazarbayev, the changes were made to establish a more efficient system of governance, to create a compact Government and to place a focus on the country's socio-economic development. Numerous legislative amendments followed the decree which increased the competence and functions of each ministry and shifted the responsibility for decision making from the level of the Government as a collegial body to each individual minister. These changes are in line with the general direction of the State towards the creation of an efficient and merit-based executive branch pursuant to which every state employee is adequately remunerated but, equally, should be personally accountable for every decision taken.

Following the presidential election in April 2015, President Nazarbayev approved the composition of the Government (led by Mr. Karim Massimov, as Prime Minister (the "**Prime Minister**")) by a decree dated 30 April 2015. The composition of the Government remained the same as prior to the presidential election.

Legislative Branch

The current parliamentary structure of Kazakhstan includes a bicameral Parliament, which consists of the Senate and the Majilis. The Senate consists of 47 deputies, 15 of whom are appointed by the President and the remainder of whom are appointed by the representative body of each oblast, the capital city, Astana, and Almaty. The Majilis consists of 107 members: 98 members are elected from political parties in accordance with party lists for the united national election district, and nine members are elected by the Assembly of the People of Kazakhstan. The term of office for members is six years in the Senate and five years in the Majilis.

Senate elections were last held in 2014 and will be next held in October 2017. The Majilis' most recent elections took place on 15 January 2012 in which seven political parties participated. The "Nur Otan" party (of which President Nazarbayev is the head) received 80.99% of the votes and the "Ak Zhol" Democratic party of Kazakhstan and the Communist People's Party of Kazakhstan received 7.47% and 7.19% of the vote, respectively. The next Majilis election will take place in 2017.

The process of introducing new legislation is initiated by Government agencies, which prepare draft legislation in the form of bills. These bills are sent to the Department of Legislation in the Ministry of Justice, which drafts an overall legislative plan containing all bills that have been proposed. This legislative plan is then forwarded to the Office of the Prime Minister, for its review and to ensure that the bills adhere to certain requirements, including, that they have been drafted in accordance with the Constitution. The legislative plan is then sent to the Presidential administration, which comments on, and proposes amendments to, each draft bill. The bills are then returned to the relevant Government agencies. The Government then forwards the relevant bills to Parliament, where following approval by the Majilis, they are sent to the Senate. The Senate can then either approve the bills, or suggest amendments and submit the amended bills back to the Majilis for its consideration. Once both chambers of Parliament have approved the bills, they are sent to the President to be signed, after which they become law.

Judicial Branch

Judicial authority is vested in the Supreme Court, local courts and other courts created by legislation. The Supreme Court is the highest judicial body of last resort for all civil, criminal and other matters tried in local and other courts. The chairperson and the judges of the Supreme Court are elected by the Senate from candidates nominated by the President based on recommendations of the Supreme Judicial Council. The President approves the number of judges on the Supreme Court based on the recommendation of the chairperson of the Supreme Court. The chairperson of the Supreme Court is elected for a term of five years. The Supreme Judicial Council is comprised of the chairperson of the Supreme Judicial Council, the Secretary and other members appointed by the President. Chairpersons and judges of all local and other courts, other than the Supreme Court are appointed by the President on a permanent basis upon the recommendation of the Supreme Judicial Council and may be removed if a panel of 11 judges (consisting of judges from district and regional courts and the Supreme Court) determines that the judge is professionally incompetent, commits a disciplinary offence or fails to meet certain prescribed standards.

The Constitutional Council

The seven-member Constitutional Council is vested with responsibility for providing official interpretations of the provisions of the Constitution, ensuring the constitutionality of legislation and international treaties and

resolving disputes over presidential and parliamentary elections and public referenda. Each of the Senate and the Majilis appoints two members of the Constitutional Council and the President appoints three members, including the Council's Chairman.

Local Government

The structure of local government was established in December 1993 and is comprised of maslikhats for each of the country's 14 oblasts and the cities which have 'cities of republican status' (Astana and Almaty). Approximately 175 rural districts ("rayons") and a further 87 cities together make up the second tier of territorial administration. The maslikhats are responsible for, among other things, approval of economic and social development plans and the local budget and are also required to report on the execution of such budget (see "*Public Finance - State Budgetary Process*").

The heads of local government ("Akims") are appointed as follows: (i) Akims of Astana, Almaty and oblasts are appointed by the President following approval by the maslikhats of Astana, Almaty or the oblast, respectively; (ii) Akims of districts and important cities within oblasts are appointed by the Akim of that oblast following approval by the maslikhat of that district or city; (iii) Akims of districts within cities, other than Astana and Almaty, are appointed by the Akim of that city following approval by the maslikhat of that city; (iv) Akims of districts within Astana and Almaty are appointed by the Akims of Astana and Almaty following approval by the maslikhats of Astana and Almaty, respectively; and (v) Akims of towns, rural districts and villages are elected by the deputies of the relevant maslikhats by secret ballot.

Political Parties

The principle of political plurality is enshrined in the Constitution. There are nine political parties registered with the Ministry of Justice, the main ones being the "Nur Otan" party, the "Ak Zhol" Democratic party of Kazakhstan, the Communist People's party of Kazakhstan, the National Social Democratic party and the Democratic party of Kazakhstan "Azat". President Nazarbayev is the head of the "Nur Otan" party.

In order to formally establish a political party, a party must consist of at least 1,000 citizens representing at least two-thirds of the oblasts, and the cities of Almaty and Astana. A political party must obtain at least 7% of the total number of votes in a general election to hold one of the 98 elected seats in the Majilis. Elected seats in the Majilis are allocated on the basis of proportional representation. If only one party receives at least 7% of the total number of votes, the party that receives the second highest number of votes will automatically be allocated at least two seats in the Majilis.

Seven political parties participated in the last elections to the Majilis. Three parties received at least 7% of the total number of votes and are represented in the Majilis. These are the "Nur Otan" party (80.99% of votes), the "Ak Zhol" Democratic party of Kazakhstan (7.47% of votes) and the Communist People's party of Kazakhstan (7.19% of votes). Currently, the Majilis consists of 83 members from the "Nur Otan" party, eight members from the "Ak Zhol" Democratic party and seven members from the Communist People's party of Kazakhstan. Nine members are elected by the Assembly of the People of Kazakhstan.

International Relations

Kazakhstan has established diplomatic relations with over 138 countries and is a member of over 73 international organisations. Kazakhstan is a full member of the United Nations (UN), the International Monetary Fund (IMF), the World Bank (including the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation), the OSCE, the United Nations Educational, Scientific and Cultural Organisation ("UNESCO"), the International Atomic Energy Agency, the European Bank for Reconstruction and Development (the "EBRD"), the Asian Development Bank (the "ADB"), the Multilateral Investment Guarantee Agency, the International Organisation of Securities Commissions, Japan International Cooperation Agency and the Islamic Development Bank. Kazakhstan was elected a member of the UN Human Rights Council for the first time in November 2012.

Kazakhstan maintains peaceful relations with countries of the global community and has no outstanding disputes relating to state borders. The Kazakhstan sector of the Caspian Sea is not fully defined, but such sector is not disputed by the neighbouring countries, which are Azerbaijan, Russia, Turkmenistan and Iran.

International Organisations

World Trade Organisation

Kazakhstan has observer status with the World Trade Organisation (the “WTO”) and the Government is actively pursuing full membership of the WTO, expecting to achieve this in the second half of 2015.

Kazakhstan initially applied for WTO membership in 1996. In 2003, Kazakhstan completed the information phase of the WTO accession process and entered an active negotiation phase with member countries of the working group with regard to the conditions for obtaining WTO membership. Kazakhstan finalised the negotiation of its WTO membership terms with WTO members at the working party meeting on Kazakhstan’s accession on 10 June 2015. The draft WTO accession package will be submitted to members for formal approval and put to a vote when the meeting reconvenes on 22 June 2015. Kazakhstan is committed to obtaining full WTO membership and considers such accession to be an important part of the 2050 strategic programme. See “*The Republic of Kazakhstan—Development Strategy*”.

Commonwealth of Independent States

Kazakhstan is one of the founding members of the Commonwealth of Independent States (the “CIS”), which was established in December 1991 to promote the resolution of key issues for the development of its members including economic, security, political and human cooperation issues, as well as migration and development of contacts between citizens of the member states. Currently, the CIS consists of 11 states. An agreement of the CIS free trade zone was signed in October 2011. A series of programme documents aimed at trade and economic cooperation is currently being implemented. Development of cooperation in other fields including security, culture, education, sport and so on is in progress.

Collective Security Treaty Organisation

Kazakhstan is a member of the Collective Security Treaty Organisation (the “CSTO”) established in 2002 on the basis of the CIS Member States Collective Security Treaty dated 15 May 1992. The charter goals of the CSTO are strengthening of peace, international and regional security and stability, prevention of security threats and collective protection of independence, territorial integrity and sovereignty of CSTO member states, with a priority of achieving these goals through political means.

Eurasian Economic Union

In 1994, President Nazarbayev proposed the establishment of a Eurasian economic union. On 10 October 2000 Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan signed the Agreement on the Establishment of the Eurasian Economic Union, an international economic organisation established for the purpose of deepening economic and human integration among the member states, with the goal of establishing a customs union and a free trade area.

On 1 January 2015, the EEU came into effect. The EEU provides more opportunities for further economic development by providing Kazakhstan with access to 182 million people across the member states with a combined economy of more than U.S.\$2.2 trillion and a total industrial output of U.S.\$1.5 trillion. The objective of the EEU is to form a legal framework for a united economic zone, establish a common energy market and providing for the free movement of people within the EEU. The main drivers behind Kazakhstan’s membership of the EEU are that it is a landlocked country and thus the maintenance of good relations with its neighbours is imperative, its internal market’s ability to invest in the manufacturing sector is limited and a stable local export zone provides a mitigant against global economic downturns.

As part of the process leading to the establishment of the EEU, the Customs Union of Belarus, Kazakhstan and Russia (the “**Customs Union**”) was established and came into effect on 1 January 2010. On 1 January 2012 the Common Economic Space (the “CES”) between Belarus, Kazakhstan and Russia and a new supranational body, the Eurasian Economic Commission (“EEC”), which replaced the commission of the Customs Union, was established. The Customs Union provides for tariff-free trade among the member countries and a uniform customs tariff applicable to trade by member states with other countries. The goal of the EEC is to establish and maintain conditions in which the Customs Union and CES can function and to develop proposals for further economic integration between the member countries. In connection with the establishment of the CES, in November 2011 and December 2012, the three member countries entered into a number of agreements which

provide for the free movement of goods, services, capital and labour among the member countries and set out common principles in respect of competition, industry subsidies and currency policy. On 29 May 2014, the presidents of Kazakhstan, Belarus and Russia signed a Eurasian Economic Union Agreement (the “**Eurasian Economic Union Agreement**”). The EEU came into effect on 1 January 2015. Most of the existing CES agreements are codified in the Eurasian Economic Union Agreement. The EEU represents a form of deep and comprehensive cooperation among the member states with deadlines for integration in various areas and expansion of the competence of its supra-national bodies. Following establishment of the EEU, Armenia has acceded to membership and, as at the date of this Base Prospectus, Kyrgyzstan has started the accession process. On 29 May 2015, during an EEU meeting in Kazakhstan, the EEU concluded an agreement establishing a free trade zone with Vietnam. The agreement contains provisions for tariff liberalisation on the trade of goods between EEU member states and Vietnam. In addition, import customs duties relating to a number of goods have been reduced. This is the first country with which the EEU has entered into a free trade agreement which provides for preferential terms of trade. It is intended that this agreement will result in an increase in trade between the EEU and Vietnam and the trade turnover is expected to be U.S.\$10 billion by 2020. There are also ongoing discussions with Egypt and Israel with respect to entry into free trade agreements. See “*Balance of Payments and Foreign Trade - Foreign Trade Regime*”.

European Union

In January 1995, Kazakhstan signed a Partnership and Co-operation Agreement with the European Union (the “**EU**”) which came into force on 1 July 1999 and has since been the legal framework for bilateral relations between Kazakhstan and the EU. Joint work is in progress on a new Expanded Partnership and Cooperation Agreement, the ultimate goal of which is the establishment of a new and strong legal framework to deepen cooperation within the context of global competition and subject to the economic and geopolitical interests of the parties. Kazakhstan also cooperates with the EU in various scientific and environmental programmes. In December 2006, a memorandum of understanding on cooperation in the field of energy between the EU and Kazakhstan was signed, establishing the basis for enhanced cooperation. Future European Commission assistance will focus on the promotion of ongoing reforms of the political, economic, judicial and social areas, infrastructure projects and cooperation in the energy sector. The overall EU cooperation objectives, policy responses and priority fields for Central Asia are set out in the EC Regional Strategy Paper for Central Asia. In addition, earlier in 2014 the EU proposed a new format for regional cooperation with Kazakhstan as well as a “partnership instrument” due to Kazakhstan’s progression from the status of an assistance recipient to a partner country. The partnership instrument proposes the establishment of technical and project cooperation in the areas of: energy security, climate change and environmental protection; investments, business development and regulatory and standards cooperation; and public diplomacy for promotion of EU values and standards. On 20 January 2015, Kazakhstan and the EU signed a draft agreement in Brussels on the expansion of their partnership and cooperation. The EU is the main trade and investment partner of Kazakhstan as 53.2% of Kazakhstan’s external trade turnover and approximately 49.0% of foreign capital flowing into Kazakhstan’s economy originates from the EU.

North Atlantic Treaty Organisation (“NATO”)

Kazakhstan, while not a member of NATO, is an active participant in the NATO Partnership for Peace programme, which it joined in 1994. Kazakhstan has participated in various peacekeeping exercises in cooperation with NATO. In 2006, 2007, 2009 and 2013 Kazakhstan, in cooperation with NATO countries, participated in the “Steppe Eagle” counterterrorism exercise. Kazakhstan also participates in the Partnership Action Plan Against Terrorism, which involves the exchange of intelligence and analytical developments with NATO, improving national capacity for counter-terrorism activities, and strengthening border security. In May 2010, scientists and engineers from Kazakhstan and other CIS countries took part in a NATO science programme designed to teach participants skills to protect IT networks. In 2010, Kazakhstan signed an agreement with NATO regarding the railway transportation of non-lethal cargo to Afghanistan.

OSCE

Kazakhstan has been a member of the Organisation for Security and Cooperation in Europe since 1992. In 2010, Kazakhstan assumed the chairmanship of the OSCE, which demonstrates the recognition of the country’s increasing role in the region and within the OSCE. Kazakhstan is the first post-Soviet Union state to have chaired the OSCE. In December 2010 the OSCE Summit was held in Astana. At the summit the Astana Declaration was adopted, in which participants reaffirmed their commitment to the principles and values of the OSCE.

Organisation of Islamic Cooperation

In December 1995, Kazakhstan became a member of the Organisation of Islamic Cooperation (formerly known as the Organisation for the Islamic Conference) (the “**OIC**”), which is the second largest inter-governmental organisation after the United Nations and which has membership of 57 states spread over four continents. Since joining the OIC, Kazakhstan has taken an active part in most significant events of the OIC including summits, conferences of foreign ministers and annual coordination meetings of foreign ministers as part of the UN General Assembly. In June 2011, Astana hosted the 38th session of the Council of Foreign Ministers of the OIC, where Kazakhstan was elected chairman of the Council. Kazakhstan was selected as the Vice Chairman of the Standing Committee for Economic and Commercial Cooperation of the OIC for 2011-2013. Kazakhstan participates in the Conference of the Parliament Union of the OIC.

Kazakhstan places importance on cooperation with the economic bodies of the OIC including the Islamic Development Bank (the “**IDB**”), one of the largest development institutions with an authorised capital of U.S.\$42.0 billion. Kazakhstan’s interest in the charter capital of the IDB is 0.11% or U.S.\$29.5 million. One of the four regional offices of the IDB is located in Almaty. In May 2013, as a result of the growing economic needs of its member countries, the Board of Governors of the IDB voted to increase the IDB’s authorised capital to U.S.\$150 billion.

The Islamic Organisation for Food Security, part of the OIC, is planned to be established in Astana on the initiative of President Nazarbayev.

Other Regional Organisations

In 1993, an Agreement on the Establishment of an Economic Union was signed by the CIS countries, and the Interstate Bank was established by the CIS member governments and central banks. The office of Chairman of the Council of the Interstate Bank has been held since April 2013 by the Chairman of the NBK.

The main goals of the Interstate Bank include facilitating multilateral settlements among CIS national central banks and providing financing for interstate projects.

In July 1994, Kazakhstan, Kyrgyzstan and Uzbekistan signed an agreement to establish the Central Asian Bank.

In June 2001, Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan signed a declaration on the creation of the Shanghai Co-operation Organisation (the “**SCO**”). Since the establishment of its predecessor group the “Shanghai Five” in 1996, Kazakhstan has taken an active part in the SCO’s activity. Kazakhstan considers the SCO to be one of the key means of ensuring security and stability and expanding of trade-and-economic and cultural-and-human cooperation among the SCO countries. See “—*Foreign States - China*”.

In January 2006, Kazakhstan and Russia established the Eurasian Development Bank, a regional development bank focussed on promoting economic development and facilitating integration in Eurasia. The bank currently has six member states, including Armenia, Belarus, Kyrgyzstan and Tajikistan.

In November 2012, Astana was selected as the host city of the International EXPO-2017 (“**EXPO-2017**”), which will be the first EXPO to be hosted in the CIS region. The key theme will be “Energy of the Future”, focusing on alternative sources of energy. See “*The Economy of Kazakhstan - Foreign Direct Investment*”.

Foreign States

Russia

Kazakhstan has maintained significant political and economic relations with Russia since the dissolution of the Soviet Union. After the dissolution of the Soviet Union, Kazakhstan concluded a so-called zero option agreement with Russia which provided for Russia’s acceptance of responsibility for virtually all external debt liabilities of the former Soviet Union, in return for Kazakhstan waiving all claims on former Soviet Union assets located outside the territory of Kazakhstan.

Space exploration began for the first time in 1957 when the first satellite was launched by the former Soviet Union from the Baikonur Space Centre located in Kazakhstan from which, in 1961, the first man was launched into space. In 1994, Kazakhstan concluded a series of agreements with Russia (the “**Baikonur Agreements**”)

on the future use of the Baikonur Space Centre. Under the Baikonur Agreements, the Government leased the facilities to Russia for 20 years in return for the payment of annual rent of U.S.\$115 million. An agreement to extend the lease until 2050 was signed between Russia and Kazakhstan in January 2004 and was ratified in April 2010. Russia currently leases approximately 6,000 km² of territory enclosing the Baikonur Space Centre.

In May 1997, Kazakhstan and Russia (together with other parties) signed documents conforming their legal status as the shareholders of the Caspian Pipeline Consortium (the “CPC”) in relation to a pipeline (the “CPC Pipeline”) linking the Tengiz oil field in the western part of Kazakhstan with the Black Sea port of Novorossiysk in Russia. See “*The Economy of Kazakhstan—Principal Sectors of the Economy—Transportation—Pipelines*”.

Russia is one of Kazakhstan’s largest trading partners and, together with Belarus, is a member of Customs Union and EEU with Kazakhstan. See “—*International Organisations - Eurasian Economic Union*”. In 2014, based on actual trade flows, Kazakhstan’s imports from Russia accounted for 33.3% of Kazakhstan’s total imports, as compared to 36.8% in 2013, and Kazakhstan’s exports to Russia accounted for 6.6% of Kazakhstan’s total exports, as compared to 6.9% in 2013. Kazakhstan’s trade turnover with Russia decreased in 2014 by 20.7% (in respect of both imports and exports) as compared to the same period in 2013. The decreases were primarily due to the effects of the recently imposed sanctions on the Russian economy. Decreases in international oil and metal prices also contributed to the reduction in the trade turnover between Kazakhstan and Russia. See “*Risk Factors— Risks Relating to Kazakhstan - Sanctions imposed on Russia could have an indirect adverse impact on Kazakhstan’s economy*”, and “*Balance of Payments and Foreign Trade - Foreign Trade - Direction of Trade*”.

Kazakhstan is not a party to the current conflict in Ukraine or the dispute over the alleged role of Russia in events in Ukraine and Crimea. Kazakhstan has been taking an active role in trying to help achieve a peaceful resolution of the conflict. This has included the participation at the meeting between, among others, the presidents of Belarus, Kazakhstan, Russia and Ukraine held in Minsk on 26 August 2014 at which President Nazarbayev called for all parties involved to refrain from using force and instead address the challenges through diplomatic channels.

China

Political relations with China, Kazakhstan’s other significant neighbour, have been developing steadily since Kazakhstan’s independence. Kazakhstan first established diplomatic relations with China in 1992. In 1994, the Chinese Premier, Li Peng, signed an accord in Almaty defining the China-Kazakhstan border, over which China had a 30-year dispute with the Soviet Union. This position was reaffirmed in the signing of a further accord on the China-Kazakhstan border in mid-1996. Further agreements defining the border were entered into in 1997, 1998 and 1999. In 2001, Kazakhstan and China signed an agreement on cooperation on crossboundary river use and protection. China has also made public its intention to cease testing nuclear weapons at the Lop Nur test site, which is located near the Kazakhstan border in the Xinjiang province and has been a source of dispute between the two countries. Kazakhstan and China continue to cooperate, including within such international and regional frameworks as the UN and the SCO.

China entered the Kazakhstan energy market after signing an Intergovernmental Agreement on Cooperation in the Field of Oil and Gas in September 1997. At that time a general agreement between the Ministry for Energy and Mineral Resources of Kazakhstan and China’s National Petroleum Corporation (the “CNPC”) was also signed, under which the development of oil projects in Kazakhstan and the construction an oil pipeline from Kazakhstan to China was agreed. The agreement has also allowed for the implementation of a number of additional joint projects beneficial to the two countries. In July 2013, ConocoPhillips sold its 8.4% stake in Kazakhstan’s Kashagan oil field to the CNPC. This is the first equity holding by a Chinese company in a major offshore Caspian energy field.

The two countries also cooperate in the security and military fields. In August 2006, the National Security Committee of Kazakhstan and the Public Security Ministry of China carried out an anti-terrorist exercise at the border area. Law enforcement agencies of the two countries continue to work together combating drug trafficking, weapon and explosive materials smuggling, organised trans-national crimes.

Economic relations between Kazakhstan and China continue to develop. According to the NBK’s statistics as at 31 December 2014, total Chinese investment into Kazakhstan was U.S.\$18.7 billion, of which U.S.\$4.1 billion was direct investment and U.S.\$5.5 billion constituted portfolio investments.

During 2014, Kazakhstan and China signed a number of memorandums of understanding, cooperation and mutual development, including between the NBK and the China Banking Regulatory Commission, and between the Development Bank of Kazakhstan and the State Development Bank of China. In addition, the KASE has opened currency tenders for Kazakhstan Tenge and Chinese Yuan. In December 2014, the NBK and the People's Bank of China signed an agreement on mutual settlements in national currencies and an agreement on a currency swap between Kazakhstan Tenge and Chinese Yuan.

Cooperation between Kazakhstan and China in the energy sector and other sectors of the economy has developed within the framework of the SCO. Initially, the main purpose of the SCO was to find a civilised solution to the border disputes that arose following the collapse of the Soviet Union, as well as to security issues. However, in recent years the scope of the SCO has been extended beyond that of political and security issues, to include combating extremism, terrorism and separatism. It is also intended to strengthen economic cooperation in the energy, transport, industrial and agriculture sectors, including cooperation in cross-border areas. The Energy Club was established within the SCO to provide resolutions to energy issues between member countries, through facilitating energy dialogues and the signing of bilateral agreements.

In December 2005, China and Kazakhstan completed the 965.1 km Atasu-Alashankou pipeline which forms part of the Kazakhstan-China Oil Pipeline. The initial capacity of the Atasu-Alashankou pipeline is 10 million tonnes per year, with capacity projected to increase to 20 million tonnes per year in 2014. In October 2009, China and Kazakhstan completed the 794.1 km Kenkiyak-Kumkol pipeline, which was the first stage of the operation of the Kazakhstan-China Gas Pipeline, which consists of two stages: a gas pipeline from the other Central Asian republics to southern Kazakhstan and to China and the Beineu-Bozoi-Shymkent Gas Pipeline. See *“The Economy of Kazakhstan—Principal Sectors of the Economy—Transportation—Pipelines”*. Following the commencement of operations of the Atasu-Alashankou pipeline (which forms part of the Kazakhstan-China Oil Pipeline) in 2006, China has gradually become the second largest export destination for goods produced in Kazakhstan. From 2009 to 2014, the share of imports to Kazakhstan from China has significantly increased.

In June 2011, China and Kazakhstan issued a joint declaration on the development of a comprehensive strategic partnership. Chinese President Xi Jinping made an official visit to Kazakhstan on 6-8 September 2013 during which China and Kazakhstan signed 23 bilateral documents, including among others a Joint Declaration of Further Deepening of the Comprehensive Strategic Partnership, six inter-governmental documents and 16 commercial documents representing a total value of over U.S.\$35 billion. In addition, it is anticipated that the Kazakhstan section (which consists of 2787 km) of the “Western Europe – Western China” highway will be commissioned in 2015, and that it will improve delivery times of goods to Europe by three and a half times in comparison to delivery by sea.

On 27 March 2015, during an official visit to China, the Prime Minister and his Chinese counterpart, Li Keqiang, oversaw the signing of 39 commercial agreements worth U.S.\$23.6 billion in total. The agreements cover operations in relation to steel, uranium, non-ferrous metals, sheet glass, oil refining, hydropower and automobile production.

In May 2015, Chinese President Xi Jinping and President Nazarbayev agreed to collaborate to align the China-proposed Silk Road Economic Belt initiative with Kazakhstan's new Bright Road economic policy so as to achieve common development and prosperity on the basis of equality and reciprocity. Kazakhstan will work with China to link the Bright Road strategy to the building of the Silk Road Economic Belt and will cooperate with the Chinese side on trade, industrial capacity, energy and technology. During the President's visit to China in May 2015, the development banks of both countries signed a general agreement on the provision of a credit line for U.S.\$500 million, as well as a memorandum on financing and modernisation of the Shymkent oil refinery. In addition, JSC National Management Holding “Baiterek” (“**Baiterek**”) and the Chinese Fund of Economic Cooperation signed a memorandum envisaging the creation of a Kazakhstan-China investment fund with a capitalisation of U.S.\$500 million.

China remains the largest external trade partner of Kazakhstan with a 20% share in the total external trade turnover. In 2014, the trade turnover between the two countries totalled U.S.\$22.4 billion and the trade volume totalled U.S.\$17.2 billion. In the first quarter of 2015, the external trade turnover totalled U.S.\$3 billion. In the period from September 2013 to March 2015, Kazakhstan and China have signed various agreements relating to investment projects in a total amount of U.S.\$73.5 billion, which includes the value of the agreements entered into on 27 March 2015.

The President has proposed that 2017 be declared as the year to promote Chinese tourism in Kazakhstan.

United States

Following the dissolution of the Soviet Union, the United States was one of the first countries to recognise Kazakhstan's independence. The United States opened its Embassy in Almaty in September 1992 and then relocated to Astana in 2006 and opened a Consulate General in Almaty in 2009. In the years since Kazakhstan's independence, the two countries have developed a strong and wide-ranging bilateral relationship. U.S.-Kazakhstan cooperation in security and nuclear non-proliferation is a cornerstone of the relationship, as evidenced by Kazakhstan's participation in the Nuclear Security Summit in Washington, D.C. in 2010 and by negotiations between President Nazarbayev and President Obama during the Nuclear Security Summit in Seoul in 2012, the G20 Summit in Saint-Petersburg in 2013 and the Nuclear Security Summit in The Hague in 2014. In connection with Kazakhstan renouncing its nuclear weapons programme in 1993 and closing its Semipalatinsk Test Site, the United States assisted Kazakhstan in the removal of nuclear warheads, weapons-grade materials and their supporting infrastructure.

During the visit of President Nazarbayev to the United States in 1997, two commercial agreements relating to the exploitation of the Karachaganak and Caspian Sea oil and gas fields were signed, in addition to a number of other significant documents. The two agreements provide for substantial capital investments from an international consortium of oil and gas companies. In 2006, during the visit of President Nazarbayev to Washington, D.C. a Joint Statement was adopted, which defined further prospects for Kazakhstan-American relations, including strengthening the strategic partnership through the intensification of strategic dialogues on energy, military cooperation, trade, investment and democratisation.

The United States Agency for International Development (“**U.S. AID**”) has been active in Kazakhstan in a wide range of programmes supporting development and reform. These include agricultural, environmental, economic and democratisation programmes. Most notably, the United States has supported programmes for banking reform, pension reform, accounting reform and securities market development. In addition, U.S. AID supports some private sector investment through the support of institutions such as the Central Asian-American Enterprise Fund which makes loans to and equity investments in Kazakhstan businesses and other institutions which offer incentives to foreign investors in specific areas such as agriculture.

Iran

Kazakhstan and Iran share an undisputed maritime boundary in the Caspian Sea and have a long-established relationship which began during the Silk road period. The current status of the relationship between the two countries is dynamic and is evidenced by six meetings between their respective presidents since the election of the current Iranian president in June 2013. It is currently planned that President Nazarbayev will make an official trip to Iran in October 2015.

Kazakhstan, as a former nuclear power, has participated in the negotiation process with respect to Iran's nuclear programme. In particular, it arranged two rounds of negotiations in February and April 2013 between Iran and a group of international negotiators.

Business relations between the two countries are also developing well and the resolution of the Iranian nuclear issue and lifting of sanctions against Iran should aid the development of trade between them. The volume of trade between the countries in 2014 amounted to U.S.\$987 million (with exports of U.S.\$893 million and imports of U.S.\$94 million) which is 1.6 times greater than in 2013.

Kazakhstan's main exports to Iran are ferrous metals, amounting to U.S.\$574.8 million in 2014 as compared to U.S.\$286.2 million in 2013, and cereals, amounting to U.S.\$283.2 million in 2014 as compared to U.S.\$200.1 million in 2013.

Kazakhstan's main imports from Iran are food products (fruits and nuts), amounting to U.S.\$31.0 million in 2014 as compared to U.S.\$19.6 million in 2013, plastics and related products, amounting to U.S.\$9.5 million in 2014 as compared to U.S.\$5.1 million in 2013, reactors, boilers, machinery and mechanical appliances, amounting to U.S.\$5.3 million in 2014 as compared to U.S.\$2.9 million in 2013, and stone and gypsum products, amounting to U.S.\$4 million in 2014 as compared to U.S.\$3.3 million in 2013.

Anti-Corruption, Anti-Money Laundering and Anti-Terrorist Financing

In common with other emerging markets, corruption by governmental officials is an existing problem in Kazakhstan and fighting corruption is a top priority of the Government. A number of measures aimed at combating corruption are currently being implemented in Kazakhstan. As part of its initiative to improve Kazakhstan's Transparency International corruption ranking, which is 126 out of 175 countries in the Corruption Perceptions Index 2014, the Government has declared that the fight against corruption is a top priority and ratified the UN Convention Against Corruption ("UNCAC") in April 2008. On 6 August 2014, as part of the changes made to the structure of the Government, the Agency on Fighting Economic and Corruption Crimes was abolished and its functions of preventing, detecting, investigating and prosecuting corruption practices and offences were transferred to the newly created Agency for Public Service Affairs and Countering Corruption (the "Anti-Corruption Agency"), and responsibility for economic and financial offences was transferred to the Ministry of Finance.

As part of the policy for combating corruption, an amended Criminal Code was introduced and came into force on 1 January 2015. The Criminal Code now provides for a lifetime ban on taking any office in state authorities, courts, local governments, subsidiaries owned directly or indirectly by Kazakhstan for those individuals who are convicted of corruption crimes. In addition, property or income derived from property obtained in violation of the Criminal Code may be seized. The Law on Combating Corruption No. 267-I dated 2 July 1998 provides measures encouraging the public to inform the relevant authorities of corrupt practices and also provides for the protection of the informants. The Law on Public Service No. 453-I dated 23 July 1999 was amended to provide for a conflict of interest principle. In addition, an electronic public procurement programme has been introduced and the tender process for a majority of public services shall be conducted through this programme, thereby eliminating contact between a decision-maker and an applicant. On 10 October 2014, the Organisation for Economic Cooperation and Development in Europe ("OECD") produced a report analysing the progress achieved by the Republic of Kazakhstan in carrying out anti-corruption reforms and in implementing the recommendations adopted during the second round of monitoring under the Istanbul Anti-Corruption Action Plan in September 2011. According to this report, Kazakhstan was not compliant with six recommendations and partially compliant with 13 recommendations and a further four recommendations were proposed.

In addition, in December 2014 President Nazarbayev signed a decree setting out an anti-corruption strategy for 2015-2025. The decree envisages the introduction of certain additional anti-corruption features, such as declarations by civil servants and individuals of their income and expenses, increases in the remuneration of civil servants, expanding electronic services by which state authorities will provide services and further improvements to the public procurement system.

Kazakhstan currently has 22 anti-corruption agreements in place with various countries including France, Italy, Spain, China and CIS countries. Kazakhstan is also a member of the Extractive Industries Transparency Initiative (EITA), an initiative that is based on the principle of absolute transparency in the extractive industries of the economy. In 2013 Kazakhstan was invited by the European Council to be included into the Group of States Against Corruption ("GRECO"), and Kazakhstan's entry into GRECO is under consideration by the Presidential Administration of Kazakhstan. In addition to harmonising Kazakhstan's anti-corruption legislation with European standards, membership in GRECO would provide a basis for Kazakhstan to cooperate with the EU member states in anti-corruption efforts. On 23 January 2015, at the World Economic Forum in Davos, the Prime Minister and the Secretary General of the OECD, Angel Gurría, signed a memorandum of understanding on implementing the country programme of cooperation for 2015-2016. The programme should allow Kazakhstan to undertake major reforms and join a number of declarations and operations of the OECD and its aim is to enhance Kazakhstan's competitiveness in public administration, education, health, employment and fiscal policy.

In December 2013, the President passed a decree for Kazakhstan to reach the 80th place in the Corruption Perceptions Index of Transparency International by 2020.

The NBK is responsible for ensuring that financial institutions in Kazakhstan comply with the relevant anti-money laundering and anti-terrorist financing legislation. Financial institutions found not to be in compliance with the relevant legislation may be sanctioned or have their licenses suspended and revoked.

Kazakhstan is a member the Eurasian Group on Combating Money Laundering and Terrorist Financing (the "EAG"), which is a regional organisation consisting of nine member states, including China and India, that is in the style of the Financial Action Task Force (the "FATF"). In July 2011, Kazakhstan signed an agreement with

the other EAG member states on the mutual evaluation of Combating Money Laundering and Terrorist Financing, which defined the main objectives of the EAG. These included providing mutual assistance in introducing the FATF's 40 recommendations on combating money laundering and nine special recommendations on combating terrorist financing. A law was passed in June 2014 in order to implement the relevant FATF recommendations. Pursuant to this law, the concept of a "beneficial owner" is introduced as well as other relevant requirements for conduct by subjects of financial monitoring of checks in respect of their clients. These requirements are already in force. Kazakhstan is currently being considered for full membership in the FATF.

As part of its continued efforts to combat money laundering, corruption and terrorist financing, Kazakhstan also cooperates with the OECD.

Development Strategy

In October 1997, President Nazarbayev presented a strategy for the development of Kazakhstan through to 2030 (the "**Kazakhstan-2030 Strategy**") and then in December 2012, replaced it with the Kazakhstan-2050 Strategy, which is a new long-term development strategy with seven main focus areas which aims for Kazakhstan to become one of the 30 most developed countries in the world by 2050. The focus areas cover economic development, encouragement of entrepreneurship, social policy, knowledge and skills development, public service delivery, corporate governance, foreign policy and ethnic and religious diversity. The Kazakhstan-2050 Strategy includes Kazakhstan's objective of becoming a member of the WTO. See "*The Economy of Kazakhstan—Recent Trends in the Economy*".

Implementation of the Kazakhstan-2030 Strategy has been and the Kazakhstan-2050 Strategy will be carried out through a series of 10-year plans developed by the Government. The first 10-year plan was approved by the President in December 2001 and included goals of achieving a 100% increase in GDP between 2001 and 2010, the establishment of an effective state social support system, improving living standards and improving the effectiveness and efficiency of public administration. These goals were achieved. In February 2010, the President approved a second 10-year plan setting out specific development goals to be met by the year 2020 (the "**Strategic Plan 2020**") to be implemented into two stages. In order to meet a number of the primary goals under the Strategic Plan 2020 during the first stage (2010-2014), a state programme of forced industrial and innovative development for 2010 to 2014 was introduced in March 2010. For the second stage (2015-2019) of the Strategic Plan 2020, a state programme for industrial and innovative development for 2015 to 2019 was introduced in August 2014 (the "**Development Programme 2015-2019**").

The main goal of the Development Programme 2015-2019 is to stimulate the diversification and improve the competitiveness of processing industries (such as ferrous metallurgy, non-ferrous metallurgy, oil refining, petrochemical and, agricultural and other chemicals) and certain specific manufacturing sectors (such as production of automobiles, electrical equipment, agricultural machinery and rail related products) with a focus on particular products, activities and projects specified in the Development Programme 2015-2019. The measures to be implemented in order to achieve the main goal of the Development Programme 2015-2019 include improving the environment for private investment, standardisation, supporting exports, providing grants to finance the acquisition of technology, supporting and developing research and development facilities, improving professional education and the development of engineers and specialists, developing infrastructure, creating a venture capital and infrastructure fund and involving the existing development institutions (such as DBK, Baiterek and others). The key performance criteria of the Development Programme 2015-2019 are: an increase in industrial production by 43% in real terms, an increase in added value in industrial processes and an increase in labour efficiency by 40%, an increase in export of refined products by 10%, reduction of energy consumption by 15% and an increase in employment by 29,200 jobs.

Kazakhstan's short- and medium- term development strategies are still being implemented in accordance with the Strategic Plan 2020. However, the goals of the Strategic Plan 2020 were updated in line with the long-term aims of the Kazakhstan-2050 Strategy when it was introduced.

The Government hopes to further Kazakhstan's integration into the regional economy and attract investment into sectors other than natural resources. A policy paper adopted by President Nazarbayev in May 2013 outlines plans for developing a green economy, proposing that 1% of GDP be invested in the "green economy" each year until 2050, of which 75% of such investment will come from the private sector. In furtherance of the policy paper on the "green economy", the Government adopted Decree No.750 dated 31 July 2013 setting out measures for the implementation of such policy paper relating to water, agriculture, energy efficiency, electricity

and air pollution. This policy paper has also received support by the State Programme on Infrastructure “Nurly Zhol”, which provides for structural reforms in the economy and, in particular, the sustainable ecological development of the oblasts.

In May 2015, following the presidential election, President Nazarbayev announced a “Plan of the Nation” that outlined 100 concrete steps to implement five institutional reforms. The aim is to provide a clear sense of direction for Kazakhstan’s development and to allow the international community to track Kazakhstan’s progress. The “100 Steps” programme is also a response to global and local challenges and its ultimate goal is for Kazakhstan to be one of the 30 most-developed countries in the world.

THE ECONOMY OF KAZAKHSTAN

Background

Kazakhstan has experienced extensive economic transformation since it gained independence in 1991. By mid 1999, the Government's structural reforms had achieved significant results in the key areas of financial stabilisation, privatisation and price liberalisation. Real GDP, which decreased by 38.6% between 1990 and 1995, increased by 0.5% in 1996 and 1.7% in 1997. In 1998, real GDP decreased by 1.9% in the aftermath of the 1998 Russian financial crisis, which exacerbated the effect of significantly decreased commodity prices. The flotation of the Tenge in April 1999, coupled with the improvement in the global economic environment and strong agricultural growth, enhanced the international competitiveness of Kazakhstan's exports and enabled the economy to revive. In 1999 full year real GDP growth was 2.7%. Economic reforms and Government-sponsored privatisation in the mid-1990s helped transfer assets to the private sector, which contributed to economic growth in the early 2000s. In 2002, the U.S. Department of Commerce granted market economy status to Kazakhstan under U.S. trade law in recognition of the country's substantive market economy reforms in the areas of currency convertibility, wage rate determination, openness to foreign investment and Government control over the means of production and allocation of resources. Real GDP more than doubled between 1998 and 2008, due to the Tenge's subsequent devaluation, improvements in the global economic environment and rising commodity prices over the period.

In recent years, Kazakhstan's economy has been primarily driven by increasing exports of oil and gas. However, other sectors have also been growing at a moderate rate. Sectors closely associated with exports of oil and gas, such as construction and oil extraction and oil transportation services have grown fastest, and there has also been growth in the real estate, financial services and trade sectors.

Recent Trends in the Economy

Kazakhstan's economy was adversely affected by the recent global financial crisis, with the real GDP growth rate sharply declining from 8.9% in 2007 to 1.2% in 2009. The global financial crisis resulted in, among other things, lower liquidity levels across the banking sector, tighter credit conditions for Kazakhstan companies generally and, through mid-2009, weakened global demand for, and an overall decline in prices of, crude oil and other commodities. Weaknesses in the global financial markets also put downward pressure on the Tenge. A lack of availability of wholesale debt financing, volatility of deposits and significant losses caused a destabilisation of Kazakhstan's banking sector in 2008 and 2009, which led to a Government bail-out programme in 2009. See "*Risk Factors—Risks Relating to Kazakhstan—Kazakhstan's economy is vulnerable to fluctuations in the global economy, and its banking sector continues to have weaknesses*" and "*Monetary and Financial System—Kazakhstan's Banking Industry*".

Following the most acute stage of the global financial crisis, the Kazakhstan economy returned to higher levels of growth in the last quarter of 2009, driven primarily by rising commodity prices, which resulted in a growth of extractive industries and related manufacturing, a good grain harvest and a continued fiscal stimulus. Following real GDP growth of 8.9%, 3.3% and 1.2% in 2007, 2008 and 2009, respectively, Kazakhstan had real GDP growth of 7.3% in 2010, 7.5% in 2011, 5.0% in 2012, 6.0% in 2013 and, according to preliminary data, 4.3% in 2014. Growth rates in 2010, 2011 and 2012 were driven by rising commodity prices and fiscal measures. The decrease in real GDP growth in 2012 was a consequence of a decrease in external demand and decreased oil production, which, including gas condensate was 79.2 million tonnes in 2012, as compared to 80.1 million tonnes, 79.7 million tonnes and 76.5 million tonnes in 2011, 2010 and 2009, respectively. Real GDP growth in 2014 is explained in further detail below. According to preliminary data, real GDP growth in 2014 was 4.3%, as compared to 6.0% in 2013.

In 2014, Kazakhstan's production of oil (including gas condensate) was 80.8 million tonnes of oil, representing a decrease of 1.2% as compared to 2013.

Given the sharp fall in global oil prices, the Government revised its forecast of socio-economic development of Kazakhstan for the period from 2015 to 2019. In 2014, there was a deterioration in the external economic environment and general slowdown in economic growth in the world. As a result, according to preliminary estimates, exports from Kazakhstan decreased by 7.6% as compared to exports in 2013. As per preliminary estimates, in 2014, foreign trade turnover decreased by 11.5% as compared to the same period in 2013. Despite the deterioration of the global environment in 2014, preliminary estimates show that there was growth in GDP of 4.3%. This economic growth was driven primarily by the construction and services industries. According to

the Government-approved Forecast of Socioeconomic Development of Kazakhstan for the period from 2015 to 2019, the pace of economic growth is expected to be between 1.5% and 4.1%. Economic growth is expected to be based mainly on domestic demand, which the Government estimates will grow at an average of 3.2% *per annum*. For the period from 2015 to 2019, the annual average pace of increase in investments is expected to be approximately 3.5% *per annum*. Exports of goods in 2015 are expected to decrease, but then rebound and increase from 2016 through 2019 at a rate of 4.5% on an annual average basis.

Kazakhstan's unemployment rate decreased from 5.8% in 2010 to 5.4% in 2011, to 5.3% in 2012 and to 5.2% in 2013. In 2014, the unemployment rate was 5.0% and, based on preliminary estimates, remained at 5.0% during April 2015.

The inflation rate for 2010, 2011, 2012, 2013 and 2014 was 7.8%, 7.4%, 6.0%, 4.8% and 7.4%, respectively. The inflation rate for the three months ended 31 March 2015 (on an annualised basis) was 5.2%.

The exchange rate regime came under increased pressure in the second half of 2013 following further deterioration in the external current account, depreciation of the Russian rouble and uncertainties related to the U.S. Federal Reserve monetary policy. The NBK reacted to these developments by devaluing the Tenge by approximately 19.4% against the U.S. dollar (from 155 to 185 Tenge per dollar) in February 2014.

For 2010, 2011, 2012, 2013 and 2014, Kazakhstan had positive trade balances of U.S.\$28.5 billion, U.S.\$44.6 billion, U.S.\$38.1 billion, U.S.\$34.8 billion and U.S.\$35.6 billion, respectively, which were positively affected by high global commodity prices over this period, increased trade flows with Belarus and Russia as a result of the formation of the Customs Union, and increases in industrial output. The decrease in trade volumes, including trade volumes with Russia, mainly resulted from a global decrease of prices for many exported goods and the effects of the recently imposed sanctions on the Russian economy.

Official international reserves together with the total foreign currency assets of the National Fund, were collectively U.S.\$98.8 billion as at 31 March 2015. See "*Public Finance - National Fund*".

Sanctions which have recently been imposed on certain Russian persons and entities have had an adverse impact on the Russian economy, which in turn has caused Russian manufacturers to be less able to purchase raw materials from Kazakhstan and may otherwise continue to have an indirect adverse effect on Kazakhstan's economy due to the significant economic and trade relationship that Kazakhstan has with Russia. Russia has responded to Western sanctions with import bans on certain agricultural and food products from other countries, which may have a positive effect on Kazakhstan's exports of equivalent products not subject to sanctions. Primarily due to the effects of the sanctions on the Russian economy, Kazakhstan's trade turnover with Russia, according to the preliminary data, decreased (both in respect of imports and exports) by 20.7% in 2014 (as compared to 2013) and by 20.8% for the three months ended 31 March 2015 (as compared to the same period in 2014). See "*Risk Factors—Sanctions imposed on Russia could have an indirect adverse impact on Kazakhstan's economy*".

Kazakhstan is continuing to pursue economic reforms and to take measures aimed at providing liquidity and supporting the refinancing of foreign debt of Kazakhstan's banks and companies. See "*Monetary and Financial System—Instruments of Monetary Policy*". Examples of such recent reforms and measures include the following.

- In December 2012, President Nazarbayev presented a new economic policy as part of the Kazakhstan-2050 Strategy, which sets a target for Kazakhstan to become one of the 30 most developed countries in the world by 2050. Kazakhstan was ranked the 50th most competitive country in the world in the World Economic Forum's Global Competitiveness Report 2014-2015, as compared to its ranking of 50th in 2013-2014, 51st in 2012-2013, and 72nd in 2011-2012. The four key aims of the new economic policy are to focus all economic and management decisions on the perspective of economic viability and long-term interest; to define new markets with which Kazakhstan can form productive partnerships and create new sources of economic growth; to create a favourable investment climate; and to develop effective private and public-private partnerships. See "*The Republic of Kazakhstan—Development Strategy*".
- In order to ensure the further development of a competitive economy and industrial modernisation, in 2010, Kazakhstan adopted a five-year State programme aimed at advancing

industrialisation and industrial innovative development. Due to the dependence of the Kazakhstan economy on the oil and extractive industries, Kazakhstan has embarked on a significant diversification program, aimed at developing targeted sectors including transport, pharmaceuticals, telecommunications, petrochemicals and food processing.

- In 2010 Kazakhstan joined the Customs Union, in 2012 it joined the CES and on 1 January 2015, along with Russia, it established the EEU, in each case with the objectives of increasing FDI and improving foreign trade. Kazakhstan is also expecting to accede to the WTO in the second half of 2015.
- In September 2013, the National Chamber of Entrepreneurs of the Republic of Kazakhstan was established. It is a non-profit self-regulating organisation formed for the purposes of strengthening the negotiating power of businesses with State and governmental authorities, protecting the rights and interests of private sector businesses and ensuring the involvement of the private sector in the process of developing laws and regulations that affect business.
- On 10 September 2013, in a speech at the plenary session of the Eurasian Forum of Emerging Markets, President Nazarbayev discussed Kazakhstan's objective to create an efficient system of economic and political and legal institutions in order to achieve high rates of national development. He noted that the share of state ownership in industrial and infrastructural enterprises will be reduced, conditions of doing business will be improved and the development of the business environment will be promoted. He emphasised the importance of reducing administrative barriers to doing business and eliminating international trade barriers.
- In September 2014, a law came into effect with the aim of reducing the size of the informal economy and increasing tax revenues by granting an amnesty in relation to property (including property outside of Kazakhstan) that had not been declared for tax purposes acquired with undeclared income and/or not registered in accordance with Kazakhstan law or improperly registered. See "*Public Finance - Sources of State Budget Revenues - State Budget Revenue Performance*".

State Programme for Infrastructure Development "Nurly Zhol"

In November 2014, during his annual message, President Nazarbayev declared the principles of a new economic policy known as "Nurly Zhol". This policy was further elaborated in the State Programme on Infrastructure Development approved by President Nazarbayev in April 2015 (the "**State Programme**"). The State Programme's goal is a united market to be achieved through territorial development and creation of hub-cities. Hub-cities are expected to be the centres of economic activity of their respective regions, and have a concentration of capital, resources, advanced technologies and services.

The State Programme is divided into two sets of measures. The first set of measures provide for the development of specific infrastructure projects in seven main sectors (including projects related to transportation, industry, tourism, energy, housing and public utilities, education and small and medium sized enterprises). The second set of measures, deriving from the State Programme, provides new anti-crisis measures for 2015 which includes supporting local automobile manufacturing and the agricultural sector, the creation of affordable housing and encouraging subsoil exploration.

The financing required for implementation of the State Programme is approximately equal to U.S.\$19.27 billion, which shall include financing from the National Fund in an amount of U.S.\$9 billion from 2015 through 2017. In addition, it is intended that loans from international financial institutions shall be procured in an amount equal to approximately U.S.\$8.97 billion and funds of national companies and state institutions for development approximately in the amount of U.S.\$1.3 billion.

It is expected that the implementation of the State Programme will lead to an increase in GDP of 15.6% by 2019 as compared to 2014, the creation of around 395,500 new jobs and an improvement by 2019 of Kazakhstan's ranking in the quality of basic infrastructure set by the World Economic Forum to the 57th position. The Government estimates that 1.7% of the Real GDP growth rate will result from the State Programme in 2015.

100 Steps

In May 2015, President Nazarbayev announced 100 concrete steps to implement five institutional reforms in the following areas: (1) the formation of a professional civil service, (2) upholding the rule of law, (3) industrialisation and economic growth, (4) promotion of ethnic cohesion and (5) building an accountable government.

These steps were based on certain political, economic and ideological reforms. The political reforms include strengthening measures against corruption through the principle of “Open Government” which comprises of granting greater access to the information possessed by state authorities to the public and providing for greater inclusion of the public in the decision-making processes. This will be aided by the development of local self-regulation.

The ideological dimension provides for strengthening of identity of Kazakhstan citizens.

The economic reform dimension, among other things, includes the engagement of at least ten transnational corporations into the manufacturing industry for producing goods for export, the establishment in priority sectors of the economy of joint ventures with “anchor” investors or international strategic partners, the establishment of an international aviation hub in Almaty, the simplification of procedures on granting subsoil use rights, certain measures to modernise the construction industry and the optimisation of tax and customs policies and procedures.

In furtherance of these reforms, on 30 April 2015, the President announced the creation of the National Commission on Modernisation (the “**Commission**”) which is chaired by the Prime Minister and is responsible for coordinating the management and implementation of these institutional reforms. These reforms aim to re-balance the power between the President, the Parliament and the Government, develop Astana as an international financial centre and promote ethnic cohesion in Kazakhstan. The recommendations of the Commission, which will be subject to the President’s approval, will be implemented through the Parliament and the Government and are expected to be incorporated into laws and regulations to be adopted by the Parliament and the Government in a timely manner.

Civil and Commercial Law

Kazakhstan has a civil law legal system. The central legal act is the Civil Code of the Republic of Kazakhstan, which consists of a general part and a special part. The general part was adopted on 27 December 1994, and became effective on 1 March 1995. The special part entered into force on 1 July 1999. The general part of the Civil Code regulates such issues as the legal status of private and legal entities, transactions, general provisions of obligations, ownership rights and general provisions of contracts. The special part of the Civil Code regulates specific types of obligations (such as sale and purchase, leases and the provision of services), intellectual property rights, inheritance rights and international private law. Although certain aspects of general commercial law are contained in the Civil Code, there are also separate legal acts relating to specific forms of legal entities. The most commonly used forms of legal entities are joint-stock companies, which are established under the Law “On Joint Stock Companies”, adopted on 13 May 2003 and partnerships, which are established under the Law “On Partnerships with Limited and Additional Liability”, adopted on 22 April 1998. Incorporated legal entities are required to register with the Ministry of Justice. Certain restrictions are placed on foreign persons having shareholdings in companies in Kazakhstan that engage in certain types of activities, including telecommunications, mass media and aviation.

The current investment regime is established in the Law “On Investments”, dated 8 January 2003 (the “**Investment Law**”). The Investment Law guarantees certain investor rights, including certainty of contract, transparency of the State’s investment policy and compensation for losses if assets are nationalised or requisitioned. The Investment Law also allows for investment disputes to be resolved through negotiation, courts of Kazakhstan or international arbitration. Domestic and foreign investors generally fall under the same investment regime, with certain exceptions.

The main law governing subsoil use is the Law “On Subsoil and Subsoil Use” (the “**Subsoil Law**”) adopted on 24 June 2010. In addition to the Subsoil Law, subsoil use is also regulated by certain other civil, environmental, corporate, currency and property legislation. Government decrees and other secondary legislation are used to regulate subsoil use. Under the Subsoil Law, subsoil contracts and licences may be granted to local or foreign legal entities or individuals. Contracts for subsoil use operations are entered into following tender processes

(with certain exceptions). Transfers of subsoil use rights are only permitted after consent of the competent authority has been obtained. Subsoil users are also required to use equipment, materials and finished products that are manufactured in Kazakhstan, and to use and train local staff when conducting subsoil use operations.

The registration of land and title to land is set out in the Land Code of the Republic of Kazakhstan adopted on 20 June 2003 (the “**Land Code**”). Under the Land Code private companies are permitted to own property that will be used for agriculture, forestry or construction, industrial and residential purposes, and land that must be used for a particular purpose, as designated by the relevant State authority. Foreign persons are permitted to own only property designated for construction purposes, or industrial and residential property, including property that requires development. Foreign persons are not permitted to own land located around Kazakhstan’s border zones.

Currency legislation, including the Law “On Currency Regulation and Currency Control” dated 13 June 2005 (the “**Currency Control Law**”), stipulates that payments and money transfers between residents may be made only in Tenge (except for certain statutory exceptions), while there are no restrictions on payments and money transfers between residents and non-residents. Non-residents may, without limitation, receive and transfer dividends, interest and other income received on deposits, securities, loans and other currency transactions with residents, in accordance with the procedures established in currency legislation.

The NBK establishes thresholds and conditions, under which certain currency contracts fall within a registration or notification regime. Under the registration and notification regime, information and documentation regarding currency contracts is required to be submitted to the NBK. The establishment of branches or representative offices by the foreign parent companies does not fall under the notification regime.

The Law “On Competition” adopted on 25 December 2008 (the “**Competition Law**”) sets out the rights of market participants and consumers and protects against anti-monopoly activity, anti-competitive actions of state authorities and unfair competition. The aim of the Competition Law is to protect competition, create conditions for the efficient functioning of commodity markets, ensure unity of economic space and the free movement of goods and free economic activity in Kazakhstan. Among other things, the Competition Law provides that certain transactions that increase market concentration are subject to prior approval by the MNE. Market participants are also restricted from entering into anti-competitive agreements or undertaking any action which leads to restraint of competition.

Certain natural monopolies are permitted in Kazakhstan including those whose activities are related to: transportation of crude oil and crude oil products; natural gas; electricity and heat; railways, air transport, port and airport services; telecommunications, postal services and water supply services. Such entities are subject to specific restrictions and additional obligations, including the obligation to provide services and products in accordance with specified tariffs and prices as approved by the authorised agency.

All transactions with securities in Kazakhstan are subject to mandatory state registration. As at 1 January 2013, the JSC Integrated Securities Registrar is responsible for maintaining the system of securities holders’ registers in Kazakhstan. Kazakhstan issuers may offer their securities in the other jurisdictions and on stock exchanges located in other jurisdictions (subject to statutory restrictions, including the requirement to offer a portion of such securities on the domestic stock market). At the moment, the main securities trading platform is the KASE, whose members include Kazakhstan’s leading banks and investment companies, and brokers.

Kazakhstan has also ratified the following international conventions and treaties related to investment protection: the New York Convention; Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) (Washington, DC, 18 March 1965); Convention Establishing the Multilateral Investment Guarantee Agency (Seoul, 11 October 1985); and Convention for the Protection of Investors’ Rights (Moscow, 28 March 1997).

Recently enacted laws and agreements relating to the economy of Kazakhstan include the following:

- On 21 November 2014, the Law “On Permits and Notifications” No. 202-V, became effective. This law amends the licensing-and-permitting and notification systems in Kazakhstan by generalising them and establishing unified procedural requirements for obtaining permit documents and carrying out notification procedures by business entities.

- On 28 November 2014, the Law “On introducing amendments and additions to certain legislative acts of the Republic of Kazakhstan regarding taxation matters” was adopted. This law, among other things, provides for a so called ‘tax amnesty’ by releasing certain categories of taxpayers from their liability to pay tax fines and default interest on any unpaid taxes if such fines were imposed and penalties were accrued (registered) as at 1 January 2014 and were not paid as at 1 October 2014.
- On 29 December 2014, the Law “On introducing amendments and additions to certain legislative acts of the Republic of Kazakhstan on issues of fundamental improvement of the conditions for entrepreneurial activity in the Republic of Kazakhstan” was adopted. This law provided for amendments to more than 100 existing laws with the aim of creating more favourable conditions for business activities in Kazakhstan, including optimization of certain procedures related to state inspection, approvals and permits.
- On 29 December 2014, the Law “On introducing amendments and additions to certain legislative acts of the Republic of Kazakhstan on subsoil use issues” was adopted. The amendments are aimed at improving a regulatory framework related to subsoil operations, including introduction of an auction as a more simplified procedure (as compared to a tender) for granting subsoil use rights.
- On 7 April 2015, the Law “On introducing amendments and additions to certain legislative acts of the Republic of Kazakhstan on issues relating to legal regulation in the area of intellectual property” was adopted. This law is aimed at simplifying certain state procedures applicable to intellectual property rights’ owners and licensees.
- On 22 April 2015, the Law “On introducing amendments and additions to certain legislative acts of the Republic of Kazakhstan on issues of limitation on state’s participation in entrepreneurial activities” was adopted. This law provides some further limitations on the ability of the State to participate in entrepreneurial activities.
- On 27 April 2015, the Law “On introducing amendments and additions to certain legislative acts of the Republic of Kazakhstan on matters relating to insurance and Islamic finance” was adopted. The law established the legislative framework for further development of Islamic financing in Kazakhstan, including introduction of new concepts of an “Islamic lease” and “Islamic insurance”.
- On 5 May 2015, the Law “On introducing amendments and additions to certain legislative acts of the Republic of Kazakhstan on issues relating to natural monopolies and regulated markets” was adopted. This law provides for further development of the regulatory framework for natural monopolies and protection of competition.

Gross Domestic Product

The following table below sets forth data regarding Kazakhstan's GDP and population for the periods indicated:

	Years ended 31 December				
	2010	2011	2012	2013	2014 ⁽¹⁾
Nominal GDP (KZT millions).....	21,815,517	27,571,889	30,346,958	35,275,153	38,711,904
Real GDP index (%) (2005 = 100%).....	135.2	145.4	152.6	161.8	168.9
Real GDP growth rate (% year-on-year).....	7.3	7.5	5.0	6.0	4.3
Nominal GDP per capita (KZT).....	1,336,606	1,665,311	1,807,289	2,070,712	2,239,092
Nominal GDP per capita (U.S.\$).....	9,071.0	11,358.0	12,120.5	13,611.5	12,495.6
Real GDP per capita index (%) (2005 = 100%).....	125.5	133.0	137.7	143.9	147.8
Real GDP per capita growth (% year-on-year).....	5.8	6.0	3.5	4.5	2.8
GDP deflator (% year-on-year).....	19.6	17.8	4.9	9.7	5.2
Total population (thousands) (end of period).....	16,440.1	16,673.1	16,909.8	17,160.8	17,417.7

Source: MNE

Notes:

(1) Preliminary data (final data to be published on 30 July 2015).

The informal economy constituted a significant portion of Kazakhstan's economy and the MNE makes adjustments to its GDP data in accordance with practices approved by the IMF in order to adjust for the existence of such an informal economy. The size of the informal economy was estimated to constitute 28.5% of Kazakhstan's GDP in 2014, as compared to 28.6% in 2013, 19.2% in 2012 and 19.5% of GDP in 2011.

Between 2000 and 2007, Kazakhstan experienced significant economic growth, with real GDP growing by 97.4% over this period. Kazakhstan's economy was affected adversely by the impact of the global financial crisis. In 2008, as a result of the global financial crisis, real GDP growth decreased sharply to 3.3%, and in 2009 real GDP growth further decreased to 1.2%, which was the slowest rate of growth recorded since 1998.

In 2010, the Kazakhstan economy began to recover, with real GDP growing by 7.3% in 2010, 7.5% in 2011 and 5.0% in 2012. Economic growth between 2010 and 2012 was mainly the result of rising commodity prices, which resulted in growth in production in the extractive industries and related manufacturing activities, and continued expansionary fiscal measures.

The slowdown of the real GDP growth rate to 5.0% in 2012 from 7.5% in 2011 was due to industry supply constraints (including capacity constraints in on-shore oil production and difficulties in transporting oil to foreign markets due to limited pipeline capacity) and agriculture (due to a dry season and poor harvest of crops), a decrease in global demand for goods exported by Kazakhstan, a decrease in the prices of a number of commodities that Kazakhstan exports, including wheat, and a decrease in agricultural output following a severe drought and poor harvest. As a result of the slowdown in industry and agriculture, economic activity in 2012 was driven mainly by domestic consumption of goods and services, including trade and transportation and non-tradable services, supported by increased revenue from commodity exports.

Real GDP growth increased from 5.0% in 2012 to 6.0% in 2013 and was mainly the result of an increase in domestic consumption and private investment including strong growth in fixed capital investments, as well as the dynamic growth of services, increases in machine building and agriculture and a stable macroeconomic situation.

According to preliminary data real GDP growth in 2014 was 4.3% as compared to 6.0% in 2013. The slowing of the growth rate between the two periods was mainly attributable to a decline in oil production, relatively stable oil prices and the indirect effects of the slowdown in the Russian economy in connection with the recently imposed sanctions. Real GDP growth for 2015 is currently projected to be 1.5%.

According to the World Bank, in 2013, based on purchasing power parity, Kazakhstan's economy was the 75th largest economy in the world. Nominal GDP per capita was, according to the official exchange rate, U.S.\$9,071, U.S.\$11,358, U.S.\$12,121, U.S.\$13,612 and, according to preliminary data, U.S.\$12,496 in 2010, 2011, 2012, 2013 and 2014, respectively. These figures reflect 17.7% growth in real GDP per capita between 2010 and 2014. Real GDP per capita growth was 5.8%, 6.0%, 3.5%, 4.5% and, according to preliminary data, 2.8% in 2010, 2011, 2012, 2013 and 2014, respectively.

GDP by Source

The following table sets forth the composition of Kazakhstan's nominal GDP by source for the periods indicated.

	Years ended 31 December				
	2010	2011	2012	2013	2014 ⁽³⁾
	<i>(KZT millions)</i>				
Production of goods	9,841,623	11,934,058	12,589,413	13,752,440	14,743,148
<i>of which:</i>					
Agriculture, forestry and fishing	983,995	1,409,003	1,330,025	1,621,195	1,638,368
Industry	7,177,126	8,708,443	9,343,696	9,985,997	10,761,633
<i>of which:</i>					
Mining and quarrying ⁽¹⁾	4,249,268	5,003,253	5,288,741	5,477,694	6,038,805
Manufacturing ⁽²⁾	2,469,804	3,131,187	3,436,731	3,828,487	3,983,197
Electricity, gas, steam and air conditioning supply	391,236	478,917	518,617	580,318	635,711
Water supply; sewerage, waste management and recycling.....	66,817	95,086	99,608	99,498	103,921
Construction.....	1,680,503	1,816,612	1,915,692	2,145,249	2,343,148
Production of services	11,274,268	13,812,578	15,918,184	19,132,501	21,556,306
<i>of which:</i>					
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,834,219	3,819,299	4,624,795	5,415,975	6,271,316
Transport and storage	1,750,836	1,936,963	2,294,129	2,736,538	3,034,823
Accommodation and food service activities	188,935	239,580	277,329	311,180	369,586
Communications and information	675,234	698,971	811,346	946,161	998,778
Financial and insurance activities.....	792,400	550,693	655,343	986,544	1,198,902
Real estate activities	1,884,429	2,390,725	2,659,456	3,019,353	3,264,123
Professional, scientific and technical activities..	841,846	1,270,038	1,381,939	1,530,057	1,705,774
Administrative and support service activities	419,847	491,041	553,812	637,109	759,784
Public administration and defence; compulsory social security.....	456,417	551,535	608,373	711,440	773,223
Education	704,181	886,296	949,216	1,029,843	1,124,210
Human health and social work activities.....	377,937	482,062	516,548	577,127	665,877
Arts, entertainment and recreation	130,801	176,083	197,730	243,361	290,188
Other service activities	200,808	301,043	369,745	972,544	1,091,300
Activities of households as employers; undifferentiated goods and services – producing activities of households for own use	16,379	18,248	18,424	15,269	8,421
Financial intermediation services indirectly measured	(466,859)	—	—	—	—
Gross value added	20,649,032	25,746,635	28,507,597	32,884,941	36,299,454
Net taxes on products and imports.....	1,166,485	1,825,254	1,839,361	2,390,213	2,412,450
<i>of which:</i>					
Product and import taxes	1,226,970	1,905,594	1,937,286	2,481,738	2,528,765
Product and import subsidies.....	(60,485)	(80,340)	(97,924)	(91,525)	(116,315)
Total GDP	21,815,517	27,571,889	30,346,958	35,275,153	38,711,904

Source: MNE

Notes:

- (1) Mining and quarrying includes mining of coal and lignite, extraction of crude oil and natural gas, mining of metal ores and other mining.
- (2) Manufacturing includes manufacturing of coke and refined petroleum products, metallurgy, machines, foods and other manufacturing.
- (3) Preliminary data (final data to be published on 30 July 2015).

The following table sets forth the composition of Kazakhstan's nominal GDP by source, as a percentage of total GDP, for the periods indicated.

	Years ended 31 December				
	2010	2011	2012	2013	2014 ⁽³⁾
	<i>(percentage share of GDP)</i>				
Production of goods	45.1	43.2	41.4	39.1	38.2
<i>of which:</i>					
Agriculture, forestry and fishing	4.5	5.0	4.3	4.6	4.2
Industry	32.9	31.6	30.8	28.4	27.9
<i>of which:</i>					
Mining and quarrying ⁽¹⁾	19.5	18.2	17.5	15.5	15.7
Manufacturing ⁽²⁾	11.3	11.4	11.3	10.9	10.3
Electricity, gas, steam and air conditioning supply	1.8	1.7	1.7	1.7	1.6
Water supply; sewerage, waste management and recycling	0.3	0.3	0.3	0.3	0.3
Construction.....	7.7	6.6	6.3	6.1	6.1
Production of services	51.7	50.2	52.5	54.2	55.6
<i>of which:</i>					
Wholesale and retail trade; repair of motor vehicles and motorcycles	13.0	13.8	15.2	15.4	16.2
Transport and storage	8.0	7.0	7.5	7.8	7.9
Accommodation and food service activities	1.0	0.9	1.0	0.9	1.0
Communications and information	3.1	2.6	2.6	2.7	2.5
Financial and insurance activities.....	3.6	2.0	2.1	2.7	3.1
Real estate activities	8.6	8.7	8.7	8.6	8.4
Professional, scientific and technical activities..	3.9	4.5	4.7	4.3	4.5
Administrative and support service activities	1.9	1.8	1.9	1.8	1.8
Public administration and defence; compulsory social security.....	2.1	2.0	2.0	2.0	2.0
Education	3.2	3.2	3.1	2.9	2.9
Human health and social work activities.....	1.7	1.7	1.7	1.6	1.7
Arts, entertainment and recreation	0.6	0.7	0.7	0.7	0.8
Other service activities	0.9	1.2	1.2	2.8	2.8
Activities of households as employers; undifferentiated goods and services – producing activities of households for own use	0.1	0.1	0.1	0.0	0.0
Financial intermediation services indirectly measured	(2.1)	—	—	—	—
Gross value added	94.7	93.4	93.9	93.3	93.8
Net taxes on products and imports.....	5.3	6.6	6.1	6.7	6.2
<i>of which:</i>					
Product and import taxes	5.6	6.9	6.4	7.0	6.5
Product and import subsidies.....	0.3	0.3	0.3	0.3	0.3
Total GDP	100.0	100.0	100.0	100.0	100.0

Source: MNE

Notes:

- (1) Mining and quarrying includes mining of coal and lignite, extraction of crude oil and natural gas, mining of metal ores and other mining.
- (2) Manufacturing includes manufacturing of coke and refined petroleum products, metallurgy, machines, foods and other manufacturing.
- (3) Preliminary data (final data to be published on 30 July 2015).

From 2010 through 2014, the largest sources of Kazakhstan's GDP were mining and quarrying (including the extraction of crude oil and natural gas, mining of coal and lignite, mining of metal ores and other mining), manufacturing (including metallurgy, foods, coke and refined petroleum products, machines, and other manufacturing) and wholesale and retail trade, which collectively represented 43.8%, 43.4%, 44.0%, 41.8% and, according to preliminary data, 42.2% of GDP, in 2010, 2011, 2012, 2013 and 2014, respectively.

Production of goods as a percentage of GDP decreased from 45.1% in 2010 to 38.2% in 2014. This was due to the services sector growing at a faster rate than production of goods during this period.

The housing and construction industries, the financial sector and small and medium sized enterprises have been particularly affected by the effects of the global financial crisis. Larger companies, subsoil use companies and State-owned companies have been less affected in part because they have continued to have access to offshore funding, albeit on a more limited basis and on less favourable terms than was previously the case.

GDP by Use

The following table sets forth the composition of GDP by use for the periods indicated.

	Years ended 31 December				
	2010	2011	2012	2013	2014 ⁽²⁾
	<i>(as a % of GDP)</i>				
Consumption	56.3	53.5	57.5	61.0	58.8
Private.....	44.6	42.0	44.9	49.6	46.8
Public.....	10.9	10.7	11.7	10.4	10.9
Non-profit institutions.....	0.8	0.8	0.9	1.0	1.1
Gross domestic investment	25.3	22.4	24.8	23.9	24.4
Fixed capital.....	24.3	20.9	22.3	21.2	20.1
Inventory accumulation.....	1.0	1.5	2.5	2.7	4.3
Net exports	14.3	20.3	14.6	11.6	13.4
Exports of goods and services.....	44.2	47.6	45.1	38.3	39.5
Imports of goods and services.....	29.9	27.3	30.5	26.7	26.1
GDP⁽¹⁾	100.0	100.0	100.0	100.0	100.0

Source: MNE

Notes:

- (1) GDP figures may differ from the sum of their component parts due to statistical discrepancies.
- (2) Preliminary data.

The composition of GDP by use has been affected by the overall condition of the Kazakhstan economy, from the slowing of growth in 2009 as a result of the effects of the global financial crisis, to the acceleration of growth in 2010 and 2011, which was driven by high commodity prices and fiscal measures taken by the Government. As a percentage of GDP, domestic demand (i.e., final consumption and gross domestic investment) increased from 81.6% in 2010 to 83.2% in 2013, and net exports decreased from 14.3% in 2010 to 13.4% in 2014.

Domestic consumption as a percentage of GDP was 56.3%, 53.5%, 57.5%, 61.0% and 58.8% in 2010, 2011, 2012, 2013 and 2014, respectively. The decrease from 2010 to 2011 was due to a significant increase in the contribution of net exports to GDP, from 14.3% in 2010 to 20.3% in 2011. This was primarily due to an increase in the export of goods. The increase in domestic consumption from 2011 to 2012 was due to a higher level of consumer demand and growth in government spending. Between 2010 and 2014, personal income used for private consumption increased by 50.1% as a result of an increase in real personal income, by 5.6%, 9.4%, 6.9%, 3.0% and, according to preliminary estimates, 3.5% in 2010, 2011, 2012, 2013 and 2014, respectively.

The GDP consumption rate increased from 56.3% in 2010 to 58.8% in 2014 due to a number of measures undertaken by the Government both in the public and private sectors, which were aimed at increasing demand and supporting business activity.

Gross domestic investment as a percentage of GDP was 25.3%, 22.4%, 24.8%, 23.9% and 24.4% in 2010, 2011, 2012, 2013 and 2014, respectively. The decreases from 2010 to 2011 were due to a general decrease in investment activity in Kazakhstan and a shortage of liquidity in the financial markets, as a result of the global financial crisis. The increases in gross domestic investment as a percentage of GDP from 2011 to 2012 was due to measures undertaken by the Government to prevent illegal interference by state authorities in private business, to support certain sectors of economy, such as agriculture, and to ensure a greater availability of credit resources. The increases were also due to positive effects of the Customs Union. Change in inventories increased from 1.0% in 2010 to, according to preliminary estimates, 4.3% in 2014.

The growth of exports and imports was slower than the growth of GDP from 2010 to 2014. Exports and imports, as a percentage of GDP, decreased from 2010 to 2014. Net exports, as a percentage of GDP, increased from 14.3% in 2010 to 20.3% in 2011, then decreased to 14.6% in 2012 and 11.6% in 2013 and increased to 13.4% in 2014. From 2010 to 2014, the real value of exports grew by 30.8%, and the real value of imports grew by 33.7%. These increases were primarily due to a recovery in oil prices from 2010 to 2014, from U.S.\$79.6 per barrel in 2010 to U.S.\$98.9 per barrel in 2014.

Principal Sectors of the Economy

Industry

The following table sets forth Kazakhstan's industrial output by sector in Tenge for the periods indicated:

Industrial output by type of economic activity

	Years ended 31 December				Three months ended 31 March	
	2010	2011	2012	2013	2014 ⁽²⁾	2015 ⁽²⁾
	(KZT millions)					
Mining and quarrying.....	7,419,550	10,081,254	10,242,053	10,696,926	11,245,878	1 736 769
<i>Of which:</i>						
Coal and lignite.....	130,586	182,656	195,037	207,006	210,168	48,149
Crude oil	6,154,113	8,519,706	8,639,057	8,955,085	9,281,625	1,352,178
Natural gas	41,273	53,089	81,676	81,386	89,120	24,788
Metal ores	652,603	794,454	722,893	789,833	882,332	163,004
Other mining.....	76,853	121,994	122,873	111,466	130,182	30,874
Technical services to mining industry.....	364,122	409,355	480,516	552,151	652,451	117,775
Manufacturing	3,844,659	4,801,407	5,446,749	5,852,592	5,872,834	1,208,499
<i>Of which:</i>						
Foods.....	695,245	828,005	865,570	970,123	1,042,402	225,844
Beverages.....	149,693	153,243	181,950	202,459	220,996	46,231
Tobacco.....	68,020	81,124	98,662	111,909	104,237	13,916
Light industry.....	34,229	39,648	53,608	65,978	65,856	15,553
Wood and cork products (excluding furniture), straw wares and wickerwork.....	9,734	13,186	17,142	15,741	18,492	4,643
Paper products	23,443	26,802	28,233	29,649	32,339	7,687
Coke and refined petroleum products	332,189	415,003	635,324	797,925	557,452	99,370
Chemicals and chemical products	104,107	147,929	178,971	185,977	229,601	51,894
Basic pharmaceuticals	19,979	27,064	33,885	36,517	29,019	6,561
Rubber and plastic products	80,083	117,483	138,393	145,282	132,608	26,089
Other non-metallic mineral products.....	202,109	264,231	320,902	402,072	423,497	66,653
Metallurgy ⁽¹⁾	1,595,090	1,942,138	1,964,416	1,752,059	1,915,250	453,757
Metal products (excluding machines and equipment)	95,510	124,785	143,010	176,127	150,163	31,052
Engineering, including machine building	376,184	536,876	687,235	859,201	869,934	138,341
Furniture	21,470	30,837	37,000	35,023	30,189	7,955
Electrical supply, gas supply, steam supply and air conditioning.....	713,913	885,229	997,799	1,119,063	1,208,392	385,576
Water supply, sewer system, waste system collection and removal of waste.....	127,404	161,162	165,174	165,413	165,650	41,471
Total industrial output.....	12,105,526	15,929,052	16,851,775	17,833,994	18,492,753	3,372,315

Source: MNE

Notes:

- (1) Metallurgy includes ferrous metallurgy, production of basic precious and non-ferrous metals, and metal casting.
- (2) Preliminary data.

Kazakhstan has a sizeable industrial base, with a large share of its industrial activity concentrated in heavy industry. The industrial sector accounted for 32.9%, 31.6%, 30.8%, 28.4% and, according to preliminary data, 27.9% of Kazakhstan's total GDP in 2010, 2011, 2012, 2013 and 2014, respectively. Mining and quarrying (including both oil and gas extraction and mining of metal ores and coal and lignite) is the most important component of the Kazakhstan's industrial base. In 2014, total mining output included crude oil (82.5%), metal ores (7.8%), technical services (5.8%), coal and lignite (1.9%), other mining (1.2%) and natural gas (0.8%). For the three months ended 31 March 2015, total mining output included crude oil (77.8%), metal ores (9.4%), technical services (6.8%), coal and lignite (2.8%), other mining (1.8%) and natural gas (1.4%). Kazakhstan was a major raw materials supplier to the former Soviet Union and has sizeable, largely unexploited, endowments of oil, natural gas and minerals. Output from crude oil extraction accounted for 28.2%, 30.9%, 28.5%, 26.1% and 24.0% of Kazakhstan's GDP in 2010, 2011, 2012, 2013 and 2014, respectively.

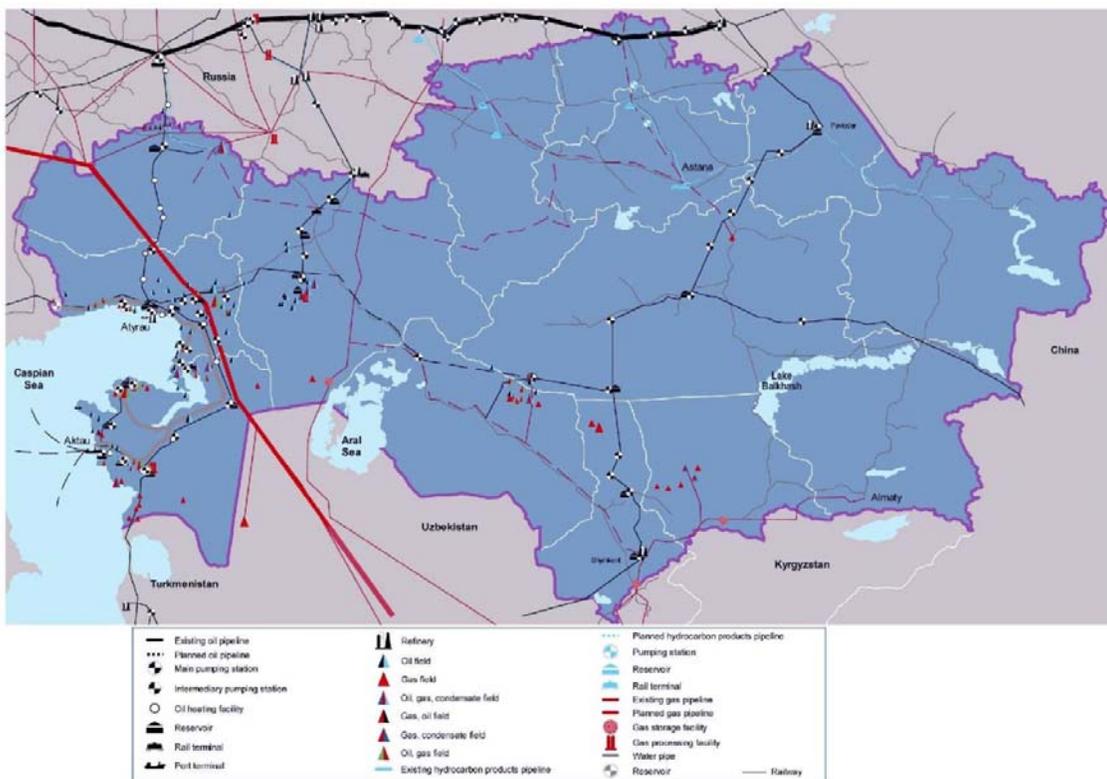
It is a strategic priority of the Government to diversify the economy away from natural resources extraction, by developing the industrial sector through programmes such as those set out in the Strategic Plan 2020. See “*The Republic of Kazakhstan—Development Strategy*”.

From 2010 to 2014, in nominal terms, total industrial output grew by 102.7% (in real terms, it grew by 20.8%). The greatest growth over the 2010 to 2014 period was recorded in crude oil extraction, the manufacturing of coke and refined petroleum products, metallurgy, engineering (including machine building) and metal ore mining, as these industries benefited from high levels of investment and external demand during these years.

Total industrial output grew, in nominal terms, by 32.7%, 31.6%, 5.8%, 5.8% and 3.7% in 2010, 2011, 2012, 2013 and 2014, respectively (in real terms, it grew by 9.6%, 3.8%, 0.7%, 2.5% and 0.2% in 2010, 2011, 2012, 2013 and 2014, respectively). The 31.6% increase from 2010 to 2011 was largely due to increases in output from crude oil extraction. The increase from 2011 to 2012 was mainly the result of increased output in the manufacturing sector. Industrial production in each of 2010, 2011 and 2012 was positively influenced by increased global commodity prices. The decrease in the growth rate in 2012 was mainly due to capacity constraints in on-shore oil production and weaker demand for steel and metal products. The growth in industrial output in 2013 was principally driven by stable high consumer demand, growth of investments, the effects of a government production support program, stable lending by banks and a stable macroeconomic situation. The increase in industrial output in 2014 was primarily related to growth in production of 0.1% in the manufacturing industry. Industrial output in the mining sector decreased by 0.3% due to reduced production at the oil fields in the Kyzylorda and Aktobe oblasts (decreased by 2.2%) and reduced coal production as a result of a decrease in demand from Russia (decreased by 2.4%).

Oil and Natural Gas

The following map sets forth Kazakhstan’s principal onshore oil and gas exploration and production, transportation and refining and trading assets as at 31 December 2014:



The oil and gas sector is of strategic importance to Kazakhstan because it is the principal source of Kazakhstan’s export earnings and reserves, fiscal revenue and future FDI inflow. According to the Annual Statistical Bulletin for 2014 published by the Organisation of the Petroleum Exporting Countries, Kazakhstan ranked 11th in the world for its level of oil reserves and 19th in the world for its level of gas reserves. As at 28 May 2015, there are 205 hydrocarbon subsoil use contracts registered in Kazakhstan.

The national oil and gas company, JSC NC KazMunayGas (“**KazMunayGas**”), was created in 2002 to represent the State’s interests in Kazakhstan’s oil and gas industry. KazMunayGas has a number of subsidiaries, including KMG Exploration and Production (an upstream operator), KazMunaiTeniz (an offshore oil and gas operator), KazTransOil (an oil pipeline operator), and KazTransGas (a gas pipeline operator). KazMunayGas holds equity interests in the Kashagan field (16.8%) and the Tengiz field (20%), as well as interests ranging between 15% and 100% in many onshore projects. It holds at least a 50% interest in most of the offshore projects.

Increasing oil production has been the result of an influx of foreign investment into Kazakhstan’s oil sector since 1991. International investment in the oil and gas sector in Kazakhstan has taken the form of joint ventures, including with KazMunayGas, as well as production-sharing agreements and exploration/field concessions.

Kazakhstan’s methods of classifying oil and gas reserves, which are based on the system employed in the former Soviet Union, differ significantly from the standard international methodology. Accordingly, stated reserves do not necessarily correspond to economically recoverable reserves. The oil and gas reserve information contained herein represents total “explored reserves”, consisting of oil and gas reserves in categories A, B and C1, and “preliminary reserves” in category C2 of the Kazakh classification system.

The volume of exports of oil and gas products from Kazakhstan has increased significantly between 2010 and 2014. See “*Balance of Payments and Foreign Trade - Composition of Trade*”.

Oil

Kazakhstan is the second largest oil producer in the CIS after Russia and has the Caspian region’s largest recoverable crude oil reserves. According to the June 2014 BP Statistical Review of World Energy, as at 31 December 2013, Kazakhstan had proven reserves of approximately 30 billion barrels of oil, or 1.8% of global proven reserves, and had production capacity of 83.8 million tonnes of oil, or 2.0% of global production capacity.

The following table sets out information on oil production (including natural gas condensate) from Kazakhstan for the years indicated:

	Years ended 31 December				Three months ended 31 March	
	2010	2011	2012	2013	2014 ⁽¹⁾	2015 ⁽¹⁾
	<i>(million tonnes)</i>					
Production of oil and natural gas condensate	79.7	80.1	79.2	81.8	80.8	20.3

Source: MNE

Notes:

(1) Preliminary data.

Output from crude oil extraction accounted for 28.2%, 30.9%, 28.5%, 25.4% and 24.0% of Kazakhstan’s GDP in 2010, 2011, 2012, 2013 and 2014, respectively. According to the Government-approved Forecast of Socioeconomic Development of Kazakhstan for 2015-2019 (as amended), oil production (including gas condensate) is projected to be 80.5 million tonnes, 80.8 million tonnes and 86.0 million tonnes in 2015, 2016 and 2017, respectively. Gas condensate is ultralight oil condensed from gas to liquid when it reaches the surface and is grouped together with oil for economic calculation purposes.

The most significant oil fields in Kazakhstan are the Tengiz field, the Kashagan field and the Karachaganak field. Kazakhstan oil production is projected to be approximately 80.5 million tonnes for 2015.

The Tengiz field is located in the south-eastern part of the Pre-Caspian Basin on the north-eastern edge of the Caspian Sea. It was discovered in 1979 in the Atyrau region. In 1993, the Tengizchevroil consortium was formed to develop the Tengiz field. The current equity owners in the Tengizchevroil consortium are Chevron (50.0%), ExxonMobil (25.0%), KazMunayGas (20.0%) and LukArco (5.0%). The Tengiz field has estimated recoverable reserves of between 750 million tonnes (5.5 billion barrels) and 1,100 million tonnes (8.1 billion barrels) of oil. Net daily production in 2013 averaged 243,000 barrels of crude oil, 347 million cubic feet of

natural gas and 20,000 barrels of natural gas liquids. In 2013, front-end engineering and design work began on three projects: (i) the Wellhead Pressure Management Project, which is designed to maintain production capacity at existing facilities; (ii) the Capacity and Reliability Project, which is designed to reduce delays and increase plant efficiency and reliability of Tengizchevroil facilities; and (iii) the Future Growth Project, which is designed to increase total daily production by 250,000 to 300,000 barrels of oil-equivalent and to increase the ultimate recovery of the reservoir. A final investment decision for the Capacity and Reliability Project was made in February 2014. During 2013, Chevron signed a memorandum of understanding with the Government relating to the progress on the Wellhead Pressure Management Project and the Future Growth Project. Final investment decisions on these projects are planned to be made by the end of 2015.

The Kashagan field, which was discovered in 2000, is an offshore oil field located in the northern part of the Caspian Sea, close to Atyrau, and is considered to be one of the largest oil and gas fields in the world to be discovered in the past several decades. The Kashagan field has estimated recoverable reserves of between 7 billion barrels and 9 billion barrels of oil. The current equity owners in the Kashagan project are KazMunayGas (16.8%), Shell (16.8%), Total (16.8%), Eni (16.8%), ExxonMobil (16.8%), CNPC (8.4%) and Inpex (7.6%). Production of oil from the Caspian shelf of the Kashagan field started on 11 September 2013 and was suspended on 25 September 2013 due to problems with the gas pipelines at the field. It was later announced that oil supply from the Caspian shelf of the Kashagan field would resume in 2014, with output during the initial stage of production expected to reach approximately 130,000 barrels per day. However, in April 2014, the North Caspian Operating Co. (the "NCOC"), the operator of the field, stated that it was necessary to fully replace approximately 200 kilometres of oil and gas pipelines at the field, and the Minister of Energy confirmed that the entire pipeline system at the field would need to be replaced. Under the terms of the 2012 agreement for the supply and installation of the pipes, the Government expects to receive compensation payments from the contractors as a result of the delay. The NCOC is currently developing a plan for the complete replacement of the pipelines at the field, and oil production from the Kashagan field is now expected to resume in 2016. On 13 December 2014, Kazakhstan, the NCOC and the aforementioned equity owners in the Kashagan project agreed to settle a number of ecological, financial and operational disputes that have arisen over the past years.

Despite the decline in the global demand for crude oil following the onset of the global financial crisis, total production of oil and gas condensate in Kazakhstan in 2010, 2011, 2012, 2013 and 2014 amounted to 79.7 million tonnes, 80.1 million tonnes, 79.2 million tonnes, 81.8 million tonnes and 80.8 million tonnes, respectively. Delays in the launch of production at the Kashagan field had an adverse effect on the production of oil and gas condensate, which decreased by approximately 1.2% in 2014. As a result of these delays, Kazakhstan has lowered its forecasts for oil production in 2015 to 80.5 million tonnes from the previous target level of 81.8 million tonnes. The production delay in the Kashagan field is expected to lead to a reduction in GDP in Kazakhstan by 0.3% in 2015 as compared with previous forecasts. For the three months ended 31 March 2015, the total production of oil and gas condensate in Kazakhstan amounted to 20.3 million tonnes.

The Karachaganak oil and gas condensate field (KOGCF) located in western Kazakhstan is one of the largest oil and gas condensate fields in the world. The field was discovered in 1970, has an area of about 280 square kilometers and contains more than 1.2 billion tonnes of oil and gas condensate and more than 1.3 trillion cubic meters of gas. The field has reserves of approximately 2.4 billion barrels of oil and gas concentrate and 16 trillion cubic feet of natural gas. The field is currently at commercial development Stage 2 (Stage 2M). The field is owned by Karachaganak Petroleum Operating B.V. ("KPO"), a consortium of BG Group (29.25%), ENI (29.25%), Chevron (18%), Lukoil (13.5%) and KazMunayGas (10%), which is party to a 40-year production sharing agreement with the Government. In 2014, the total volume of oil production at the Karachaganak field was approximately 11 million tonnes. It is expected that production of liquid hydrocarbons will be approximately 12.2 million tonnes for 2015. In 2014, net daily production at Karachaganak averaged 33,500 tonnes of oil and gas condensate and 50 million cubic metres of natural gas. Approximately 28,215 net tonnes per day of processed oil and gas condensate were exported and sold at prices available in world markets. Most of the exported volumes were transported through the CPC pipeline. A portion was also exported via the Atyrau-Samara (Russia) pipeline. Liquids not exported via these pipelines were sold as condensate in local and Russian markets. Planning with respect to the expansion of the Karachaganak field is underway.

Kazakhstan's largest oil production companies are the Tengizchevroil consortium and the KPO consortium. According to the Ministry of Energy, approximately 60% of the total volume of oil exported from Kazakhstan is produced by these two companies.

Kazakhstan exports most of the oil it produces. Exports of crude oil have grown significantly since 2000 and most of the oil from Kazakhstan is currently delivered to international markets by pipelines, through Russia, to

shipping points on the Black Sea. The opening of the CPC Pipeline in 2001 increased the crude oil export capacity of Kazakhstan substantially. In 2011, Kazakhstan exported 69.6 million tonnes of oil, which accounted for 87.0% of Kazakhstan's total oil production, in 2012 Kazakhstan exported 68.1 million tonnes which accounted 86.0% of its total oil production, in 2013 Kazakhstan exported 70.7 million tonnes which accounted for 86.4% of its total oil production and, in 2014, Kazakhstan exported 62.5 million tonnes which accounted for 77.4% of its total oil production. In 2014, the largest importers of Kazakhstan oil by volume were Italy, China and the Netherlands, which imported approximately 19.7 million tonnes, 11.2 million tonnes and 9.4 million tonnes of oil, respectively.

The Government intends to intensify geological and exploration activities. One project which the Ministry of Energy is considering is the implementation of the Eurasia project; this project would involve the exploration of oil and gas lying in deep formations in the Caspian Depression. The Eurasia project is expected to run for 5 years, at an estimated cost of U.S.\$500 million. The implementation plan for the Eurasia project envisages extensive geological and geophysical exploration, and the drilling of wells at depths of up to 15 km.

Oil refining in Kazakhstan is strictly regulated by the Government, through direct administration and through the control of transportation tariffs. Kazakhstan (through KazMunayGas) has a significant or controlling interest in three major oil refineries in Kazakhstan. Modernisation projects are underway with respect to the three refineries, which are located in Atyrau, Shymkent and Pavlodar. The modernisation projects are expected to increase refining capacities and are expected to enable each of the refineries to produce gasoline that is in compliance with higher ecological standards. Following completion of these projects, Kazakhstan's total oil refining capacity is expected to reach approximately 18.5 million tonnes per year. In 2014, 14.9 million tonnes of oil were refined in Kazakhstan, as compared to 14.3 million, 14.2 million tonnes and 13.9 million tonnes in 2013, 2012 and 2011, respectively. For the three months ended 31 March 2015, 3.2 million tonnes of oil were refined and it is estimated that a total of 14.2 million tonnes of oil will be refined in 2015.

Kazakhstan regulates the domestic prices of petroleum products in accordance with the "Rules for determining the maximum price for the retail sale of petroleum products", which are established by the Ministry of Energy. Pursuant to these rules, a maximum domestic price on petroleum products is fixed. The fixed price is calculated in accordance with a specified formula, which includes the world price of Brent crude oil, and such formula can be changed no more than once a month. Regulation of the prices of domestic petroleum products is intended to mitigate against the risk of a sudden increase in global oil prices, which frequently occur frequently during seasonal consumption peaks.

Natural Gas

According to the June 2014 BP Statistical Review of World Energy, as at 31 December 2013 Kazakhstan had proven reserves of approximately 53.9 trillion cubic feet of natural gas, or 0.8% of global reserves, and had a production capacity of 18.5 billion cubic metres of gas, or 0.5% of global production capacity. Most of Kazakhstan's natural gas reserves are located in the west of the country near the Caspian Sea, with 29.7% of proven reserves situated in the Karachaganak field. Another important natural gas field, the Amangeldy field, is situated in the south of the country, and is located near Zhambul.

Total production of natural gas in Kazakhstan in 2010, 2011, 2012, 2013 and 2014 amounted to 37,405.9 mcm, 39,531.3 mcm, 40,299.4 mcm, 42,404.8 mcm and, according to preliminary estimates, 43,239 mcm, respectively. Output from natural gas extraction accounted for 0.19%, 0.19%, 0.27%, 0.23% and 0.23% of Kazakhstan's GDP in 2010, 2011, 2012, 2013 and 2014, respectively.

Karachaganak is currently the largest gas-producing field in Kazakhstan. Karachaganak operates within the scope of a final production sharing agreement entered into between the Government and a consortium of foreign investors (the "FPSA"). Since the commencement of operations in 1998 to 31 March 2015, the field has produced approximately 151 million tonnes of liquid hydrocarbon and approximately 191 billion cubic metres of gas. The gas re-injected into the field during the same period amounted to approximately 75 million cubic metres.

The following table sets out the amount of gas and liquid hydrocarbon produced and the amount of re-injected gas re-injected by the Karachaganak field for the periods indicated:

	Years ended 31 December					Three months ended 31 March
	2010	2011	2012	2013	2014	2015
	<i>(million cubic metres)</i>					
Production of gas	15,008	16,868	17,519	17,531	18,248	3,072
Re-injection of gas	6,437	8,129	8,666	8,570	8,818	4,816
	<i>(million tonnes)</i>					
Production of liquid hydrocarbon	11.4	12.1	12.2	11.7	12.2	2.2

In 2014 the total volume of production at the Karachaganak field was 18,248 million cubic metres of natural gas (of which 8,818 million cubic metres was re-injected gas) and 12.2 million tonnes of liquid hydrocarbons. See “—Oil and Gas” above.

Natural gas production in Kazakhstan has increased significantly since 1999. Under Kazakhstan law, subsoil users (such as oil companies) are required to include natural gas utilisation projects in their development plans. Since this law was passed, natural gas production has steadily increased and, by 2000, it had surpassed its pre-independence production levels. Increases in Kazakhstan’s gas production are expected to be primarily associated gas from the Tengiz, Karachaganak and Kashagan fields.

Natural gas in Kazakhstan is almost entirely associated gas, meaning it is produced with oil. For this reason, several fields including the Karachaganak field, re-inject significant quantities of gas into the ground to maintain crude wellhead pressure for liquids extraction. In the long-term, when the liquids are exhausted, this gas can then be recovered. Associated gas that is not re-injected is instead flared, which is economically inefficient and is particularly harmful to the environment. With a view to reducing the occurrence of natural gas flaring, in May 2005, the Government ordered all oil producing firms to reduce oil production levels. One of the main sources of pollution related to the exploration and operation of oil, gas and gas condensate fields is the products of associated petroleum gas flaring, and consequently the utilisation of associated gases at Kazakhstan’s oil and gas fields has become an issue of State significance. According to the Subsoil Law, the Ministry of Energy conducts a permanent monitoring of the fulfilment of the approved Associated Gas Utilisation Programmes by Kazakhstan subsoil users. Pursuant to Article 86.8 of the Subsoil Law, subsoil users are required to provide for associated gas processing development programmes, which are to be updated every three years for the purpose of the rational use of associated gas and the mitigation of environmental impact by reducing the volumes of gas flaring or re-injecting (utilising) it. Since these measures were introduced, there has been a reduction of gas flaring from 3.1 to 0.8 billion cubic metres between 2006 and 2014, i.e., by 2.3 billion cubic metres, whereas oil production has increased from 64.9 million tonnes in 2006 to 80.8 million tonnes in 2014 and gas production has increased from 27.0 to 43.2 billion cubic metres during the same period. The volume of utilised gas has increased from 23.9 billion cubic metres to 42.5 billion cubic metres in 2014, i.e., by 18.6 billion cubic metres. In 2014, the volume of flared gas was reduced by 74.2% as compared to 2006 and amounted to 0.8 billion cubic metres in 2014.

Kazakhstan has two separate domestic natural gas distribution networks: one in the west that services the country’s operational natural gas fields and one in the south that mainly delivers imported natural gas to the southern consuming regions, including Almaty.

Domestic gas consumption in Kazakhstan is increasing. Kazakhstan encourages the use of gas instead of coal and other energy sources that are associated with higher levels of air pollution. For example, public transport in some cities is now powered by gas. Another state priority is the development of a petrochemical industry for the production of polyethylene and polypropylene from associated gas.

In 2012, a new law on gas and gas supply was adopted, which aims to ensure that Kazakhstan continues to meet its domestic gas needs through, among other things, storing gas reserves and ensuring that the State has a right of first refusal over any gas assets that are sold, which are currently privately owned. In addition, the new law on gas and gas supply aims to provide for the efficient, reliable and safe operation of gas supply systems through the continuous remote monitoring of gas transportation and the unification of Kazakhstan’s gas supply system.

On December 5 2014, the Government approved a programme, the “Development of Gas Sector until 2030” which provides for various measures, including a pilot project on the production of coal-bed methane in the Karaganda region and the identification of gas fields on which it is practicable to construct facilities for the production of liquefied natural gas, synthetic oil products and methanol or which can be connected feasibly to the gas collection centres of a national gas operator.

Coal

In terms of proven reserves, according to the June 2014 BP Statistical Review of World Energy, Kazakhstan is ranked eighth in the world for coal. As at 31 December 2013, Kazakhstan had proven reserves of 33.6 billion tonnes of coal, or 3.8% of global reserves, and had a production capacity of 58.4 million tonnes oil equivalent, or 1.5% of global production capacity. There are 10 pools of black and brown coal, and more than 300 explored deposits, in Kazakhstan. Most of the coal deposits are located in the Karaganda, Pavlodar and Kostanai regions. The Karaganda coal basin is the main coal basin in Kazakhstan, covering an area of more than 3,600 square kilometres. The second largest coal basin in Kazakhstan is Ekibastuz, which is located between the Saryarka and Priertysskoy plains. See “—Mining” below.

Electricity

Electricity in Kazakhstan was generated by 76 power plants in 2014. In 2014, the volume of electricity generated in Kazakhstan was 94 billion kWh, an increase of 2.1% compared to 2013. Of this volume, thermal power stations generated 78.8 billion kWh (83.9%); hydropower plants generated 8.2 billion kWh (8.7%); gas turbine stations generated 6.9 billion kWh (7.4%); wind stations generated 0.009 billion kWh (0.01%); and solar power stations generated 0.001 billion kWh (0.001%). Approximately 72% of electricity in Kazakhstan is produced from coal, 9% from hydropower and 19% from gas and oil. The aggregate installed electricity capacity in Kazakhstan as at 31 December 2014 was 20,613.3 MW and the electricity production capacity was 16,255.2 MW (with the difference being due to the age and disrepair of some assets and losses in the transmission system).

The table below shows the installed and electricity production capacity of Kazakhstan as at the dates indicated:

	As at 31 December				
	2010	2011	2012	2013	2014
			(MW)		
Installed electricity capacity.....	19,441	19,798	20,442	20,592	20,613
Electricity production capacity	15,291	15,765	16,425	17,108	16,255

Source: Kazakhstan Electricity Grid Operating Company (KEGOC)

In 2014, Kazakhstan exported approximately 3.1% of the total volume of electricity it generated. Electricity is exported primarily to Russia, Uzbekistan and Kyrgyzstan. Due to the fact that Kazakhstan’s electricity transmission and distribution network was constructed as a part of the former Soviet Union’s electricity system and is concentrated in the northern region of Kazakhstan, which is close to the main sources of power generation, Kazakhstan imports electricity to serve its Southern and the Western zones. In 2014, Kazakhstan imported approximately 560.7 million kWh of electricity from Russia and exported approximately 652 million kWh and 119 million kWh of electricity to Uzbekistan and Kyrgyzstan, respectively.

There are 76 organisations in Kazakhstan engaged in the generation and sale of electricity to wholesale consumers and power supply organisations. Power stations are divided into stations of national importance, industrial stations and stations of regional importance. Power stations of national importance include large heat energy plants, which are essential to ensure the production and sale of electricity to customers in the wholesale electricity market and include Ekibastuzskaya GRES-1, owned by Samruk Energy (100%); Ekibastuzskaya GRES-2, owned by Inter RAO UES (50%) and Samruk Energy (50%); “Eurasian Energy Corporation” (Aksu GRES), owned by Eurasian Resources Group (100%); and Zhambylskaya GRES. The following large hydroelectric power stations are also used to control the production schedule of the Unified Power System of Kazakhstan: Bukhtarminskaya GES; Ust-Kamenogorskaya GES; and Shulbinskaya GES, in which Samruk Energy holds an equity share of 100%, 90% and 92.14%, respectively. Ust-Kamenogorskaya GES and Shulbinskaya GES are currently operated by the AES Corporation under concession agreements that are in effect until 2017. Industrial power stations consist of gas turbine stations owned by oil and gas entities solely focused on satisfying their own energy needs. Combined heat and power stations, which produce both electricity and heat, are used for electricity supply and the heating of large industrial enterprises and nearby

communities. Power stations of regional importance are combined heat and power stations and are integrated in certain areas to supply electricity through a network of regional electricity companies and electricity transmission organisations in order to heat towns located nearby.

The electricity transmission network of Kazakhstan is a complex network of substations and distribution facilities. It connects 0.4-1,150 KV electricity transmission lines, which are used for the transmission and distribution of electricity. The national power grid plays an instrumental role by underpinning the network of the Unified Power System of Kazakhstan. It provides electricity connections between different regions in Kazakhstan and with the power systems of neighbouring countries (Russia, Kyrgyzstan and Uzbekistan), as well as electricity transmission from power plants to wholesale consumers. The Kazakhstan Electricity Grid Operating Company (“KEGOC”) is the State-owned transmission system operator that owns the substations, switchgear installations, interregional and cross-border transmission lines, as well as the transmission lines for the delivery of power from power plants, all of which are 220 KV or higher and form the national power grid.

Power is supplied in Kazakhstan by way of the electricity and heat energy markets, in which electricity and heat energy are considered to be commodities. The electricity market operates on both a wholesale and retail level, whereas the heat energy market is a single-level retail market. In the wholesale market, organisations and customers (large corporates, regional electricity companies, and trade and intermediary organisations) obtain the rights to sell and buy electricity through the conclusion of direct bilateral contracts of sale. According to procedures established by the Natural Monopoly Agency, KEGOC as the system operator and regional electricity companies as well as other organisations, which own the electricity networks, are obliged to provide unrestricted access to the electricity market for all participants. Wholesale market participants also have unrestricted access to the national power grid for the transportation of purchased and sold electricity. The management of the wholesale market of Kazakhstan is carried out by JSC “Kazakhstan Electricity Market Operator of Energy and Power” (KOREM) as the centralised trade market operator and by KEGOC as the system operator of the Unified Power System of Kazakhstan.

The retail market consists of individual regional markets with their own power plants, electricity grids, traders and consumers. The Electric Power Industry Law authorises competition in the retail market between suppliers however in practice the supply of electricity to retail customers is exclusively performed by regional electricity companies based on power contracts.

Electricity generating companies, natural monopolies (which include heat energy generating companies, electricity and heat energy transmission and distribution companies, and heat energy sale and purchase companies) and electricity sale and purchase companies that have dominant or monopolistic positions are subject to price regulation.

The power industry remains a key factor in Kazakhstan’s industrial development and economic growth. The Government approved the “Concept on Development on Fuel Energy Sector until 2030” which includes goals and measures for the development of the energy sector.

In April 2012, the state-owned uranium company, Kazatomprom, announced plans to build Kazakhstan’s first nuclear power plant since Kazakhstan’s independence. In May 2014, Kazatomprom and Russian state corporation, Rosatom, signed a memorandum of understanding on cooperation in the construction of a plant in Kurchatov, which is located in east Kazakhstan. A separate intergovernmental agreement between Kazakhstan and Russia is currently being planned. The draft intergovernmental agreement currently envisages the construction of the plant with a pressurised water reactor. The establishment of the plant is intended to reduce Kazakhstan’s dependence on fossil fuels and strengthen Kazakhstan’s ability to produce uranium domestically.

From 1 January 2016, an electricity capacity market will operate in Kazakhstan and it has been implemented to ensure that investors receive a return on their investments relating to the construction or modernisation of electricity generating facilities. The concept of the electricity capacity market provides that electricity generating companies will receive revenue through two tariffs: a tariff for the sale of electricity and a tariff for maintaining the readiness of electric capacity. The first tariff will be paid by purchasers of electricity, whereas the second tariff will be paid by an operator (currently KEGOC).

Mining

Kazakhstan is a leading producer of many mineral commodities. Despite being a major mineral producer with annual production valued at over KZT 1,600 billion, Kazakhstan’s mining output has been relatively modest in

relation to its estimated reserves. Moreover, further reserves are known to exist which have not yet been fully surveyed fully.

In addition to its oil and gas reserves, Kazakhstan has significant reserves of other energy producing minerals. It is the world's tenth largest producer of coal, producing 111.1 million tonnes in 2008, 100.9 million tonnes in 2009, 110.9 million tonnes in 2010, 116.4 million tonnes in 2011, 120.5 million tonnes in 2012, 119.5 tonnes in 2013, 113.8 tonnes in 2014 and 27.1 tonnes in the first quarter of 2015. By volume of mineral resources, Kazakhstan is ranked eighth in the world for coal. See “— *Energy—Coal*” above.

Kazakhstan is the leading country in the world for uranium production volumes, with approximately 41% of global production in 2014 and the world's second largest uranium reserves (estimated to be approximately 720,000 tonnes). Uranium production in Kazakhstan was 22,829 tonnes in 2014 as compared to 22,500 tonnes in 2013. The volume of uranium exported (as concentrate) from Kazakhstan in 2014 (excluding the Stepnogorsk integrated mining and chemical plant) was 21,668 tonnes. Kazatomprom and its affiliates produced 13,624 tonnes of uranium (or 24% of the global production based on preliminary global data) in 2014.

Kazakhstan produces a significant amount of precious metals. According to the Kazakhstan Institute of Geology, the country has gold reserves in excess of 130 million tonnes. Kazakhstan produced approximately 30.3 tonnes of gold in 2010, 36.8 tonnes in 2011, 39.9 tonnes in 2012, 42.6 tonnes in 2013, 49.2 tonnes in 2014 and 13.3 tonnes in the first quarter of 2015. Kazakhstan also produces a significant amount of the world's silver, producing approximately 552.1 tonnes in 2010, 650.6 tonnes in 2011, 963.2 tonnes in 2012, 963.8 tonnes in 2013, 981.9 tonnes in 2014 and 321.2 tonnes in the first quarter of 2015. By proven reserves, Kazakhstan is ranked tenth in the world for gold and fifth for silver.

Kazakhstan has substantial reserves of non-ferrous minerals, including lead, zinc, copper and manganese. Kazakhstan's manganese reserves are exceeded only by those of South Africa and Ukraine. In 2010, Kazakhstan produced 103.4 million tonnes of lead, 318.9 million tonnes of zinc, 323.4 million tonnes of copper and 3.0 million tonnes of manganese. In 2011, Kazakhstan produced 111.5 million tonnes of lead, 319.8 million tonnes of zinc, 338.5 million tonnes of copper and 3.0 million tonnes of manganese. In 2012, Kazakhstan produced 88.1 million tonnes of lead, 319.8 million tonnes of zinc, 367.2 million tonnes of copper and 3.0 million tonnes of manganese. In 2013, Kazakhstan produced 91.1 million tonnes of lead, 320.2 million tonnes of zinc, 352.1 million tonnes of copper and 2.9 million tonnes of manganese. In 2014, Kazakhstan produced 125.3 million tonnes of lead, 324.8 million tonnes of zinc, 293.9 million tonnes of copper and 2.6 million tonnes of manganese. In the first half of 2015, Kazakhstan produced 29.3 million tonnes of lead, 80.0 million tonnes of zinc, 94.7 million tonnes of copper and 0.3 million tonnes of manganese. By proven reserves, Kazakhstan is ranked eleventh in the world for lead, seventh for zinc, third for manganese and thirteenth for copper.

Ferrous and non-ferrous metals mined in Kazakhstan are exported to Japan, South Korea, the United States, Canada, Russia, China and the EU.

Construction

As at 31 December 2014, there were approximately 877 construction contractors with more than 50 employees operating in Kazakhstan. The construction sector accounted for 7.7%, 6.6%, 6.3%, 6.1% and, according to preliminary data, 6.1% of GDP in 2010, 2011, 2012, 2013 and 2014, respectively. The housing and construction industries in Kazakhstan have been particularly adversely affected by the effects of the global financial crisis.

According to the Statistical Committee of the Ministry of National Economy, the total area of new housing built in Kazakhstan in the first quarter of 2015 was 2.0 million square metres, which is an increase of 20.3% compared to the first quarter of 2014. Approximately KZT 120.8 billion was spent on housing construction in Kazakhstan in the first quarter of 2015, which is an increase of 5.4% as compared to the first quarter of 2014. The principal source of financing for housing construction in the first quarter of 2015 was private funding provided by the developers, which accounted for 73.3% of such funding. The total cost of construction works and services in Kazakhstan in the first quarter of 2015 was KZT 262.0 billion, which is a 1.9% increase compared to the first quarter of 2014. In the first quarter of 2015, 8,667 new buildings were built in Kazakhstan, including 8,162 residential buildings. In addition, approximately 8 comprehensive schools, 10 pre-school institutions, 14 outpatient and polyclinic institutions were commissioned.

Agriculture

Agriculture has traditionally been the second largest sector in Kazakhstan's economy after the industrial sector, both in terms of employment and contribution to GDP. However, its relative importance has diminished in recent years. The agriculture sector currently employs approximately 18.9% of Kazakhstan's overall workforce. The agriculture sector accounted for 4.5%, 5.0%, 4.3%, 4.6% and, according to the preliminary data, 4.2% of Kazakhstan's total GDP in 2010, 2011, 2012, 2013 and 2014, respectively.

The agricultural sector in Kazakhstan is comprised of crop cultivation and livestock farming. Crop cultivation accounted for 45.9%, 58.5%, 49.1%, 55.0% and 52.5% of the gross agricultural products (services) output in 2010, 2011, 2012, 2013 and 2014, of which the growing of cereal grains (including rice) and leguminous crops accounted for 17.6%, 31.6%, 16.2%, 22.7% and 19.5%, respectively. Corn and wheat are also important components of agricultural output. Kazakhstan exports a significant amount of wheat and is one of the largest wheat producers in the world. Other crops include barley, cotton, sugar beets, sunflowers and flax. In 2014, 15.3 million hectares were sown with grain (including rice) and leguminous crops, of which 12.4 million hectares were sown with wheat. The gross cropping of cereal grains (including rice) and leguminous crops accounted for 17.2 million tonnes including 13.0 million tonnes of wheat. In 2014 the area sown with cereal grains (including rice) and leguminous crops decreased by 5.9% compared to 2013.

Of the country's overall land mass of 272.5 million hectares, approximately 222 million hectares are classified as agricultural land. Pastures account for 187 million hectares, or 84%, of agricultural land. Drought and soil erosion are significant problems and substantial parts of Kazakhstan's agricultural land are under threat of becoming desert due to over-intensive farming during the 1950s and 1960s under the Soviet Union regime and the diversion of sources of water, such as the rivers flowing into the Aral Sea. See "*— Environment*" below. In order to support the agriculture sector, the Government has implemented several programs to improve the investment climate for farming in Kazakhstan. Government subsidies for agriculture amounted to KZT 146.0 billion in 2014, KZT 83.3 billion in 2013, KZT 89.3 billion in 2012, KZT 68.7 billion in 2011 and KZT 53.2 billion in 2010.

The gross output of agricultural products (including services) amounted to KZT 1,442.6 billion, KZT 2,286.0 billion, KZT 1,999.0 billion, KZT 2,386.1 billion and, according to preliminary estimates, approximately KZT 2,509.9 billion in 2010, 2011, 2012, 2013 and 2014, respectively. The 12.6% decrease in gross output in 2012 was due to a drought and a poor crop harvest in 2012.

Kazakhstan has implemented a number of measures to support its agriculture sector, including, investing in new irrigation technologies, taking steps to diversify crop farming by encouraging the cultivation of crops other than wheat, supporting the modernisation of agricultural equipment and machinery, and providing low interest loans to companies and individuals working within the agriculture sector. Kazakhstan has also taken steps to support its fishing industry, including, cleaning oil products from the Caspian Sea and increasing protection against illegal fishing practices.

Transportation

Kazakhstan has a railway network, 20 airports, a merchant fleet, a comprehensive road network and extensive pipeline infrastructure. The market for the provision of transport services has been liberalised and restructured, particularly in the rail sector.

Transportation is considered a key strategic sector of the Kazakhstan economy. At the 25th plenary session of the Foreign Investors' Council in September 2012, President Nazarbayev announced the commencement of the implementation of a "New Silk Way" project. Pursuant to this project, Kazakhstan would seek to revive its historic role and become the largest business transit hub within the Central Asian region and provide a unique connection between Europe and Asia. The project consists of creating favourable conditions for transit and reducing existing physical and non-physical barriers so that Kazakhstan will serve as a land bridge between the East and West, opening the way for the transit of goods from western China to Europe, Russia, the Gulf countries, Central Asia and the Caucasus.

Railways

As at 31 December 2014, Kazakhstan's railway network consisted of 16,027 km of railways, of which 4,171 km (or 26%) were electrified and 886 km (or 30%) were double tracks.

As a result of certain geographical characteristics particular to Kazakhstan, such as its vast territory, extensive land borders, highly dispersed population, the location of natural resources and the location of centres of economic activity, the Kazakhstan economy is heavily reliant on rail freight transportation. The railway network plays an important role in transporting coal, minerals and other commodities over vast distances, as Kazakhstan's economy places a strong emphasis on the production of raw materials and related products. The Kazakhstan railway network also includes an extensive passenger network, providing suburban, intercity and interregional passenger services throughout Kazakhstan. Kazakhstan serves as a vital hub for trade from Russia, China, the EU and the Republics of Kyrgyzstan, Uzbekistan and Turkmenistan and, as such, has one of the busiest railways in terms of volume of traffic among the countries in Eastern Europe and Central Asia.

The Kazakhstan railway system was originally part of the Soviet Union's rail network and was divided into three railways, which were operated by the Soviet Railway Ministry. As a result of the large volumes of bulk raw materials that were required to be transported over long distances across the country, the three railways were among some of the most profitable in the Soviet Union. After the dissolution of the Soviet Union in 1991, the resulting economic disruption and falling production levels throughout the former Soviet Union caused a sharp decline in rail transportation volumes throughout the 1990s. After Kazakhstan's independence, the Government kept certain tariffs artificially low and introduced tariff discounts for certain industries, in particular, the mining industry. Even with tariff discounts, some entities were unable to afford the cost of rail transportation, which resulted in a decline in the volume of railway traffic. This decline, coupled with a decline in Government aid, had a significant impact on railway revenues in the 1990s and, in order to remain operational, railroad operators were forced to defer fleet renewals and maintenance programmes.

The reform of the Kazakhstan railway sector began in 1997 when the Government merged the three railways and established the Railway Republican State Enterprise in an effort to consolidate the rail network and thereby stabilise its financial condition. Despite the restructuring efforts undertaken between 1997 and 2000, the Government recognised the need for further fundamental restructuring and, in 2002, it incorporated the State-owned railway company, Kazakhstan Temir Zholy.

Kazakhstan is currently taking further steps to reform the railway industry, with the aim of improving efficiency and the quality of services as well as increasing freight transit volumes, through liberalisation reforms and the involvement of private investment and private initiatives. These reforms include: (i) disposing of non-core business activities; (ii) de-regulation of the transportation businesses; (iii) subsidising the passenger business; and (iv) privatising potentially viable businesses in the railway industry. Kazakhstan is also developing its domestic rail engineering industry in order to meet increasing domestic demand and export growth.

Kazakhstan is now capable of domestically producing locomotives, freight cars, passenger cars, railway switches, wrought wheels, large car casting and other railway components. Kazakhstan's manufacturing plants were designed to provide for the production of 100 locomotives, 150 high-speed passenger rail cars and up to 2,500 freight cars a year. Furthermore, the Aktobe rail and structural steel mill is being finalised and the launch of the production of diesel engines in Astana is expected in 2015. There are plans to construct a further 213 km of railways, electrify 524 km of railways and modernise about 5,000 km of railways by the end of 2020. Three high-speed train routes, including Astana-Kyzylorda, Astana-Ust-Kamenogorsk and Almaty-Ust-Kamenogorsk, were launched at the end of 2014.

The MNE regulates activities of Kazakhstan Temir Zholy by establishing tariffs for domestic, import and export freight transportation on the mainline railway network and tariffs for interregional, intercity and suburban passenger transportation. Kazakhstan Temir Zholy currently receives Government grants as compensation for certain passenger transportation tariffs that are set at levels that are either low or not profitable.

By agreement under the CES, Kazakhstan, Belarus and Russia each enacted into law on 1 January 2012 rules that regulate the standards for establishing certain tariff policies for rail transportation services on an agreed basis across these countries and unified rail transportation tariffs in each of these countries, effective from 1 January 2013, across export, import and domestic freight tariffs. However, the agreement permits rail transportation operators, based on certain economic factors, to change those tariffs at their discretion up to certain caps set under national law. In addition, from 1 January 2015, transport operators have had access to the railway infrastructure at the borders of other EEU member states (within the scope set out by the infrastructure operator of the relevant area of railway infrastructure concerned).

Air Transport

Kazakhstan is serviced by 20 airports, of which Almaty, Shymkent and Astana bear most of the freight and passenger transportation load. The volume of air freight transportation in Kazakhstan was approximately 19,600 tonnes in 2014 as compared to 24,000 tonnes in 2013, 19,600 tonnes in 2012, 29,400 tonnes in 2011 and 29,200 tonnes in 2010. Air Astana has been the country's flagship carrier since 2004. The country's flagship carrier had previously been Air Kazakhstan from 1996 to 2004 and Kazakhstan Airlines from 1991 to 1996. In 2015, Samruk Kazyna announced that they have created a new airline, Qazaq Air, with operations expected to commence during the second half of 2015.

Ports and Shipping

As at 1 January 2015, Kazakhstan had two river ports (Paylodar and Atyrau), three Caspian Sea ports (Aktau, Kuryk and Bautino) and over 4,100 kilometres of internal navigable water routes. The main sea port in Kazakhstan is Aktau port, which is situated on the eastern coast of the Caspian Sea and is focussed on international shipping of various dry cargoes, crude oil and oil products.

In July 2014, the project to upgrade the Aktau port commenced. The upgrade will include the construction of three cargo terminals with a combined capacity of three million tonnes per year. Thereby, the capacity of the port is expected to increase from 18 to 21 million tonnes per year.

In April 2015, the project to upgrade the Kuryk port commenced. This project includes the construction of a ferry terminal and the upgrade of the existing passenger and cargo ferry terminals. Following the completion of this project (which is expected to be in December 2016), the capacity of the port is expected to increase to 4.1 million tonnes per year. The main cargo that transits through this port is oil and related products, chromium ore, chemical products, wheat, sulphurs, carbonate, construction materials and various metals.

Furthermore, the construction of a special economic zone, "Khorgos-Eastern Gates", on the China-Kazakhstan border is expected to be completed in 2016. This special economic zone is expected to become the main centre of consolidation and distribution of cargo flows in Eurasia.

Roads

As at 31 December 2014, Kazakhstan had approximately 96,873 km of roads. Much of the road network in Kazakhstan was constructed during the Soviet era and is in need of maintenance or full development.

As a result of the need for improvement in the Kazakhstan road network, the Kazakhstan South-West Roads Project was implemented. This programme was designed to help upgrade the trade route that links China to Russia and Western Europe through Kazakhstan. The project was announced on 30 April 2009 and is expected to be completed in the second half of 2015 or 2016.

The Asian Development Bank is providing financing to the Government of Kazakhstan to assist with the implementation of the Central Asia Regional Economic Cooperation (CAREC) Transport Corridor 1 Programme. The Programme involves the rehabilitation, upgrade and construction of an International Transport Corridor between Western Europe and Western China.

In addition to the above, 11 projects are currently being planned to improve the inter-regional road network in Kazakhstan. These projects have an aim to eliminate the gaps in the existing road network and aim to assist in creating a network of efficient infrastructure in transportation and logistics in Kazakhstan by 2020.

The construction of inter-regional road networks include key projects such as, "Center-South" (Astana-Karaganda-Balkhash-Almaty), "Center-East" (Astana-Pavlodar-Kalbatay Ust-Kamenogorsk) and "Center-West" (Astana, Arkalyk-Torgau Shalkar -Beyneu-Aktau).

The "Center-South" project, once constructed, will connect Astana with the southern regions of the country, which will result in an increase in the transit capacity between the dry ports located on the border zones and an increase in exports to foreign markets. The "Center-East" project in "Astana - Pavlodar - Kalbatay - Ust-Kamenogorsk" will connect Astana with the eastern regions of the country that contribute to the development of tourism and attract additional opportunities. The "Center-West" project will connect Astana with the western regions of the country and consequently increase the transportation of goods between the central and western

regions. It is anticipated that this will further integrate the sea ports and the railways into the road network, hence opening up new markets for domestic goods and providing related opportunities.

In addition to the above, there are a number of projects relating to the reconstruction of roads which have particular national importance such as: (i) Kapshagay-Kalbaltau; (ii) Astana-Petropavlovsk–settlements in the Russian Federation;(iii) Kyzylorda-Zhezkazgan-Karaganda; (iv) Astana-Kostanay settlements in the Russian Federation; (v) Usharal–Dostyk; and (vi) Uralsk–Kamenka.

Pipelines

Kazakhstan has a land-locked geographic position in that its only coastlines lie on closed seas. As a result, the pipeline infrastructure through neighbouring countries has played an important role in the exploitation of Kazakhstan’s hydrocarbon resources, allowing it to reach international markets. As at 31 December 2014, there were 23,139km of pipelines in Kazakhstan. Kazakhstan’s pipeline infrastructure is owned and operated by State-owned companies. In 2014, the total volume of international gas transiting through Kazakhstan amounted to 91.4 billion cubic metres.

The main oil pipelines, which are mostly used to export crude oil from Kazakhstan to bordering states, are:

- the Atyrau-Samara pipeline, having a throughput capacity of 18 million tonnes per year, which transports crude oil from Western Kazakhstan to Russia;
- the CPC Pipeline, having a throughput capacity of 33 million tonnes per year, with a target capacity of 52.5 million tonnes per year on the Kazakhstan section of the pipeline by 2016, which transports crude oil from the Tengiz oil field to the Novorossiysk sea port in Russia;
- the Atasu-Alashankou pipeline, having a throughput capacity of 10 million tonnes per year, which transports crude oil from Central Kazakhstan to China; and
- the Kenkiyak-Kumkol pipeline, having a throughput capacity of 10 million tonnes per year, which represents a section of the planned Kazakhstan-China pipeline with a projected flow capacity up to 20 million tonnes per year.

The CPC Pipeline is owned and operated by the CPC. As at 31 December 2014, the CPC Pipeline was 1,510 km long (including storage and loading facilities), with the segment in Kazakhstan totalling 452 km. The CPC Pipeline is the primary transportation route for oil from the Tengiz field and is expected to be a major transportation route for oil from the Kashagan field. In 2014, 35.2 million tonnes of oil and gas condensate produced in Kazakhstan were transported through the CPC Pipeline, representing approximately 44.0% of the total oil and gas condensate produced in Kazakhstan. KazMunayGas acts on behalf of the Government in respect of its 19% holding in CPC. In May 2008, the Russian Ministry of Industry and Energy and the Kazakhstan Ministry of Energy and Mineral Resources reached a consensus in relation to increasing the capacity of the CPC Pipeline. In December 2008, the Russian Ministry of Industry and Energy and the Kazakhstan Ministry of Energy and Mineral Resources, and all other CPC shareholders (except LukArco B.V.), agreed to proceed with the expansion of the CPC Pipeline and signed a memorandum on expansion, which was approved by the other shareholders in the first half of 2009. In December 2009, the final agreement on expansion was approved. Under the terms of the CPC shareholders’ agreement, the capacity of the CPC Pipeline will be increased from its current capacity of between 33 and 35 million tonnes per year to 67 million tonnes per year, of which up to 52.5 million tonnes per year of oil and gas condensate will come from Kazakhstan. The expansion project will also comprise the construction of ten oil transfer stations (two in Kazakhstan and eight in the Russian Federation), six tank farms next to Novorossiysk, a third berth unit at the CPC oil terminal and the replacement of 88 km of pipeline in Kazakhstan. Transneft will manage the expansion project in the Russian Federation, Chevron will manage the expansion at Novorossiysk port and KazMunayGas will manage the expansion in Kazakhstan. The estimated capital expenditures for expanding the CPC pipeline capacity will be U.S.\$5.4 billion, which will be financed out of CPC’s own cash flows from the proceeds of oil transportation services provided to the CPC shareholders pursuant to their preferential capacity rights and excess capacity rights on a ship-or-pay basis and, to the extent necessary, through external financings. Construction works on the expansion project began in July 2011. The expansion is expected to be completed in three phases with completion of the third phase scheduled to be the end of 2015. In October 2011, CPC announced that all construction contracts in relation to the CPC Pipeline expansion had been awarded, construction works were progressing within budget and that CPC would not be seeking external financing for the expansion. In

December 2012, CPC further announced the completion of the first CPC Pipeline facility in the Iki-Burulskiy district of Kazakhstan.

In August 2007, Kazakhstan and China reached an agreement on the construction and operation of the Kazakhstan-China Gas Pipeline, which consists of two stages. The first is construction of a gas pipeline from the other Central Asian republics to southern Kazakhstan and to China (the “**Asia Gas Pipeline**”). In December 2009, the first phase of the Asia Gas Pipeline, a pipeline with a throughput capacity of 10 billion cubic metres per year, was completed. The second phase of the project was completed in December 2012. The Asia Gas Pipeline transported 22.8 billion cubic metres of gas in 2012, 28.0 billion cubic metres in 2013 and 27.4 billion cubic metres in 2014. Construction of the third phase of the project began in November 2012 and is expected to be completed by January 2016. The second stage of the Kazakhstan-China Gas Pipeline is the Beineu-Bozoi-Shymkent Gas Pipeline. Currently, the Beineu-Bozoi-Shymkent Gas Pipeline’s capacity is 2.5 billion cubic metres per year although, as at the date of this Base Prospectus, this pipeline transported approximated 1.8 billion cubic metres of gas (of which 1.3 billion cubic metres was transported in 2014). The final phase of the Beineu-Bozoi-Shymkent Gas Pipeline is expected to be completed by the end of 2016 and will increase throughput capacity to 10 billion cubic metres per year.

In addition to the existing pipelines, in order to meet the demand arising from the development of the Kashagan oil field and other future projects which will require a significant expansion of Kazakhstan’s export capacity, Kazakhstan is promoting a proposal for the development of Kazakhstan Caspian Transportation System (the “**KCTS**”). The KCTS will export oil from Kazakhstan to the international markets via the Baku-Tbilisi-Ceyhan (“**BTC**”) pipeline and promote further onward transportation through other transit countries. This project would include the construction of an onshore pipeline from Eskene in western Kazakhstan, to Kuryk on the Caspian near Aktau and the creation of a trans-Caspian infrastructure for the transportation of oil. The trans-Caspian infrastructure is expected to include oil loading terminals in Kazakhstan and Azerbaijan’s coasts of the Caspian Sea, oil tankers and the construction of connecting facilities to the BTC pipeline.

Kazakhstan’s natural gas pipeline system transports natural gas principally from Turkmenistan, Uzbekistan and Kazakhstan to Russia and from one part of Russia to another through Kazakhstan territory, and distributes gas within Kazakhstan. The natural gas pipeline network includes the Central Asia Centre pipeline, the shortest pipeline route from the gas producing regions of Central Asia (principally Turkmenistan and Uzbekistan) through Russia to Europe. As at 31 December 2014, the natural gas pipeline network of Kazakhstan comprised 17,656 km of pipelines. In 2014, the volume of international gas transit through the territory of Kazakhstan was 91.4 billion cubic metres.

Telecommunications

The telecommunications sector has expanded rapidly in Kazakhstan. The statistics with respect to access to telecommunications services in this section were correct as at 1 January 2015. There were 25.1 fixed line telephone subscribers per 100 inhabitants, with a total of 4,338,200 fixed line subscribers across the country. In rural areas there were 15.2 fixed line subscribers per 100 inhabitants, with a total of 1,177,600 subscribers in such areas.

There were 162 mobile phone subscriptions per 100 inhabitants, with a total of 28,003,000 such subscribers across the country. Both 3G and 4G (LTE) technologies are used in Kazakhstan.

There were 2,095,200 subscribers with access to the internet across the country, of which 2,077,300 were subscribers for broadband internet services.

Employment

In 2010, 2011, 2012, 2013 and 2014, an average of 8.1 million, 8.3 million, 8.5 million, 8.6 million and 8.5 million people were employed in Kazakhstan, respectively, representing 94.2%, 94.6%, 94.7%, 94.8% and 95.0% of the eligible work force, respectively.

The following table sets out the number of employed people in Kazakhstan by main economic activity for the periods indicated.

Employed population by main economic activities

	Years ended 31 December					Three months ended
	2010	2011	2012	2013	2014 ⁽⁴⁾	2015
	<i>(thousand people)</i>					
Agriculture, forestry and fishing.....	2,294.9	2,196.1	2,172.7	2,073.6	1,605.4	1,636.3
Industry.....	948.8	960.3	1,004.4	1,039.1	1,090.6	1,054.7
<i>of which:</i>						
Mining and quarrying ⁽¹⁾	193.7	206.8	225.1	249.3	294.6	266.1
Manufacturing ⁽²⁾	565.6	542.2	543.5	548.0	536.3	550.6
Electricity, gas, steam and air conditioning supply.....	132.1	146.7	158.5	161.7	173.3	151.9
Water supply; sewerage, waste management and recycling.....	57.4	64.6	77.3	80.1	86.5	86.1
Construction.....	569.8	614.0	644.5	660.0	677.8	681.6
Wholesale and retail trade; repair of motor vehicles and motorcycles ⁽⁴⁾	1,224.2	1,233.7	1,200.7	1,256.5	1,248.3	1,304.7
Transport, storage, communications and information.....	511.8	546.3	570.9	569.1	584.9	631.8
Accommodation and food service activities.....	105.1	122.5	129.0	139.0	167.3	187.5
Financial and insurance activities.....	109.3	125.7	134.2	132.9	160.1	131.9
Real estate activities.....	104.7	119.2	138.8	138.3	192.5	182.2
Professional, scientific and technical activities.....	139.0	135.6	112.4	105.2	87.5	105.2
Administrative and support service activities.....	149.3	179.4	181.4	182.2	162.0	204.1
Community, social and personal services.....	167.4	170.4	174.2	174.5	196.4	220.2
Public administration and defence; compulsory social security.....	376.5	391.9	385.8	402.4	467.7	436.0
Education.....	816.3	851.5	892.1	923.2	982.4	985.7
Human health and social work activities.....	370.2	392.4	413.8	424.8	464.0	470.7
Arts, entertainment and recreation.....	90.1	96.6	112.4	107.4	132.3	115.2
Other service activities ⁽³⁾	114.2	142.0	220.4	227.4	285.1	287.3
Activities of households as employers; undifferentiated goods and services – producing activities of households for own use.....	22.5	23.9	19.0	14.6	5.2	N/A

Source: MNE

Notes:

- (1) Mining and quarrying includes mining of coal and lignite, extraction of crude oil and natural gas, mining of metal ores and other mining.
- (2) Manufacturing includes manufacturing of coke and refined petroleum products, metallurgy, machines, foods and other manufacturing.
- (3) Personal and household goods are included in other service activities for 2010, 2011, 2012, 2013, 2014 and the three months ended 31 March 2015.
- (4) Information derived from a random survey (208,275 households) that is carried out yearly.

The following table sets out information on the average level of unemployment in Kazakhstan for the periods indicated.

	Years ended 31 December					Three months ended 2015
	2010	2011	2012	2013	2014	2015
Unemployed population (average thousands of persons) ⁽¹⁾	496.5	473.00	474.8	470.7	451.9	455.6
Unemployment rate as a percentage of economically active population (average, %).....	5.8	5.4	5.3	5.2	5.0	5.0

Source: MNE

Notes:

- (1) MNE definition of unemployed is based on data from surveys carried out quarterly. Persons not working, currently looking for a job or available for work at any time during the period surveyed, are counted as unemployed.

Kazakhstan's unemployment rate decreased from 5.8% in 2010 to 5.4% in 2011 and further to 5.3% in 2012, 5.2% in 2013 and 5.0% in 2014. In March 2015, the estimated unemployment rate was 5.0%. The decreases from 2010 through 2014 were attributable primarily to measures undertaken by the Government aimed at increasing sustainable and productive employment and these measures included youth internships, micro-loan

programmes, the relocation of people from low growth areas to areas with better employment opportunities and infrastructure improvements.

The following table sets out quarterly information regarding unemployment in Kazakhstan for 2010 through 2014 and the first quarter of 2015:

	Total unemployed ⁽¹⁾		Registered unemployed ⁽²⁾	
	Unemployed population (Thousands)	% of economically active population	Unemployed population (Thousands)	% of economically active population
2010				
First Quarter	526.2	6.2	76.4	0.9
Second Quarter	503.8	5.8	69.5	0.8
Third Quarter	481.7	5.6	60.9	0.7
Fourth Quarter	474.7	5.5	35.4	0.4
2011				
First Quarter	475.9	5.5	53.7	0.6
Second Quarter	467.0	5.4	57.3	0.7
Third Quarter	472.3	5.3	78.7	0.9
Fourth Quarter	477.3	5.4	36.6	0.4
2012				
First Quarter	478.5	5.4	58.3	0.7
Second Quarter	473.1	5.3	60.8	0.7
Third Quarter	472.8	5.2	54.7	0.6
Fourth Quarter	474.8	5.3	34.6	0.4
2013				
First Quarter	474.5	5.3	56.1	0.6
Second Quarter	469.3	5.2	58.2	0.6
Third Quarter	468.3	5.2	51.7	0.6
Fourth Quarter	466.4	5.2	42.5	0.5
2014				
First Quarter	464.0	5.1	52.3	0.6
Second Quarter	461.0	5.1	55.6	0.6
Third Quarter	458.1	5.0	55.9	0.6
Fourth Quarter	458.6	5.0	33.4	0.4
2015				
First Quarter	455.6	5.0	56.1	0.6

Source: MNE, Ministry of Healthcare and Social Development

Notes:

- (1) MNE definition of unemployed is based on data from surveys carried out quarterly. Persons not working, currently looking for a job or available for work at any time during the period surveyed, are counted as unemployed.
- (2) Based on number of individuals who choose to register as unemployed with the various employment agencies.

The foregoing data does not take into account certain “hidden unemployment” resulting from shortened workdays and temporary layoffs. The number of workers required by their employers to work reduced hours, and employees put on obligatory leave with no pay or partial pay, amounted to approximately 34,800 and 35,114 persons in 2013 and 2014, respectively.

It is estimated that in April 2015, the unemployment rate as a percentage of the economically active population, was 5.0%. In 2014, the distribution of unemployed persons based on the type of economic activity at their last job was: agriculture, forestry and fishing (12.8%), wholesale and retail trade; repair of motor vehicles and motorcycles (14.7%), education (6.4%), construction (6.9%), transport and storage (3.2%), healthcare and social services (2.8%), industry (8.1%), public administration and defence; compulsory social insurance (3.1%), professional, scientific and technical activities (1.0%), financial and insurance activities (4.4%) and other activities (2.9%).

In June 2013, the Employment Road Map-2020 was approved by the Government. It is a programme aimed at providing employment through the development of infrastructure and housing and communal services, creating jobs through the development of entrepreneurship and villages and assisting unemployed people by providing them with training and the ability to relocate.

The Employment Road Map-2020 includes specific features to address the underlying issues that led to the tragedy in December 2011 in Zhanaozen, western Kazakhstan, where 17 people died and 64 were injured, including 17 law enforcement officials, in unrest following a long-running labour dispute involving workers at

the Ozenmunaigas oil field. A range of other measures have been also been taken by the Government to address the underlying issues that led to the tragedy.

Wages and Income

The following table sets out information on the average monthly nominal wages in Kazakhstan for the periods indicated.

	2010	Years ended 31 December			2014	Three months ended 31 March 2015
		2011	2012	2013		
Average monthly nominal earnings.....	77,611	90,028	101,263	109,141	121,021	118,638

Nominal wages increased by 15.3% in 2010, 16.0% in 2011, 12.5% in 2012, 7.8% in 2013 and 10.9% in 2014. These increases are due to increases in the wages of public sector employees, the implementation of special Government programs aimed at supporting certain categories of employees (including those working in the health and education sectors), and an overall improvement in the country's macroeconomic situation. The average monthly nominal earnings decreased to KZT 118,638 in the three months ended 31 March 2015, as compared to KZT 121,021 in 2014.

The minimum wage is set annually by the Law on the National Budget for the relevant financial year. Under the applicable law, the minimum wage may not be below the subsistence level and does not include bonuses, allowances, compensation and welfare payments, and other incentive payments, and is paid in proportion to the time worked. The minimum wage has steadily increased over the past five years, from KZT per month 14,952 in 2010 to KZT 15,999 per month in 2011, KZT 17,439 per month in 2012, KZT 18,660 per month in 2013 and KZT 19,966 in 2014. The applicable minimum wage for 2015 is KZT 21,364 per month.

Approximately 6.5%, 5.5%, 3.8%, 2.9% and 2.8% of the population earned an income below the official subsistence level in 2010, 2011, 2012, 2013 and 2014, respectively. The decline from 2010 to 2014 was primarily the result of an increase in wages throughout this period. The growth rate of real disposable income was 5.6%, 9.4%, 6.9%, 3.0% and 3.5% in 2010, 2011, 2012, 2013 and 2014.

According to the Law "On minimum social standards and their guarantees" No. 314-V dated 19 May 2015, the subsistence level is the necessary minimum income per person equal to the cost of the minimum consumption basket. The subsistence level is calculated based on the cost of the minimum food basket plus the fixed amount of expenses required for non-food products and services.

As at 1 January 2015, the total wage arrears were KZT 106.3 million, as compared to KZT 737.9 million as at 1 January 2014. As at 5 June 2015, the total wage arrears were KZT 202.1 million and were attributable to 21 enterprises. Out of these 21 enterprises, 19 were private enterprises (KZT 199.4 million) and two were State-owned enterprises (KZT 2.7 million).

Social Benefits and Expenditure

Social security benefits were introduced in Kazakhstan in 1991, with new institutions founded to deliver social benefits. The social security system includes a range of allowances and social benefits for children, including child birth allowances, maternity allowances, childcare benefits, benefits for children from families with a low annual income, and benefits for disabled children. The system also provides benefits for disabled persons, military veterans, other distinguished individuals, mothers with many children and persons who work in difficult conditions. Other allowances and benefits include housing aid and unemployment benefits.

For the three months ended 31 March 2015, targeted social aid payments were made to 26,027 individuals who were below the poverty line as set out by the Government. A state allowance for children under 18 was provided to approximately 419,700 children. Housing aid was provided to 64,231 families.

Social security and social aid are provided through expenditures of the Republic Budget and local budgets. In addition, since 2005, social benefits have also been provided through the State Social Insurance Fund (the "SSIF").

Social security and social aid, which includes social benefits and state pensions, is the largest expenditure item in the State Budget and accounted for 18.4%, 18.9%, 18.2%, 19.3% and 18.5% of total State Budget expenditure in 2010, 2011, 2012, 2013 and 2014, respectively.

The SSIF is funded by mandatory social insurance contributions made by employers in respect of their employees. SSIF benefits are paid only to individuals whose employers make contributions to the social insurance fund. Participants in the system of mandatory social insurance include workers; self-employed persons, including foreign citizens; and stateless persons permanently residing in Kazakhstan and carrying out activity which results in income in Kazakhstan, excluding retired persons who are still active within the private sector. Payments from the SSIF are made to individuals who have experienced a loss of earnings as a result of injury, redundancy, pregnancy and childbirth, adoption of a newborn child or caring for a child below the age of one.

Education

Primary, junior and secondary school education is provided by the State free of charge and is compulsory from the age of six or seven; children typically attend at least nine years of school. The majority of the population has a primary, junior and secondary school education and approximately 20% of the population has a degree from a college or university level institution. All secondary school graduates are required to pass the Unified National Test, which serves as an entrance examination to universities and colleges and approximately 20% of the population has a degree from a college and approximately 25% of the population has a university level degree. Kazakhstan's current adult literacy rate exceeds 99%.

A number of significant projects in the education sector are currently being implemented, including the establishment of six centres of excellence. Further, additional incentives, including grants, have been made available to individuals who complete certain advanced teaching and vocational training qualifications, in an attempt to increase the number and quality of employees in the education sector. Education accounted for 15.9%, 17.0%, 17.8%, 17.3% and 16.1% of total State Budget expenditure in 2010, 2011, 2012, 2013 and 2014, respectively. The education sector accounted for 3.2%, 3.2%, 3.1%, 2.9% and 2.9% of Kazakhstan's GDP in 2010, 2011, 2012, 2013 and 2014, respectively.

In the 2014-2015 academic year, the number of children in pre-school education in Kazakhstan increased by 3.4% in comparison with 2013-2014 and accounted for 52.3% of children 1-6 years old and 78.6% of children 3-6 years old. In 2014, kindergartens accounted for 359,879 children in cities (or 50.4% of such children) and 181,719 children in rural areas (or 36.9% of such children)]. A step-by-step pre-school organisation commissioning and opening plan for 2014-2020 has been developed to solve the deficit of pre-school educational institutions in Kazakhstan. According to the plan, approximately 480,000 additional places will be available by 2020 to enable coverage of up to 80% of children aged 1 to 6 years old and 100% from 3 to 6 years old.

In the 2014-2015 academic year there were 7,222 public day comprehensive schools for 2.6 million children in Kazakhstan, as compared to 7,307 public day comprehensive schools for 2.5 million children in the 2013-2014 academic year. A network of additional children's education organisations comprised 883 units in 2014-2015, as compared to 660 organisations in 2013-2014.

There are currently 820 colleges in Kazakhstan including 467 public colleges, of which 164, or 35.1% of the public colleges, are located in rural areas. Some 531,453 people study at these colleges, including 439,630 full time and 91,823 part-time students, of which 246,030 students have public grants.

There are 126 post-college higher educational institutions in Kazakhstan (nine national, 31 state, 13 non-civil, one autonomous educational organisation, one international, 16 joint-stock company and 55 private).

Approximately 506,390 students studied in at such institutions in the 2014-2015 academic year, 29,689 of which were in master's degree programmes and 1,861 of which were in doctorate degree programmes.

As part of the "100 Steps" programme, it has been announced that there will be a phased transition to the use of the English language in the education system in order to improve the competitiveness of graduates and the export potential of the education sector.

Healthcare

Citizens of Kazakhstan are entitled to guaranteed free medical care. The scope of free medical care is approved by the Government and is subject to adjustment as necessary. The healthcare system is normally funded by the State Budget. The principal aims of the governmental healthcare policy are disease prevention and development of the primary health care service, promotion of maternal and child health, improvement of diagnostics, treatment and rehabilitation of basic socially-significant diseases and injuries, development of science and human resources and increasing the efficiency and competitiveness of healthcare organisations.

Inoculation of people against 21 infectious diseases is provided at the expense of the State Budget. 11 screening examinations are conducted under the National Screening Programme.

The “Salamatty Kazakhstan” Government Programme for the development of healthcare in Kazakhstan for 2011-2015 is successfully being implemented. As instructed by President Nazarbayev, the Ministry of Healthcare and Social Development started preparing the “Salamatty Kazakhstan” Government Programme for the development of healthcare in Kazakhstan for 2016 to 2020. The priorities of this new programme are the development of primary health care and introduction of a diseases’ management system providing for preventive medicine, early detection of diseases and treatment as one unified healthcare process.

In recent years, there has been significant improvement in the health of the citizens of Kazakhstan and a reduction in the rate of mortality from preventable causes. For example, early detection and use of hi-tech means of diagnostics and treatment have helped increase the average life expectancy from 68.4 years in 2010 to 71.6 years in 2014, reduce the rate of mortality from 8.97 per 1,000 people in 2010 to 7.65 per 1,000 people in 2014 and reduce the rate of mortality from cardiovascular diseases from 404.0 per 100,000 people in 2010 to 168.4 per 100,000 people in 2014.

Pensions and Pension Reform

As at 31 December 2014, there were 1,915,638 persons in Kazakhstan receiving pensions, or approximately 11% of the total population. The role of the pension sector in the country’s economy is growing. As at 1 January 2015, total assets of the pension system amounted to KZT 4,517.8 billion (comprising of KZT 3,686.3 billion of accumulated pension contributions and KZT 990.5 billion of net investment income), an increase of 21% compared to 1 January 2014. As at 1 April 2015, the total assets of the pension system amounted to KZT 4,700.3 billion.

As at 1 January 2015, the total amount of all accumulated pension contributions amounted to KZT 3,686.3 billion and the total amount of all accumulated pension payments amounted to KZT 529.6 billion. During 2014, the amount of pension contributions amounted to KZT 654.8 billion, and pension payments amounted to KZT 105.9 billion. As at 1 April 2015, the average amount of pension savings per citizen was approximately KZT 482,000. The ratio of pension savings to GDP increased to 11.7% as at 1 January 2015 from 10.6% as at 1 January 2014.

As at 1 April 2015, Kazakhstan’s pension assets consisted of Government bonds and municipal bonds (collectively representing 46.0% of the total value of pension assets), Kazakhstan private sector debt securities (28.6%), deposits with Kazakhstan banks (14.7%), shares of Kazakhstan private companies (2.7%), securities of foreign private companies (2.0%), securities of international financial organisations (1.8%), debt instruments of foreign governments (1.4%), and other assets (2.7%).

The current pension system has five main pension “pillars” with different levels of maturity. These include:

- a flat basic pension funded by the State Budget, which covers all residents of Kazakhstan who reach retirement age. The level of the base pension is currently set at 50% of the official subsistence level;
- a (closed) earnings-related defined benefit pension funded by the State Budget, which is the main source of current retirement income;
- a mandatory defined contribution pension funded by individuals pursuant to which employees contribute 10% of their monthly income;

- a mandatory professional pension contribution funded by employers for employees, whose employment involve dangerous working conditions, in an amount equal to 5% of the employee's monthly income; and
- a voluntary defined contribution pension which can be funded by both employee and employer contributions.

Beginning in 1998, Kazakhstan citizens were given the ability to transfer their pension payments to privately-held pension funds existing alongside the state-controlled system. The State Accumulating Pension Fund (the centralised state-owned pension fund that existed prior to the 1998 reforms) was privatised in 2006. On 21 June 2013, the Parliament adopted a new pension law (the “**Pension Law**”), which reformed the country's pension system by consolidating the accounts of payers of mandatory pension contributions to private pension funds into a single state pension fund.

Key changes of the reform introduced by the Pension Law include:

- the establishment of a single state pension fund, the JSC “Unified Accumulative Pension Fund” (the “**UAPF**”). The UAPF replaces private pension funds and is currently the only organisation in Kazakhstan which is eligible to accept mandatory pension contributions;
- the introduction of mandatory professional pension contributions paid at the expense of employers whose employees are involved in heavy or hazardous work (paid at a rate of 5% of the employee's monthly income);
- a phased increase of the retirement age of women from 58 to 63 years (63 years being the current retirement age for men), which increase will be implemented within 10 years, starting from January 2018.

The UAPF is a non-commercial organisation, which is established in the form of a joint stock company by the Government, being its sole shareholder. The establishment of the UAPF does not change the principles of the pension savings system. The UAPF maintains the pension savings accounts of individuals, and the Government guarantees the security of mandatory pension contributions subject to inflation adjustments.

The UAPF has consolidated the accounts of payers of mandatory pension contributions to private pension funds. The consolidation was completed in March 2014.

The pension assets of the UAPF are held by the NBK, which acts as a custodian bank and manages the pension assets pursuant to a trust management agreement with the UAPF. The trust management of the UAPF pension assets is performed according to the investment strategy (investment declaration) of the UAPF, which is approved by the Management Board of the NBK. The NBK may entrust another entity (including voluntary accumulative pension funds (“**VAPFs**”)) to perform trust management of the UAPF pension assets. The Council for Management of UAPF Pension Assets (the “**UAPF Council**”) was also established, and its functions include the elaboration and review of proposals on improving the efficiency of the UAPF pension asset management and optimising the list of financial instruments in which the UAPF will invest.

Private pension funds transformed into VAPFs are permitted to attract and manage voluntary pension contributions and act as investment portfolio managers.

The Pension Law restricts the use of pension assets for purposes other than: investment in financial instruments approved by NBK; payment of pensions pursuant to Kazakhstan law; transfer of pension savings to insurance companies under annuity contracts as provided for under Kazakhstan law; transfer of pension savings generated by voluntary pension contributions from the UAPF to VAPF and vice versa, or from one VAPF to another; repayment of erroneously credited pension contributions and other amounts; and payment of commission fees to the UAPF and VAPFs.

The UAPF is prohibited from: conducting business activities except for permitted under the Pension Law; utilising pension assets for purposes other than those which are provided for under the legislation of Kazakhstan; pledging pension assets and/or its own assets; issuing securities other than shares; borrowing funds;

providing loans; issuing guarantees or suretyships; and having participating interests in legal entities except as provided by the NBK.

The Pension Law limits UAPF commission fees to the rate of 7.5% of investment income and 0.025% of the monthly pension assets. Previously, pension funds were entitled to retain up to 15% of investment income and up to 0.05% of monthly pension assets. VAPF commission fees are kept at the same rate of 15% of investment income and 0.05% of monthly pension assets as was previously applicable to pension funds.

As at 1 April 2015 arrears on obligatory pension contributions to the UAPF amounted to KZT 5,299.5 million, an increase of KZT 2,142.3 million or 67.9% compared to 1 January 2015.

The principal current source of retirement income is the state flat-rate pension and the (closed) earnings-related defined benefit state pension, both of which are unfunded and represent a direct charge on the State Budget. These pensions cost the State Budget KZT 557 billion, KZT 740 billion, KZT 820 billion, KZT 911 billion and KZT 1,053 billion in 2010, 2011, 2012, 2013 and 2014, respectively, and are budgeted to cost KZT 1,169 billion in 2015. As a percentage of GDP, such costs in those years were 2.6%, 2.7%, 2.7%, 2.6% and 2.6%, respectively. The Government has forecast that the cost of these pensions will peak in 2017 at 2.8% of GDP, declining to 2.7% of GDP in 2018, 2.6% of GDP in 2019 and 2.4% of GDP in 2020 and lower thereafter because only years of employment through the end of 1997 are pensionable for the earnings-related scheme.

See “*Monetary and Financial System—Capital Markets—Pension Funds*”.

Environment

Kazakhstan faces significant environmental problems which, to a large extent, originate from the Soviet era. Kazakhstan continues to deal with the effects of nuclear weapons and biological testing that took place in the country, the drying out of the Aral Sea and land degradation resulting from extensive agricultural development, mining, and oil and gas exploration.

Outdated technology and capital equipment in the metallurgical sector produce heavy pollution, mostly in the north and east of the country. Semey, a city in north east Kazakhstan, has a military facility which until 1990 was used for nuclear testing and many locations in the vicinity are heavily contaminated as a result of past experiences of nuclear weapons testing and radioactive waste disposal, and which continue to threaten the environment. Other locations in Kazakhstan were used by the Soviet Union for the testing of biological weapons and as a result are contaminated with various harmful pathogens.

The former Soviet Union’s “Virgin Lands” policy of the 1950s and 1960s, whereby large areas of Kazakhstan’s steppe land were ploughed to increase Soviet Union grain production, has led to wide-scale soil erosion; up to 66% of Kazakhstan’s agricultural land is under threat of desertification. Poor agricultural and irrigation practices have resulted in severe soil desertification and land degradation, damaging Kazakhstan’s biodiversity and hindering agricultural development in many areas in the country. Excess irrigation has halved the surface area of the Aral Sea in southern Kazakhstan. Further, the Caspian Sea shelf, a sensitive ecosystem, is home to several oil and gas developments which have created significant pollution as a result of industrial dumping. Significant soil, water and air pollution remains a problem for a number of industrial cities, including, Balkhash, Ekibastuz, Almaty, Temirtau, Pavlodar, Ust-Kamenogorsk, and Aktobe.

Although a reversal of these problems will take many years, Kazakhstan has taken several steps to improve the environment. These steps include the following:

- Transition to a “green economy” is referred as one of the key priorities of President Nazarbayev’s Kazakhstan-2030 Strategy and Kazakhstan-2050 Strategy. The Kazakhstan-2030 Strategy provides for the transition of Kazakhstan to a “green economy” on the basis of a reduction of the intensity of utilisation of primary resources (such as water and land), an improvement of currently underdeveloped and aging infrastructure, a reduction of air and water pollution, a reduction of dependence on the water resources of other countries and production of energy from renewable resources. In April 2013, Project “Green 4” was introduced into the strategic plan of the Ministry of Environmental Protection as a pilot project under Strategy Kazakhstan-2050.

- The Environmental Code of the Republic of Kazakhstan was adopted in 2007 in order to improve Kazakhstan’s legislation on environmental protection and bring it into line with international standards.
- In March 2009, Kazakhstan ratified the Kyoto Protocol to the United Nations Convention on Climate Change, thus joining the global movement to prevent global warming.
- The Sixth Ministerial Conference on Environment and Sustainable Development of 62 countries in the Asia-Pacific region was held in Astana in 2010.
- Kazakhstan presented its “Green Bridge” Partnership Programme at the UN Conference on Sustainable Development “Rio +20”, held in June 2012 in Rio de Janeiro. A final document entitled “The future we want”, which reflects the “Green Bridge” Partnership Programme, was adopted at this conference.
- Kazakhstan, as a party to the Stockholm Convention, has also committed to the environmentally safe disposal of persistent organic pollutants by 2028 and the rehabilitation of contaminated land. Kazakhstan must submit annual reports to the three conventions governing the management of hazardous chemicals and wastes: the Basel, Stockholm and Rotterdam conventions.
- Currently, Kazakhstan is considering joining the Pollutant Release and Transfer Registers protocol of the United Nations Economic Commission for Europe. The protocol regulates information on pollution produced by the assets of businesses and is aimed at enhancing public scrutiny in this area.

State expenditure on environmental protection has continually increased in recent years. The 2015 State Budget provides for KZT 14,753.1 million for environmental protection, as compared to KZT 14,946.3 million in the 2014 State Budget.

Privatisation

Kazakhstan has undertaken a substantial and rapid programme of privatising State-owned enterprises. Proceeds raised from privatisation (excluding investment companies) amounted to KZT 13.2 billion in 2006. Proceeds raised from privatisation amounted to KZT 8.9 billion in 2013. Proceeds raised from privatisation amounted to KZT 40.5 billion in 2014 (including proceeds from the KEGOC IPO and the sale of subsidiaries of certain of the national management holding companies and socio-entrepreneurial corporations).

Privatisation of State-owned enterprises has to date been implemented through three programmes. Under the first programme, which began in 1991, State-owned enterprises were transformed into joint-stock companies and their shares were offered to their workers or managers. Privatisations were also carried out through lease purchase arrangements, outright sales, tender and auction sales (primarily in the service sector). This programme resulted in the privatisation of approximately 12% of the enterprises that were then State-owned.

In March 1993, the Government introduced its second privatisation programme involving either “smallscale” privatisation, “mass” privatisation or “case-by-case” privatisation, depending on the characteristics of the enterprise. In the small-scale privatisation programme, enterprises employing 200 or fewer people were offered for sale through auctions. The implementation of the small-scale privatisation programme was completed in August 1997, with 17,070 small-scale enterprises being sold, primarily to individuals and companies in Kazakhstan. Mass privatisation involved the sale of medium to large enterprises employing 200 to 5,000 people. Under the case-by-case privatisation programme, all or part of the State’s interest in 26 large enterprises were sold during 1999.

The rate of case-by-case privatisation intensified when the Government’s third privatisation programme (including the strategic energy and mining sectors) was launched in late 1995. With most eligible small and medium-sized enterprises having been privatised, the focus of the Government shifted to privatising largescale enterprises, increasing privatisation proceeds through competitive tendering, identifying suitable strategic investors and enhancing the efficiency of enterprises through the use of long-term management contracts with reliable operators.

In 1999, the Government introduced a programme to provide regional authorities with the option to privatise State-owned property located in their respective regions. In order to allow regional authorities to privatise State-owned property, a strategy of transferring control of State-owned assets to regional authorities was formally adopted in 2000, and was implemented through three programmes between 2001-2002, 2003-2005, and 2006-2008. The governors of oblasts and the governors of Astana and Almaty, were given the right to privatise and generally manage assets transferred to them. Between 1 January 1999 and 1 August 2013, 20,397 State-owned assets were privatised raising a total amount of KZT 197.5 billion. The current aim of the Government's privatisation strategy is to decrease the State's influence in sectors of the economy in which competitive markets have already developed. This will be implemented through the privatisation of non-core State-owned assets and the privatisation of State-owned assets which are deemed inefficient.

In 2011 the Government adopted a "People's IPO" programme aimed at providing citizens of Kazakhstan with the ability to buy shares of the country's major enterprises, creating a new tool for investing and augmenting personal savings, and further developing the local Kazakhstan stock market in order to enable businesses to raise additional funding. Under the programme, citizens of Kazakhstan are first offered the right to purchase newly-issued shares in the participating companies, and pension funds are then offered the right to purchase such shares, including the UAPF pursuant to the Pension Law. Ten national companies were initially chosen to participate in the People's IPO programme, and these IPOs were scheduled to take place between 2012 and 2014. These companies were specifically chosen due to their high standards of corporate governance and transparency, their stable asset base and their growth prospects. To date, only KazTransOil and KEGOC have conducted an IPO under the programme. During the KazTransOil IPO, which took place in December 2012, 33,989 individuals purchased a total of KZT 22.1 billion in shares. During the KEGOC IPO, which took place in December 2014, all offered shares were purchased and individuals purchased a total of KZT 13.1 billion in shares. KEGOC's shares have subsequently fallen in value and as at 21 May 2015 traded at approximately 75% less than the initial IPO price. Companies that are currently expected to undergo IPOs under the "People's IPO" programme are the power production company, Samruk-Energo, the national railway company, Kazakhstan Temir Zholy, and, the national atomic company, Kazatomprom.

On 19 May 2015, President Nazarbayev adopted a decree, which calls for the identification of the five most attractive subsidiaries of the "JSC Sovereign Welfare Fund "Samruk-Kazyna" ("Samruk Kazyna"). These five subsidiaries must then undergo an IPO of at least 25% of their outstanding shares which should be offered to both local and international investors in a local organised stock exchange.

In July 2014 the Government approved the Comprehensive Privatisation Plan for 2014-2016. Implementation of the plan is designed to reduce the State's involvement in the economy and strengthen its foundations by increasing private sector participation. The plan includes a list of approximately 850 entities (including subsidiaries of the national management holding companies and socio-entrepreneurial corporations) that will be privatised. Since the approval of this plan in July 2014 and as at 31 March 2015, 156 entities (mostly subsidiaries of the national management holding companies and socio-entrepreneurial corporations) have been privatised which has raised KZT 42.9 billion (including proceeds from the KEGOC IPO). The proceeds received from such privatisations were distributed in the following manner: KZT 0.73 billion to the Republic Budget, KZT 0.71 billion to the local budgets and KZT 41.5 billion to the national management holding companies and socio-entrepreneurial corporations.

State-Owned Enterprises

As at 1 June 2015, there were 25,739 State-incorporated enterprises in Kazakhstan (19,320 taking the legal form of state institutions and 6,419 taking the legal form of state enterprises) and 776 private companies (meaning companies taking the legal form of limited liability partnerships and joint stock companies) that were owned by the State.

Samruk Kazyna is a State-owned, sovereign wealth fund and a locally incorporated joint stock company which was established in 2008 and which owns, either in whole or in part, many important companies in the country, including the national railway company (Kazakhstan Temir Zholy), the national postal service, the national oil and gas company (KazMunayGas), the national atomic company (Kazatomprom), the national grid (KEGOC) and the national flagship airline (Air Astana). As at 1 January 2015, Samruk Kazyna had 371 subsidiaries. As at 31 December 2014, Samruk Kazyna controlled assets of approximately KZT 16.6 trillion (U.S.\$89.3 billion), representing approximately 43.0% of Kazakhstan's GDP in 2014. Samruk Kazyna was established in order to enhance the competitiveness and sustainability of the economy of Kazakhstan and prevent any potential negative impact of changes in world markets on economic growth. The key purpose of Samruk Kazyna is to

hold the shares of national companies and other legal entities that it owns with the aim of maximising their long-term value and competitiveness in the world markets.

In September 2014, Samruk Kazyna announced a ‘transformation plan’ under which it intends to increase the value of its portfolio companies, to change its investment portfolio structure and to change corporate governance within its portfolio companies. Samruk Kazyna intends to increase the value of its portfolio companies by optimising their business processes, changing their key performance criteria and through the use of certain other measures. The change in Samruk Kazyna’s investment portfolio structure is intended to be achieved by simplifying governance structures and the legal form of its portfolio companies, raising capital from new investors, disposing of non-core business assets and changing the investment strategy of Samruk Kazyna. Corporate governance is to be changed by increasing the efficient co-operation with state authorities, increasing the role of the sectorial professional team within Samruk Kazyna (when necessary by hiring new employees with relevant experience and background) and improving the management of its portfolio companies. The ‘transformation plan’ has been approved for 2014-2018 and will be carried out in three stages. In 2014, the plan for transformation began with preparation related to its implementation. From 2015, measures under the transformation plan will be implemented within Samruk Kazyna and three ‘pilot’ companies - KazMunayGas, Kazpost JSC and Kazakhstan Temir Zholy. In 2015-2016, the aim is that the measures under the transformation plan be implemented in the remaining portfolio companies (*e.g.*, Samruk Energy, KEGOC and Kazatomprom).

Baiterek is a State-owned joint stock company that was created in May 2013 to manage and own, either in whole or in part, various financial development institutions in Kazakhstan, including the JSC Development Bank of Kazakhstan (“**DBK**”), the Housing Construction Savings Bank, the Kazakhstan Mortgage Company and the Fund for Developing Entrepreneurship. The principal purpose of Baiterek is to hold shares of financial development institutions, to improve the efficiency of those institutions and to provide funding for projects implemented by those institutions, with the overall aim of supporting the Government’s plans to diversify the economy through supporting the growth of non-natural resources extraction sector based companies and promoting social responsibility. Baiterek is also responsible for allocating resources available under the programme of forced industrial and innovative development to the financial development institutions that it manages. See “*The Republic of Kazakhstan—Development Strategy*”. As at the date of this Base Prospectus, Baiterek owns, either in whole or in part, 11 financial development institutions, certain of which were previously owned by Samruk Kazyna prior to the creation of Baiterek.

The National Management Holding “KazAgro” (“**KazAgro**”), is a State-owned joint stock company that was established in 2007 and which is the parent of a group of agricultural companies including National Company “Food Contract Corporation” JSC, which manages State grain reserves; KazAgroProduct JSC, which purchases and supplies livestock products; Kazagrofinance JSC, which finances enterprises in the agricultural sector and provides equipment finance and leasing services; Agrarian Credit Corporation JSC, which provides financing to agricultural commodity producers and processors; the Fund of Financial Support for Agriculture JSC, which expands access to financial and credit resources in rural areas; KazAgroGarant JSC, which undertakes activities to minimise the risks of grain and cotton holders; and Kazagromarketing JSC, which provides marketing and advisory support to agricultural commodity producers. KazAgro’s principal activities are participation in the development and implementation of State lending programs and financial support for agricultural commodity producers, rendering assistance to the agricultural sector by direct funding and investments, as well as by raising funding and investments from other sources.

The total amount of outstanding external debt incurred by state-owned enterprises (*i.e.*, entities in which the State has a direct or indirect majority interest) amounted to approximately U.S.\$27.8 billion as at 31 December 2014.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The following table sets forth the balance of payments of the Republic of Kazakhstan for the years 2010 through 2014 based on the methodology of the Balance of Payments and International Investment Position Manual (sixth edition, 2009):

	2010	2011	2012	2013	2014
	<i>(U.S.\$ millions)</i>				
Current account	1,385.7	10,198.6	1,057.7	926.6	4,643.5
Goods	28,500.2	44,844.1	38,145.2	34,792.3	35,631.3
Credit (Exports).....	61,391.7	85,193.9	86,931.1	85,595.4	79,060.3
Debit (Imports).....	32,891.5	40,349.8	48,785.8	50,803.2	43,429.0
Services	(7,249.6)	(6,635.2)	(7,929.9)	(7,094.7)	(6,435.2)
Credit (Exports).....	4,119.0	4,337.7	4,828.2	5,120.3	6,348.1
Debit (Imports).....	11,368.5	10,972.9	12,758.1	12,214.9	12,783.3
Primary income	(19,375.6)	(27,745.1)	(28,117.7)	(25,144.5)	(22,860.2)
Credit.....	2,701.3	2,232.0	2,089.6	2,320.4	2,027.0
Debit.....	22,076.9	29,977.1	30,206.6	27,464.9	24,887.2
Secondary income	(489.2)	(265.1)	(1,040.6)	(1,626.4)	(1,692.4)
Credit (receivable).....	1,459.3	2,745.9	2,628.5	2,721.2	2,227.7
Debit (payable).....	1,948.6	3,011.1	3,669.1	4,347.6	3,920.1
Capital account	7,898.0	31.8	15.4	(6.4)	31.1
Credit.....	7,903.2	33.9	32.4	7.1	36.7
Debit.....	5.2	2.1	17.0	13.5	5.6
Financial account⁽¹⁾	10,631.8	9,531.1	4,319.3	(338.4)	(7,362.2)
Direct investment	(3,665.2)	(8,582.6)	(11,855.9)	(7,934.3)	(5,937.7)
Abroad.....	3,790.9	5,177.6	1,792.3	2,012.4	1,660.0
In Kazakhstan.....	7,456.1	13,760.3	13,648.1	9,946.8	7,597.7
Portfolio investment	(8,470.3)	12,868.1	17,387.9	6,033.7	803.3
Assets.....	7,202.1	13,590.3	15,068.2	8,503.0	6,238.2
Liabilities.....	15,672.4	722.1	(2,319.7)	2,469.4	5,434.9
Financial derivatives (other than reserves) and employee stock options	3.9	(126.7)	108.9	103.7	(37.1)
Assets.....	(262.0)	(226.2)	(63.2)	(4.5)	(18.7)
Liabilities.....	(265.8)	(99.5)	(172.1)	(108.2)	18.4
Other investment	22,763.5	5,372.3	(1,321.7)	1,458.6	(2,190.7)
Assets.....	9,296.9	7,044.6	5,820.9	8,578.7	1,717.3
Liabilities.....	(13,466.6)	1,672.3	7,142.6	7,120.1	3,908.0
Net errors and omissions	6,054.4	(398.9)	(1,060.3)	(3,638.4)	(8,117.0)
Reserve assets of NBK	4,706.4	300.4	(4,306.5)	(2,379.7)	3,919.8

Source: NBK

Notes:

(1) Financial account does not include reserve assets of the NBK.

Current Account

Kazakhstan recorded a current account surplus from 2010 to 2014. In 2014, Kazakhstan had a trade surplus of U.S.\$35.6 billion, as compared to U.S.\$34.8 billion in 2013, U.S.\$38.1 billion in 2012, U.S.\$44.8 billion in 2011 and U.S.\$28.5 billion in 2010. The trade surpluses in each year were primarily driven by high export volumes of mineral products (including oil, gas and coal as well as metals). In each year, the levels of trade surpluses were affected by commodity prices, particularly market prices for crude oil. Trade surpluses in each year were partly offset by services deficits, which were primarily attributable to hydrocarbons companies importing foreign geological and other technical expertise.

In 2011, Kazakhstan recorded a current account surplus of U.S.\$10.2 billion (approximately 5.4 % of GDP). The growth in the current account surplus from 2010 to 2011 was primarily due to an increase in the prices of certain important export commodities. Exports increased by 38.8% in 2011 as compared to 2010. The value of imported goods increased by 22.7% in 2011 as compared to 2010. As a result, Kazakhstan's trade surplus was U.S.\$44.8 billion in 2011, a 57.3 % increase as compared to 2010. The services deficit decreased by 8.5% in 2011 as compared to 2010, due to a simultaneous increase of exports and decrease of imports. The primary income deficit (including compensation of foreign workers) increased in 2011 mainly as a result of an increase in payments made to foreign direct investors as a result of an increase in commodity prices.

In 2012, Kazakhstan recorded a current account surplus of U.S.\$1.1 billion (approximately 0.5% of GDP). The decrease was due to a narrowing of the trade surplus (which decreased by 14.9% to U.S.\$38.1 billion), which was in turn due to an increase in goods and services imports, as well as a substantial income deficit. The value of imported goods increased by 20.9% in 2012 as compared to 2011. This was primarily due to an increase in the volume of certain imported goods, including railway carriages and pipes for oil and gas pipelines. The negative balance of services in 2012 was U.S.\$7.9 billion, an increase of U.S.\$1.3 billion as compared to 2011. The increased negative balance was due to an increase in imported services, which was primarily due to the import of construction services in the oil sector outpacing the export of cargo transit services. The primary income balance (including compensation of foreign workers) deficit remained at a similarly high level in 2012 as the level in 2011, due to increased payments to foreign direct investors.

In 2013, the foreign trade surplus decreased by 8.8% to U.S.\$34.8 billion from U.S.\$38.1 billion in 2012. Exports of goods decreased by 1.5% and imports of goods increased by 4.1%. There were deficits in the balance of services and primary income (investment income and remuneration of labor) in 2013. The service balance deficit decreased by 10.5% to U.S.\$7.1 billion in 2013 from U.S.\$7.9 billion in 2012, and the primary income deficit decreased by 10.6% for the same period due to a decrease in payments to foreign direct investors. As a result, in 2013, the current account had a surplus in the amount of U.S.\$0.9 billion.

In 2014, Kazakhstan recorded a current account surplus of U.S.\$4.6 billion (approximately 2.1% of GDP) as compared with U.S.\$0.9 billion in 2013. The growth in the current account surplus from 2013 to 2014 was due to a decrease in the negative balance of investment income as well as an increase in the trade balance surplus as a result of a reduction in imports of goods. Exports decreased by 7.6% to U.S.\$79.1 billion and imports decreased by 14.5% 2014 to U.S.\$43.4 billion as compared to 2013. As a result, Kazakhstan's trade surplus was U.S.\$35.6 billion in 2014, which was a 2.4% increase as compared with U.S.\$34.8 billion in 2013. The services deficit decreased by 9.3% to U.S. \$6.4 billion in 2014 as compared to U.S.\$7.1 billion in 2013. The primary income deficit decreased by 9.1% to U.S.\$22.9 billion in 2014.

Kazakhstan's net international investment position (defined as external financial assets minus external financial liabilities) as a percentage of GDP was (16.6)%, (14.4)%, (17.4)%, (17.5)% and (24.0)% as at 31 December 2014, 2013, 2012, 2011 and 2010, respectively.

Capital Account

Typically, significant amounts of capital are not transferred into the capital account of the balance of payments of Kazakhstan. However, in 2010, U.S.\$7.9 billion was credited to the capital account to reflect the restructuring and subsequent reduction in the financial indebtedness of certain Kazakhstan banks, as required under IMF accounting standards. See "*Monetary and Financial System - Kazakhstan's Banking Industry*".

Financial Account

In 2011, net lending in the financial account was U.S.\$9.5 billion. The negative balance of direct investment was U.S.\$8.6 billion in 2011 as compared to a negative balance of U.S.\$3.7 billion in 2010. The increased negative balance in 2011 was mainly due to an increase in foreign direct investment into Kazakhstan. Net portfolio investment increased from a negative balance of U.S.\$8.5 billion in 2010 to a positive balance of U.S.\$12.9 billion in 2011. This was primarily due to a high growth rate of the National Fund's external assets and the stabilisation of the global financial markets. In 2011, the other investments positive balance was U.S.\$5.4 billion as compared to U.S.\$22.8 billion in 2010.

In 2012, net lending in the financial account was U.S.\$4.3 billion. The negative balance of direct investment was U.S.\$11.9 billion in 2012 as compared to a negative balance of U.S.\$8.6 billion in 2011. This increase in net borrowing was primarily caused by a decrease in the net acquisition of financial assets. Net outflow of portfolio investment increased from U.S.\$12.9 billion in 2011 to U.S.\$17.4 billion in 2012, caused by an increase in external assets held by the National Fund. In 2012, the negative balance of other investments was U.S.\$1.3 billion as compared to a positive balance of U.S.\$5.4 billion in 2011. This increase in liabilities was primarily due to an increase in long-term borrowing by non-banking sector enterprises.

In 2013, net borrowing in the financial account was U.S.\$0.3 billion. The negative balance of direct investment was U.S.\$7.9 billion in 2013 as compared to a negative balance of U.S.\$11.9 billion in 2012. This decrease in net borrowing was primarily caused by decreasing in net incurrence of liabilities. Net outflow of portfolio investment decreased to U.S.\$6.0 billion in 2013 from U.S.\$17.4 billion in 2012, caused by a decrease in net

acquisitions of financial assets. In 2013, the positive balance of other investments was U.S.\$1.5 billion as compared to a negative balance of U.S.\$1.3 billion in 2012.

In 2014, net borrowing in the financial account was U.S.\$7.4 billion. The negative balance of direct investment was U.S.\$5.9 billion in 2014 as compared to a negative balance of U.S.\$7.9 billion in 2013. Net outflow of portfolio investment decreased to U.S.\$0.8 billion in 2014 from U.S.\$6.0 billion in 2013, caused by an increase in the net incurrence of liabilities. In 2014, the negative balance of other investments was U.S.\$2.2 billion as compared to a positive balance of U.S.\$1.5 billion in 2013. See “—*Foreign Direct Investment*” below.

Foreign Trade

Foreign Trade Regime

Exports are an important source of foreign exchange earnings for Kazakhstan. Currently, Kazakhstan has various export restrictions in place, such as export quotas, export tariffs and voluntary export restraints, which continue to exist on a list of goods agreed between Kazakhstan and the European Union and between Kazakhstan and the United States. The Government has also introduced duties on the export of oil. The duty on the export of oil is based on the global price of Brent crude oil and is currently set at U.S.\$80 per tonne.

In July 2010, the Customs Code of the Customs Union entered into force as among Belarus, Kazakhstan and Russia. In November 2011, the parties entered into implementing agreements for the creation of the CES. The agreements provide for the free movement of goods, services, capital and labour and set out common principles in respect of competition, industry subsidies and currency policy. On 1 January 2012, the CES became effective following the ratification by each of the three countries of a basic package of 20 agreements. The Customs Union provides for tariff-free trade among the member countries and a uniform customs tariff being applicable to trade by member states with other countries. On 29 May 2014, the presidents of Kazakhstan, Belarus and Russia signed the Eurasian Economic Union Agreement, and the EEU was established on 1 January 2015. Most of the existing CES agreements are codified in the Eurasian Economic Union Agreement. Armenia’s accession treaty was signed on 10 October 2014 (came into force on 2 January 2015) and Kyrgyzstan signed an accession treaty on 23 December 2014 and ratified it on 20 May 2015. Kyrgyzstan’s accession agreement is subject to ratification by the current members of the EEU. See “*The Republic of Kazakhstan— International Relations— International Organisations—Eurasian Economic Union*”.

The Government places a high priority on joining the WTO. Kazakhstan applied for WTO membership in 1996. Kazakhstan currently has observer status with the WTO and has completed negotiations of its WTO membership terms. The Government is actively pursuing full membership, expecting to achieve this in the second half of 2015. See “*The Republic of Kazakhstan—International Relations—International Organisations—WTO*”.

Composition of Trade

The following tables illustrate the composition of Kazakhstan's exports and imports on a customs basis (excluding unregistered trade adjustments) for the years 2010 to 2014 and the first quarter of 2015:

	Year ended 31 December										Three months ended 31 March	
	2010		2011		2012		2013		2014 ⁽³⁾		2015 ⁽³⁾	
	U.S.\$ million	%	U.S.\$ million	%	U.S.\$ million	%	U.S.\$ million	%	U.S.\$ million	%	U.S.\$ million	%
<i>Exports</i>												
Products of animal and vegetable origin, finished foodstuffs	1,943.9	3.4	1,830.6	2.2	2,984.6	3.5	2,699.7	3.3	2,631.1	3.4	458.1	3.8
Mineral products ⁽¹⁾	43,292.8	76.0	66,620.2	79.0	67,326.5	77.9	65,816.4	79.8	63,833.4	81.6	9,367.0	78.5
Chemical products and products of related sectors (including rubber and plastic)	2,735.3	4.8	3,443.8	4.1	3,783.2	4.4	3,440.4	4.2	2,996.0	3.8	532.5	4.5
Leather and fur products	58.1	0.1	35.7	0.0	26.3	0.0	38.9	0.0	31.7	0.0	9.0	0.1
Timber, wood pulp and paper products	29.2	0.1	89.1	0.1	509.7	0.6	103.3	0.1	26.4	0.0	4.1	0.0
Textiles and textile products	120.6	0.2	136.5	0.2	130.3	0.2	178.8	0.2	121.9	0.2	18.8	0.2
Footwear, headwear and fashion accessories	1.0	0.0	40.7	0.0	52.2	0.1	46.3	0.1	22.8	0.0	3.9	0.0
Construction materials	19.9	0.0	25.3	0.2	30.2	0.0	38.0	0.0	29.9	0.0	2.7	0.0
Metals and metal products ⁽²⁾	7,161.0	12.6	9,665.8	11.5	8,387.4	9.7	7,722.1	9.4	6,468.2	8.3	1,291.2	10.8
Machinery, equipment and transport, devices and apparatus	372.0	0.7	765.6	0.9	1,287.9	1.5	1,264.9	1.5	1,278.5	1.6	86.3	0.7
Other	1,223.4	2.1	1,682.6	2.0	1,930.6	2.2	1,163.1	1.4	797.9	1.0	165.7	1.4
Total exports	56,957.2	100.0	84,335.9	100.0	86,448.8	100.0	82,511.9	100.0	78,237.8	100.0	11,939.1	100.0

Source: Ministry of Finance, MNE

Notes:

- (1) Mineral products includes oil, gas and coal as well as metals and precious stones.
- (2) Metals and metal products are at a more advanced stage of refining or processing than metals in the mineral products category.
- (3) Preliminary data.

	Year ended 31 December										Three months ended 31 March	
	2010		2011		2012		2013		2014 ⁽¹⁾		2015 ⁽¹⁾	
	U.S.\$ million	%	U.S.\$ million	%	U.S.\$ million	%	U.S.\$ million	%	U.S.\$ million	%	U.S.\$ million	%
Imports												
Products of animal and vegetable origin, finished foodstuffs	2,308.6	9.8	3,997.4	10.8	4,257.8	9.2	4,574.8	9.4	4,320.0	10.5	732.8	10.2
Mineral products ⁽¹⁾	2,377.0	10.1	5,384.1	14.6	5,671.2	12.2	6,053.4	12.4	2,989.8	7.3	598.9	8.3
Chemical products and products of related sectors (including rubber and plastic)	3,408.6	14.4	4,964.6	13.5	5,791.9	12.5	6,400.2	13.1	5,773.3	14.0	1,023.9	14.3
Leather and fur products	25.8	0.1	47.3	0.1	88.1	0.2	148.3	0.3	138.6	0.3	20.7	0.3
Timber, wood pulp and paper products	772.9	3.3	1,494.0	4.0	2,835.1	6.1	2,308.3	4.7	1,412.8	3.4	157.9	2.2
Textiles and textile products	336.4	1.4	636.7	1.7	1,129.3	2.4	1,392.0	2.8	1,439.1	3.5	219.4	3.1
Footwear, headwear and fashion accessories	55.3	0.2	191.7	0.5	360.8	0.8	574.1	1.2	663.8	1.6	126.9	1.8
Construction materials	361.9	1.5	535.3	1.5	719.6	1.6	663.4	1.4	658.5	1.6	89.6	1.2
Metals and metal products ⁽²⁾	2,658.6	11.3	3,717.1	10.1	5,523.3	11.9	6,192.1	12.7	4,249.7	10.3	841.6	11.7
Machinery, equipment and transport, devices and apparatus	10,345.8	43.8	14,504.0	39.3	18,280.5	39.4	18,903.5	38.7	17,994.4	43.7	3,119.7	43.4
Other	971.3	4.1	1,433.4	3.9	1,700.8	3.7	1,662.3	3.4	1,572.7	3.8	252.4	3.5
Total imports	23,622.3	100.0	36,905.8	100.0	46,358.4	100.0	48,872.5	100.0	41,212.8	100.0	7,183.7	100.0

Source: Ministry of Finance, MNE

Notes:

(1) Preliminary data.

	Year ended 31 December										Three months ended 31 March	
	2010		2011		2012		2013		2014 ⁽³⁾		2015 ⁽³⁾	
	U.S.\$ million	%	U.S.\$ million	%	U.S.\$ million	%	U.S.\$ million	%	U.S.\$ million	%	U.S.\$ million	%
Balance												
Products of animal and vegetable origin, finished foodstuffs	(364.7)	(1.1)	(2,166.8)	(1.0)	(1,273.2)	0.7	(1,875.1)	0.0	(1,688.9)	(4.6)	(274.7)	(5.8)
Mineral products ⁽¹⁾	40,915.8	122.7	61,236.1	111.0	61,655.2	123.9	59,763.0	138.2	60,843.5	164.3	8,768.0	184.4
Chemical products and products of related sectors (including rubber and plastic)	(673.3)	(2.0)	(1,520.8)	(0.8)	(2,008.7)	(1.9)	(2,959.8)	(4.5)	(2,777.3)	(7.5)	(491.4)	(10.3)
Leather and fur products	32.3	0.1	(11.6)	0.0	(61.7)	(0.1)	(109.5)	1.3	(106.9)	(0.3)	(11.7)	(0.2)
Timber, wood pulp and paper products	(743.7)	(2.2)	(1,404.9)	(1.2)	(2,325.4)	(3.2)	(2,205.0)	(3.1)	(1,386.4)	(3.7)	(153.8)	(3.2)
Textiles and textile products	(215.8)	(0.6)	(500.2)	(0.8)	(999.0)	(1.6)	(1,213.2)	(0.4)	(1,317.2)	(3.6)	(200.6)	(4.2)
Footwear, headwear and fashion accessories	(54.3)	(0.2)	(150.9)	(0.3)	(308.6)	(0.6)	(527.9)	(0.2)	(641.0)	(1.7)	(122.9)	(2.6)
Construction materials	(342.0)	(1.0)	(510.2)	(0.5)	(689.5)	(0.8)	(625.4)	(1.5)	(628.6)	(1.7)	(86.9)	(1.8)
Metals and metal products ⁽²⁾	4,502.4	13.5	5,948.7	10.1	2,864.1	7.2	1,530.0	13.4	2,218.5	6.0	449.6	9.5
Machinery, equipment and transport, devices and apparatus	(9,973.8)	(29.9)	(13,738.4)	(18.0)	(16,992.6)	(25.4)	(17,638.5)	(42.6)	(16,715.9)	(45.1)	(3,033.4)	(63.8)
Other	252.1	0.8	249.2	1.4	229.8	2.0	(499.2)	(0.5)	(774.8)	(2.1)	(86.7)	(1.8)
Total trade balance	33,334.9	100.0	47,430.1	100.0	40,090.4	100.0	(33,639.4)	100.0	37,025.0	100.0	4,755.4	100.0

Source: Ministry of Finance, MNE

Notes:

(1) Mineral products includes oil, gas and coal as well as metals and precious stones.

(2) Metals and metal products are at a more advanced stage of refining or processing than metals in the mineral products category.

(3) Preliminary data.

The following table sets out the volumes of exports of principal oil and gas products from Kazakhstan for the years indicated.

	Year ended 31 December				
	2010	2011	2012	2013	2014
	<i>(Million tonnes)</i>				
Crude oil	67.6	69.6	68.1	70.7	68.2
Fuel oil.....	3.2	3.4	4.5	5.0	4.8
Liquefied gas	2.0	2.0	2.0	2.3	2.3
Natural gas condensate.....	1.5	1.4	1.3	1.5	1.5
Gas oil.....	1.7	0.8	0.3	0.2	0.2

Source: Ministry of Finance

Exports of mineral products (including oil, gas and coal as well as metals and precious stones) account for a substantial majority of Kazakhstan's exports, collectively representing 74.7% of exports in 2010, 79.0% of exports in 2011, 77.9% of exports in 2012, 80.1% of exports in 2013 and 81.6% of exports in 2014. Exports of oil and petroleum products represented 25.0%, 29.3%, 27.7%, 24.7% and 24.8% of Kazakhstan's GDP in 2010, 2011, 2012, 2013 and 2014, respectively.

The volume of exports of oil and gas products from Kazakhstan has increased significantly from 2010 to 2014. Exports of crude oil increased by 0.9% or 0.6 million tonnes from 2010 to 2014. Exports of fuel oil increased by 51% or 1.6 million tonnes from 2010 to 2014. Exports of liquefied gas increased by 11.2% or 0.2 million tonnes from 2010 to 2014. Exports of natural gas condensate increased by 0.9% or 0.01 million tonnes from 2010 to 2014.

In 2012, energy (including oil, petroleum products, natural gas, coal and electricity) accounted for approximately 68.8% of Kazakhstan's exports of which oil and petroleum products accounted for 65.3% of Kazakhstan's total exports, while natural gas accounted for 2.5%, coal for 0.9% and electricity for approximately 0.1%. The increases in the value of mineral products from 2010 to 2012 were due to increasing commodity prices over this period. Capacity constraints in on-shore oil production and difficulties in transporting oil to foreign markets due to limited pipeline capacity contributed to slow growth in 2012. In 2013, energy (including oil, petroleum products, natural gas, coal and electricity) accounted for approximately 74.5% of Kazakhstan's exports, of which oil and petroleum products accounted for 71.3%, while natural gas accounted for 2.3%, coal for 0.7% and electricity for approximately 0.2%. In 2014, energy (including oil, petroleum products, natural gas, coal and electricity) accounted for approximately 71.8% of Kazakhstan's exports, of which oil and petroleum products accounted for 68.6%, while natural gas accounted for 2.4%, coal for 0.7% and electricity for approximately 0.1%.

Other significant exports include metals and metal products, which represented 13.5%, 11.5%, 9.7%, 9.2% and 8.3% of exports in 2010, 2011, 2012, 2013 and 2014, respectively, foodstuffs and agricultural products, which represented 3.3%, 2.2%, 3.5%, 3.2% and 3.4% of exports in 2010, 2011, 2012, 2013 and 2014, respectively, and chemical products and the products of related sectors, which represented 5.1%, 4.1%, 4.4%, 4.1% and 3.8% of exports in 2010, 2011, 2012, 2013 and 2014.

Kazakhstan is a net importing country of many items, most of which enter the country by rail and trucks. Imports of machinery, equipment and transport accounted for 38.3% of imports in 2010, 39.3% of imports in 2011, 39.4% of imports in 2012, 40.0% of imports in 2013 and 43.7% of imports in 2014. Metals and metal products accounted for 12.0% of imports in 2010, 10.1% of imports in 2011, 11.9% of imports in 2012, 13.1% of imports in 2013 and 10.3% of imports in 2014. Mineral products accounted for 14.7% of imports in 2010, 14.6% of imports in 2011, 12.2% of imports in 2012, 12.5% of imports in 2013 and 7.3% of imports in 2014.

Direction of Trade

The following tables illustrate the geographic distribution of Kazakhstan's trade based on actual trade flows (excluding unregistered trade adjustments) for the years 2010 to 2014 and the first quarter of 2015:

	Year ended 31 December										Three months ended 31 March	
	2010		2011		2012		2013		2014 ⁽¹⁾		2015 ⁽¹⁾	
	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change
Exports to non-CIS countries	51,303.3	40.9	72,363.6	41.1	75,031.0	3.7	73,818.9	(1.6)	68,428.4	(7.3)	10,294.1	49.3
Germany.....	1,749.7	94.8	1,278.1	(27.0)	1,392.9	9.0	428.4	(69.2)	444.7	3.8	96.3	(1.2)
United Kingdom.....	1,388.4	12.4	1,616.4	16.4	1,675.6	3.7	1,504.8	(10.2)	632.2	(58.0)	181.9	50.3
Netherlands.....	4,159.8	87.2	6,556.4	57.6	7,286.5	11.1	9,888.3	35.7	8,724.5	(11.8)	1,417.4	(44.4)
Switzerland.....	1,234.3	(53.7)	4,959.9	301.8	4,916.8	(0.9)	4,313.6	(12.3)	4,539.2	5.2	635.5	(45.6)
Japan.....	539.3	117.9	577.7	7.1	550.2	(4.8)	627.8	14.1	741.0	18.0	147.6	4.2
USA.....	878.7	43.4	954.5	8.6	399.5	(58.1)	394.9	(1.1)	411.5	4.2	48.0	5.0
Italy.....	9,579	43.3	15,002.2	56.6	15,364.0	2.4	16,480.7	7.3	16,051.6	(2.6)	2,485.6	(51.9)
Finland.....	270.1	(40.1)	554.7	105.4	520.9	(6.1)	681.1	30.8	893.6	31.2	100.4	(49.8)
France.....	4,433.0	31.1	5,414.7	22.1	5,634.6	4.1	5,460.1	(3.1)	4,689.7	14.1	679.8	(61.6)
Egypt.....	91.6	767.4	52.5	(42.7)	45.5	(13.2)	9.7	(78.6)	15.4	57.7	0.5	(90.7)
India.....	117.1	21.9	46.9	(60.0)	174.0	271.2	330.9	90.2	1,083.3	227.4	8.7	(97.6)
Iran.....	1,092.2	(14.6)	1,068.3	(2.2)	601.7	(43.7)	535.7	(11.0)	893.2	66.7	146.4	(31.2)
Latvia.....	135.1	39.0	178.5	32.1	213.6	19.7	357.8	67.5	263.4	(26.4)	37.3	(41.3)
Lithuania.....	67.3	(45.0)	169.0	151.3	177.6	5.1	126.1	(29.0)	285.1	126.2	24.2	(30.1)
China.....	10,121.6	71.9	14,777.5	46.0	14,227.8	(3.7)	14,373.7	1.0	9,815.0	(31.7)	1,283.2	(63.7)
Turkey.....	1,236.8	56.2	2,305.4	86.4	2,705.7	17.4	2,603.1	(3.8)	2,272.4	(12.7)	477.2	(14.5)
Exports to CIS countries	8,967.5	32.2	11,972.3	33.5	11,417.8	(4.6)	10,881.5	4.7	9,809.4	(9.9)	1,640.2	31.3
Ukraine.....	666.1	(48.3)	2,532.8	280.2	2,382.6	(5.9)	2,041.4	(14.3)	1,673.0	(18.0)	199.5	(54.9)
Belarus.....	336.9	515.9	104.7	(68.9)	91.7	(12.4)	58.3	(36.4)	29.2	(49.9)	4.7	44.0
Russia.....	5,714.9	61.1	6,998.6	22.5	6,136.9	(12.3)	5,875.3	(4.3)	5,178.1	(11.9)	896.8	31.0
Uzbekistan.....	1,098.9	23.2	1,137.8	3.5	1,177.9	3.5	1,145.3	(2.8)	1,083.1	(5.4)	216.4	(18.2)
Other CIS.....	1,150.6	13.0	1,198.4	4.2	1,628.6	35.9	1,761.2	(8.1)	1,846.0	5.0	322.8	(13.2)
Total exports	60,270.8	39.5	84,335.9	39.9	86,448.8	2.5	84,700.4	2.0	78,237.8	7.6	11,939.1	47.3

Source: MNE

Notes:

(1) Preliminary data.

	Year ended 31 December										Three months ended 31 March	
	2010		2011		2012		2013		2014 ⁽¹⁾		2015 ⁽¹⁾	
	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change
Imports from non-CIS countries	16,177.8	(1.0)	18,043.5	11.5	24,245.8	34.4	26,133.5	7.8	23,787.4	(9.0)	4,241.2	(14.2)
Germany.....	1,844.5	(9.7)	2,082.2	12.9	3,826.8	83.8	2,455.6	(35.8)	2,316.7	(5.7)	282.2	(41.5)
USA.....	1,319.5	(5.2)	1,680.1	27.3	2,131.8	26.9	2,126.9	(0.2)	1,990.1	(6.4)	422.8	4.2
Japan.....	560.3	(11.8)	645	15.1	912.2	41.4	1,078.5	18.2	925.0	(14.2)	138.1	(40.7)
Italy.....	1,586.8	(17.2)	1,144.8	(27.9)	975.6	(14.8)	1,034.9	6.1	1,039.7	0.5	303.6	55.5
Korea.....	0.6	(45.5)	0.5	(16.7)	0.3	(40.0)	0.3	0	1,067.8	(15.6)	199.4	(28.9)
Finland.....	207.4	(33.0)	247.4	19.3	251.7	1.7	248.7	(1.2)	262.6	5.6	34.3	(11.0)
France.....	498.7	8.4	687.4	37.8	651.1	(5.3)	1,032.5	58.6	1,086.2	5.2	126.8	(55.5)
Poland.....	378.3	(10.3)	391.2	3.4	481.4	23.1	508.2	5.6	430.0	(15.4)	97.5	(0.5)
United Kingdom.....	727.1	3.5	525.9	(27.7)	600.2	14.1	619.3	3.2	582.2	(6.0)	116.7	(13.5)
Netherlands.....	301.4	(5.5)	291.5	(3.3)	286	(1.9)	373.3	30.5	309.1	(17.2)	68.8	0.5
Argentina.....	56.2	39.1	30.6	(45.6)	42.8	39.9	41.7	(2.6)	25.9	(38.0)	1.1	(75.5)
Brazil.....	233.7	16.0	342.1	46.4	299.5	(12.5)	331.4	10.7	256.1	(22.7)	7.6	(88.2)
India.....	199.6	26.9	243.1	21.8	333.4	37.1	351.6	5.5	260.6	(25.9)	65.0	16.1
Malaysia.....	77.1	11.7	95.3	23.6	107.4	12.7	122.2	13.8	104.7	(14.4)	18.9	(8.8)
Thailand.....	72.1	(26.1)	97.6	35.4	132.2	35.5	163.3	23.5	139.6	(14.5)	18.2	(40.7)
China.....	3,962.5	11.0	4,928.8	24.4	7,444.9	51.0	8,364.5	12.4	7,367.0	(11.9)	1,289.7	(9.4)
Turkey.....	618.7	8.4	729.3	17.9	806.7	10.6	926.1	14.8	1,023.5	10.5	189.6	(10.5)
Imports from CIS countries	14,948.9	23.9	18,862.3	26.2	22,112.6	17.2	22,672.1	2.5	17,425.4	(23.1)	3,003.8	14.8
Ukraine.....	1,360.7	(36.2)	1,725.6	26.8	2,932.3	69.9	2,269.6	(22.6)	1,209.1	(46.7)	222.8	(3.9)
Belarus.....	528.2	43.9	593.8	12.4	699.9	17.9	698.3	(0.2)	727.6	4.2	107.1	23.6
Russia.....	12,258.9	37.8	15,332.0	25.1	16,959.7	10.6	17,971.8	6.0	13,730.3	(23.6)	2,420.6	16.2
Uzbekistan.....	473.4	55.5	765.2	61.6	805.4	5.3	970.1	20.4	1,018.0	4.9	146.5	6.8
Other CIS.....	327.7	(15.0)	445.7	36.0	715.3	60.5	762.3	6.6	740.4	(3)	106.8	17.5
Total imports	31,126.7	9.6	36,905.8	18.6	46,358.4	25.6	48,805.6	5.3	41,212.8	(15.6)	7,183.7	15.2

Source: MNE

Notes:

(1) Preliminary data.

Kazakhstan's largest foreign trading partners are the EU, China and Russia.

The EU is the leading trading partner of Kazakhstan mainly due to its large imports of oil and other mineral resources from Kazakhstan.

Following the commencement of operations of the Atasu-Alashankou pipeline (which forms part of the Kazakhstan-China Oil Pipeline) in 2006, China has gradually become the second largest export destination for Kazakhstan goods. The share of imports to Kazakhstan from China, comprising electronics, electrical and mechanical equipment, clothing and footwear, construction materials and fruits and vegetables has increased from 2010 to 2014.

Kazakhstan's current membership in the EEU is expected to have a continuing positive effect on trade volumes with Russia, Belarus, Armenia, Kyrgyzstan and other countries that may become members of the EEU.

In 2014, the largest importers of Kazakhstan oil by volume were Italy, China and the Netherlands.

CIS Countries

The value of Kazakhstan's exports to CIS countries amounted to U.S.\$9.0 billion, U.S.\$12.0 billion, U.S.\$11.4 billion, U.S.\$10.9 billion and U.S.\$9.8 billion in 2010, 2011, 2012, 2013 and 2014, respectively. As a percentage of total exports, exports to CIS countries accounted for 14.9% in 2010, 14.2% in 2011, 13.2% in 2012, 12.8% in 2013 and 12.5% in 2014. Total exports to CIS countries increased by 9.4% between 2010 and 2014, as a result of the establishment of the Customs Union in 2010, which removed customs duties on goods exported to Russia and Belarus.

The value of Kazakhstan's imports from CIS countries amounted to U.S.\$14.9 billion, U.S.\$18.9 billion, U.S.\$22.1 billion, U.S.\$22.7 billion and U.S.\$17.4 billion in 2010, 2011, 2012, 2013 and 2014, respectively. As a percentage of total imports, Kazakhstan's imports from CIS countries were 48.0% in 2010, 51.1% in 2011, 47.7% in 2012, 46.5% in 2013 and 42.3 in 2014. Imports from CIS countries increased by 16.6% between 2010 and 2014, as a result of the establishment of the Customs Union in 2010, which removed customs duties on goods imported from Russia and Belarus.

In 2014, Kazakhstan's exports to Russia accounted for 27.4% of its total trade with Russia, whilst Kazakhstan's imports from Russia accounted for 72.6% of its total trade with Russia.

Kazakhstan's exports to Russia, based on actual trade flows, amounted to U.S.\$896.8 million, or 7.5% of total exports, for the three months ended 31 March 2015, as compared to U.S.\$1,299.9 million, or 5.7% of total exports, for the three months ended 31 March 2014. The decrease was primarily due to the effects of the sanctions imposed on the Russian economy and decreases in international oil and metal prices. Kazakhstan's exports to Russia amounted to U.S.\$5,178.1 million, or 6.6% of total exports, in 2014, as compared to U.S.\$5,875.3 million or 6.9% of total exports in 2013, U.S.\$6,136.9 million or 7.1% of total exports and U.S.\$6,998.6 million, or 8.3% of total exports in 2011. Kazakhstan's main exports to Russia are energy products (including oil, petroleum products, natural gas, coal and electricity), mineral products, chemicals and machinery, equipment and vehicles, which accounted for 20.2%, 49.6%, 20.1% and 2.9%, respectively, of total exports to Russia for the three months ended 31 March 2015.

Kazakhstan's imports from Russia, based on actual trade flows, amounted to U.S.\$2,420.6 million, or 33.7% of total imports, for the three months ended 31 March 2015, as compared to U.S.\$2,887.3 million, or 34.1% of total imports, for the three months ended 31 March 2014. The decrease was primarily due to the effects of the sanctions imposed on the Russian economy and reductions in international oil and metal prices. Kazakhstan's imports from Russia, based on actual trade flows, amounted to U.S.\$13,730.3 million, or 33.3% of total imports, in 2014, as compared to U.S.\$17,971.8 million, or 36.8% of total imports, in 2013, U.S.\$16,959.7 million, or 36.6% of total imports, in 2012, and U.S.\$15,332.0 million, or 41.5% of total imports, in 2011. Kazakhstan's main imports from Russia are mineral products, machinery, equipment and vehicles, metals and metal products and chemicals, which accounted for 17.8%, 32.1%, 13.9% and 12.6%, respectively, of total imports from Russia for the three months ended 31 March 2015.

Kazakhstan's exports to Belarus, based on actual trade flows, amounted to U.S.\$29.2 million, or approximately 0.0% of total exports, in 2014, as compared to U.S.\$58.3 million, or 0.1% of total exports, in 2013. Kazakhstan's imports from Belarus, based on actual trade flows, amounted to U.S.\$727.5 million, or 1.8% of total imports, in 2014, as compared to U.S.\$698.3 million, or 1.4% of total imports, in 2013.

Non-CIS Countries

Kazakhstan's exports to non-CIS countries amounted to U.S.\$51.3 billion, U.S.\$72.4 billion, U.S.\$75.0 billion, U.S.\$73.8 billion and U.S.\$68.4 billion, in 2010, 2011, 2012, 2013 and 2014, respectively. As a percentage of total exports, exports to non-CIS countries amounted to 85.1% in 2010, 85.8% in 2011, 86.8% in 2012, 87.2% in 2013 and 87.5% in 2014. Between 2010 and 2014, exports to non-CIS countries increased by 106%, primarily due to an increase in exports to China of 144% over this period.

The value of Kazakhstan's imports from non-CIS countries amounted to U.S.\$16.2 billion, U.S.\$18.0 billion, U.S.\$24.2 billion, U.S.\$26.1 billion and U.S.\$23.8 billion in 2010, 2011, 2012, 2013 and 2014, respectively. As a percentage of total imports, Kazakhstan's imports from non-CIS countries were 52.0% in 2010, 48.9% in 2011, 52.3% in 2012, 53.5% in 2013 and 57.7% in 2014. Imports from non-CIS countries increased by approximately 47.0% between 2010 and 2014, primarily due to the recovery of the Kazakhstan economy and an increase in goods imported from China by 85.9% over this period.

Kazakhstan's exports to the EU in 2014 amounted to U.S.\$44,442.5 million, or 56.8% of total exports, as compared to U.S.\$45,662.8 million, or 53.9% of total exports, in 2013, U.S.\$45,316.5 million, or 52.4% of total exports, in 2012, and U.S.\$42,124.4 million, or 49.9% of total exports, in 2011. Kazakhstan's imports from the EU amounted to U.S.\$8,629.8 million, or 20.9% of total imports, in 2014, as compared to U.S.\$9,056.6 million, or 18.6% of total imports, in 2013, U.S.\$9,325.7 million, or 20.1% of total imports, in 2012, and U.S.\$7,322.9 million, or 19.8% of total imports, in 2011. Kazakhstan's oil exports to the EU, as a percentage of total oil exports, were 71.9% in 2014, as compared to 68.5% in 2013, 69.5% in 2012 and 66.4% in 2011.

Foreign Direct Investment

The following table shows the gross FDI inflow to, and outflow from, Kazakhstan during the periods indicated:

	Years ended 31 December				
	2010	2011	2012	2013	2014
	(U.S.\$ millions)				
Gross inflow of FDI⁽¹⁾	22,246	26,467	28,935	24,137	23,888
Mining.....	5,982	5,446	7,271	7,274	8,480
Crude oil and natural gas.....	4,740	3,534	5,397	5,555	7,358
Wholesale and retail trade; repair of motor vehicles and motorcycles.....	1,521.8	1,627.3	2,583.5	3,067.3	2,731
Communications and Information.....	357	228	2,005	691	477
Financial and insurance activities.....	608	648	2,444	936	433
Professional, scientific and technical activities.....	9,820	10,796	8,692	7,339	5,906
Gross outflow of FDI⁽²⁾	10,490	8,034	3,044	8,688	3,244
Mining.....	92	253	336	85	4
Crude oil and natural gas.....	10	250	334	3	0
Manufacturing.....	2,384	1,001	392	45	99
Wholesale and retail trade; repair of motor vehicles and motorcycles.....	3,793	3,501	436	128	134
Professional, scientific and technical activities.....	3,994	2,881	1,269	6,250	1,977
Activities of households as employers; undifferentiated goods and services – producing activities of households for own use.....	56	40	295	79	781

Notes:

- (1) Gross inflow of FDI includes an equity purchase of at least 10% of voting shares or shares in Kazakhstan enterprises by non-residents, purchase of real estate in Kazakhstan by non-residents, reinvested earnings of foreign direct investors of undistributed income in Kazakhstan enterprises, and an increase in debt instruments and other funding from foreign direct investors (both in cash and other forms, including, goods, services, intangible assets and purchase of securities) without amortisation.
- (2) Gross outflow of FDI includes an equity purchase of at least 10% of voting shares or shares in foreign enterprises by residents, purchase of foreign real estate by Kazakhstan residents, reinvested earnings of Kazakhstan direct investors of undistributed income in foreign enterprises, and an increase in debt instruments and other funding from Kazakhstan direct investors (both in cash and another form, including, goods, services, intangible assets and purchase of securities) without amortisation.

Gross inflow of FDI in Kazakhstan amounted to U.S.\$22.2 billion in 2010, U.S.\$26.5 billion in 2011, U.S.\$28.9 billion in 2012, U.S.\$24.1 billion in 2013 and U.S.\$23.9 billion in 2014. Gross inflow of FDI, as a percentage of GDP, amounted to 11.3% in 2014, as compared to 10.8%, 14.2%, 14.1% and 15.0% as at 31 December 2013, 2012, 2011 and 2010, respectively.

Net FDI inflow in Kazakhstan amounted to U.S.\$10.8 billion in 2010, U.S.\$24.8 billion in 2011, U.S.\$12.5 billion in 2012, U.S.\$5.2 billion in 2013 and U.S.\$4.1 billion in 2014. Net FDI inflow, as a percentage of GDP, amounted to 3.1% in 2014, as compared to 4.6%, 6.5%, 7.4% and 7.8% in 2013, 2012, 2011 and 2010, respectively.

As at 31 December 2014, cumulative FDI in Kazakhstan amounted to U.S.\$129.2 billion, as compared to U.S.\$125.1 billion, U.S.\$119.9 billion, U.S.\$107.4 billion and U.S.\$82.6 billion as at 31 December 2013, 2012, 2011 and 2010, respectively. Cumulative FDI, as a percentage of GDP amounted to 60.9% as at 31 December 2014, as compared to 55.3%, 59.0%, 57.1% and 55.8% as at 31 December 2013, 2012, 2011 and 2010, respectively.

In 2014, the top five foreign direct investors by gross FDI inflow in Kazakhstan were the Netherlands (U.S.\$7 billion or 29.2% of gross FDI inflow), United States (U.S.\$4.1 billion or 17.2% of gross FDI inflow), Switzerland (U.S.\$2.4 billion or 9.9% of gross FDI inflow), China (U.S.\$1.9 billion or 7.8% of gross FDI inflow), and Russia (U.S.\$1.5 billion or 6.4% of gross FDI inflow).

In 2014, the main recipients of gross FDI inflow in Kazakhstan were the mining industry (including oil and gas) (U.S.\$8.5 billion or 35.5% of gross FDI inflow); professional services (U.S.\$5.9 billion or 24.7% of gross FDI inflow); manufacturing (U.S.\$3.7 billion or 15.7% of gross FDI inflow); wholesale and retail trade; repair of motor vehicles and motorcycles (U.S.\$2.7 billion or 11.4% of gross FDI inflow); and construction (U.S.\$0.8 billion or 3.3% of gross FDI inflow). FDI per capita in 2014 was U.S.\$1,452.9.

The top five countries for gross FDI inflow have not changed in 2013 and 2014, although China and Switzerland have swapped places in the list. The gross FDI inflow for Kazakhstan during 2013 and 2014 has not changed substantially. In the fourth quarter of 2014, the decrease in the volume of product sales contributed to a decrease in reinvestment income within the oil-gas sector, which in turn contributed to a noticeable decrease in gross FDI inflow to Kazakhstan (U.S.\$4.7 billion as compared to U.S.\$5.7-6.7 billion in previous quarters). The inflow of FDI into the oil-gas sector of Kazakhstan is largely correlated to the financing of large strategic projects and it would appear that the financing and execution of such projects is generally not affected materially by short term fluctuations in oil prices. However, this may change in the event of a sustained negative trend in oil prices. Equally, the decrease in oil prices may indirectly impact the inflow of FDI to other sectors of economy.

Recent significant FDI projects include an investments by Toyota into a manufacturing plant for its Fortuner sport utility-vehicle; an investments made by General Electric into a locomotive assembly plant; the reconstruction of a sulfuric acid plant; the construction of three transformer substations; and the modernization of the Atyrau refinery. Recent FDI investors include among others Knauf (Germany); Abdi Ibrahim (Turkey); Sanofi (France); Frauscher Sensortechnik (Austria); LG Electronics (Korea); ABB (Switzerland); Tines (Poland); and Cessna Aircraft (United States).

KazAgro collaborates with a range of international agricultural companies with respect to attracting investments and participating in Kazakhstan agricultural sector projects. As at 21 May 2015, KazAgro's investment portfolio included 510 projects with a value of KZT 317.0 billion. See "*The Economy of Kazakhstan - State-Owned Enterprises*".

The Government has taken a number of significant steps designed to attract FDI into non-raw materials sectors of the economy. These steps include, among others:

- Legal protections to guarantee the full and unconditional protection of the rights and interests of foreign investors in Kazakhstan. The current investment regime is established under the Investment Law, which was enacted in 2003. The Investment Law guarantees certain investor rights, including, certainty of contracts, transparency of the State's investment policy and compensation for losses if assets are nationalised or requisitioned. The Investment Law also allows for investment disputes to be resolved through negotiation, the courts of Kazakhstan or international arbitration. Domestic and foreign investors generally fall under the same investment regime, with certain exceptions. See "*Civil and Commercial Law*".
- In 2010, the Government established the National Export and Investment Agency, Kaznex Invest ("**Kaznex Invest**"), which is the single body responsible for attracting and facilitating foreign investment in Kazakhstan. Kaznex Invest assists foreign investors in obtaining

information on investment projects, establishing business contacts and negotiating contracts in Kazakhstan. During the period from 1 January 2011 to 31 December 2014, Kaznex Invest assisted in attracting 29 foreign investors to Kazakhstan with aggregate investments of U.S.\$836.4 million.

- In 2011, the Government established special economic zones which enjoy privileges such as corporate income tax exemptions and VAT exemptions on goods, services and property. For example, investments in certain priority investment projects benefit from a 0% tax rate for corporate income tax, land tax and property tax for the first 10 years of the project.
- In 2010, Kazakhstan joined the Customs Union, in 2012, it joined the CES and in May 2014 it signed an agreement for the establishment of the EEU, in each case with the objective of increasing FDI and improving foreign trade. Kazakhstan is also seeking to accede to the WTO, which it expects will occur in the second half of 2015.

Other recent developments relevant to the attraction of FDI in Kazakhstan include:

- In November 2012, Astana was selected as the host city of the EXPO-2017, which will be the first EXPO exhibition to be hosted in the CIS region. The key theme will be “Energy of the Future”, with a particular focus on alternative sources of energy. Significant tax incentives have been provided for the purpose of organisation and hosting of the EXPO-2017, including a 100% exemption from corporate income tax on qualifying activities. Other incentives have also been provided to organisations that are involved in the EXPO-2017, including a quota allocation with respect to the employment of foreign labour and technical regulations.
- On 9 September 2013, the National Chamber of Entrepreneurs of the Republic of Kazakhstan was established. It is focused on improving the business and investment climate and the stability and development of the business environment in the country, both for national and foreign investors. See “*The Economy of Kazakhstan - Recent Trends in the Economy*”.
- The Government adopted comprehensive measures to maintain and promote a favourable investment climate, as well as to ensure the stability and development of the business environment in Kazakhstan. Service centres for investors have also been introduced in all regions of the country.
- In 2014, the Law “On introducing amendments and addenda to certain legislative acts of the Republic of Kazakhstan on improvement of the investment climate” was adopted. Subject to certain conditions, an investor, in respect of an investment priority project, may benefit from: (i) an exemption from corporate income tax and land tax for 10 years and property tax for eight years; (ii) an investment subsidy granted by the State of up to 30% of the capital costs incurred by an investor in relation to construction, installation and equipment acquisition; (iii) a guarantee of stability with respect to tax rates in accordance with the Tax Code and legislation on employment; and (iv) the right to employ foreign workforce for the duration of the investment priority project and for one year after commissioning, with no requirement for work permits.
- An Investment Ombudsman has also been introduced. The role of the Investment Ombudsman is to consider appeals of investors in respect of their investment activities and to provide recommendations with respect to such issues.
- In 2014, Kazakhstan introduced a visa-free regime up to 15 days for the citizens of 10 countries (The United States, The United Kingdom, Japan, South Korea, United Arab Emirates, Malaysia, France, Germany, Italy and The Netherlands) which are countries with a strong record of investing in Kazakhstan, until 15 July 2015.
- From 1 January 2015, a “one window” service was introduced to be at the disposal of investors. This service minimises the involvement of investors in the collection and preparation of documents and limits their direct contact with public authorities.

- On 19 May 2015, President Nazarbayev issued a decree introducing a visa free regime up to 30 days for nationals of 34 OECD member states and citizens of the United Arab Emirates, Malaysia and Singapore. Foreign nationals working at the International Financial Centre “Astana” (the “AIFC”) and their immediate family will enjoy a simplified visa regime for up to 5 years.

PUBLIC FINANCE

The information presented herein with respect to the State Budget has been prepared substantially in accordance with the guidelines and definitions set forth in the Budget Code of the Republic of Kazakhstan dated 4 December 2008 No. 95-IV.

Overview

The State Budget of Kazakhstan (the “**State Budget**”) is a consolidated budget that includes the central Government budget (the “**Republic Budget**”) and the budgets of local authorities, after eliminating inter-budgetary transfers.

The Consolidated Budget of Kazakhstan (the “**Consolidated Budget**”) includes both the State Budget as well as the revenues and expenditures of the National Fund, excluding transfers between the State Budget and the National Fund. See “—*National Fund*”. The State Social Insurance Fund is an extra-budgetary fund which is not included in the Consolidated Budget.

The following tables set forth certain summary information regarding Kazakhstan’s Consolidated Budget, State Budget, Republic Budget and local budgets for the years 2010 to 2014 and the three month periods ended 31 March 2014 and 2015:

	Years ended 31 December					Three months ended 31 March	
	2010	2011	2012	2013	2014	2014	2015
	<i>(KZT millions)</i>						
Consolidated budget⁽¹⁾							
Receipts	6,662,336.4	8,819,866.3	9,380,546.2	9,891,713.8	10,876,865.6	2,025,558.2	1,731,049.1
Revenues ⁽²⁾	6,572,682.0	8,746,067.1	9,273,228.6	9,814,697.3	10,825,913.3	2,024,527.4	1,729,905.4
Expenditure	4,920,033.0	6,017,356.0	6,816,867.7	7,166,833.2	8,467,583.6	1,617,666.5	1,780,851.3
Balance –							
(Deficit)/Surplus	1,742,303.4	2,802,510.3	2,563,678.5	2,724,880.6	2,409,282.0	407,729.7	(49,802.2)
State Budget							
Receipts	4,388,786.6	5,444,625.2	5,920,321.1	6,459,369.4	7,372,229.0	1,742,045.2	1,764,560.2
Revenues ⁽²⁾	4,299,132.2	5,370,826.0	5,813,003.4	6,382,352.9	7,321,276.7	1,741,014.4	1,763,416.5
Expenditure	4,916,050.8	6,013,223.3	6,811,166.6	7,160,297.2	8,460,078.4	1,617,666.5	1,779,680.1
Balance –							
(Deficit)/Surplus	(527,264)	(568,598)	(890,309)	(700,927.8)	(1,087,849.4)	124,378.7	(15,119.9)
Republic Budget⁽³⁾							
Receipts	3,729,192.7	4,551,280.5	4,889,236.5	5,272,416.6	5,988,455.7	1,439,323.7	1,423,394.6
Revenues ⁽²⁾	3,626,177	4,451,683.1	4,763,394.8	5,179,459.1	5,908,848.9	1,438,213.5	1,421,683.9
Expenditure	4,283,982.0	5,127,232.4	5,795,695.7	5,990,461.6	7,069,695.4	1,439,022.4	1,554,081.0
Balance –							
(Deficit)/Surplus	(554,789.3)	(575,951.9)	(906,459.2)	(718,045)	(1,081,239.7)	(301.2)	(130,686.5)
Local Budgets⁽⁴⁾							
Receipts	2,409,706.9	2,687,376.1	3,017,350.8	3,288,047	3,757,958.4	782,637.8	791,965.7
Revenues ⁽²⁾	2,407,437.0	2,677,740.2	3,010,923.6	3,284,401	3,752,971.1	782,048.3	791,281.9
Expenditure	2,403,099.4	2,697,988.1	3,043,543.7	3,313,177	3,788,993.2	667,909.4	675,774.0
Balance –							
(Deficit)/Surplus	6,607.4	(10,611.9)	(26,192.9)	(25,130.0)	(31,034.8)	(114,728.4)	116,191.7

Source: Ministry of Finance

Notes:

- (1) The Consolidated Budget includes both the State Budget as well as the revenues and expenditures of the National Fund, excluding transfers between the State Budget and the National Fund. See “—*National Fund*”.
- (2) Revenues comprise receipts less (a) payment of budget credits, (b) receipts from loans and (c) receipts from sale of financial assets.
- (3) Prior to elimination of interbudgetary transfers with local budgets.
- (4) Prior to elimination of interbudgetary transfers with the Republic Budget.

	Years ended 31 December					Three months ended 31 March	
	2010	2011	2012	2013	2014	2014	2015
	<i>(as a % of GDP, unless otherwise indicated)</i>						
Consolidated budget							
Receipts	30.5	32.0	30.9	29.0	28.6	26.8	21.8
Revenues ⁽¹⁾	30.1	31.7	30.6	28.7	28.5	26.8	21.8
Expenditure	22.5	21.8	22.4	21.0	22.3	21.4	24.4
Balance – (Deficit)/Surplus.....	8.0	10.2	8.5	8.0	6.3	5.4	0.6
State Budget							
Receipts	20.1	19.7	19.5	18.3	19.3	23.0	22.4
Revenues ⁽¹⁾	19.7	19.5	19.2	18.1	19.2	23.0	22.2
Expenditure	22.5	21.8	22.4	20.3	22.2	21.4	22.4
Balance – (Deficit)/Surplus.....	(2.4)	(2.1)	(2.9)	(2.0)	(2.9)	1.6	0.2
Republic Budget⁽²⁾							
Receipts	17.1	16.5	16.1	15.0	15.7	19.0	18
Revenues ⁽¹⁾	16.6	16.1	15.7	14.7	15.5	19.0	18
Expenditure	19.6	18.6	19.1	17.0	18.6	19.0	19.6
Balance – (Deficit)/Surplus.....	(2.5)	(2.1)	(3.0)	(2.0)	(2.8)	0.04	1.6
Local Budgets⁽³⁾							
Receipts	11.0	9.7	9.9	9.3	9.9	10.3	10.0
Revenues ⁽¹⁾	11.0	9.7	9.9	9.3	9.9	10.3	10.0
Expenditure	11.0	9.8	10.0	9.4	10.0	8.8	8.6
Balance – (Deficit)/Surplus.....	0.0	0.0	(0.1)	0.1	0.1	1.5	1.5
GDP (KZT billions)	21,816	27,572	30,347	35,275	38,033	7,566	7,933 ⁽⁴⁾

Source: Ministry of Finance

Notes:

- (1) Revenues comprise receipts less (a) payment of budget credits, (b) receipts from loans and (c) receipts from sale of financial assets.
- (2) Prior to elimination of interbudgetary transfers with local budgets.
- (3) Prior to elimination of interbudgetary transfers with the Republic Budget.
- (4) GDP is taken from the Committee for Statistics of the MNE.

State Budget

From 1995 until 2014, the State Budget had an average deficit of 2.5% of GDP. The largest State Budget surplus to have been achieved to date was a surplus of 0.80% of GDP in 2006 and the largest State Budget deficit to have been incurred to date was a deficit of 4.0% of GDP in 1995.

The State Budget had a deficit equal to 2.1% of GDP in 2011 as compared to 2.5% in 2010. From 2010 to 2011, there was a significant increase in the price of oil. According to the U.S. Energy Information Agency, the spot price of Brent crude oil averaged U.S.\$111.26 per barrel in 2011, as compared to U.S.\$79.61 per barrel in 2010. As a result of this increase, State Budget revenues increased by 24.9% from 2010 to 2011. In addition, the establishment of the Customs Union led to an increase of 2.9% in tax revenues on foreign trade and operations, as compared to 2010. State Budget expenditure in 2011 increased by 22.3% as compared to 2010, primarily due to the increase of expenditures for the fuel and energy complex (42.8%), education (30.4%) and social security and social aid (25.5%).

The State Budget had a deficit equal to 2.9% of GDP in 2012 as compared to 2.1% in 2011. Weaknesses in the global economy had a significant adverse impact on State Budget revenues in 2012. In particular, tax revenues were adversely affected by weakness in the mining and metals sectors. As the total revenue from oil exports declined by 1.2% in 2012 as compared to 2011, and as a result of capacity constraints in on-shore oil production, fiscal oil revenue decreased from 14.0% of GDP in 2011 to 13.4% of GDP in 2012. Approximately half of this fiscal oil revenue was saved in the National Fund and did not accrue to State Budget revenues. Simultaneously, the share of non-oil revenues also decreased slightly from 13.8% of GDP in 2011 to 13.4% of GDP in 2012, mainly due to lower proceeds from corporate income tax as lower international prices for ferrous and non-ferrous metals impacted the profitability of the metal-producing sector.

The State Budget had a deficit equal to 2.0% of GDP in 2013 as compared to 2.9% in 2012. In 2013, State Budget revenues amounted to KZT 6,382.4 billion or 18.1% of GDP, representing an increase of 9.8% as compared to 2012. State Budget expenditures amounted to KZT 7,160.3 billion in 2013, or 20.3% of GDP,

representing an increase of 5.1% as compared to 2012. The major expenditures in 2013 were social assistance and social aid expenses (19.3%), education (17.3%) and healthcare (11.1%).

The State Budget had a deficit equal to 2.9% of GDP in 2014 as compared to 2.0% in 2013. In 2014, State Budget revenues amounted to KZT 7,321.3 billion or 19.3% of GDP, representing an increase of 14.7% as compared to 2013. State Budget expenditures amounted to KZT 8,460.0 billion in 2014, or 22.2% of GDP, representing an increase of 18.2% as compared to 2013. The major expenditures in 2014 were social assistance and social aid expenses (18.7%), education (16.1%) and healthcare (10.2%).

For the three months ended 31 March 2015, the State Budget had a deficit of KZT 15.1 billion as compared to a surplus of KZT 124.4 billion for the three months ended 31 March 2014. State Budget revenues amounted to KZT 1,763.4 billion, representing an increase of 1.3% as compared to the same period of 2014. The increase was primarily attributable to an increase of 24.5% in the transfers from the National Fund to the State Budget (KZT 687.3 billion in 2015) as compared to the same period in 2014 (KZT 552 billion) and to an increase of 46.8% in non-tax revenues (KZT 58.2 billion in 2015) as compared to the same period in 2014 (KZT 39.9 billion), although tax revenues for the three months ended 31 March 2015 decreased by 12.7% as compared to the same period in 2014. State Budget expenditures amounted to KZT 1,779.7 billion for the three months ended 31 March 2015, representing an increase of 10.0% as compared to the same period in 2014.

The Government partially offset losses in budget revenues in 2013 and 2014 by higher oil export duties. These duties were increased from U.S.\$40 per tonne to U.S.\$60 per tonne in April 2013 and were further increased in March 2014 to U.S.\$80 per tonne. These increases were introduced by the Government in order to reflect the increase in the price of Brent crude oil in recent years, which increased from an average price of U.S.\$79.6 dollars per barrel in 2010 to U.S.\$108.36 per barrel in July 2014. In March 2015, the Government decreased the oil export duty from U.S.\$80 to U.S.\$60 per tonne and such decreased duty was factored in the 2015 Budget Law as amended on 11 March 2015. See “—2015 Budget Law”.

State Budgetary Process

Budget Preparation and Adoption

The Budget Code was adopted on 4 December 2008 and came into effect on 1 January 2009, with the exception of certain provisions which became effective from 5 December 2008 and 1 January 2013 respectively. The Budget Code regulates budgetary and intergovernmental fiscal relations. It also provides the main provisions, principles and mechanisms for the functioning of Kazakhstan’s budgetary system, the origin and use of budgetary funds as well as the formation and use of the National Fund. See “—National Fund”.

In accordance with the Budget Code, budgets are prepared every year for the relevant period. The Republic Budget is prepared every year for the relevant period by the central authorised body of budget planning which takes into account the social-economic development forecast. The Republic Budget is approved by the republic budget law (the “**Budget Law**”), which sets out the Republic Budget for the following budgetary year and also includes separate projected budgets for the second and third budgetary years. The projected budgets for the second and third years are then adjusted as required in the Budget Laws approved in each year preceding those budgetary years. The draft of the Republic Budget is prepared in accordance with the structure defined in the Budget Code and the unified budget classification (providing for a classification of budget revenues, a functional classification of budget expenditures and an economic classification of expenditures). The Budget Law sets out projected revenues from each revenue source and estimated costs of the various budget programs. Revenues to be allocated to the National Fund for the following three years are also set out in the Budget Law. See “—National Fund”.

The Ministry of Finance prepares the Republic Budget for the forthcoming budgetary period after taking into account the requests of Government ministries, governmental authorities and local executive authorities as well as data provided by the Statistics Committee of the MNE and the NBK. The Republic Budget accounts for amounts required to be transferred from or to local authorities in order to balance local budgets (which are legally required to be balanced). Once the Republic Budget has been agreed by the Government, it is submitted to Parliament for approval. According to the Budget Code, the Government is required to submit the Republic Budget to Parliament by 1 September of the year preceding a budget year.

Local governments prepare the local budgets. Drafts of local budgets are required to be submitted by local governments to the local parliaments by 15 October of the year preceding a budget year. The consolidation into

the State Budget of the Republic Budget and the local budgets occurs after Parliament has approved the Republic Budget.

Pursuant to the Budget Code and the law “On Approval of the Action Plan for the Implementation of the Budget”, dated 6 June 2008, from 1 January 2013, state agencies in Kazakhstan are required to prepare their accounting and financial statements in accordance with the International Public Sector Accounting Standards (“IPSAS”), which have been developed by the International Federation of Accountants (the “IFAC”). The IPSAS have been adopted to ensure that the accounting standards used by state agencies are in line with international standards.

Budget Implementation

The budget year commences on 1 January and ends on 31 December. In accordance with the Budget Code, the Government is responsible for the implementation of the Republic Budget, and local authorities are responsible for the implementation of their respective local budgets. Implementation of the budgets involves ensuring revenues are collected, budget programmes are implemented and that the deficit is financed. The Ministry of Finance and the local authorities develop regulations concerning the implementation of the budgets, provide methodological guidance, and provide accounting and financial budgetary reporting services in relation to the execution of their respective budgets. Implementation of the budget is carried out within the limits of the prescribed budgetary funds for the applicable financial year, as approved by the Republic Budget or local budgets and budgetary funds which are allocated to be used in the second or third year of the three-year budget cycle are ring-fenced and are not permitted to be used in the first year on the budget cycle. Procedures regarding budget implementation and cash management are set out by the Ministry of Finance.

In 2010, the State Budget provided for a fiscal deficit of KZT 844.8 billion, or 3.9% of GDP. Supported by a recovery of the Kazakhstan economy, due in part to an increase in the price of oil between 2009 and 2010, actual State Budget revenues in 2010 amounted to 19.7% of GDP, as compared to the budgeted amount of 18.6% of GDP, while actual total expenditure amount to 22.5% of GDP, as compared to the budgeted amount of 22.9% of GDP. Budgeted receipts were KZT 4,154 billion, whereas actual receipts were KZT 4,389 billion.

In 2011, the State Budget provided for a fiscal deficit of KZT 782.9 billion, or 2.8% of GDP. Supported by a significant increase in the price of oil and an increase of 2.9% in tax revenues on foreign trade and operations, as a result of the establishment of the Customs Union, actual State Budget revenues in 2011 amounted to 19.5% of GDP, as compared to the budgeted amount of 19.0% of GDP, while actual total expenditure amount to 21.8% of GDP, as compared to the budgeted amount of 22.1% of GDP. Budgeted receipts were KZT 5,323 billion, whereas actual receipts were KZT 5,445 billion.

In 2012, the State Budget provided for a fiscal deficit of KZT 1,059.5 billion, or 3.5% of GDP. Supported by a decrease in real GDP growth, as a result of a decrease in oil production from 2011 to 2012, actual State Budget revenues in 2012 amounted to 19.2% of GDP, as compared to the budgeted amount of 18.9% of GDP, while actual total expenditure amount to 22.4% of GDP, as compared to the budgeted amount of 22.7% of GDP. Budgeted receipts were KZT 5,833 billion, whereas actual receipts were KZT 5,921 billion.

In 2013, the State Budget provided for a deficit of KZT 699.1 billion or 2.0% of GDP. Because of an increase in tax revenues due to an increase in tax rates on exports and transfers from the National Fund, actual State Budget revenues in 2013 amounted to 18.1% of GDP as compared to the budgeted amount of 17.9% of GDP, while actual total expenditure amounted to 20.3% of GDP as compared to the budgeted amount of 20.1% of GDP. Budgeted receipts were KZT 6,401 billion, whereas actual receipts were KZT 6,459 billion.

In 2014, the projected deficit of the State Budget was KZT 1,182.6 billion, but the actual deficit was KZT 1,087.8 billion or 2.9% of GDP. The actual State Budget revenues in 2014 amounted to KZT 7,321.3 billion or 19.3% of GDP as compared to the budgeted amount of KZT 6,909.3 billion or 17.4% of the projected GDP (KZT 39,623.7 billion), while actual total expenditure amounted to KZT 8,460.0 or 18.6% of GDP as compared to the budgeted amount of KZT 7,718.3 billion or 19.5% of the projected GDP (KZT 39,623.7 billion). Budgeted receipts were predicted to equal to KZT 6,955.7 billion, however actual receipts were KZT 7,372.2 billion.

For the three months ended 31 March 2015, State Budget revenues were KZT 1,763.4 billion, representing 30% of the target amount for that period. State Budget expenditures were KZT 1,779.4 billion, representing 24.5% of the target amount for that period.

Fiscal Policy

The Government's fiscal strategy over the medium term focuses on (i) a reduction in the State Budget deficit, which by 2020 should not exceed 1.4% of GDP and (ii) a decrease in the use of National Fund resources to finance current budget expenditures, which reflects a transition to funding budget expenditures solely from normal budget revenues. See "*National Fund*". On the revenue side, the main objective is to provide for a stable environment for economic activity, thereby supporting industrial innovation, promoting non-oil sector development, and attracting investments. As part of the Government's initiative to improve the legal environment for the conduct of business in Kazakhstan changes improving the tax administration were made to the Tax Code (as defined below) with effect from 1 January 2015.

Fiscal policy is designed to be countercyclical. During periods of strong economic activity, Government spending will be controlled at a level lower than the nominal rate of GDP growth, while during economic downturns such spending aims to support domestic demand, particularly through public investment. This approach is expected to allow for an appropriate policy response both to a worsening of global economic conditions and to a potential overheating of the economy.

According to the Government's fiscal strategy, by 2020, the State Budget deficit should not exceed 1.4% of GDP; the State Budget deficit, excluding oil revenues, should not exceed 2.8% of GDP; and total public debt (including both external and internal debt) should be below 13.9% of GDP. The income generated by the National Fund, which is projected to be at least U.S.\$180 billion by 2020, should then be used to support the State Budget, without any recourse to the National Fund's resources themselves.

The Eurasian Economic Union Agreement provides that the annual State Budget deficit of a EEU member must be below 3% of GDP, total public debt must not exceed 50% of GDP and inflation must not be more than 5% higher than that of the lowest inflation rate of any other EEU member.

In June 2013, a new budgetary policy was approved, which sets out the Government's long-term deficit management plan with the aim of ensuring macro-economic stability and socio-economic development.

The Government's fiscal policy, and if necessary the budgetary framework, will be adjusted as necessary in order to address or adapt to domestic or international developments.

According to the Government's budget forecasts for the three-year period from 2015 to 2017, and based on an assumption of the world price of oil being U.S.\$50 per barrel in 2015 to 2017 and U.S.\$60 per barrel in 2018-2019, receipts to the Republic Budget are projected to be KZT 6.0 trillion, KZT 7.0 trillion and KZT 7.0 trillion in 2015, 2016 and 2017, respectively. Pursuant to the Law on Guaranteed Transfers from the National Fund for 2015-2017, guaranteed transfers from the National Fund to the Republic Budget are projected to be KZT 1,702 billion for each of 2015, 2016 and 2017. In addition, a transfer of KZT 783.5 billion is expected to be made from the National Fund to the Republic Budget towards the end of 2015 in order to fund a number of major infrastructure projects and supplement the reserves of the Government. See "*National Fund*".

Republic Budget expenditures are projected to be KZT 7.2 trillion, KZT 8.0 trillion and KZT 7.9 trillion in 2015, 2016 and 2017, respectively. The Republic Budget deficit as a percentage of total GDP is projected to decrease from 3.0% in 2015, to 2.4% in 2016 and to 2.0% in 2017. The State Budget deficit, not including oil revenues, as a percentage of total GDP, is expected to decline from 9.1% in 2015 to 7.0% in 2016 and to 6.1% in 2017. To mitigate the impact of the global economic crisis on Kazakhstan's economy, the Government has, in recent budgets, increased spending and investment in various regional development and industrial programmes. In addition, the Government intends to utilise targeted transfers from the National Fund to the Republic Budget for the purpose of implementing the new state programme "Nurly Zhol". See "*The Economy of Kazakhstan—Recent Trends in the Economy— State Programme for Infrastructure Development "Nurly Zhol"*".

2015 Budget Law

The following table sets forth certain summary information regarding Kazakhstan's Republic Budget for 2015 as provided for in the 2015 Budget Law, as amended on 11 March 2015. Budget figures are forward-looking and subject to change in the future based on a number of factors, including, fluctuations in global commodity prices, specifically the oil price, inflation and the overall condition of the Kazakhstan economy. Actual results of the budget may differ materially from budgeted figures.

Republic Budget

	2015		2016		2017	
	(KZT billions)	(% of GDP) ⁽¹⁾	(KZT billions)	(% of GDP) ⁽¹⁾	(KZT billions)	(% of GDP) ⁽¹⁾
Tax revenue	3,064.8	7.4	4,505.9	10.0	4,867.2	9.7
<i>of which:</i>						
Corporate income taxes.....	1,178.1	2.9	1,495.4	3.3	1,684.0	3.4
VAT.....	907.9	2.2	1,536.0	3.4	1,668.4	3.4
Excise taxes.....	52.2	0.1	64.8	0.1	66.1	0.1
Natural resource extraction tax.....	112.4	0.3	208.2	0.5	230.9	0.5
Other taxes.....	814.2	2.0	1,201.4	2.7	1,217.8	2.5
Non-tax revenue	145.6	0.4	88.8	0.2	92.1	0.2
Proceeds from sales of fixed assets	9.5	0.0	11.5	0.0	12.4	0.0
Transfer receipts ⁽²⁾	2,655.0	6.4	2,295.8	5.1	1,957.0	4.0
Total revenue	5,874.9	14.2	6,902.0	15.5	6,928.6	14.2
Repayment of budget credits.....	112.1	0.3	78.0	0.2	42.1	0.0
Proceeds from sales of financial assets.....	1.0	0.0	2.7	0.0	0.4	0.0
Total receipts	5,988.0	14.5	6,982.7	15.6	6,971.1	14.3
Total expenditure	7,244.5	17.5	8,042.1	18.0	7,943.6	16.3
<i>of which:</i>						
State administration.....	404.5	1.0	440.4	1.0	375.2	0.8
Law and order.....	437.2	1.1	499.1	1.1	503.1	1.0
Defence.....	421.7	1.0	497.2	1.1	545.3	1.1
Education.....	439.3	1.1	642.8	1.4	610.2	1.2
Health care.....	665.4	1.6	720.6	1.6	699.9	1.4
Social security and social aid.....	1,624.3	3.9	1,885.5	4.2	2,217.0	4.5
Housing and communal services.....	142.3	0.3	210.6	0.5	187.1	0.4
Culture, sports, tourism and information media....	103.7	0.3	96.7	0.2	101.2	0.2
Fuel and energy complex and subsoil assets use...	81.6	0.2	79.3	0.2	68.8	0.1
Agriculture, forestry, water and fish industries, environmental protection.....	171.7	0.4	145.2	0.3	137.7	0.3
Industry and construction.....	15.4	0.0	18.6	0.0	11.7	0.0
Transport and communications.....	489.0	1.2	573.8	1.3	406.9	0.8
Other expenditure ⁽³⁾	661.0	1.6	708.6	1.6	754.5	1.5
Debt service.....	302.7	0.7	344.7	0.8	344.7	0.7
Budget subsidies.....	904.4	2.9	836.9	1.9	809.7	1.7
Advances of budget loans.....	190.5	0.5	250.1	0.6	147.5	0.3
Cost of acquisition of financial assets.....	189.8	0.5	92.0	0.2	23.1	0.0
Deficit	(1,256.5)	(3.0)	(1,059.4)	2.4	(972.5)	2.0
GDP ⁽¹⁾	41,307.6	100.0	44,672.4	100.0	48,847.3	100.0

Source: 2015 Budget Law

Notes:

- (1) Nominal GDP for 2015 is a forecast provided by the Ministry of Finance and is not included in the 2015 Budget Law. GDP figures for 2015, 2016 and 2017 are from the Government approved Forecast of Socioeconomic Development of Kazakhstan for 2015-2019 as amended by protocol No.9 dated 17 February 2015.
- (2) Includes transfers from the National Fund and transfers from local budgets. See “—National Fund”.
- (3) Other expenditure includes expenditure relating to the implementation of new Government programmes and initiatives, payments for services and operational costs of certain Government agencies and payments made to the State emergency fund.

In March 2015, the 2015 Budget Law was amended as a result of revisions to the Government's forecasts for socio-economic development in Kazakhstan between 2015 and 2019. The Government's macroeconomic assumptions underlying the amendments to the original 2015 Budget Law included: a decrease in the average price per barrel based on the spot price of Brent crude oil from U.S.\$80 to U.S.\$50 for the 2015 to 2017 period and U.S.\$60 for the 2018 to 2019 period, a GDP growth rate of 1.5% in 2015, a GDP growth rate of 2.2% in 2016, a GDP growth rate of 3.3% in 2017 and annual inflation within the target range of 6.0 to 8.0%. The nominal GDP for 2015 is projected to be KZT 41,307.6 billion. According to the estimates of the MNE, a spot price per barrel of Brent crude oil between U.S.\$60 and U.S.\$65 would balance the budget for 2015, 2016 and 2017.

Pursuant to the March 2015 amendments to the 2015 Budget Law, the total revenue of the Republic Budget for 2015 was reduced from KZT 6,744.9 billion (approximately U.S.\$36.5 billion) to KZT 5,874.9 billion (approximately U.S.\$31.8 billion) and the budget total expenditure for 2015 was reduced from KZT 7,855.1 billion (approximately U.S.\$42.5 billion) to KZT 7,244.5 (approximately U.S.\$39.2 billion).

The reasoning behind the 2015 Budget Law include a revised macroeconomic outlook for Kazakhstan in 2015, reconciliation of projected revenues based on the decrease in international oil and iron ore prices and the decrease in nominal GDP for 2015 by KZT 2,413.7 billion to KZT 41,307.6 billion. The amended Budget Law is based on an assumption at an average price per barrel of Brent Crude Oil of U.S.\$50 per barrel.

The 2015 Budget Law (as amended) provides for revenue in 2015 of KZT 5,874.9 billion or 14.2% of GDP. This budgeted revenue assumes that the value of exported goods will decrease by 44.5%, the value of imported goods will decrease by 21.8% in 2015 and a decline in the secondary sector of 0.3% which will in turn result in a decline of investment into the tertiary sector by 2.2% in 2015. Total expenditure for 2015 is budgeted to be KZT 6,864.2 billion, or 16.6% of GDP, with debt service costs of Government guaranteed loans budgeted to be KZT 302,745.7 million. The 2015 Budget provides for an increase in expenditures of approximately 2.5% in real terms as compared to total expenditures in 2014 in the Republic Budget. The level of the non-oil deficit of the consolidated State Budget for 2015 is projected at KZT 3,742.0 billion or 9.2% of GDP, which is the same level as the non-oil deficit of the Republic Budget.

According to the 2015 Budget Law, a transfer of KZT 1,702 billion from the National Fund to the Republic Budget has been approved for 2015. In addition to the guaranteed transfer, a targeted transfer of KZT 783.5 billion from the National Fund is to be allocated towards the funding of a number of major infrastructure projects, to supplement the reserves of the Government and other transport infrastructure projects.

The 2015 Budget Law provides for a fiscal deficit in the 2015 Republic Budget of KZT 1,256.5 billion, or 3.0% of GDP. The Government intends to seek budget financing in 2015 of KZT 1,256.5 billion, or 3.0% of GDP, from domestic and external borrowings.

Sources of State Budget Revenues

The following table sets forth information regarding State Budget revenues and receipts (income method) for the years 2010 to 2014 and the three month periods ended 31 March 2014 and 2015:

	Years ended 31 December					Three months ended 31 March	
	2010	2011	2012	2013	2014	2014	2015
	(KZT millions)						
Tax revenue	2,934,081	3,982,338	4,095,366	4,779,004	5,115,743	1,135,353	1,007,455
<i>Of which:</i>							
Corporate income taxes.....	837,233	1,050,380	1,041,217	1,032,737	1,169,667	286,077	298,823
VAT.....	677,229	864,546	913,326	1,327,650	1,198,170	263,839	107,035
<i>Of which:</i>							
Domestic VAT.....	336,259	540,663	516,399	445,876	408,868	106,183	(26,893)
Import VAT.....	340,970	323,883	396,927	881,774	789,302	157,656	133,929
Excise taxes.....	61,423	76,400	93,143	103,651	147,057	28,516	34,052
Natural resource extraction tax.....	122,128	148,494	159,313	168,186	122,909	7,738	20,470
Other taxes.....	1,236,068	1,842,518	1,888,367	2,146,780	2,477,940	549,183	547,075
Non-tax revenue	104,398	138,596	577,150	141,717	179,488	39,919	58,621
Proceeds from sales of fixed assets	60,653	49,892	35,887	56,132	71,045	13,642	9,953
Transfer receipts ⁽¹⁾	1,200,000	1,200,000	1,104,600	1,405,500	1,955,000	552,100	687,388
Total revenue	4,299,132	5,370,826	5,813,003	6,382,353	7,321,277	1,741,014	1,763,417
Repayments of budget loans.....	88,625	72,111	106,786	67,347	48,665	907	898
Receipts from sales of financial assets.....	1,029	1,689	1,068	9,669	2,287	124	245
Total receipts	4,388,786.6	5,444,625.2	5,920,857.8	6,459,369	7,372,229	1,742,045	1,764,560
GDP	21,815,517	27,571,889	30,346,958	35,275,153	38,033,064	7,565,945	7,933,306 ⁽²⁾

Source: Ministry of Finance

Notes:

(1) Includes transfers from the National Fund. See “—National Fund”.

(2) GDP information is provided by the Committee for Statistics of MNE.

The following table sets forth information regarding State Budget revenues and receipts, as a percentage of total GDP for the years 2010 to 2014 and the first quarter of 2015:

	Years ended 31 December					Three months ended 31 March
	2010	2011	2012	2013	2014	2015
Tax revenue	13.4	14.4	13.5	14.0	13.5	12.7
<i>Of which:</i>						
Corporate income taxes.....	3.8	3.8	3.4	3.0	3.1	3.8
VAT.....	3.1	3.1	3	3.9	3.2	1.3
<i>Of which:</i>						
Domestic VAT.....	1.5	2	1.7	1.3	1.1	(0.3)
Import VAT.....	1.6	1.2	1.3	2.6	2.1	1.6
Excise taxes.....	0.3	0.3	0.3	0.3	0.4	0.4
Natural resource extraction tax.....	0.6	0.8	0.7	0.9	0.3	0.3
Other taxes.....	5.6	6.5	6.1	5.9	6.5	6.9
Non-tax revenue	0.5	0.5	1.9	0.4	0.5	0.8
Proceeds from sales of fixed assets	0.3	0.2	0.1	0.2	0.2	0.1
Transfer receipts⁽¹⁾	5.5	4.4	3.6	4.1	5.1	8.7
Total revenue	19.7	19.5	19.2	18.7	19.2	22.2
Repayments of budget loans.....	0.4	0.3	0.4	0.2	0.1	0.0
Receipts from sales of financial assets.....	0.0	0.0	0.0	0.0	0.0	0.0
Total receipts.....	20.1	19.7	19.5	18.9	19.4	22.2
GDP	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Finance

Notes:

(1) Includes transfers from the National Fund. See “—National Fund”.

Sources of State Revenue

Tax Revenue

Taxes are the main source of Kazakhstan’s State Budget revenue. The Code of the Republic of Kazakhstan “On Taxes and Other Obligatory Payments to the Budget” (the “**Tax Code**”) was adopted on 10 December 2008 and came into force as at 1 January 2009. The main taxes imposed by the Kazakhstan tax system are corporate income tax, VAT, personal income tax and subsurface users tax. Kazakhstan has a unified tax system and all taxes are contained in the Tax Code. Most of the taxes and other mandatory payments in the Kazakhstan tax system are revenues to the Republic Budget, with few exceptions. The decrease in tax revenues for the three months ended 31 March 2015 by 12.7% as compared to the same period in 2014 was mainly attributable to the decrease in VAT (both domestic VAT and import VAT). The following are the principal sources of tax revenue to the State Budget:

- **Corporate income tax.** Corporate income tax accounted for 19.5%, 19.6%, 17.9%, 16.2% and 15.9% of total revenue in the State Budget in 2010, 2011, 2012, 2013 and 2014, respectively.

The corporate income tax rate is 20%, with certain exceptions, including a reduced rate of 10% on the production, processing and sale of agricultural products. Business-related expenses are generally deductible for corporate income tax purposes. Certain expenses are deductible within limits (for example, the thin capitalisation rule limiting the deductibility of interest from taxable income, *etc.*). Annual amortisation (depreciation) rates vary from 10% to 40%. Corporate income tax is calculated using an accrual, as opposed to cash, method. Corporate income tax is payable through advance payments, unless the taxpayer is exempt from such advance payments (including, taxpayers whose aggregate annual income less adjustments does not exceed KZT 644.2 million, or approximately U.S.\$3.5 million).

- **VAT.** VAT is also a major source of tax-generated Republic Budget revenue, accounting for 18.7%, 19.4%, 19.2%, 20.6% and 16.3% of total cash revenue in 2010, 2011, 2012, 2013 and

2014, respectively. All VAT payments for domestically-produced and imported goods and services are transferred to the State Budget. The generally applicable rate of VAT is 12%, though certain limited items are exempt from VAT. Taxpayers may voluntarily opt to register for VAT purposes if their taxable turnover does not exceed certain threshold, which is currently KZT 59.46 million; otherwise, such registration is mandatory. Exports of goods and certain other transactions are subject to a 0% rate of VAT. VAT offsets and VAT refunds are generally available following established procedures. Special provisions relating to VAT are applicable to transactions within the Customs Union. According to the Ministry of Finance, for the three months ended 31 March 2015, domestic VAT was negative as a result of refunds of domestic VAT on supplies subject to 0% VAT (mainly exports) exceeding receipts of domestic VAT. For the three month period ended 31 March 2015, the refunds of domestic VAT were KZT 248.8 billion as compared to KZT 91.5 billion for the same period in 2014, an increase of 165%. The decrease in import VAT for the three months ended 31 March 2015 was attributable to the overall decrease in imports which, according to preliminary data from the Ministry of Finance, fell by 19.7% compared with the same period in 2014.

- *Excise taxes.* Excise taxes apply to the sale and import of spirit, alcohol products, tobacco, petrol (excluding aviation fuel), diesel fuel, certain motor transportation vehicles, crude oil and natural gas condensate and medical products which contain spirits and are registered as being a medical product in Kazakhstan. Excise duty rates vary and are subject to frequent changes.
- *Natural resource extraction tax.* Natural resource extraction tax is a tax on the volume of natural resources extracted. It is an important, but fluctuating, source of revenue, due to the volatility of global commodity prices for exported goods, particularly oil and gas. Natural resource extraction tax accounted for 2.8%, 2.8%, 2.7%, 2.6% and 1.7% of total revenue to the State Budget in 2010, 2011, 2012, 2013 and 2014, respectively. Natural resource extraction tax rates for crude oil and gas condensate range from 5% to 18%.

In addition to natural resources extraction tax, subsoil users in Kazakhstan pay all general taxes (such as corporate income tax, rent export tax and VAT), as well as other special subsoil use taxes and payments, including signature bonus in connection with signing contracts, commercial discovery bonus based on value of reserves, payment for historical costs and excess profits tax (which have a maximum tax rate of 60%).

Whilst natural resources extraction tax revenues of non-petroleum industry companies are received in the State Budget, all direct taxes (with the exception of additional local taxes) paid by petroleum industry companies, including natural resource extraction tax, corporate income tax and rent export tax, are accumulated in the National Fund. See “—National Fund”. Direct taxes paid by other subsoil users (other than petroleum industry companies) are received in the State Budget similar to the taxes paid by other corporations.

- *Other taxes.* Other taxes include:
 - *International trade and foreign operations taxes.* International trade and foreign operations taxes, consisting of export and import customs duties and revenues from customs control and customs procedures, make a sizable contribution to the State Budget. International trade and foreign operations taxes accounted for 10.3%, 18.3%, 15.6%, 13.7% and 14.4% of total cash revenue in 2010, 2011, 2012, 2013 and 2014, respectively. Since June 2012, duties have not been payable on the export of oil to members of the Customs Union.
 - *Rent export taxes.* Rent export taxes are payable by individuals and legal entities exporting crude oil, gas condensate and coal (other than subsoil users acting under product sharing agreements and certain legal entities specifically listed by the competent authority) and are paid in addition to international trade and foreign operations taxes. Rent export tax revenues from individuals and legal entities exporting coal accrue to the State Budget, whilst rent export tax revenues from petroleum industry companies are accumulated in the National Fund. The current rent export rate for coal is 2.1%. Rent export tax rates for crude oil and gas condensate range from 0% to 32% depending on the volume. See “—The National Fund”.

- *Personal income tax.* Kazakhstan imposes a flat individual income tax rate of 10%. Dividends received by individuals are taxed at 5%.
- *Social tax.* Social tax is payable by the employer at the rate of 11% (a different rate applies to individual entrepreneurs and individual professionals).
- *Property tax.* Property tax for legal entities and individual entrepreneurs is calculated at a rate of 1.5% (subject to certain exceptions) of the average book value of taxable items as determined by the accounting data.
- *Land tax.* Land tax applies to legal entities and individuals owning or using certain types of land in Kazakhstan. Base tax rates are established in the Tax Code.

In September 2013, the Law “On Amendments and Additions to Laws on Taxation”, which was adopted pursuant to the Kazakhstan-2050 Strategy, introduced higher tax rates on land that is not being developed, on luxury goods (in the form of an excise tax on tobacco and alcohol, transport and property) and on certain advertising activities.

Non-Tax Revenue

Non-tax revenues are mandatory, non-refundable payments to the State budget, set out in the Budget Code and other legislation, and include the proceeds from the sale of fixed assets and other revenues transferred to the budget at no cost, excluding transfer receipts.

Transfer Receipts

State Budget revenues include transfers from the National Fund. See “—*National Fund*”.

State Budget Revenue Performance

The State Budget had a deficit for each of the years from 2010 to 2014. In each of the years from 2010 to 2014, State Budget revenue has been higher than originally budgeted.

In 2011, State Budget revenues amounted to 19.5% of GDP, which was 0.5% higher than the originally budgeted target. 2011 State Budget revenues were 24.9% higher than State Budget revenues in 2010. In 2011, State Budget tax revenues grew by 35.7% in absolute terms, as compared to 2010. This was primarily due to a 25.5% increase in corporate income tax revenues, and a 27.7% increase in VAT revenues, over this period. 2011 State Budget tax revenues increased by 1.4% as a percentage of GDP and by decreased by 0.3% as share of total revenue, primarily because of a decline in the global prices of metals, and, consequently, a decrease in the volume of production and sales of metal and metal products. In 2011, export duties increased by 225.1% in absolute terms, 1.7% as a percentage of GDP and 8.7% as a share of total revenue.

In 2012, State Budget revenues amounted to 19.2% of GDP, which was 0.3% higher than the originally budgeted target. 2012 State Budget revenues were 8.2% higher than State Budget revenues in 2011. In 2012, State Budget tax revenues increased by 2.8% in absolute terms, as compared to 2011. This was primarily due to a 22.6% increase in import VAT revenues. 2012 State Budget tax revenues decreased by 0.9% as a percentage of GDP and by 0.5% as share of total State Budget revenue, primarily because revenues from the metallurgic sector decreased due to a decline in metal prices. In 2012, export duties decreased by 8.3% in absolute terms, 1.4% as a percentage of GDP and 7.4% as a share of total revenue. Transfer receipts amounted to KZT 1,521 billion, or 5.0% of GDP, and were attributable to the guaranteed transfer from the National Fund to the State Budget. In the environment of post-crisis developments, a decision was made to increase the amount of the guaranteed transfer by 15% to KZT 1,380 billion.

In 2013, State Budget revenues amounted to 18.7% of GDP, which was 1.6% higher than the originally budgeted target. 2013 State Budget revenues were 9.8% higher than State Budget revenues in 2012. In 2013, State Budget tax revenues increased by 0.5% in absolute terms, as compared to 2012, primarily due to an increase in VAT and subsoil use revenues. Transfer receipts amounted to KZT 1,405.5 billion, or 4.1% of GDP, and were attributable to the guaranteed transfer from the National Fund to the State Budget.

In 2014, State Budget revenues amounted to KZT 7,321.3 billion or 19.3% of GDP, which was 6.0% higher than the originally budgeted target (KZT 6,909.3 billion). 2014 State Budget revenues were 14.7% higher than State Budget revenues in 2013 (KZT 6,382.4 billion). In 2014, State Budget tax revenues increased by 7.0% in absolute terms, as compared to 2013, primarily due to an increase in VAT and subsoil use revenues. Transfer receipts amounted to KZT 1,955.0 billion, or 5.1% of GDP, and were attributable to the guaranteed transfer from the National Fund to the State Budget.

The Government's proceeds from sales of fixed assets, which are treated as revenue, was negligible and accounted for 0.3%, 0.2%, 0.1%, 0.2% and 0.2% of GDP in 2010, 2011, 2012, 2013 and 2014, respectively.

As at 1 January 2010, 2011, 2012, 2013, 2014 and 2015, arrears on taxes and other obligatory payments to the State Budget were KZT 100.3 billion, KZT 199.0 billion, KZT 224.2 billion, KZT 81.3 billion, KZT 64.0 billion and KZT 117.5 billion, respectively. As compared to 2013, the arrears on taxes increased by KZT 53.5 billion or 83.6% in 2014. KZT 65 billion or 54.4% of the total arrears in 2014 represented arrears resulting from tax investigations and the related reassessments. KZT 54.8 billion or 46.6% of the total arrears are considered as non-collectible (in respect of which proceedings have been commenced). In 2014, the tax authorities collected KZT 112.3 billion through enforcement actions. As at 1 April 2015, arrears on taxes and other obligatory payments to the State Budget was KZT 134.4 billion which represented an increase of KZT 17.9 billion or 15.2% as compared to 1 January 2015. As at the date of this Base Prospectus, legislative initiatives are underway to improve tax legislation in line with the recommendations of the World Bank relating to the reduction of tax related arrears.

On 1 September 2014, the Law "On Amnesty of Citizens of the Republic of Kazakhstan in Connection with Legalisation of Money by Them" became effective. Pursuant to this law, from 1 September 2014 through 31 December 2015, property (including property outside of Kazakhstan) that was not included in Kazakhstan's legal economic turnover because it was concealed from income and/or not registered in accordance with Kazakhstan law or improperly registered may be brought back into the legal economy. The law is intended to help reduce the shadow economy, attract additional funding into the economy and encourage repatriation of offshore income and gains and to significantly increase tax revenue for the State Budget. See "*The Economy of Kazakhstan - Recent Trends in the Economy*".

State Budget Expenditures

The following table sets forth information regarding State Budget expenditure for the years 2010 to 2014 and the first quarter of 2015:

	Years ended 31 December					Three months ended 31 March
	2010	2011	2012	2013	2014	2015
	<i>(KZT millions)</i>					
Total expenditure	4,916,051	6,013,244	6,811,167	7,160,297	8,460,078	1,779,681
Debt service	94,617	121,675	130,520	178,057	232,793	50,713
<i>of which:</i>						
Domestic debt service	88,422	114,585	125,425	168,525	232,735	48,363
Foreign debt service	6,662	8,704	10,108	8,703	8,549	2,350
Non-interest expenditure	4,821,432	5,891,569	6,680,646	6,982,240	8,227,285	1,728,968
<i>of which:</i>						
State administration	225,789	297,689	328,568	384,450	484,862	119,649
Law and order	225,345	264,623	341,104	396,512	601,804	103,656
Defence	369,442	448,495	558,218	608,345	441,039	66,776
Education	782,594	1,020,757	1,210,115	1,240,377	1,360,482	296,151
Health care	554,979	627,316	731,209	797,127	859,829	234,636
Social security and social aid	905,273	1,135,977	1,239,018	1,383,603	1,570,451	433,888
Housing and communal services	344,853	409,093	440,948	483,033	568,201	44,821
Culture, sports, tourism and information media	243,340	240,848	240,307	259,260	297,795	66,880
Fuel and energy complex and subsoil assets use	79,720	113,844	126,613	119,607	128,856	12,653
Agriculture, forestry, water and fish industries, environmental protection	329,535	411,637	390,159	341,290	422,097	107,788
Industry and construction	28,236	27,177	26,492	32,188	42,538	3,497
Transport and communications	406,187	499,655	517,597	550,911	671,651	73,355
Other expenditure ⁽¹⁾	326,139	394,458	530,298	385,536	777,681	165,218

Source: Ministry of Finance

Notes:

- (1) Other expenditure includes expenditure relating to the implementation of new Government programmes and initiatives, payments for services and operational costs of certain Government agencies and payments made to the State emergency fund.

The following table sets forth information regarding State Budget expenditure, as a percentage of total GDP, for the years 2010 to 2014 and the first quarter of 2015:

	Year ended 31 December					Three months ended 31 March
	2010	2011	2012	2013	2014	2015
			(<i>% of GDP</i>)			
Total expenditure	22.5	21.8	22.4	20.5	22.2	22.4
Debt service	0.4	0.4	0.4	0.5	0.6	0.6
<i>of which:</i>						
Domestic debt service	0.4	0.4	0.4	0.5	0.6	0.6
Foreign debt service	0.03	0.03	0.03	0.03	0.02	0.03
Non-interest expenditure	22.0	21.5	22.0	19.8	21.6	21.8
<i>of which:</i>						
State administration	1.0	1.1	1.1	1.1	1.3	1.5
Law and order	1.0	1.0	1.1	1.1	1.6	1.3
Defence	1.7	1.6	1.8	1.7	1.2	0.8
Education	3.6	3.7	4.0	3.5	3.6	3.7
Health care	2.5	2.3	2.4	2.3	2.3	3.0
Social security and social aid	4.1	4.1	4.1	3.9	4.1	5.5
Housing and communal services	1.6	1.5	1.5	1.4	1.5	0.6
Culture, sports, tourism and information media	1.1	0.9	0.8	0.7	0.8	0.9
Fuel and energy complex and subsoil assets use	0.4	0.4	0.4	0.3	0.3	0.2
Agriculture, forestry, water and fish industries, environmental protection	1.5	1.5	1.3	1.0	1.1	1.4
Industry and construction	0.1	0.1	0.1	0.1	0.1	0.0
Transport and communications	1.9	1.8	1.7	1.6	1.8	1.0
Other expenditure ⁽¹⁾	1.5	1.4	1.7	1.2	2.0	2.0

Source: Ministry of Finance

Notes:

- (1) Other expenditure includes expenditure relating to the implementation of new Government programmes and initiatives, payments for services and operational costs of certain Government agencies and payments made to the State emergency fund.

Total State Budget expenditure was KZT 4,916.1 billion in 2010, KZT 6,013.2 billion in 2011, KZT 6,811.2 billion in 2012, KZT 7,160.3 billion in 2013 and KZT 8,460.0 billion in 2014.

Social security and social aid (which includes social benefits and state pensions) and education have been the largest expenditure items in the State Budget for the period 2010 to 2014. Social security and social aid accounted for 18.4%, 18.9%, 18.2%, 19.3% and 19.8% of total expenditure in 2010, 2011, 2012, 2013 and 2014, respectively. Education accounted for 15.9%, 17.0%, 17.8%, 17.3% and 17.5% of total expenditure in 2010, 2011, 2012, 2013 and 2014, respectively.

Total expenditure increased from 2010 to 2011 due to increases in all expenditure categories, with the largest increases being in education and social security and social aid.

Total expenditure in 2012 increased by 13.3% as compared to 2011. The increase in expenditure from 2011 to 2012 was due to an increase in spending growth in most categories, which was offset in part by a small decrease in the agriculture, forestry, water and fish industries and environmental protection categories.

Total expenditure in 2013 increased by 5.1% as compared to 2012. The increase in expenditure from 2012 to 2013 was due to an increase in spending growth in most categories, with the largest increases being in social security and social aid and healthcare, while the largest decreases were in the agriculture, forestry, water and fish industries and environmental protection categories.

Total expenditure in 2014 increased by 18.2% as compared to 2013. The increase in expenditure from 2013 to 2014 was due to an increase in spending growth in most categories, with the largest increases related to social security and social aid (and the largest decrease, by 39.9% as compared to 2013, related to defence).

The share of non-interest expenditure in State Budget expenditures decreased from 98.1% of total expenditure in 2010 to 97.2% in 2014, due to an increase in expenditure on debt service. Debt service (which includes payments in respect of discount and interest on Government debt) increased between 2010 and 2014 from 0.4% of GDP in 2010 to 0.6% of GDP in 2014. As a share of total expenditure, debt service increased from 1.9% in 2010 to 2.8% in 2014. The overall growth in debt servicing expenditures is attributable to increased levels of debt, which increased from KZT 3.1 trillion as at 31 December 2010 to KZT 5.6 trillion as at 31 December 2014.

In 2014, the amount of official transfers made by the central Government to local budgets increased by 51.6%, as compared to 2010 and amounted to KZT 978 billion.

State Budget Deficit Financing

The State Budget deficit is financed by Government borrowing. See “*Public Debt—Debt Management Policy*”.

In each year from 2010 to 2014, the State Budget registered a deficit. The State Budget’s deficit was 2.5% of GDP in 2010, 2.1% of GDP in 2011, 2.9% of GDP in 2012, 2.0% of GDP in 2013 and 2.9% of GDP in 2014.

The following table sets out information on the State Budget deficit, net external borrowing and net domestic borrowing for the years presented, in each case as a percentage of GDP.

	2010	2011	2012	2013	2014
			(% of GDP)		
State Budget deficit.....	2.4	2.1	2.9	2.0	2.9
Net external borrowing	1.0	0.3	0.2	0.3	1.2
Net domestic borrowing.....	1.4	1.8	2.7	1.7	1.7

State-Local Fiscal Relationship

The Kazakhstan budget system includes the Republic Budget and local budgets, which consist of all regional budgets, the budgets of the cities which have ‘cities of the republican status’ (Astana and Almaty) and district budgets (budgets of the cities of regional significance).

Local budgets which cover a three-year period are prepared by local governments. Local budgets are approved by the respective local parliaments. Local budgets are intended to finance the functions of local government and fund any State policy that is required to be implemented in Kazakhstan’s regions. Revenues contributing to the local budgets include tax revenues and non-tax revenues as defined in the Budget Code.

The State Budget includes the Republic Budget and all local budgets after elimination of interbudgetary transactions. The allocation of all revenues received by the Government, among the Republic Budget, local budgets and the National Fund, is carried out on a daily basis by the Ministry of Finance, in accordance with the Budget Code. Firstly, the allocation of revenues is carried out on the basis of a table of allocation of budget revenues (covering the Republic Budget and local budgets) approved by the Ministry of the National Economy and following this, on a local level, the allocation of revenues will be carried out in accordance with the rules of allocation of revenues among the various local budgets and municipal budgets (which are approved by the local parliaments). Generally, revenues received from fixed tax and non-tax revenues, which provide stable revenues and are independent of external factors, are allocated to local budgets. Revenues from taxes that are redistributive in nature, and are dependent on external factors are allocated to the Republic Budget.

In addition to tax revenues and non-tax revenues, revenues are also received via transfers from higher level budgets. Local budgets are legally required to be balanced, and the Republic Budget takes into account any amounts required to be transferred from or to local authorities in order to balance local budgets. Budgetary transfers are either in the form of cash transfers or regulated loans. Transfers are categorised as general, special transfers or special development transfers. General transfers are set out in the Budget Law and are aimed at ensuring that all regions receive equal funding and that all regions are able to provide certain services that are guaranteed by the central Government in accordance with the Budget Code (*i.e.*, to complement any budgetary gap). General transfers are defined as the difference between projected revenues (not including transfers) and

the projected costs of the relevant local budget. When determining the amount of general transfers the projected amount of tax revenues of a region, the numbers of users of public services in the region and the specific factors that may affect the cost of providing public services within that region are taken into account. General transfer amounts are fixed for a three year period and are divided into (i) yearly scheduled transfers from the Republic Budget to the local budgets (as determined by law); and (ii) yearly scheduled transfers from the local areas to municipalities (as determined by acts of the local parliaments).

As general transfer amounts are fixed for a three year period and are not amended, special transfers are subsequently used during the three year period to target regions which require additional funding. Alternatively, if actual revenues are higher than projected revenues, amounts that have been transferred from the higher level budgets are withdrawn. Additional budget loans can also be provided from the Republic Budget to local budgets, where additional funding is required to implement specific investment projects, to satisfy any additional liabilities resulting from the state social policy or where a cash deficit in the local budget is forecast. Special transfers and budget loans are utilised by local governments in accordance with a purpose defined in the respective budget programme.

National Fund

The National Fund of Kazakhstan was established in August 2000 by Decree No. 402 of the President of Kazakhstan. According to the Budget Code, the National Fund represents state assets in the form of financial assets held in the Government's account with the NBK, as well as in other forms other than intangible assets.

The National Fund was established in order to facilitate a stable socio-economic development of the nation, accumulate financial resources for future generations (the saving function) and reduce the impact on the economy from adverse external factors (the stabilising function). According to the Concept of Funding and Utilisation of the National Fund approved by Decree No. 962 dated 2 April 2010 of the President (the "**Concept**"), the main goal of the National Fund is the accumulation of financial resources for the benefit of future generations and making the Republic Budget less dependent on the situation in the global commodity market.

The functions of the National Fund are divided between a saving function and stabilising function. The saving function is performed by investing in long term instruments, with a moderate risk level, in order to ensure the accumulation of financial assets and other property (other than intangible property) and revenue from such assets. The stabilising function is intended to maintain the appropriate level of liquidity in order to fund guaranteed transfers from the National Fund to the Republic Budget. The assets of the National Fund may be invested into permitted financial instruments, as specified by the Government.

To enable the saving and stabilising functions, the assets of the National Fund are structured within three portfolios: a saving portfolio; (a fixed income portfolio and an equity portfolio); stabilising portfolios; and a gold portfolio.

Assets of the National Fund

As at 31 December 2014, the net assets of the National Fund amounted to U.S.\$81.9 billion, or 39.3% of GDP. As at 31 March 2015, the net assets of the National Fund amounted to U.S.\$79.1 billion. The net assets consist of foreign currency reserve assets held in the Government's account with the NBK.

As at 31 December 2014, the total market value of the National Fund, was equal to U.S.\$75.2 billion, with the saving and stabilisation portfolios collectively accounting for U.S.\$73.2 billion (97.3%); this amount includes the bond portfolio (including investments in Samruk Kazyna and KazAgro) and accounts for approximately U.S.\$2.0 billion (2.7%). The market value of the saving and stabilisation portfolios was U.S.\$47.3 billion (64.6%) and U.S.\$25.9 billion (35.4%), respectively. With effect from 1 January 2011, bonds issued by KazAgro are no longer a permitted investment for the National Fund. However, bonds issued by Samruk Kazyna, JSC "KazMunayGas" and Baiterek are permitted investments for the National Fund.

As at 31 December 2014, the assets in the National Fund's saving and stabilisation portfolios collectively amounted to U.S.\$73.2 billion, an increase by 3.4% as compared with 2013 (U.S.\$70.8 billion), by 26.4% as compared with 2012 (U.S.\$57.9 billion), by 67.9% as compared with 2011 (U.S.\$43.6 billion), and by 136.1% as compared with 2010 (U.S.\$31.0 billion).

As at 31 March 2015, the total market value of the currency portfolio of the National Fund and KZT portfolio of Kazakhstan bond issuers amounted to U.S.\$73.3 billion, including a U.S.\$70.1 billion (95.7%) currency portfolio and a U.S.\$3.2 billion (4.3%) KZT portfolio. The market value of the stabilisation and saving portfolios within the National Fund amounted to U.S.\$23.9 billion (34.1%) and U.S.\$46.2 billion (66.0%).

Funding and Utilisation of the National Fund

The following table sets out information on the funding and utilisation of the National Fund for the periods indicated:

	Years ended 31 December					2015 (Planned)	Three months ended 31 March 2015
	2010	2011	2012	2013	2014		
	<i>(KZT millions)</i>						
Opening balance as at 1 January	4,500,703	5,704,444	7,988,355	10,446,539	13,026,107	N/A ⁽¹⁾	16,429,299
Revenues including investment income	2,407,723	3,488,044	3,843,885	3,991,604	5,366,851	1,801,537	653,876
<i>Of which:</i>							
Investment income.....	134	113	384	559	1,862,204 ⁽²⁾	N/A ¹⁾	0
Corporate income taxes.....	807,088	1,193,814	1,188,378	1,237,585	1,307,632	688,531	271,054
Excess profit tax.....	105,880	109,212	146,863	158,507	81,445	86,360	1,008
Bonuses.....	3,607	48,762	30,665	21,903	30,031	30,031	6,477
Natural resources extraction tax/royalty.....	775,005	988,233	1,019,253	918,117	956,090	541,906	194,365
Rent export tax.....	470,810	824,418	807,048	880,397	734,720	274,759	69,826
Revenues under production sharing agreements.....	93,955	195,775	219,724	180,007	357,477	179,250	106,994
Administrative fines, penalties, sanctions.....	11,422	1,699	9,944	9,359	12,742	N/A	3,710
Other fines, penalties, sanctions, collections.....	0	0	130	55	57	N/A	12
Money from subsoil users under claims.....	5,256	12,541	35,197	25,068	23,083	N/A	146
Additional subsoil user payment.....	0	0	0	0	0	0	0
Other non-tax revenues.....	0	0	2,219	130	408	N/A	0
Revenues from privatization of state assets.....	0	0	0	0	0	N/A	0
Revenues from sale of agricultural land plots.....	526	786	804	1,217	1,369	700	284
Utilisation	1,203,982	1,204,133	1,385,701	1,412,036	1,963,659	N/A	688,559
<i>Of which:</i>							
Guaranteed transfers.....	1,200,000	1,200,000	1,380,000	1,380,000	1,480,000	1,702,000	665,000
Targeted transfers.....	—	—	—	25,500	475,000	783,500	22,388
Costs of audit administration and management of the National Fund.....	3,982	4,133	5,701	6,536	8,659	N/A	1,171
Closing balances at period end	5,704,444	7,988,355	10,446,539	13,026,107	16,429,299	N/A	16,394,617

Note:

(1) Data not available.

(2) Investment income for nine months ended 30 September 2014, according to a report prepared by the NBK for first three quarters of 2014.

The primary sources of revenues for the National Fund are:

- direct taxes paid by petroleum industry companies (other than tax revenues to local budgets), including corporate income tax, excess profit tax, natural resource extraction tax, bonuses (including signing bonuses and discovery bonuses), rent export tax and other payments;
- other revenues from operations carried out by petroleum industry companies (other than revenues to local budgets) including payments resulting from breach of oil contracts (other than revenues to local budgets);

- revenues from privatisation of State property pertaining to the mining and processing industries; and
- revenues from the sale of agricultural lands.

Petroleum industry companies include legal entities that produce or sell crude oil and/or gas condensate or that have entered into crude oil and/or gas condensate exploration contracts.

According to the Budget Code, funds in the National Fund may be utilised for making guaranteed transfers to the Republic Budget; for making targeted transfers to the Republic Budget for such purposes as the President of Kazakhstan may identify; and to cover the costs of an audit of the National Fund. If funds in the National Fund are insufficient to make a transfer to the Republic Budget under this requirement, the amount of the guaranteed and/or targeted transfer will be reduced accordingly. A guaranteed transfer from the National Fund becomes non-refundable revenues to the Republic Budget from the National Fund for funding the implementation of development programmes. Guaranteed transfers from the National Fund are fixed at the amount of U.S.\$8 billion under Kazakhstan law. However, depending on the situation in the economy, the amount of the guaranteed transfer to the Republic Budget may be adjusted by up to 15% downward or upward. For example, if the rate of economic growth is lower than the medium-term projection, the guaranteed transfer to the Republic Budget may be increased up to U.S.\$9.2 billion to sustain economic growth. If the rate of economic growth is higher than the medium-term projection, the guaranteed transfer to the Republic Budget may be reduced to U.S.\$6.8 billion to ensure that the National Fund can carry out its saving function. The saving function of the National Fund is guaranteed by its minimum required balance, being equal to 30% of the projected GDP for the relevant budget year. Therefore, should a guaranteed transfer or targeted transfer from the National Fund jeopardise the minimum required balance for the saving function, such transfer will be reduced accordingly or not be made at all, if necessary.

The saving function is being performed by placement of funds into permitted financial instruments. Investment of funds is done with a long-term perspective under moderate risk with the principal purpose of protecting the assets of the National Fund and accumulating financial resources for future generations.

In accordance with the 2014 Budget Law, a total of KZT 1,480 billion was transferred from the National Fund to the Republic Budget in 2014 in the form of a guaranteed transfer to fund expenditures of current budget programmes and budgeted development programmes. The amount transferred was equal to the budgeted amount of the transfer. Pursuant to the Decree of the President No. 929 dated 20 October 2014, a KZT 475 billion targeted transfer from the National Fund was made to the Republic Budget in 2014 to finance the construction of the Astana-Karaganda and the Almaty-Kapshagay sections of the Astana-Almaty road, the construction of the Astana-Pavlodar road, the construction of the Zhezkazgan-Beineu railway, the preparations for hosting the EXPO-2017 and to increase the share capital of Baiterek for the creation of a fund that will provide financing for certain major infrastructure projects in Kazakhstan and inject capital into the Fund for Problem Loans.

Pursuant to the 2015 Budget Law and the Law on Guaranteed Transfers from the National Fund for 2015-2017, a transfer from the National Fund to the Republic Budget of KZT 1,702 billion for 2015, 2016 and 2017 has been approved. In addition, pursuant to Decrees No. 956 and No. 957 of the President of Kazakhstan both dated 17 November 2014, a total of KZT 783.5 billion targeted transfer will be made to the Republic Budget in 2015 from the National Fund for the following purposes:

- the construction of infrastructure in special economic zones, the “National Industrial Oil Chemical Technology Park” (KZT 68.5 billion) and “Khargos – East Gates” (KZT 12.5 billion), which will be financed through further equity investments by Samruk Kazyna;
- supplementing the reserves of the Government (KZT 250 billion);
- subscribing for equity in International Airport Astana JSC (KZT 29 billion) for the purpose of financing the construction of a new terminal and renovation of the runway;
- the construction of roads of republican importance *i.e.*, highways between main administrative, cultural and economic centres (usually cities and large towns) and

adjacent foreign countries other than international highways connecting with the capitals of the adjacent countries) (KZT 178 billion);

- the development of the rail network by an increase in the capital of Kazakhstan Termir Zholy JSC (KZT 19.8 billion);
- providing financing to the Kazakhstan Fund for Guaranteeing Mortgage Loans (KZT 5 billion) through an increase in the capital of Baiterek;
- providing a budget loan to regional budgets and the budgets of Astana and Almaty through the Kazakhstan Centre for the Modernisation and Development of Housing and Utilities Infrastructure, as agent, (KZT 60 billion) for the purpose of modernising heat and water supplies and sewerage systems;
- providing budget loans to local executive authorities (KZT 30 billion) for the purpose of completing the existing mortgage loan projects of JSC “House Construction Savings Bank of Kazakhstan”;
- subsidising interest rates for financing in the agricultural sector in order to assist in the financial recovery of that sector (KZT 7 billion);
- subsidising interest rates in connection with financing and hire purchase arrangements for the acquisition of farm machinery (KZT 13 billion);
- financing laboratory facilities (KZT 5 billion);
- financing exploration works (KZT 6 billion);
- implementation of a “2020 Business Road Map” (KZT 10 billion);
- construction works relating to housing owned by Baiterek and its subsidiaries (KZT 17.5 billion);
- construction of schools and related demolition works (KZT 17.3 billion);
- implementation of state policies in pre-school educational institutions (KZT 12.7 billion);
- maintenance of university facilities (KZT 3 billion); and
- co-financing projects with international organisations (KZT 39.2 billion).

State Social Insurance Fund

The State Social Insurance Fund is an extrabudgetary fund that was established in 2004. The SSIF is funded by mandatory social insurance contributions made by employers in respect of their employees. The SSIF collects payments from and makes payments to participants in the mandatory social insurance system. The SSIF may invest its assets in financial instruments via the NBK. The revenues and expenditures of the SSIF are not included within the Consolidated Budget. See “*The Economy of Kazakhstan - Social Benefits and Expenditure*”.

PUBLIC DEBT

Debt Management Policy

The Budget Code establishes the current legal framework for various types of State borrowing, including direct State borrowing by the Government and the NBK and Government guaranteed borrowing. The Budget Code defines clear procedures for State borrowing and the granting of State guarantees and contains a number of important provisions including limits on the level of State indebtedness. Under this legislation, the Ministry of Finance (after being authorised by the Government) may undertake external borrowing via loans or through the issuance of debt securities, provided it is within the permitted limit on State indebtedness, as specified in the State Budget for the relevant year. The limit on public debt (including internal and external debt) for 2014 was KZT 5,673 billion, or U.S.\$30.9 billion, and as at 31 March 2015 this limit for 2015 is set at KZT 6,925 billion, or approximately U.S.\$37.0 billion. The limits on the issuance of new Government guarantees for 2013 and 2014 were set at U.S.\$391 million and U.S.\$327 million, respectively, and as at 31 March 2015 this limit for 2015 is set at KZT 120 billion, or approximately U.S.\$642.4 million.

The Government aims to adopt best international practices in debt management in order to ensure the appropriate management of risk exposure and to minimise debt-servicing costs while their fund raising targets. The primary reason for the incurrence of debt by the Government is to finance the deficit of the Republic budget. Additionally, the Government endeavours to use its debt policy to advance Kazakhstan's social and economic development. As such, a majority of the money raised via external debt, is used to fund investment projects in such primary sectors of the economy such as industrial and agricultural development, social projects and innovation technologies. The purpose of domestic borrowing through the issue of government bonds issued by the Ministry of Finance ("**Government Bonds**") is to fund the deficit of the Republic Budget. The monitoring of the profitability of both domestic and external capital markets, and these Government Bonds is carried out as part of internal debt management. As such, when increased liquidity is required, repeated auctions are performed as part of the Government Bonds strategy, which helps to increase the number of Government Bonds in circulation and promote a reduction in the number of issues of Government Bonds. The first issue of Notes under the Programme has set a new benchmark, which is expected to help Kazakhstan corporate issuers gain access to the international capital markets. The Kazakhstan authorities also aim to improve the system for monitoring the foreign borrowing of State-owned and private companies.

In 2012, a medium-term strategy for debt management was approved by the Ministry of Finance, the Ministry of Economy and Budget Planning and the NBK. The main aims of the strategy are the stable and timely supply of financial resources required to meet the Government's payment and financial obligations, minimising debt service obligations and potential costs associated with debt servicing, developing the domestic market for debt instruments and supporting the pension system through the issuance of long-term inflation-indexed treasury bonds.

As at 31 December 2014, Kazakhstan's total public debt (including both external and internal debt) was 15% of GDP, as compared to 12.5%, 12.7% and 12.0% as at 31 December 2013, 2012 and 2011, respectively. As at 31 March 2015, Kazakhstan's total public debt (including both external and internal debt) was U.S.\$31.0 billion or 14% of GDP. Public debt includes direct State borrowing by the Government and the NBK and Government guaranteed borrowing. It does not include borrowings by or guarantees issued by State-owned companies.

As at 31 March 2015, Kazakhstan's public external debt (including the debt guaranteed by the Government) was U.S.\$8.2 billion or 3.7% of GDP, as compared to U.S.\$8.3 billion or 3.9% of GDP as at 31 December 2014, U.S.\$5.6 billion or 2.4% of GDP as at 31 December 2013, U.S.\$5.3 billion or 2.4% of GDP as at 31 December 2012 and U.S.\$4.9 billion or 2.4% of GDP as at 31 December 2011.

Public External Debt

As at 31 March 2015, the total outstanding public external debt of Kazakhstan, including direct Government external debt ("**General Government External Debt**") and external debt which has been guaranteed by the Government, amounted to approximately U.S.\$8.2 billion, which is approximately 26% of Kazakhstan's total public debt. As at 31 March 2015, approximately 92% of the General Government External Debt, and 76.5% of Government guaranteed external debt, was denominated in U.S. dollars, with the remainder denominated in euros, Japanese yen and other currencies. In recent years, the main purpose of external borrowing by the Government has been to fund large construction and infrastructure projects. The proceeds of external

borrowings by the Government, including the Notes issued under the Programme, will also be used to finance the State Budget deficit.

The following table sets forth information with respect to external debt as at the dates indicated:

Public External Debt of the Republic of Kazakhstan

	As at 31 December					As at 31 March
	2010	2011	2012	2013	2014	2015
	<i>(U.S.\$ millions)</i>					
General Government						
External Debt ⁽¹⁾	3,751.2	4,455.7	4,840.9	5,101.0	7,869.7	7,668.9
External debt guaranteed by the Government.....	310.5	442.0	470.6	495.2	416.3	530.0
Total public external debt	4,061.7	4,897.7	5,311.5	5,596.2	8,286.0	8,198.9
Percentage of GDP (%).....	2.5	2.4	2.4	2.4	3.9	3.7

Source: Ministry of Finance

Notes:

(1) The entire portfolio of General Government External Debt is in the form of long-term loans.

The following table sets forth information with respect to the General Government External Debt and Government guaranteed external debt by creditor as at the dates indicated:

Public External Debt of the Republic of Kazakhstan by Creditor⁽¹⁾

	As at 31 December					As at 31 March
	2010	2011	2012	2013	2014	2015
	<i>(U.S.\$ millions)</i>					
Total General Government external Debt.	3,751.2	4,455.7	4,840.9	5,101.0	7,869.7	7,668.9
<i>Of which:</i>						
Multilateral creditors.....	2,556.3	3,247.1	3,749.5	4,174.5	4,565.2	4,373.6
World Bank.....	1,634.4	2,105.3	2,409.3	2,848.2	3,187.3	3,015.4
Other.....	921.9	1,141.8	1,340.2	1,356.4	1,377.9	1,358.3
Official creditors.....	994.9	1,008.6	891.5	726.5	604.5	595.2
Commercial creditors.....	200.0	200.0	200.0	200.0	2,700.0	2,700.0
Total external debt guaranteed by the Government	310.5	442.0	470.6	495.2	416.3	530.0
<i>Of which:</i>						
Multilateral creditors.....	233.9	383.4	417.6	446.9	374.6	491.3
World Bank.....	195.6	202.3	231.5	248.5	241.6	240.5
Other.....	38.3	181.1	186.1	246.7	133.0	250.8
Official creditors.....	76.6	58.6	53.0	48.2	41.7	38.7

Source: Ministry of Finance

Notes:

(1) Foreign currency values of outstanding external debt have been converted into dollars at the relevant market exchange rates prevailing at the end of the indicated period.

Kazakhstan had made net drawings of approximately U.S.\$651 million from the IMF made between 1993 and 1998, as a result of which the creditor composition of Kazakhstan's external debt shifted noticeably toward multilateral institutions during the period. In 2000, Kazakhstan became the first former Soviet Union republic to repay all of its debt to the IMF, seven years ahead of schedule.

Since 2001, the level of Kazakhstan's General Government External Debt and Government guaranteed external debt has been increasing. As at 31 December 2006, total external debt reached U.S.\$2.3 billion, before decreasing to U.S.\$1.9 billion as at 31 December 2007. In 2009, Kazakhstan borrowed funds from the ADB to finance targeted projects including the creation of the "West Europe - West China" transportation corridor. As a result, Kazakhstan's public external debt increased to U.S.\$2.7 billion as at the end of 2009. Kazakhstan's public external debt increased to U.S.\$4.1 billion as at the end of 2010, U.S.\$4.9 billion as at the end of 2011

and U.S.\$5.3 billion as at the end of 2012 as a result increased borrowings from international financial institutions such as IBRD, ADB and EBRD which were used in the implementation of major investment projects as well as to fund increased social costs.

External Debt Service

The following table sets forth historical long-term General Government External Debt and Government guaranteed external debt service payments for the periods indicated:

	Year ended 31 December				Three months ended 31 March	
	2010	2011	2012	2013	2014	2015
	<i>(U.S.\$ millions)</i>					
Principal repayments.....	274.4	132.8	258.0	374.7	459.8	69.2
Interest payments and charges.....	55.2	62.2	76.7	56.7	61.2	16.9
Total⁽¹⁾.....	329.6	195.0	334.7	431.4	521.0	86.1

Source: Ministry of Finance

Notes:

- (1) Interest payments and principal repayments of Government guaranteed debt are made from the State Budget and own funds of borrowers.

Kazakhstan has never defaulted on any payment of principal of, or premium or interest on, any public external debt. Kazakhstan is not currently in default of any of its public external debt.

Kazakhstan issued Eurobonds, in 1996 and 1997, in an aggregate principal amount of U.S.\$550 million. In 1999, Kazakhstan issued U.S.\$300 million five-year Eurobonds and in 2000 it issued U.S.\$350 million seven year Eurobonds. Each of these issues was repaid in full at maturity. In 2014, Kazakhstan issued 4.875% notes in a principal amount of U.S.\$1.0 billion with a term of 30 years and 3.875% notes in a principal amount of U.S.\$1.5 billion with a term of 10 years.

In September 1993, Kazakhstan reached an agreement with Russia over the issue of responsibility for the external debt of the former Soviet Union. This agreement, the so-called “zero option”, allocated 3.86% of the external debt of the Soviet Union (or U.S.\$2.9 billion) to Kazakhstan but provided that Russia would assume this liability in exchange for Kazakhstan’s agreement to waive all claims on former Soviet Union assets located outside the territory of Kazakhstan.

In January 1995, Kazakhstan signed a protocol with Russia pursuant to which Russia agreed to cancel approximately U.S.\$1.3 billion in debt owed to it by Kazakhstan which arose between 1991 and 1994, in exchange for Kazakhstan waiving all claims for indemnification in relation to the operation of the Baikonur Space Centre from 1991 through 1993.

Pursuant to an agreement made in October 1998 between Kazakhstan and Russia, mutual financial obligations amounting to almost U.S.\$1.7 billion between the parties were cancelled in full. As a result of the arrears under the Baikonur Agreements, Russia agreed to pay Kazakhstan U.S.\$50 million in cash, to ship goods and services to Kazakhstan with a value of U.S.\$65 million as a substitute for the rental payment due in 1999 and to commence paying the full annual rent of U.S.\$115 million at the beginning of 2000.

In 2000, Kazakhstan EXIM Bank, a bank which at the time was wholly owned by the Government, failed to make a payment of interest when due on a U.S.\$9 million loan facility guaranteed by the Government and pursuant to this default, the Government fulfilled its payment obligations under the guarantee.

The following table sets forth a projection of the Government’s contractual public external debt service from 2015 to 2024, including principal and interest payable on all external debt outstanding at the end of December 2014, on the basis of the exchange rates and interest rates prevailing at that time. This table does not reflect the external debt service (i) on any borrowings by or on behalf of the Government since 1 January 2015, which have not been significant, (ii) on any new draw downs on existing borrowings by or on behalf of the Government during the period covered by the table or (iii) on any Notes being offered as draw downs under the Programme following the date of this Base Prospectus.

Public External Debt Service Projections

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	(U.S.\$ millions)									
Principal repayments	300.6	327.9	384.1	435.2	410.4	410.3	658.4	742.6	745.9	2,320.9
Interest payments and charges	166.3	167.4	178.2	192.9	207.4	221.9	233.3	233.3	229.7	224.8
Total	466.9	495.3	562.3	628.1	617.8	632.2	891.7	975.9	975.6	2,545.7

Source: Ministry of Finance

Internal Public Debt

Internal public debt consists primarily of notes issued by the NBK (“NBK notes”) and Government securities, some of which are denominated in U.S. dollars although payable in Tenge. See “*Monetary and Financial System—Capital Markets—Government Securities*”. The following table sets forth the internal public debt of Kazakhstan as at the dates indicated:

	As at 31 December					As at 31 March
	2010	2011	2012	2013	2014	2015
	(U.S.\$ millions)					
NBK notes	6,102.7	3,435.3	1,234.6	23.3	147.3	0.0
Government Bonds.....	11,323.4	14,019.3	19,218.5	23,531.0	22,912.1	23,288.5
Internal Government guarantees ⁽¹⁾	48.1	46.3	48.3	44.3	40.3	38.3
Total internal debt.....	17,474.2	17,500.9	20,501.4	23,598.6	23,099.7	23,326.8
Percentage of GDP (%).....	7.1	7.6	9.6	10.2	10.9	10.6

Source: Ministry of Finance

(1) Does not include internal sureties granted by the Government, the aggregate outstanding amount of which was U.S.\$217.9 million as at 31 March 2015.

The Ministry of Finance issues Government Bonds with maturities ranging from one year to 25 years and having both fixed and index-linked coupon rates. As at 31 March 2015, the majority of Government Bonds in circulation were long-term Government Bonds and long-term index-linked Government Bonds, representing 30.0% and 50.9% of total Government Bonds in circulation, 11% were medium-term Government Bonds and 0.03% were short-term Government Bonds. Index-linked Government Bonds are the most volatile and expensive instruments in terms of servicing due to inflation rate fluctuation. Index-linked Government Bonds have been issued since January 2005, as a result of the Government’s guarantee under the Law “On Pension Coverage”, to preserve obligatory pension contributions to pension funds to the extent of actual contributions made, subject to inflation rates. See “*The Economy of Kazakhstan—Pensions and Pension Reform*”. The main holders of Government Bonds are the UAPF, banks and other securities market entities, which held 53%, 15% and 32%, respectively, of all outstanding Government Bonds as at 31 March 2015.

Government Internal Debt Service

The service of the government’s internal public debt accounted for 0.4%, 0.4%, 0.4%, 0.5% and 0.1% of GDP for the years ending 31 December 2010, 2011, 2012, 2013 and 2014, respectively.

Government Internal Public Debt Policy

The Ministry of Finance takes into account the following factors when considering its policy regarding the planning and issuing of internal public debt:

- maintaining a sufficient level of bonds in circulation in order to provide an appropriate reference for the stock exchange;
- expansion and diversification of the investor base;
- development of alternative debt instruments including the issuance of revenue-yielding bonds in order to meet the needs of market participants; and

- improvement of the function of the primary market for bonds.

Further development of the Kazakhstan debt securities market is one of the key medium-term priorities of Kazakhstan's internal public debt policy.

Other Public Sector Domestic Debt

Kazakhstan's internal public sector debt includes the debt of local governments in the form of municipal bonds issued in the internal market for the financing of local governments' budget deficits and loans from the central Government. The Government is not legally responsible for the debts of local governments. The aggregate principal amount of debt of local governments outstanding at 31 March 2015 is estimated to be KZT 15.5 billion, or 0.03% of GDP.

Relations with International Financial Institutions

Since its independence, Kazakhstan has taken an active part in cooperating with various international and foreign public organisations and agencies, as well as foreign non-governmental public organisations and funds. Such cooperation primarily takes the form of joint projects and the implementation of programs funded through the raising of financial and technical aid. Kazakhstan is a member of the IMF, the IBRD, the IFC, the IDA, the Multilateral Investment Guarantee Agency, the International Center for Settlement of Investment Disputes, the EBRD, the ADB and the Islamic Development Bank.

IMF

In 1994, Kazakhstan initially agreed an economic stabilisation programme with the IMF supported by a one year stand-by arrangement signed in January 1994. In June 1995, the IMF granted Kazakhstan a stand-by arrangement in the amount of Special Drawing Rights of 185.6 million, all of which was fully drawn. In July 1996, Kazakhstan entered into an EFF under which Special Drawing Rights of 309.4 million was available for borrowing. Kazakhstan borrowed certain amounts under these arrangements in 1995 and 1996. In December 1999, the Government and the IMF signed a new three-year extended EFF in the amount of Special Drawing Rights of 329.1 million. In 2000, Kazakhstan became the first former Soviet Union republic to repay all of its debt to the IMF, seven years ahead of schedule. Kazakhstan currently has no outstanding borrowings with the IMF. In March 2003, Kazakhstan became the 53rd subscriber to the IMF's Special Data Dissemination Standard.

World Bank

Kazakhstan became a member of the World Bank group entities International Bank for Reconstruction and Development and the International Development Association (the "IDA") in July 1992 and a member of the International Finance Corporation (the "IFC"), also a World Bank Group entity, in September 1993. In 2010 Kazakhstan became an IDA donor under the IDA 16 replenishment. Kazakhstan is the largest client of the IFC in Central Asia.

IBRD

Kazakhstan has been provided with a total of 36 loans from the IBRD amounting to over U.S.\$6.9 billion. The current portfolio of the IBRD in Kazakhstan includes 23 projects with a total value of U.S.\$5.6 billion, of which U.S.\$3.5 billion has already been disbursed. Over 90% of the IBRD's portfolio is concentrated in road development projects. Other projects focus on the development of certain sectors including education, healthcare, environmental protection and the public sector. Kazakhstan's outstanding public sector debt to the IBRD as at 31 March 2015 was U.S.\$3.0 billion.

IFC

Kazakhstan became a member of the IFC in 1993. The IFC started its operations in Kazakhstan by initially providing consultancy services aimed at private sector development. Since the commencement of its investment operations in 1997, the IFC has invested over U.S.\$1.5 billion in Kazakhstan, including U.S.\$298 million provided through syndicated loans to fund 60 private sector projects in the financial, oil and gas, agribusiness and manufacturing sectors. During the financial crisis the IFC provided prompt and efficient support to mitigate the effects of the crisis. The IFC's activity was focused on the development of small and medium sized

businesses, investing in agricultural, oil and gas, industrial, infrastructure and services sectors and the provision of leasing and mortgage financing. The main activities of the IFC during the last four years, over which U.S.\$680 million has been invested, include the financing of capital stock, quasi-equity, senior debt and trade financing for several banks in Kazakhstan. In addition, the IFC and the EBRD are providing advisory services to the Government to attract a concessionaire for a public-private partnership in respect of a ring road concession project around the city of Almaty, also known as BAKAD (the “**Almaty Ring Road Concession Project**”).

EBRD

Kazakhstan has been a member of EBRD since 1993. The EBRD has signed a total of 166 projects in Kazakhstan with a cumulative investment value of EUR 4.7 billion since initiating operations in Kazakhstan in 1991. The total project value of these investments was approximately EUR 11.6 billion. 46% of the EBRD’s cumulative investments were made in the financial sector, 19% in the corporate sector, 20% in the infrastructure sector, and 16% in the energy sector. The annual meeting of the Board of Governors of the EBRD was held in Astana in 2011. The EBRD is the largest investor outside of the oil and gas sector in Kazakhstan. Since the beginning of its operations in Kazakhstan, the EBRD has taken an active role in implementing projects in both the private and public sectors. The EBRD also assists with the promotion of economic diversification and the transition to a more stable model of financial development. The EBRD’s portfolio includes borrowed funds and its own capital, credit for private companies not covered by governmental guarantees, and credit for public sector enterprises. Since the EBRD’s relationship with Kazakhstan began, the EBRD has issued loans to Kazakhstan in an aggregate amount of U.S.\$529 million. Kazakhstan’s outstanding public sector debt to the EBRD as at 31 March 2015 was U.S.\$170.3 million.

The EBRD is currently providing advisory services to the Government in respect of the Almaty Ring Road Concession Project.

ADB

Kazakhstan has been a member of the ADB since 1994. In 2013, Astana was chosen as a venue for the ADB’s 47th Annual Meeting, which was held in May 2014. Up to 5,000 participants attended the meeting, including managers from the ADB member countries, finance ministers, heads of major international banks and financial institutions and leading officials of governmental, non-governmental and other organisations. Currently, a country strategy of the ADB Partnership for Kazakhstan for 2012-2016 is in force. The country strategy provides for the diversification of the Kazakhstan economy and the development of transport, energy, urban development and small and medium-sized businesses.

Since 1994, the ADB’s operations in Kazakhstan have included 23 government and guaranteed loans with a value of U.S.\$2.9 billion, 68 technical assistance projects with a total value of U.S.\$31 million, and 6 projects in the private sector with a total value of U.S.\$455 million.

Currently, the ADB’s project portfolio in Kazakhstan consists of 12 projects with a total value of U.S.\$1.8 million, with a focus on the development of roads. In 2012, Kazakhstan became a donor to the ADB’s Asian Development Fund, making a U.S.\$5.49 million contribution. The ADB has invested a total amount of U.S.\$375 million towards the implementation of four private projects in the financial sector. Kazakhstan’s outstanding public sector debt to the ADB as at 31 March 2015 was U.S.\$1.01 billion.

Japan International Cooperation Agency

Kazakhstan has cooperated with the Japan International Cooperation Agency (the “**JICA**”) and its predecessor institutions (the International Foundation for Economic Cooperation and the Eximbank of Japan) since 1994. The JICA provides assistance and support to developing countries in its capacity as the executive body of the Japanese official development assistance program. The JICA has provided Kazakhstan with loans totalling U.S.\$794 million, of which, as at 31 March 2015, U.S.\$783 million had already been disbursed. Loan proceeds were used to finance transport infrastructure and urban development projects and to carry out economic reforms. Kazakhstan’s outstanding public sector debt to the JICA as at 31 March 2015 was U.S.\$564 million.

Debt Ratings

The Republic of Kazakhstan's current long term debt rating by S&P is BBB (outlook negative), Moody's is Baa2 (outlook stable) and Fitch is BBB+ (outlook stable). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

On 9 February 2015, S&P revised Kazakhstan's long term debt rating from "BBB+" to "BBB". On 31 March 2015, Moody's revised the outlook on Kazakhstan's long term debt rating from "positive" to "stable".

MONETARY AND FINANCIAL SYSTEM

The NBK

The National Bank of Kazakhstan is the central bank of Kazakhstan. Although it is an independent institution, it is subordinate to the President of Kazakhstan. The President of Kazakhstan has the power, among other things, to appoint (for a term of up to six years) and dismiss the NBK's Governor (upon consent by the Senate), to appoint (for a term of up to six years) and dismiss the NBK's Deputy Governor upon the proposal of the Governor of the NBK, to approve the annual report of the NBK, to approve the concept of the design of the national currency, and to request information from the NBK. Mr. Kairat Kelimbetov was appointed as Governor of the NBK on 1 October 2013.

The primary goal of the NBK is to ensure financial stability in Kazakhstan. To accomplish this goal, the NBK develops and implements Kazakhstan's monetary policy; ensures the functionality of the payment systems; implements foreign exchange regulation and foreign exchange control; promotes the stability of the financial system; regulates, controls and supervises the financial markets and financial institutions and also other parties, within its competence; ensures protection of the rights and legitimate interests of consumers of financial services; and carries out statistics activities in the areas of the monetary system and external sector.

The principal governing bodies of the NBK are the Executive Board and the Board of Directors. The Executive Board, the highest governing body of the NBK, consists of nine members, including the Governor of the NBK, five other representatives of the NBK, a representative of the President of Kazakhstan and two representatives of the Government of Kazakhstan.

The NBK is responsible for most of the supervisory and regulatory functions in the Kazakhstan financial sector. These functions were previously undertaken by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations (the "FMSA"), an independent entity that reported directly to the President, from January 2004 until April 2011, when they were transferred to the NBK on the basis of a presidential decree. From April 2011, the NBK's functions in respect of the control and supervision of the financial sector were performed by the NBK's Committee for the Control and Supervision of the Financial Market and Financial Organisations (the "FMSC"). In January 2014, the FMSC was dissolved and its functions are now performed by the NBK and is one of the NBK's core activities.

The NBK has the authority to regulate and supervise Kazakhstan's banking and insurance sectors, as well as the activities of accumulated pension funds, investment funds, credit bureaus and the securities market in Kazakhstan. In this respect, the NBK grants licences to financial institutions, monitors the activities of such institutions, applies necessary sanctions and participates in the liquidation of financial institutions.

While the Committee for Regulation of Natural Monopolies and Protection of Competition of the MNE (the "Competition Authority") administers anti-monopoly legislation in Kazakhstan with respect to the banking sector, certain issues of anti-monopoly regulation are under the jurisdiction of both the Competition Authority and the NBK. For example, certain transactions with a value exceeding certain thresholds require the prior consent of the Competition Authority, and the thresholds that are applicable to regulated financial organisations are established jointly by the Competition Authority and the NBK.

In April 2011, the NBK was granted responsibility for regulation of operations of the Almaty Regional Financial Centre (the "RFCA"), which was previously performed by the Agency for Regulation of the Operations of the RFCA.

Following the recent pension reforms that were introduced by the Pension Law in June 2013, the NBK now manages the UAPF on behalf of the Government, on the basis of a trust management agreement between the NBK and the Government. See "*The Economy of Kazakhstan—Pensions and Pension Reform*". On 19 May 2015, the President adopted a decree providing for the gradual relocation of the NBK, from Almaty to Astana, by January 2017.

Monetary Policy

The NBK is responsible for implementing monetary policy. Since mid-1994, the NBK has adhered to a strict macro-economic stabilisation programme, combining tight budgetary discipline, stringent monetary policy and structural economic reforms. These policies have sharply reduced inflation and lowered interest rates.

As the global financial crisis has evolved, the NBK has adapted its monetary policy to changing conditions. During the most acute stage of the global financial crisis in 2008 and 2009, the NBK's monetary policy was focused on financial stability considerations, including providing liquidity support to banks and promoting exchange rate stability to avoid the impact of devaluation on weak banks.

At the end of 2008 and the beginning of 2009, due to significant depreciation pressure on the Tenge, the NBK took active steps to ensure the stability of the Tenge.

The NBK and the Government have taken steps to protect the Kazakhstan banking sector from the turmoil in the financial markets, including the provision of short term liquidity support, the deposit into local commercial banks of temporary excess cash of national companies, enterprises and joint stock companies which are wholly or partially State-owned or controlled by the NBK and the establishment by the Government of a Distressed Assets Fund to buy doubtful assets of commercial banks.

As conditions in the Kazakhstan market improved, the NBK first abandoned the temporary exchange rate peg by transitioning to a trading band, then widened the band, and finally moved to a managed float in 2011. See “—Exchange Rates” below. The exchange rate regime came under increased pressure in the second half of 2013 following further deterioration in the external current account, depreciation of the Russian rouble (which put competitive pressure on industries in Kazakhstan) and uncertainties related to the U.S. Federal Reserve monetary policy. Beginning in February 2014, the NBK decided to refrain from supporting the Tenge exchange rate at its then current level and to reduce the volumes of its currency interventions. As a result, on 11 February 2014, the Tenge was devalued by approximately 19.35% (from KZT 155 to KZT 185 per U.S. dollar). In addition to the factors mentioned above, other causes of the devaluation included a flow of capital from developing countries to developed countries that resulted in increased pressure on currencies of developing countries such as Kazakhstan; volatility in the international financial and commodity markets; and high devaluation expectations in Kazakhstan and related intensive speculative transactions. The NBK's decision to allow the devaluation was driven by the need to restore the external competitiveness of the Tenge exchange rate and the external balance of the economy of Kazakhstan and in order to maintain the competitiveness of domestic companies. The devaluation has had a negative impact on companies with a high exposure to foreign currency risk, including KEGOC, Kazakhstan Temir Zholy, Samruk-Energy and KazAgro (which received increased State contributions to its share capital following the currency devaluation). On the other hand, companies exporting products abroad stand to benefit from the devaluation of the Tenge. In September 2014, the NBK re-established the trading band at KZT 170-188: U.S.\$1.00. See “*Risk Factors - Risks Related to Kazakhstan - The Kazakhstan currency is subject to volatility and depreciation*”.

Towards the end of 2014 and the beginning of 2015, Kazakhstan's competitiveness was negatively affected by the significant depreciation of the Russian rouble to the U.S. dollar in December 2014. From February 2015 to April 2015, the Russian rouble increased by 24.6%. In March 2015, the volume of gold reserves at the National Bank amounted to U.S.\$28.3 billion. In addition, in March 2015, Kazakhstan's international reserves together with the assets of the National Fund amounted to U.S.\$100.8 billion. As at the date of this Base Prospectus, the NBK has not announced any Tenge exchange rate adjustments.

At the end of 2014, the Government and the NBK made a joint announcement regarding the main directions of economic policy for 2015. In 2015, financial regulation will be focussed on increasing the role of the Tenge in the economy in Kazakhstan. Consequently, in May 2015, solely in respect of Tenge denominated personal term deposits and current accounts, the guarantee coverage provided under the deposit guarantee scheme was increased to a maximum amount of KZT 10 million per customer at each bank participating in the deposit guarantee scheme. In addition, the recommended maximum interest rate for U.S.\$ deposits was decreased from 4% to 3% and the Government and the NBK are elaborating a plan in order to reduce the level of dollarisation of the economy.

The NBK's monetary policy for 2015 is aimed at ensuring price stability and its key goal is keeping the annual inflation rate within the 6.0 to 8.0% band to secure sustainable long-term economic growth and the development of the Kazakhstan economy. See “—*Inflation*” for further information on historical inflation rates. The NBK has based its monetary policy for 2015 on a worst case assumption of the price per barrel remaining at U.S.\$50. In 2015, the refinancing rate of loans of the NBK will be fixed between 5.0-8.0% *per annum*. The NBK expects stable growth of borrowings, one of the main sources of which will be funds from the National Fund expected to be advanced in 2015-2017. See “*Public Finance—National Fund*” for more information on the National Fund.

The NBK's monetary policy for 2015 includes measures which have the aim regulating the liquidity of banks. For these purposes, the NBK will increase a number of instruments of monetary policy for providing Tenge liquidity and withdrawing Tenge liquidity. Given that the banks have limited liquid securities to offer in order to obtain liquidity, the NBK plans to extend a number of assets that can be eligible for collateral. The NBK has also changed the minimum reserve requirements for banks as part of the development of its monetary policy. The NBK reviews the activities of Kazakhstan banks in different segments of the monetary and foreign exchange markets regularly, in order to analyse and minimise systemic risks and reduce the possibilities for arbitrage operations. When implementing its monetary policy, the NBK takes into account the integration process of the EEU.

On 24 April 2015, the NBK adopted a long-term monetary policy that will be effective until 2020. Under this policy, the NBK will gradually introduce inflation targeting as monetary policy strategy to keep inflation at its target level. The duration of the transition period will depend on the effectiveness and success of the measures implemented by the Government and the NBK to reduce the level of dollarization, to develop the finance sector, to improve the stability of banking sector and to introduce transmission mechanisms of the monetary policy. On 19 May 2015, the chairman of the NBK announced that it would adopt a floating exchange rate regime within the next 12 to 36 months. The gradual introduction of inflation targeting will involve regulating nominal interest rates by reference to a base rate which will be introduced by the NBK and will serve as an indicative factor of monetary policy, increasing the number of instruments available for the regulation short term Tenge liquidity.

Instruments of Monetary Policy

Currently, the NBK implements monetary policy through a number of instruments, including withdrawing liquidity by issuing short-term notes and taking deposits and providing liquidity through currency swap operations and repo operations. In February 2014, the NBK suspended the attraction of one-month deposits and raised the interest rate for 7-day deposits from 0.5% to 2.75%. In December 2014, the NBK raised the interest rate for seven-day deposits to 3.05%. The refinancing rate is 5.5%.

The monetary policy for 2015 adopted by the NBK envisages that the refinancing rate of loans is to be gradually increased and fixed between 5.0% and 8.0%. Short-term notes are issued with maturities of 29 days, 91 days and 182 days and are generally to be issued on a weekly basis.

In March 2015, the NBK changed the rules on minimum reserve requirements of banks in Kazakhstan. The changes are aimed at encouraging the banks to raise Tenge-denominated financings and are considered as part of the NBK's plans to introduce gradual inflation targeting. The new rules affect the classification of liabilities of the bank against which reserves are to be maintained and the manner in which the banks calculate the amount to be reserved. Effective 12 May 2015, minimum reserve requirements have been 2.0% on internal short-term Tenge-denominated liabilities, 4.0% on external short-term Tenge-denominated liabilities, 0.0% on internal long-term Tenge-denominated liabilities, 2.0% on external long-term Tenge-denominated liabilities, 2.0% on internal short term foreign currency denominated liabilities, 6.0% on external short-term foreign currency denominated liabilities, 0.0% on internal long-term foreign currency denominated liabilities and 2.0% on external long-term foreign currency denominated liabilities.

In order to prevent significant fluctuations in the Tenge exchange rate and to maintain stability in the foreign exchange market, the NBK may act as a buyer or a seller of foreign currency in the market and may perform operations in the secondary securities market.

In 2012, the NBK regulated short-term liquidity in the money market by conducting operations mainly aimed at liquidity absorption. In the first half of 2012, despite a low level of interest rates, the demand for instruments of liquidity absorption (issues of short-term notes and deposit-taking) on the part of banks remained high. In the second half of 2012, the volumes of liquidity in the banking sector were decreasing and, as a result, the demand for such instruments of the NBK on the part of banks decreased. The demand for refinancing loans (operations on provision of liquidity) was limited throughout 2012. In 2014, the NBK regulated short-term liquidity by participating in various financial transactions on the money market in order to provide liquidity. In 2014, demand for instruments which would provide liquidity absorption (issues of short-term notes and deposit-taking) on the part of banks was low.

Since July 2014, the NBK has started conducting currency-interest rate swap operations (with minimum terms of 12 months) with banks for the purpose of maintaining the liquidity of the Tenge. Currently, the NBK is

providing Tenge liquidity by conducting currency swap “overnight” operations and reverse repo “overnight” in at KASE.

The NBK introduced new instruments for efficient liquidity regulation. In 2012, amendments were made to the way in which minimum reserve requirements for banks are calculated, and automatic repo operations were resumed as part of a pilot project at KASE that was suspended in 2005.

Under the new long-term monetary policy that will be effective until 2020, the NBK will gradually introduce inflation targeting as a monetary policy strategy to keep inflation at a target level. When implementing inflation targeting as one of their main monetary policy strategy, the NBK will be focused on setting a targeted market interest rate through open market operation instruments, standing facilities and minimum reserve requirements. For these purposes, the NBK will introduce a “base interest rate” which will be used as a reference rate in monetary policy instruments. The standing facilities will form cap and floor interest rates. The instruments which the NBK will use to provide liquidity to banks will include open market operations (currency swaps, loans secured by loan portfolio, reverse repos in respect of Governmental bonds and Tenge denominated securities) and standing facilities (loans secured by loan portfolio, reverse repos in respect of Governmental bonds and Tenge denominated securities). The instruments by which the NBK will withdraw liquidity will include open market operations (direct repos in respect Governmental bonds, deposit auctions, notes of the NBK) and standing facilities (deposits). The aim of these measures is to provide a wider range of assets that the banks may offer to the NBK as collateral in open market operations and standing facilities. Minimal reserve requirements will have an effect on the reserved assets of the banks and, thus, their borrowing policy. Minimal reserve requirements will remain an additional tool on regulating liquidity of banks and interest rates on money market.

The new measures undertaken by the NBK are aimed at reducing the dollarisation of the economy, stabilising volatile interest rates and preventing speculation in the money market. It is intended that these measures will result in an increase in the flexibility and efficiency of liquidity regulation and monetary policy implementation.

Money Supply

The following table sets forth information concerning Kazakhstan's money supply as at the dates indicated:

	As at 31 December ⁽¹⁾					As at
	2010	2011	2012	2013	2014	31 March ⁽¹⁾
	<i>(KZT billions)</i>					
Net foreign assets	9,014	11,746	14,579	17,292	20,822	20,515
Net domestic assets	362	(1,217)	(2,913)	(4,388)	(6,541)	(6190)
Domestic credit	10,083	11,564	13,081	14,791	15,635	15,377
Net claims on central Government.....	158	300	482	594	579	286
Net claims on other government	7	8	7	7	5	5
Credit to the private sector ⁽²⁾	7,673	8,771	9,566	10,383	10,850	10,957
Other claims on the economy ⁽³⁾	2,245	2,486	3,026	3,807	4,201	4,129
Other items, net	(5,917)	(6,602)	(7,823)	(8,865)	(9,000)	(9,350)
Broad money (M3).....	8,546	9,751	10,522	11,601	12,816	12,322
Currency in circulation (M0)	1,148	1,366	1,528	1,512	1,122	1,037
Total deposits	7,398	8,385	8,994	10,089	11,694	11,285
Domestic currency deposits	4,808	5,756	6,311	6,317	5,198	5,270
Foreign currency deposits	2,590	2,630	2,683	3,772	6,496	6,015
Nonliquid liabilities.....	—	—	—	—	—	—
Monetary base (broad definition) ⁽⁴⁾	2,573	2,836	2,890	2,822	3,414	3,287
Money supply (M2) (national definition) ⁽⁵⁾	6,623	7,966	8,547	8,681	7,966	7,793
Velocity of M2	3.29	3.41	3.55	3.93	4.86 ⁽⁶⁾	5.01 ⁽⁷⁾

Source: NBK

Notes:

- (1) Does not take into account certain transactions performed prior to period-end, which are not reported as at the end of that period.
- (2) Includes claims on other financial corporations, public and other nonfinancial corporations, nonprofit institutions.
- (3) Includes claims on households.
- (4) Comprises cash outside of the NBK, correspondent account balances, deposit account balances and reserves of commercial banks maintained at the NBK and NBK notes held by such banks.
- (5) M2 is defined as total cash in circulation (outside of banks) and transferable deposits in the domestic currency on accounts of non-bank organisations and individuals plus other deposits in the domestic currency and transferable deposits in the foreign currency on accounts of non-bank resident organisations and individuals.
- (6) Based on a preliminary estimate of GDP for 2014.
- (7) Based on a preliminary estimate of GDP for the three months ended 31 March 2015.

The analysis set out below on monetary reserves does not take into account the assets held by the National Fund.

The data above is presented in accordance with the IMF's "Monetary and Financial Statistics Manual".

From 31 December 2009 to 31 December 2014, monetary reserves increased. On average, each year, monetary reserves increased by 7.1%, money supply increased by 11.4%, and the volume of cash in circulation increased by 5.9%. Between 2010 and 2014, money supply increased due to the increase in domestic and net foreign assets in the banking system. Between 2010 and 2014, there was an increase in net foreign assets of the NBK and net foreign assets of banks resulting in a total increase in net foreign assets within the banking system. The net foreign assets of banks increased due to significant decrease in liabilities owed by banks to non-residents. The increase of domestic assets in the banking system was due to the increase of the provision of bank financing in the economy.

From 31 December 2010 to 31 December 2011, monetary reserves increased by 10.3%, money supply increased by 20.3%, and the volume of cash in circulation increased by 18.9%. The main reason for the increase of monetary reserves was the growth of both net domestic assets (mainly due to a significant decrease in liabilities of the NBK to banks on short-term notes) and net foreign assets of the NBK. The money supply increased as a result of the growth in net domestic and foreign assets of the banking system. Net foreign assets of both the NBK and commercial banks increased during this period. The growth in net foreign assets of banks was caused both by the decrease in bank liabilities owed to non-residents and the increase of liabilities owed by non-residents to the banks.

From 31 December 2011 to 31 December 2012, monetary reserves increased by 1.9%, money supply increased by 7.3%, and the volume of cash in circulation increased by 11.9%. The main reason for the increase in money reserves was the growth in net domestic assets of the NBK (mainly due to the growth in loans to banks and a decrease in the liabilities of the NBK to banks on short-term notes). The money supply increased due to growth

in the domestic and net foreign assets of the banking system. Net foreign assets of banks increased whereas net foreign assets of the NBK decreased. The growth in net foreign assets of banks was mainly due to a decrease in bank liabilities owed to non-residents.

From 31 December 2012 to 31 December 2013, the monetary reserves decreased by 2.2%, money supply increased by 1.5% and the volume of currency in circulation decreased by 1.0%. The main reason for the decrease in monetary reserves was the decrease in net foreign assets of the NBK. Money supply increased due to an increase in the domestic and net foreign assets within the banking system. In 2013, the net foreign assets of banks increased whereas the net foreign assets of the NBK decreased. The increase in the net foreign assets of banks was mainly caused by an increase in liabilities owed by non-residents to banks. In 2013, in respect of domestic assets, the domestic assets of banks and the NBK increased. The growth in domestic assets of banks was mainly caused by the increase in liabilities owed by the private sector to banks.

From 31 December 2013 to 31 December 2014, monetary reserves increased by 20.8%, money supply decreased by 8.2% and the volume of cash in circulation decreased by 25.8%. The main reason for the increase in monetary reserves was the growth in the net value of the foreign assets of the NBK. In 2014, net foreign assets of the NBK increased, whereas net foreign assets of banks decreased as a result of a decrease in liabilities owed by non-residents to the banks and growth in bank liabilities owed to non-residents. In 2014, in relation to domestic assets, domestic assets of banks increased, whereas domestic assets of the NBK decreased. The growth in domestic assets of banks was mainly caused by an increase in banks' reserves together with an increase of liabilities owed by the private sector to banks and an increase in other net domestic assets.

From 31 December 2014 to 31 March 2015, monetary reserves decreased by 3.7%, money supply decreased by 3.9% and the volume of cash in circulation decreased by 7.6%. The decrease in money supply was largely due to a decrease in the domestic assets in the banking system. The portion of money supply consisting of deposits increased from 91.2% in December 2014 to 91.6% in March 2015. In March 2015, the money multiplier remained at 3.75% (unchanged from December 2014).

Inflation

The NBK's target is to keep inflation within the target range of 6.0 to 8.0% under any scenario in the development of Kazakhstan's economy. The following table sets forth the rates of consumer price inflation and producer price inflation for the years indicated:

	2010	2011	2012	2013	2014	March 2015
	<i>(Million tonnes)</i>					
Inflation, consumer prices (annual %, end of year).....	7.8	7.4	6.0	4.8	7.4	5.2
Inflation, consumer prices (annual %, year average).....	7.1	8.3	5.1	5.8	6.7	6.2
Inflation, producer prices (annual %, end of year).....	12.9	20.3	2.1	(0.5)	(1.6)	(14.8)
Inflation, producer prices (annual %, year average).....	25.2	27.2	3.5	(0.2)	9.5	(19.9)

Source: MNE

In 2010, the annual inflation rate was closer to the upper boundary of the 6.0 to 8.0% target range at 7.8%. The main factor contributing to the increase in inflation in 2010 was unbalanced demand and supply in the economy. This was mainly caused by increased wages, social benefits and retirement benefits from the budget by 25% in 2010 together with continued instability in the global commodity markets, in particular due to adverse weather conditions resulting in the reduced supply of wheat, grains, etc. in the global market and the increase in prices of these commodities.

Driven by rising global food prices and large increases in public sector wages, inflation peaked at 9.0% in mid-2011, exceeding the official target range of 6.0 to 8.0%. Nonetheless, as a result of coordinated measures by the Government and the NBK, the annual inflation rate returned to its target range. In December 2011, the annual inflation rate was at 7.4% as compared to 7.8% in December 2010.

In 2012, a reduction in the increases in international food prices together with the use of administrative measures to limit food and fuel price increases helped lower inflation rates. Core inflation, which excludes

energy and food, has remained low. Similarly, average annual consumer price inflation fell to 5.1% in 2012, a historically low level.

At the end of 2013, the annual inflation rate was 4.8%, which represents the lowest rate of annual inflation in Kazakhstan since 2000. The inflation rate (producer prices) was -0.5%, a historically low rate. During 2013, there were low rates of growth in prices for certain food products and non-food products and inflation was mainly as a result of seasonal factors together with increasing tariffs for paid services. In general, in 2013 the situation in the consumer market remained stable. The growth in the gross volume of agriculture in 2013 helped maintain relatively stable prices in the domestic food market.

In 2014, the annual inflation rate was 7.4%, mainly due to the adjustment of the exchange rate and increases in the price of gasoline and diesel fuel in August 2014. In addition, the increase of tariffs on services was another significant factor contributing to the increase of the inflation rate. The rate of inflation (producer prices) in 2014 was -1.6% due to the decrease in prices of energy resources.

In March 2015, year-on-year inflation was 5.2%, largely due to a reduction in oil prices and the decrease in value of the national currencies of Kazakhstan's main trading partners. The NBK's main monetary policy target is to keep inflation within the target range of 6.0 to 8.0%.

The consumer market in Kazakhstan is affected by developments in the member states of the Customs Union with Russia and Belarus. Currently, prices in Belarus' economy have not had a significant influence on Kazakhstan to date due to the small volumes of mutual trade between the two countries. However, the Russian consumer market had a significant impact on the Kazakhstan consumer prices in 2011 and 2012. The impact of rising prices of fuels and lubricants in Russia in 2010 and 2011 affected the domestic fuel market in Kazakhstan. From December 2010 to December 2011, the price of diesel fuel in Russia increased by 19.3% and the price of gasoline by 14.9%.

International Reserves

The following table sets out the official international reserves of Kazakhstan and the foreign currency reserve assets of the National Fund as at the dates indicated:

	As at 31 December ⁽¹⁾					As at
	2010	2011	2012	2013	2014	31 March 2015
	<i>(U.S.% billions)</i>					
Official international reserves (excluding gold).....	25.2	25.1	22.1	19.1	21.5	21.6
<i>of which:</i>						
SDRs.....	0.5	0.5	0.5	0.5	0.5	0.5
Foreign exchange.....	24.7	24.6	21.6	18.6	20.6	20.8
Official gold reserves ⁽²⁾	3.1	4.2	6.1	5.6	7.4	7.5
Total official international reserves (including gold).....	28.3	29.3	28.3	24.7	28.9	29.1
National Fund foreign currency reserve assets.....	30.6	43.7	57.8	70.8	73.6	69.7
Total official international reserves and National Fund foreign currency reserve assets.....	58.9	73.0	86.0	95.5	102.5	98.8
Total official international reserves and National Fund foreign currency reserve assets (% of GDP).....	39.8	39.3	42.7	43.0	48.3	47.0

Source: NBK

Notes:

- (1) Does not take into account certain transactions performed immediately prior to year-end, which are not reported as at 31 December of that year.
- (2) Includes refined gold held by the NBK and other deposits of gold.

Official international reserves include gold and foreign currency reserves of the NBK. The foreign currency assets of the National Fund are funds of the Government and are held in the account of the Ministry of Finance at the NBK. See "Public Finance—National Fund" for more information on the National Fund.

As at 31 December 2011, Kazakhstan's total international reserves including gold and the National Fund's foreign currency reserves increased by U.S.\$73.0 billion (of which assets of the National Fund amounted to U.S.\$43.7 billion), an increase of 24.0% as compared to 31 December 2010. Official international reserves represented 16.9 months of import coverage and, together with National Fund foreign currency reserves, represented 17.1 months of import coverage. As at 31 December 2011, the gross gold and foreign currency reserves of the NBK stood at U.S.\$29.3 billion (compared to U.S.\$28.3 billion as at 31 December 2010) of which approximately U.S.\$24.6 billion was in foreign currency and U.S.\$4.2 billion was in gold. During 2011, net foreign exchange purchases by the Ministry of Finance amounted to U.S.\$2.0 billion. Foreign exchange proceeds to the Ministry of Finance totalled U.S.\$13.6 billion as payment of taxes by companies in the oil and gas sector and other payments. Funds in the amount of U.S.\$12.9 billion from such tax revenues were credited to the National Fund. There were net sales of foreign exchange by the NBK, operations on the servicing of the Government's external debt and replenishment of assets of the National Fund from gold and foreign currency reserve accounts. Based on transactions performed by the NBK, net gold and foreign currency reserves increased as compared to 31 December 2010 by 3.8% and amounted to U.S.\$28,763.6 million. In 2011, the change in reserves was caused, in part, by the NBK's efforts to limit excessive volatility in the Tenge exchange rate. As such, during periods of strong inflow, the NBK intervened to buy dollars, with reserves rising, and as flows (mainly portfolio) reversed, reserves declined.

As at 31 December 2012, Kazakhstan's total international reserves including gold and the National Fund's foreign currency reserves were U.S.\$86.0 billion (of which assets of the National Fund amounted to U.S.\$57.8 billion), an increase of 17.8% as compared to 31 December 2011. Official international reserves represented 5.5 months of import coverage and, together with National Fund foreign currency reserves, represented 16.8 months of import coverage. As at 31 December 2012, the gross gold and foreign currency reserves of the NBK were U.S.\$28.3 billion (compared to U.S.\$29.3 billion as at 31 December 2011) of which approximately U.S.\$21.6 billion was in foreign currency and U.S.\$6.1 billion was in gold. The change in the foreign currency portion of assets in 2012 was caused by several factors. In 2012, net sales of foreign exchange by the NBK exceeded U.S.\$1.0 billion and net sales of foreign exchange by the Ministry of Finance amounted to U.S.\$355.4 million. Foreign exchange inflow in favour of the Ministry of Finance totalled U.S.\$13.1 billion, including tax payments by companies in the oil and gas sector and other payments. Funds, of approximately U.S.\$10.6 billion, from such tax revenues were credited to the National Fund. During 2012, U.S.\$2.0 billion of assets of the National Fund were converted from Tenge into U.S. dollars, for further investment in foreign financial instruments. In 2012, the NBK made external debt payments on behalf of the Ministry of Finance totalling U.S.\$284 million. Based on transactions performed by the NBK, net gold and foreign currency reserves decreased as compared to 31 December 2011 by 3.5% and amounted to U.S.\$27.7 billion.

As at 31 December 2013, Kazakhstan's total international reserves, including gold and the National Fund's foreign currency reserves, were U.S.\$95.5 billion (of which assets of the National Fund amounted to U.S.\$70.8 billion), an increase of 10.7% as compared to 31 December 2012. While the foreign currency reserves in the National Fund continued expanding rapidly due to significant oil revenue inflow during 2013, the foreign currency reserves at the NBK decreased for the second year in a row in 2013, due to the sterilisation of foreign currency inflow by the National Fund and a decrease in the current account surplus from 2012 to 2013. Official international reserves represented 4.8 months of import coverage and, together with National Fund foreign currency reserves, represented 18.5 months of import coverage. As at 31 December 2013, the gross gold and foreign currency reserves of the NBK were U.S.\$24.7 billion (compared to U.S.\$28.3 billion as at 31 December 2012) of which approximately U.S.\$19.1 billion was in foreign currency and U.S.\$5.6 billion was in gold. In 2013, the NBK made external debt payments on behalf of the Ministry of Finance in the amount of U.S.\$485.8 million. Based on transactions conducted by the NBK, net gold and foreign currency reserves decreased by 12.9% as compared to 31 December 2012 and amounted to U.S.\$24.2 billion.

As at 31 December 2014, Kazakhstan's total international reserves including gold and the National Fund's foreign currency reserves were U.S.\$102.5 billion (of which assets of the National Fund amounted to U.S.\$ 73.6 billion), an increase of 7.7% as compared to 31 December 2013. Official international reserves represented 6.2 months of import coverage and, together with National Fund foreign currency reserves, represented more than 21 months of import coverage.

As at 31 March 2015, based on preliminary data, Kazakhstan's total official international reserves, including gold and the National Fund's foreign currency reserves, amounted to U.S.\$98.8 billion (a decrease of 3.6% as compared to 31 December 2014) of which U.S.\$69.7 billion were foreign currency assets of the National Fund.

As a result of Kazakhstan's significant international reserves, the State is a net creditor from a global perspective.

Interest Rates

The following table sets out key interest rates for the periods indicated:

	Year ended 31 December				Three months ended 31 March	
	2010	2011	2012	2013	2014	2015
	<i>(Period average, %)</i>					
NBK refinancing rate (%, period-end).....	7.0	7.5	5.5	5.5	5.5	5.5
Tenge deposit rates						
Deposits of legal entities (KZT).....	3.2	2.6	3.5	5.6	8.6	12.5
Deposits of legal entities (hard currency).....	2.5	1.4	1.9	2.6	2.4	1.7
Deposits of individuals (KZT).....	6.3	6.4	6.7	6.3	7.0	8.0
Deposits of individuals (hard currency).....	6.2	6.1	4.7	4.2	3.9	3.5
Demand deposits.....	0.2	0.1	0.0	0.1	0.4	3.2
Time deposits.....	6.8	6.4	5.1	4.5	3.9	3.5
Tenge lending rates						
Loans to legal entities (KZT).....	12.9	10.8	10.3	10.0	14.4	18.1
Loans to legal entities (hard currency).....	9.2	6.9	8.7	7.6	8.1	7.7
Loans to individuals (KZT).....	20.3	20.4	21.2	20.3	18.7	18.5
Loans to individuals (hard currency).....	13.8	13.9	13.6	11.4	6.1	10.5
Average Consumer Price Index inflation....	7.1	8.3	5.1	5.8	6.7	6.2

Source: NBK, MNE

Throughout 2010, the official refinancing rate representing the upper boundary of the band remained at 7.0%. In March 2011, in light of the increased inflationary pressure at the beginning of the year, the NBK made the decision to increase the official refinancing rate from 7.0% to 7.5%. The NBK decreased its refinancing rate from 7.5% in 2011 to its lowest ever level of 5.5% in July 2012. In 2013 and 2014, the refinancing rate was preserved at the same level. The refinancing rate as at 31 March 2015 was 5.5%.

Exchange Rates

The currency of Kazakhstan is the Tenge, which was introduced in November 1993. Since February 2011, the NBK has implemented a managed floating exchange rate policy that generally allows the NBK to intervene when necessary to support the Tenge, without any reference to a formal fluctuation corridor or specific parameters.

The official exchange rate is determined on the basis of foreign exchange auctions that are held daily. Auctions are held for U.S. dollars. Official rates are quoted for over 30 other currencies on the basis of cross-rates.

From late 1999 to October 2007, the exchange rate regime was a managed float with no preannounced path, and the value of the Tenge fluctuated significantly during this period. Since October 2007, the Tenge has been maintained within a narrow range against the U.S. dollar.

In February 2009 a trading band of KZT 150: U.S.\$1.00 +/- 3% was established. In February 2010, the trading band was widened and set at an asymmetric KZT 150/U.S.\$1.00 +10/-15%. In February 2011, the trading band was officially abolished, and the formal exchange rate arrangement was changed from a pegged exchange rate within horizontal bands to a managed floating exchange rate regime. In September 2014, the NBK re-established the trading band at KZT 170-188 : U.S.\$1.00.

The exchange system is free from restrictions on payments and transfers for current international transactions, although the Tenge is not fully convertible for capital account transactions outside of Kazakhstan. See “—*Foreign Exchange Regulations*” below.

See “*Exchange Rates*” for information on the Tenge/U.S. dollar exchange rates reported by the NBK.

The Tenge to U.S. dollar exchange rate between 2010 and 2012 was relatively stable. During 2010 the Tenge to U.S. dollar exchange rate remained within the given band with minimal involvement of the NBK in the domestic foreign exchange market. In 2011, the fluctuation range of the Tenge exchange rate was much narrower than in 2010 and its values did not approach the thresholds of the currency band, which was expanded in February 2010. Consequently, the existence of the currency exchange rate band in 2010 did not have a significant effect on the exchange rate. On this basis, at the end of February 2011, the NBK switched to a managed floating exchange rate regime for the Tenge with the cancellation of the currency band.

In mid-2011 the volatility of the exchange rate increased, as a result of destabilisation in the global markets and decreased global oil prices.

During 2012, market sentiment toward the Tenge shifted repeatedly in line with exchange rate movements in Russia. The real effective exchange rate appreciated by 3.5% year-on-year in 2012 as compared to 2011.

In July 2013, the NBK reaffirmed its commitment to its current exchange-rate policy of a managed float of the Tenge. Since September 2013 the NBK has started to publish a value of a multi-currency basket, including U.S. dollars, euros and Russian roubles.

The exchange rate regime came under increased pressure in the second half of 2013 following further deterioration in the external current account, depreciation of the Russian rouble (which put competitive pressure on industries in Kazakhstan) and uncertainties related to the U.S. Federal Reserve monetary policy. Beginning in February 2014, the NBK decided to refrain from supporting the Tenge exchange rate at its then current level and to reduce the volumes of its currency interventions. As a result, on 11 February 2014, the Tenge was devalued by approximately 19.35% (from KZT 155 to KZT 185 per U.S. dollar). In addition to the factors mentioned above, other causes of the devaluation included a flow of capital from developing countries to developed countries that resulted in increased pressure on currencies of developing countries such as Kazakhstan; volatility in the international financial and 2015 markets; and high devaluation expectations in Kazakhstan and related intensive speculative transactions. The NBK’s decision to allow the devaluation was driven by the need to restore the external competitiveness of the Tenge exchange rate and the external balance of the economy of Kazakhstan and in order to maintain the competitiveness of domestic companies. See “—*Monetary Policy*” above.

On 25 May 2015, the official KZT/U.S.\$ exchange rate quoted on the KASE, as reported by the NBK, was U.S.\$1.00 to KZT 185.8.

Kazakhstan’s Banking Industry

Structure of the Kazakhstan Banking System

Kazakhstan has a two-tier banking system with the NBK comprising the first tier and the commercial banks comprising the second tier (with the exception of the DBK, which as a state development bank has a special status and belongs to neither tier). Generally, all credit institutions in Kazakhstan are required to be licensed and regulated by the NBK. From 2004 until April 2011, these functions were carried out by the FMSA and from April 2011 to January 2014, these functions were carried out by the FMSC, and since January 2014 these functions have been carried out by the NBK. Prior to 2004, these functions were carried out by the NBK.

According to data published by the NBK, as at 31 March 2015, there were 38 commercial banks in Kazakhstan (excluding DBK and the NBK), and 37 of the 38 commercial banks had capital of over KZT 5,000 million and one bank had capital of KZT 2,000 million to KZT 5,000 million. Two banks in Kazakhstan, JSC Temirbank (“**Temirbank**”) and JSC ABC Bank (formerly known as JSC ForteBank) (“**ABC Bank**”), are not carrying out banking activities and undergoing the consolidation (*prisoedinenie*).

There has been recent consolidation in the banking sector and this is expected to continue in 2015 and over the next several years. In particular, JSC BTA Bank (“**BTA Bank**”) was acquired by JSC Kazkommertsbank

(“**Kazkommertsbank**”) in July 2014 (with a consolidation of the two entities), and JSC ForteBank (“**ForteBank**”) (formerly known as JSC Alliance Bank (“**Alliance Bank**”)), Temirbank and ABC Bank are undergoing a consolidation (*prisoedinenie*), with ForteBank remaining as the surviving entity. Further consolidation is expected as a result of planned annual increases in minimum capital requirements from 1 January 2016 through 1 January 2019.

Financial Condition of the Banking Sector

The following table sets out aggregate balance sheet information and key related ratios on the Kazakhstan banking system (including restructured banks) as at the dates indicated.

	As at 31 December					As at
	2010	2011	2012	2013	2014	31 March 2015
	<i>(KZT billions, except ratios)</i>					
Total assets	12,031.5	12,817.9	13,880.0	15,461.7	18,238.9	17,877.7
<i>of which:</i>						
Correspondent accounts	303.0	457.4	475.7	1,528.8	1,948.2	1,765.2
Deposits with NBK	724.4	727.1	723.7	36.0	15.5	8.0
Deposits in other banks	575.0	511.9	461.7	463.7	364.8	471.3
Loans to customers	6,137.0	6,843.8	7,757.9	8,427.8	10,373.5	10,425.4
Accumulated interest income	1,053.5	1,149.2	1,212.7	1,328.9	1,266.2	1,243.4
Other assets	3,238.6	3,128.5	3,248.3	3,676.6	4,270.7	3,964.3
Total liabilities	10,715.2	11,514.6	11,874.6	13,384.1	15,873.2	15,476.7
<i>of which:</i>						
Amounts due to other banks	514.4	482.3	245.7	92.3	425.2	466.6
Customer deposits	6,885.2	7,882.3	8,619.5	9,983.0	11,430.2	10,997.7
Issued securities	1,522.6	1,498.1	996.5	978.2	1,215.1	1,319.1
Other liabilities	1,792.9	1,652.0	2,013.0	2,330.6	2,802.8	2,693.3
Total capital	1,316.3	1,303.2	2,005.3	2,077.6	2,365.7	2,401.0
Total liabilities and capital	12,031.5	12,817.9	13,880.0	15,461.7	18,239.0	17,877.7
Total capital adequacy ratio	17.9%	17.4%	18.1%	18.7%	17.3%	17.4%
Tier 1 capital adequacy ratio	11.6%	11.4%	11.6%	11.0%	11.0%	14.9%
Total deposits/total liabilities	64.3%	68.5%	72.6%	73.6%	71.5%	70.6%
Provisions/total loans	30.9%	32.1%	34.4%	34.8%	25.2%	24.6%
Foreign currency loans/total loans	42.0%	35.0%	29.0%	38.4%	37.4%	38.2%
Foreign currency deposits/total deposits	45.0%	42.0%	39.0%	37.3%	57.8%	54.8%
Interest margin	3.0%	3.76%	4.2%	5.6%	5.4%	5.5%
Interest rate spread	1.2%	1.56%	2.1%	2.8%	2.7%	2.9%
NPL ratio (90-day basis as % of loan portfolio)	23.8%	30.8%	31.9%	31.2%	23.5%	23.4%

Source: NBK

The following table sets out aggregate total loans and total foreign currency loans of the Kazakhstan banking sector as at the dates indicated.

As at	KZT Loans	Foreign Currency Loans	Total Loans
	<i>(KZT millions)</i>		
31 March 2010	3,964,367	3,636,218	7,600,585
30 June 2010	4,034,320	3,442,106	7,476,425
30 September 2010	4,151,423	3,341,888	7,493,312
31 December 2010	4,383,014	3,208,578	7,591,593
31 March 2011	4,519,625	3,146,321	7,665,947
30 June 2011	4,860,146	3,072,543	7,932,688
30 September 2011	5,325,026	3,095,753	8,420,780
31 December 2011	5,681,639	3,099,730	8,781,369
31 March 2012	5,917,688	3,016,828	8,934,516
30 June 2012	6,231,935	3,021,312	9,253,247
30 September 2012	6,583,153	2,947,879	9,531,032
31 December 2012	7,041,296	2,916,744	9,958,040
31 March 2013	7,262,615	2,855,592	10,118,207
30 June 2013	7,550,103	2,994,880	10,544,984
30 September 2013	7,694,329	3,241,360	10,935,689
31 December 2013	7,936,659	3,354,890	11,291,548

31 March 2014	7,941,031	4,225,582	12,166,613
30 June 2014.....	8,118,143	4,045,181	12,163,324
30 September 2014.....	8,486,300	3,741,985	12,228,285
31 December 2014	8,505,510	3,540,632	12,106,142

31 March 2015 8,420,740 3,624,698 12,045,438

The following table sets out certain information, as at the dates presented, on the five banks that as at 31 March 2015 were the five largest banks in Kazakhstan based on total assets.

	As at 31 December					As at
	2010	2011	2012	2013	2014	31 March 2015
<i>(KZT billions, except ratios)</i>						
JSC “Kazkommertsbank”						
Tier 1 capital ratio (%).....	12.3	13.1	12.6	12.2	12.5	14.7
Total capital adequacy ratio (%).....	15.0	16.4	16.2	18.4	16.5	17.4
Total assets	2,430.2	2,484.9	2,555.0	2,501.0	2,868.8	2,962.7
NPL ratio (%).....	19.32	24.23	25.26	29.42	22.09	21.98
Total deposits/total liabilities (%).....	67.2	67.3	70.8	76.6	68.9	66.7
JSC “Halyk Bank”						
Tier 1 capital ratio (%).....	10.9	9.2	8.4	9.5	12.4	20.0
Total capital adequacy ratio (%).....	18.3	16.4	15.4	18.2	21.2	21.3
Total assets	2,023.5	2,222.0	2,339.5	2,441.8	2,633.5	2,636.7
NPL ratio (%).....	16.31	18.61	16.99	16.30	11.94	12.35
Total deposits/total liabilities (%).....	79.5	78.6	81.3	81.2	78.5	75.4
JSC “BTA Bank”						
Tier 1 capital ratio (%).....	13.8	11.5	14.0	14.1	2.8	9.8
Total capital adequacy ratio (%).....	19.3	15.9	23.7	27.7	5.5	9.8
Total assets	1,994.0	1,616.5	1,518.5	1,517.0	1,455.3	1,341.7
NPL ratio (%).....	36.48	71.44	78.22	84.95	84.80	85.26
Total deposits/total liabilities (%).....	36.8	39.6	41.4	43.0	37.9	38.8
JSC “Tsesnabank”						
Tier 1 capital ratio (%).....	10.1	7.0	6.4	6.1	7.1	8.2
Total capital adequacy ratio (%).....	12.3	11.9	11.8	11.0	12.7	12.3
Total assets	227.2	438.1	618.4	923.7	1,317.0	1,376.3
NPL ratio (%).....	8.25	3.54	2.91	3.75	3.39	4.19
Total deposits/total liabilities (%).....	86.3	84.4	90.9	80.9	82.9	76.0
JSC SB “Sberbank”						
Tier 1 capital ratio (%).....	12.9	8.0	8.7	8.0	9.1	11.5
Total capital adequacy ratio (%).....	17.2	12.4	14.8	12.7	12.7	13.5
Total assets	282.7	490.8	732.4	1,035.8	1,283.7	1,255.9
NPL ratio (%).....	4.60	1.93	1.29	2.14	3.39	5.37
Total deposits/total liabilities (%).....	80.1	88.2	76.7	75.9	75.0	75.5

Source: NBK

The Kazakhstan banking system has yet to recover fully from the most acute stage of the global financial crisis and remains under stress.

Since the onset of the global financial crisis, the Kazakhstan banking sector has experienced considerable asset quality deterioration. NPLs (overdue by more than 90 days) in the banking sector increased from 8.1% as at 31 December 2008 to 21.2% as at 31 December 2009 and further increased to a level of 23.4% as at 1 April 2015. As at 1 March 2015, total NPLs in the Kazakhstan banking sector were KZT 3,317 billion, a decrease of KZT 841 billion, or 20.3% as compared to total NPLs of KZT 4,158 billion as at 1 January 2014. The total amount of overdue loans in the banking sector was KZT 4,323.1 billion as at 1 April 2015, a decrease of KZT 1,256.3 billion, or 22.5%, as compared to the total amount of overdue loans from KZT 5,579.4 as at 1 April 2014. NPLs in the banking sector amounted to KZT 3,309.8 billion or 23.4% of all loans as at 1 April 2015, as compared to KZT 4,158.2 billion or 31.2% of all loans as at 1 January 2014, KZT 3,473.2 billion or 31.9% of all loans as at 1 January 2013 and KZT 3,225.6 billion or 30.8% of all loans as at 1 January 2012.

NPLs in the banking sector amounted to KZT 3,309.8 billion or 23.4% of all loans as at 1 April 2015, as compared to KZT 4,158.2 billion or 31.2% of all loans as at 1 January 2014, KZT 3,473.2 billion or 31.9% of all loans as at 1 January 2013 and KZT 3,225.6 billion or 30.8% of all loans as at 1 January 2012. NPLs may not

remain at this level; there is a possibility that the level could increase as a result of a number of factors including the current global macroeconomic situation, a sustained decline in oil prices, sanctions affecting the Russian economy and a further devaluation of the Tenge, which could all affect the ability of borrowers to service any foreign currency debt that may be owed.

As at 1 April 2015, 55.2% of the NPLs of the entire banking sector were NPLs belonging to BTA Bank. All BTA Bank NPLs relate to loans issued before the commencement of BTA Bank's first debt restructuring in October 2009. BTA Bank was acquired by Kazkommertsbank in July 2014. See "*—Effects of Global Financial Crisis and Anti-Crisis Measures*" below.

As reduction in the share of NPLs is one of the strategic objectives of the NBK with regard to the banking system. In February 2014, President Nazarbayev instructed the NBK to take steps to reduce the amount of NPLs of commercial banks as a whole to 15% by 1 January 2015 (which has now been extended until 1 July 2015) and to 10% by 1 January 2016.

The NBK is currently implementing a series of measures aimed at introduction of efficient tools for reducing distressed assets and creating a functional infrastructure for the market for distressed assets. See "*—Banking Supervision and Regulation - Fund for Problem Loans*".

Total assets of the banking sector were KZT 17,877.7 billion as at 1 April 2015, as compared to KZT 18,239.0 as at 1 January 2015, KZT 15,462 as at 1 January 2014, KZT 13,880 billion as at 1 January 2013, KZT 12,818 billion as at 1 January 2012, KZT 12,032 billion as at 1 January 2011 and KZT 11,557 billion as at 1 January 2010.

As at 1 April 2015, the distribution of the aggregate loan portfolio of Kazakhstan's commercial banking sector, by industry sector of borrower, was non-manufacturing (29.6%), trade (26.6%), construction (17.7%), industry (15.5%), communications (1.3%) and agriculture (4.6%).

Total liabilities of the banking sector were KZT 15,477 billion as at 1 April 2015, as compared to KZT 15,873 billion as at 1 January 2015, KZT 13,384 billion as at 1 January 2014, KZT 11,875 billion as at 1 January 2013, KZT 11,515 billion as at 1 January 2012, KZT 10,715 billion as at 1 January 2011 and KZT 12,537 billion as at 1 January 2010. Total debt of the banking sector has decreased from U.S.\$39.2 billion as at 31 December 2008 to U.S.\$10.1 billion as at 31 December 2014.

Following the devaluation of the Tenge in February 2014, as a result of a malicious disinformation campaign conducted by third parties against three large banks, there was an outflow of retail deposits from the banking sector of approximately KZT 250 billion, which was addressed by various measures taken by the banks involved and the NBK. The three banks returned to normal operations following the incident, and approximately 40% of the deposits that were withdrawn were returned to the banking sector within two months.

The total capital of commercial banks in Kazakhstan increased to KZT 2,401.0 billion as at 1 April 2015 from KZT 2,365.7 billion as at 1 January 2015, KZT 2,077.6 billion as at 1 January 2014, KZT 2,005.3 billion as at 1 January 2013, KZT 1,303.2 billion as at 1 January 2012, KZT 1,316.3 billion as at 1 January 2011 and KZT (979.5) billion as at 1 January 2010. The total capital adequacy ratio of commercial banks in Kazakhstan was 17.4% as at 1 April 2015 compared to 17.3% as at 1 January 2015, 18.7% as at 1 January 2014, 18.1% as at 1 January 2013, 17.4% as at 1 January 2012 and 17.9% as at 1 January 2011 and (8.2)% as at 1 January 2010. The total capital of commercial banks in Kazakhstan may not be sufficient to cover losses resulting from a deterioration in asset quality or the effect on their balance sheets and risk weighted capital arising from currency movements.

Financial Performance of the Banking Sector

The following table sets out aggregate profit and loss statement information and key related ratios on the Kazakhstan banking system (including restructured banks) for the periods indicated.

	Year ended 31 December					Three months ended 31 March	
	2010	2010 ⁽¹⁾	2011	2012	2013	2014	2015
	<i>(KZT billions, except ratios)</i>						
Interest income	1,043.9	840.2	1,033.1	1,085.2	1,326.5	1,518.6	393.2
Interest expense	737.2	475.9	634.3	612.3	635.8	753.1	198.3
Net interest income	306.6	364.3	398.8	472.9	690.7	765.5	194.9
Non-interest income	5,342.5	2,642.8	3,431.0	4,174.3	2,958.2	7,965.8	2,420.5
Non-interest expense	4,228.0	3,120.6	3,842.6	4,395.9	3,341.1	8,388.3	2,521.1
Net non-interest income/(expense)	1,114.4	(477.8)	(411.6)	(221.5)	(382.9)	(422.5)	(100.6)
Pre-tax profit/(loss)	1,421.1	(113.5)	(12.8)	251.5	307.8	343.0	94.3
Income tax expense	(1.1)	(10.5)	(24.9)	(29.4)	(46.6)	57.4	18.0
Net income/(loss) after income tax	1,420.0	(123.9)	(37.6)	222.1	261.2	285.7	76.3
Key ratios							
Return on assets (%) ⁽²⁾	12.0	—	(0.1)	1.6	1.8	1.7	2.2
Return on equity (%) ⁽³⁾	2,895.0	—	(0.7)	26.5	13.2	13.4	17.2
Net interest margin (%)	3.0	4.5	3.8	4.2	5.6	5.4	5.5

Source: NBK

Notes:

- (1) Excluding restructured banks (BTA Bank, AllianceBank and Temirbank).
- (2) Pre-tax profit for the period divided by total assets at period end.
- (3) Pre-tax profit for the period divided by total equity at period end.

Net income after tax for the banking sector amounted to KZT 76.3 billion for the first three months of 2015, KZT 285.7 for 2014, KZT 261.2 billion for 2013, KZT 222.1 billion for 2012, KZT (37.6) billion for 2011 and KZT 1,420.0 billion for 2010. For 2010, excluding the banks which were in the process of a debt restructuring, namely BTA Bank, Temirbank and AllianceBank, the net loss after tax of the banking sector amounted to KZT 123.9 billion. Despite the improvement in profitability, banks' margins are under pressure as funding costs have increased.

Effects of Global Financial Crisis and Anti-Crisis Measures

Kazakhstan's banking sector was adversely affected by the global financial crisis. Between 2000 and 2007, while the economy was experiencing rapid growth, banks in Kazakhstan incurred high levels of foreign debt in order to fund a rapid expansion of credit, largely concentrated in the construction and real estate sectors. Following the onset of the global financial crisis which began in 2008, credit growth stopped due to the lack of availability of wholesale debt financing, deposits became volatile and property prices significantly decreased. Oil prices significantly declined as well, which had an adverse impact on the Kazakhstan economy. These factors caused significant losses for Kazakhstan banks and a general destabilisation of Kazakhstan's banking sector.

In response to the pressure faced by major banks in 2008 and 2009, new banking legislation related to financial stability and to allow consensual bank restructurings was introduced. See "*Banking Supervision and Regulation*" below.

In 2009, following the discovery of substantial fraud by the former management of BTA Bank and Alliance Bank, such banks were effectively nationalised by the Government. Both BTA Bank and Alliance Bank defaulted on their debt in April 2009 and were subsequently restructured under new legislation following an effective nationalisation of BTA Bank and a major recapitalisation of Alliance Bank, following which both banks were controlled by Samruk Kazyna. Both banks each then underwent two restructurings of their respective debts. Temirbank also went through a consensual restructuring with its creditors in 2010, the result of which was that Samruk Kazyna became its controlling shareholder.

The first restructuring of BTA Bank was completed in August 2010, cancelling approximately U.S.\$8.6 billion of BTA Bank's financial indebtedness. In 2012, BTA Bank underwent a second restructuring, in which its

financial indebtedness was reduced from U.S.\$11.1 billion to U.S.\$3.3 billion, and its average maturity was extended from three to 12 years. The second restructuring was completed in February 2013. Following this restructuring, Samruk Kazyna owned a 97% equity holding in BTA Bank.

The first restructuring of Alliance Bank was completed in April 2010, restructuring and/or cancelling over U.S.\$2.7 billion of financial indebtedness. Alliance Bank completed a second restructuring in January 2015 which involved restructuring approximately U.S.\$1.3 billion of its indebtedness. Pursuant to the terms of the second restructuring, ForteBank (formerly Alliance Bank) is currently undergoing a reorganisation by means of consolidation (*prisoedinenie*) with Temirbank and ABC Bank.

In May 2009, JSC Astana Finance defaulted and announced a moratorium on the repayment of its debt. The restructuring of JSC Astana Finance was approved by its creditors on 29 June 2012, however it has still not completed its restructuring.

The Government's accumulated capital injections into the Kazakhstan banking sector are estimated to have been the equivalent of 6.4% of Kazakhstan's GDP in 2009, compared, for example, to the United Kingdom and the United States where, according to the IMF, capital injections into their banking sectors representing 3.9% and 2.2% of 2009 GDP, respectively, were made. Currently, Samruk Kazyna does not own any shares in banks other than 4.26% of the share capital of BTA Bank, 10.7% of the share capital of Kazkommertsbank and 19.37% of the share capital of Sekerbank T.A.S. (a Turkish financial institution).

In February 2014, President Nazarbayev instructed Samruk Kazyna to sell its stakes in Kazakhstan's commercial banks so as to withdraw the State from the commercial banking sector. In May 2014, Samruk Kazyna sold all of its shares (a 79.90% stake) in Temirbank and part of its shares (a 16.00% stake) in Alliance Bank to Mr. Bulat Utemuratov. During the course of the restructuring of Alliance Bank, approximately U.S.\$1.3 billion of its indebtedness was restructured and is currently undergoing consolidation (*prisoedinenie*) with ABC Bank and Temirbank. As at 1 April 2015, Mr. Bulat Utemuratov is a holder of 74.78% of the common shares in ForteBank. In June and July 2014, Samruk Kazyna sold a 97.33% stake in BTA Bank to Kazkommertsbank (47.57%) and Mr. K. Rakishev (47.57%) and placed its remaining shares (4.26%) in trust under the control of Kazkommertsbank. On 26 December 2014, the general meeting of the shareholders of BTA Bank and Kazkommertsbank approved the model of integration of the two banks whereby BTA Bank would transfer certain of its assets and liabilities to Kazkommertsbank. BTA Bank and Kazkommertsbank are expected to complete the consolidation process during the second half of 2015. As at 31 March 2015, the total direct shareholding of Kazkommertsbank in BTA Bank increased to approximately 94.8% with Mr. K. Rakishev now holding approximately 23.3% of the common shares in Kazkommertsbank.

The NBK expects to continue to increase and enhance the competitiveness of the banking sector by encouraging further consolidation of banks, the aim being to develop a group of strong banks with desired robust level of capital reserves. It is expected that the group of medium sized banks will consist of 15 to 20 banks with both local and foreign shareholders.

Foreign Capital in the Banking Sector

The liberalisation of the Kazakhstan economy in recent years has resulted in a number of foreign companies, including banks, establishing operations in Kazakhstan through direct investment or by participating in the banking and financial services sector. Currently, foreign banks are prohibited from opening branches in Kazakhstan. Accordingly, foreign banks must establish a Kazakhstan subsidiary or joint venture in order to provide banking services in Kazakhstan.

A number of foreign banks have opened representative offices in Kazakhstan, including Bank of TokyoMitsubishi UFJ Ltd, Commerzbank AG, Deutsche Bank AG, ING Bank N.V., JP Morgan Chase Bank, N.A., Landesbank Berlin AG, Société Générale, Standard Chartered Bank and UBS AG. In addition, as at 1 May 2015, there were 16 banks operating in Kazakhstan with foreign shareholders, including VTB Bank (Kazakhstan), Sberbank and Citibank Kazakhstan. Under the relevant legislation, a bank with foreign holding is defined as being a bank with more than one-third foreign ownership. Banks with less than one-third, direct or indirect, foreign ownership are considered to be domestic banks. As at 1 April 2015, the total assets of four Russian banks operating in Kazakhstan (Sberbank, Alfa Bank, VTB Bank (Kazakhstan) and Bank Home Credit) represented KZT 1.8 trillion or 9.8% of the total assets of the Kazakhstan banking sector.

During the course of 2014 and 2015, certain foreign banks have exited the Kazakhstan banking market. On 3 December 2014, Halyk Bank publicly announced that it had completed the acquisition of the entire issued share capital of HSBC Bank Kazakhstan and HSBC Bank Kazakhstan was renamed as JSC “Altyn Bank” (Subsidiary Bank JSC “Halyk Bank”). It is also expected that by June 2015, RBS Kazakhstan’s operations in Kazakhstan will be acquired by Capital Bank.

Banking Supervision and Regulation

Banking Sector Reforms

The Government, the NBK and the FMSA have undertaken significant structural reforms in the banking sector, aimed at promoting consolidation in the banking sector and improving the overall stability of the system.

Reform of the banking sector in Kazakhstan started in 1995 with the introduction of international prudential standards, including capital adequacy requirements and liquidity ratios to regulate and protect the banking system, transparency requirements as to the auditing of banks by local and international auditors, harmonisation of local accounting practices with IFRS, and personnel training programmes. In addition, to strengthen the banking industry, promote stability and move towards internationally accepted practices, the NBK required commercial banks to adopt recapitalisation and corporate enhancement plans with the aim of enhancing their ability to attract long-term, private investors. In 2000, guidelines were established for bank inspections and for periodic reporting by commercial banks to the NBK, and then to the FMSA. In 2003, all banks were required to develop and install internal risk management systems. The objective of these reforms was to bring supervisory practices closer to international standards to allow for a more transparent view of banks’ levels of capitalisation and exposure to financial risks. As a result of the global financial crisis and its adverse effects on the Kazakhstan banking sector, significant financial stability and restructuring reforms were introduced in 2008 and 2009.

In 2014, the NBK took steps to support the recovery of distressed assets of banks by increasing the efficiency and simplifying the current mechanisms of distressed bank asset management as part of ensuring the stability of the financial sector. Restrictions on banks issuing unsecured consumer loans have been established and capital requirements in respect of consumer lending have been increased. Since 2015, new requirements to calculate capital adequacy have been adopted in accordance with the Basel III recommendation.

Capital Adequacy

The NBK monitors compliance with capital adequacy standards (in compliance with international standards set by the Basel Committee), current liquidity ratios, maximum credit exposures to single borrowers and related parties, maximum investments in fixed and other non-financial assets and limits on contingent obligations and foreign exchange positions.

The FMSA (then performing the functions that are now performed by the NBK) refined its capital adequacy and credit exposure standards in September 2005, when it set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions. In November 2005, the regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represented a substantial step towards the implementation of the Basel Accord. In particular, these regulations introduced the concepts of hybrid capital eligible to be included in Tier I and Tier II capital, Tier III capital (qualified subordinated debt) and operational and market risks and included rules for calculating risk with respect to derivatives. In February 2007, to reduce the risks associated with rapid growth in the external debt of Kazakhstan’s banks, the FMSA introduced amendments to the capital adequacy regulations which imposed limits on levels of foreign borrowings or “external liabilities” which a bank can incur as a multiple of such bank’s equity capital as calculated both including and excluding debt securities issued. These amendments mean that banks are not permitted to increase borrowings from non-domestic holders (subject to certain exceptions) to a level in excess of certain multiples of regulatory capital.

From 1 January 2015, new requirements for the calculation of banks’ capital adequacy, Basel III, have been introduced. These requirements are aimed at ensuring the stability of the banking sector, achieving more balanced and less risky banking activities and increasing competitiveness on the regional and international markets. The new Basel III standards, are also expected to improve the ability of banks to absorb shocks arising out of financial and economic stresses.

The Basel III standards provide for proportional distribution over the capital of banks in time: the norms in the first phase decrease (the general level of capital is reduced from 12% to 7.5%) and then will gradually increase until 2019 (the capital of the first level from 6% to 9%, and the general level of capital from 7.5% to 12%). In addition, the introduction of new capital buffers (conservation, countercyclical and systemic) aimed at strengthening the regulatory policy by macro-prudential oversight. Capital buffers should be formed at the expense of core capital (common shares and retained net income of the bank). A bank's failure to comply with the requirements to maintain the required level of capital buffers does not result in imposition of sanctions on that bank, but instead imposes restrictions on the use of revenues.

Conservation buffers are created by banks in order to ensure that they build up capital buffers outside periods of stress which can then be drawn on as and when losses are incurred (a gradual increase in 2015 from 2.5% to 3% for 'systemic' banks, and from 1% to 3% for other banks). Countercyclical buffers shall be introduced and this will require banks to create a capital buffer in periods of high growth (date of introduction shall be not less than 12 months before the start date for calculating the buffer, the amount is from 0% to 3%). Systemic buffers shall be required for so called 'systemic' banks (created from common shares and retained income) in order to avoid any destabilisation of such banks that could have a serious negative impact on the financial system or the economy (from 1 January 2016, in the amount of 1%). Also, these new measures provide for gradual amortisation from 2016 to 2020 (by 20% annually) of financial instruments, which are included to the composition of capital but do not meet the criteria established under Basel III.

On 6 May 2014, the NBK amended the prudential ratios that are applicable to all commercial banks. As a result of the amendments, the minimum charter capital for a newly founded bank, as well as the net equity amount for an existing bank performing general banking operations, will gradually increase to KZT 30 billion from 1 January 2016; to KZT 50 billion from 1 January 2017; to KZT 75 billion from 1 January 2018; and to KZT 100 billion from 1 January 2019. Starting 1 January 2016, the minimum amount of net equity capital for a bank that performs only limited banking operations will be KZT 10 billion.

Fund for Problem Loans

To address the poor quality of the loan portfolios of banks in Kazakhstan, the NBK has introduced a set of special policy measures, including the establishment of a Fund for Problem Loans in 2012. The Fund for Problem Loans, which is fully owned by the NBK, is focused on buying NPLs, excluding real estate and consumer loans, from banks and managing such assets. The latter refers to the development and further implementation of solutions regarding bad debtors (*i.e.*, restructuring their obligations and/or the sale of collateral and the sharing of specific risk-sharing mechanisms between the Fund and banks). In addition to the Fund, NPLs can also be transferred by banks to their own subsidiaries or special purpose vehicles which are authorised to manage, sell, restructure and securitise problematic assets. The foregoing mechanisms are supplemented by special terms and conditions for bad debt remission without additional tax liabilities for banks. In addition, since 2013, the NBK has enforced special regulatory thresholds on NPLs to stimulate the process of loan quality improvement by banks. According to these thresholds, as at January 2015, the level of NPLs should not exceed 15%. From January 2016, new prudential regulation shall be introduced raising the threshold governing the level of NPLs to 10%.

In October 2014, the President adopted a decree providing for the transfer of KZT 250 billion from the National Fund to the State Budget in order to capitalise the Fund for Problem Loans for the purpose of rehabilitating the banking sector. In 2014, this money was transferred to the Fund for Problem Loans from the State Budget.

Deposit Guarantee Scheme

In December 1999, a self-funded domestic deposit guarantee scheme was established. All banks, which hold deposits and current accounts on behalf of individuals, participate in the scheme on obligatory guaranteeing of deposits, save for Islamic banks (currently, "Islamic bank "Al Hilal" JSC). As at 1 May 2015, 37 banks were participating in the scheme.

From May 2015, in respect of Tenge denominated personal term deposits and current accounts, the guarantee coverage is presently limited to a maximum amount per customer of KZT 10 million at each participating bank. With respect to personal term deposits and current accounts denominated in a foreign currency, the guarantee coverage is limited to a maximum amount per customer of KZT 5 million at each participating bank. In a case where a customer has several deposits (of any type or denominated in different currencies) held at a participating bank, such customer's guarantee coverage will be limited to a maximum of KZT 10 million in

respect of all the deposits at that particular participating bank. Any claim under the guarantee scheme will be fulfilled by the Kazakhstan Deposit Insurance Fund JSC. Only banks participating in the deposit guarantee scheme are authorised to hold accounts and take deposits from private individuals.

Financial Stability Law

On 23 October 2008, Law No. 72-IV of the Republic of Kazakhstan on Amendments and Additions to some Legislative Acts of the Republic of Kazakhstan on Financial System Stability (the “**Financial System Stability Law**”) was adopted. Under the Financial System Stability Law, in the event of a breach by a bank of capital adequacy or liquidity ratios or two or more breaches by a bank in any 12 month period of any other prudential or other mandatory requirements, the Government may, with the agreement of the NBK, acquire, either directly or through a national management holding company (which are currently Samruk Kazyna, KazAgro and Baiterek) (the “**National Management Holding Company**”), the authorised shares of any bank in Kazakhstan to the extent necessary (but not less than 10% of the total amount of issued and outstanding shares of such bank, including those to be acquired by the Government or the National Management Holding Company) to improve such bank’s financial condition and ensure compliance with prudential or other mandatory requirements. The Financial System Stability Law provides that the management and shareholders of an affected bank do not have the right to approve or disapprove any such acquisition, and any shares issued as part of any such acquisition may be issued without granting pre-emptive rights to existing shareholders. Following such an acquisition, the state body authorised to manage state property or the National Management Holding Company is authorised to appoint no more than 30% of the members of the board of directors and the management board of the affected bank. The Government or the National Management Holding Company must sell the acquired shares within one year of their acquisition to a third party investor or investors by way of direct sale or through the stock exchange. However, this term may be extended if the financial condition of the bank shows no sign of improvement.

The main objectives of the Financial System Stability Law were to improve early detection mechanisms for risks in the financial system, provide powers to the Government to acquire shares in commercial banks that face financial problems and improve the overall condition of financial institutions in Kazakhstan. The law also consolidates authority to oversee Kazakhstan commercial banks and provides additional mechanisms for supervising commitments made by banks and other financial institutions.

Restructuring Law

In response to the pressures faced by major banks in Kazakhstan in 2008 and 2009 following the onset of the global financial crisis, in July 2009, Kazakhstan’s Parliament adopted Law No. 185-IV (the “**Restructuring Law**”), which introduced a procedure for restructuring the financial indebtedness of a bank by enabling consensual financial restructurings approved by a majority of creditors and revising the existing framework for good bank/bad bank reorganisations. Prior to the adoption of this law, there was no law in Kazakhstan which allowed for the claims of creditors to be restructured on a basis involving less than 100% consent of the affected creditors. Accordingly, creditors who did not wish to participate in a restructuring had the ability to offset their claims against a bank’s assets or bring litigation in any jurisdiction where such assets were located. A second key feature of the Restructuring Law was the amendment to the existing legislative framework allowing for the segregation of the “good” assets from the liabilities of a distressed bank and the transfer of them to another bank (or several banks) or to a specialised stabilisation bank. As at the date of this Base Prospectus, the Restructuring Law has been applied in the restructurings of Alliance Bank, BTA Bank (as referred to above) and Temirbank.

Anti-Money Laundering Regulation

The NBK exercises control over financial institutions’ compliance with the relevant anti-money laundering and anti-terrorist financing legislation. In August 2009, the Parliament adopted the Law “On Anti-money Laundering and Combating Financing of Terrorism” (the “**AML Law**”), which came into effect in March 2010 and which identifies various types of transactions subject to financial monitoring, such as exchanges or withdrawals of large sums of cash, large insurance payments and major securities or real estate transactions and establishes thresholds for each of them. Banks, pension funds, insurance and reinsurance companies and certain other financial institutions and individuals are obliged to monitor any such transaction entered into by their clients by conducting diligence as outlined in the AML Law with respect both to the clients and the transaction. In case it is not possible to conduct such diligence, the financial institution cannot establish relations with such clients and a transaction cannot be performed. The AML Law also requires any suspicious transaction to be reported to an authorised state body. Furthermore, in line with the AML Law, the Law “On Banks and Banking

Activity” dated 31 August 1995 was amended in 2009 to provide for the possible suspension or revocation of a bank’s licence for money-laundering violations.

Foreign Exchange Regulations

In 1996, Kazakhstan accepted the conditions of Article VIII of the IMF Charter. The Law “On currency regulation”, which was implemented in 1996, defined the list of current currency operations which could be accomplished without restrictions. Particularly, while operations which assumed capital outflow required licensing, registration of capital inflow operations was conducted solely for statistical purposes and was not considered to be a restrictive measure.

By 2002 there was a necessity to develop new approaches for currency liberalisation of the currency exchange regime, which would lead to removal of certain restrictions on conduction of currency operations, approaching of new methods of regulation of currency operations in accordance with demands of time and international experience. As a result, in 2002, the NBK established the concept of currency exchange regime liberalisation in Kazakhstan, which envisaged step-by-step liberalisation of currency exchange regime, complete removal of currency restrictions on capital flows and a transition to the full convertibility of the Tenge on current and capital operations by 2007. In accordance with the Currency Control Law, further liberalisation of currency exchange regime was conducted in June 2005. As a result, by 2007 legislative restrictions on the convertibility of the Tenge on current and capital operations were removed, conditions for transition to full convertibility of the Tenge were created.

The present currency exchange regime of Kazakhstan does not contain limitations on capital movement or on commercial activities in the country. Currently the goal of currency exchange regulation in Kazakhstan is supporting the state policy of accomplishing sustainable economic growth and ensuring economic security of the country. Specifically, the main objective of currency exchange regulation is maintenance of a database on currency operations and capital flows. In order to gather statistical data on capital movement operations (financial loans, foreign direct investments, commercial credits and foreign bank accounts) there are regimes of registration and notification, which apply only to residents of Kazakhstan. Information received within the framework of these regimes is used to form statistical and analytical data of balance of payments, international investment position and gross external debt.

In order to ensure the supply of currency on the internal currency market, the currency legislation of Kazakhstan envisages a requirement for currency repatriation. According to applicable legislation, the time period for currency repatriation is determined solely by the conditions of an external economic contract. There are no limitations on conducting export or import transactions after the repatriation period. The currency repatriation requirement applies only to residents of Kazakhstan (corporate entities and entrepreneurs).

Due to existing risks of external shocks, the Currency Control Law envisages a mechanism for the timely reaction to a threat to the economic security of Kazakhstan and the stability of its financial system. In particular, if a problem cannot be resolved by other measures of economic policy, the law envisages the possibility of a temporary (no more than one year) implementation of particular currency exchange limitations in the framework of a special currency regime, which may be introduced only by the President of Kazakhstan after consultation with the Government and the NBK. To date, Kazakhstan has not applied the special currency regime.

In March 2015, the NBK amended the Rules on Currency Operations in Kazakhstan. Pursuant to these amendments, Kazakhstan legal entities (save for banks and organizations authorized to carry out currency exchange operations) purchasing foreign currency (in exchange for Tenge) in the internal market in an amount exceeding U.S.\$100,000 must provide a copy of a currency contract, for which delivery of the foreign currency is required and/or other documents confirming the purpose of such purchase and the amount of the foreign currency.

Foreign Exchange Market

The largest share of transactions on the currency spot market occurs at KASE. The NBK buys and sells currencies when it acts to influence exchange rates. The major currency traded is the U.S. dollar, with a trading volume of KZT 33.7 trillion in 2014, accounting for approximately 99.9% of total turnover (including currency swap operations). The second most frequently traded currency is the Russian rouble, with a trading volume of KZT 49.4 billion in 2014, which accounted for 0.01% of total turnover (including currency swap operations).

Capital Markets

KASE

There is currently only one stock exchange in Kazakhstan, the KASE, which is a commercial organisation. It is located in Almaty and was founded in 1993 as the Kazakhstan Interbank Currency Exchange. The KASE is a universal financial market, which can be conditionally divided into four major sectors: the foreign currency market, the government securities market (including bonds of international finance institutions), the market of shares and corporate bonds, and the derivatives market. Presently, the securities traded on the KASE include NBK notes, corporate securities issued by Kazakhstan entities and municipal bonds. In 2014, the volume of trades on the KASE was U.S.\$188,296 million in foreign currency (including currency swap transactions), U.S.\$5,713 million in government securities, U.S.\$3,670 million in non-government securities and U.S.\$62,754.2 million in repurchase transactions and U.S.\$8.2 million in derivatives. See “*The Economy of Kazakhstan—State-Owned Enterprises*”. The KASE has a central role in the People’s IPO programme. See “*The Economy of Kazakhstan—Privatisation*”. In the IPO of KazTransOil and KEGOC, the KASE was responsible for the technical management of the share subscriptions. The KASE is planning to continue to develop its technical infrastructure in preparation for future IPOs.

During the first quarter of 2015, the volume of trades on the KASE was U.S.\$129,558.2 million in foreign currency (including currency swap transactions), U.S.\$1,567.8 million in government securities, U.S.\$908.4 million in non-government securities and U.S.\$36,216.7 million in repurchase transactions.

The KASE is in the process of implementing a number of projects aimed at attracting investors and increasing market liquidity. These include the establishment of a deferred settlement cycle (T+2) for transactions in securities, partial prepayment and a risk management system. The new settlement scheme will provide market participants with additional opportunities for effective management of assets/liquidity between the trading day and the settlement day; utilise clearing and settlement systems that adhere to international best practice; and reduce the volume of settlement transactions and delivery instructions. KASE has already introduced new requirements for broker-dealers who offer direct market access (“DMA”) services to their clients and new requirements regarding DMA systems used for these services. The DMA project allows DMA clients to avoid the risks involved in using intermediary services, which may be unreliable.

On 25 September 2014, the KASE opened currency tenders for Kazakhstan Tenge and Chinese Yuan.

In addition, on 1 January 2015, amendments to the KASE listing rules became effective which have simplified the listing categories and have made them more market-oriented. The amendments also simplified the listing and disclosure requirements for securities, especially debt securities, issued by quasi-sovereign issuers. In addition, listing rules applicable to derivative securities were introduced.

Most recently, on 19 May 2015, the President adopted a decree providing for the relocation of the KASE from Almaty to Astana.

Almaty Regional Financial Centre

The RFCA was established in June 2006, by the adoption of the Law “On the regional financial centre of Almaty”. The aim of the RFCA is to develop Kazakhstan’s domestic securities market, integrate it into the international capital markets and attract investments into the economy. In 2011 the RFCA was reorganised into the Department for the Development of the Regional Financial Centre of Almaty City. In December 2012, this entity was reorganised into the Department for the Development of the Regional Financial Centre of Almaty City and Islamic Finance. As at the date of this Base Prospectus, 17 companies are registered as RFCA participants.

The inaugural trade, on a special trading platform of the KASE, took place on 27 February 2007. However, on November 2009, the special trading platform was merged into the main trading platform of the KASE.

Since April 2011, the NBK has been responsible for regulation of operations of the RFCA. Previously, the RFCA was regulated by the Agency for Regulation of the Operations of the RFCA.

International Financial Centre “Astana”

On 19 May 2015, President Nazarbayev adopted a decree providing for the establishment of the AIFC and instructed the Government to prepare and submit to Parliament a draft law. This draft law is aimed at improving conditions for investors including, having dealings between participants of the AIFC governed by English law, use of the English language in the AIFC, having the AIFC meet standards of leading world financial centres and the establishment of a financial court (with participation of foreign judges) for settlement of disputes, including investment disputes. It is currently envisaged that AIFC’s participants will be exempt from corporate income tax on income received in the territory of the AIFC for 10 years. The draft law should also provide support the first sovereign Sukuk bond issuance. The AIFC is expected to be established on 1 January 2016. From 1 January 2018 (after the conclusion of the EXPO-2017), the AIFC will be located in the territory of the EXPO-2017.

It is currently expected that the aim of the AIFC will be to (i) become the main financial centre for countries in Central Asia, the Caucasus, the EEU and the Middle East; (ii) develop a specialisation in financial matters combined with a deep regional expertise in asset management (including private banking) and Islamic finance; and (iii) engage highly qualified finance professionals to live and work in Astana.

It is expected that by 2025 the overall cumulative direct and indirect contribution of AIFC to Kazakhstan’s GDP would be approximately U.S.\$40 billion. Out of these U.S.\$40 billion, U.S.\$12.1 billion would be as a result of a direct contribution to the GDP and approximately U.S.\$8 billion of the GDP contribution would result from servicing foreign clients. Additional indirect contribution to the GDP is expected to come from the acceleration of the growth of the real economy, which would benefit from increased access to financing and capital. The AIFC is also expected to result in the creation of jobs for 2,300 professionals.

Regulation of the Securities Market

The NBK is responsible for the state policy on the functioning of the domestic securities market, the development of its infrastructure and the protection of rights and interests of investors. One of the NBK’s functions is securities market regulation, control and supervision. The functions of the NBK in this regard include registration of securities issues, maintenance of a register of all securities issued and circulating in Kazakhstan, licensing of professional activities in the securities markets and overseeing compliance with Kazakhstan’s securities law.

The self-regulatory organisation that was established in 1999, the Financial Institutions Association of Kazakhstan, also plays a role in the regulation of the securities market.

Pension Funds

As at 1 April 2015, total pension assets in Kazakhstan were about U.S.\$25.3 billion (KZT 4,400.3 billion). Since March 2014, all pension assets in Kazakhstan are held by the UAPF. See “*The Economy of Kazakhstan—Pensions and Pension Reform*”.

The growing demand of the pension funds for quality investment outlets has contributed to the rapid development of the Kazakhstan debt securities market. A substantial portion of pension fund capital is invested in corporate bonds and Kazakhstan Government Bonds. As at 1 April 2015, approximately 46% of all pension assets were invested in Kazakhstan Government Bonds and 28.6% were invested in Kazakhstan corporate bonds.

The recent reform of the Kazakhstan pension system, whereby private pension funds have been replaced by the UAPF, is expected to have certain adverse effects on the development of the domestic capital markets because of the prominent role previously played by private pension funds in the domestic capital markets. The consolidation of pension accounts into the UAPF was completed in March 2014. See “*The Economy of Kazakhstan - Pensions and Pension Reform*”.

Government Securities

The market for KZT-denominated government securities comprises KZT-denominated Government Bonds, NBK notes and bonds issued by local government authorities. Secondary trading in NBK notes takes place on the KASE. As at 28 May 2015, the outstanding par value of all government KZT-denominated bonds was approximately KZT 4,276.2 billion (U.S.\$23.0 billion, based on the 28 May 2015 exchange rate) of which KZT

4,263.2 billion (U.S.\$23.0 billion) were Government Bonds and KZT 13 billion (U.S.\$69.9 million) were NBK notes. See “*Public Debt—Internal Public Debt*”.

In 2014, NBK notes were issued in a total amount of KZT 82.1 billion (U.S.\$458.0 million), which included NBK notes with maturities of three months in an amount of KZT 78.1 billion (U.S.\$435.7 million) and those with maturities of six months, in the amount of KZT 4 billion (U.S.\$22.3 million). In 2014, KZT denominated Government Bonds were issued in a total amount of KZT 636.5 billion (U.S.\$3.55 billion), which included KZT denominated Government Bonds with maturities of one year in an amount of KZT 1.4 billion (U.S.\$81 million), those maturities of up to five years in an amount of KZT 72.0 billion (U.S.\$401.7 million), those maturities of more than five years in an amount of KZT 528.1 billion (U.S.\$2.95 billion) and those maturities of more than five years indexed to CPI in an amount of KZT 35 billion (U.S.\$0.2 billion).

SUMMARY OF PROVISIONS RELATING TO NOTES IN GLOBAL FORM

The Global Notes

Each Series of Notes will be issued in registered form and evidenced on issue by a Global Note.

Notes offered and sold outside the United States in reliance on Regulation S will be represented by interests in an Unrestricted Global Note which will be deposited on issue with a Common Depository for Euroclear and/or Clearstream, Luxembourg and registered in the name of a nominee for a Common Depository in respect of interests held through Euroclear and Clearstream, Luxembourg.

Notes offered and sold in reliance on Rule 144A will be represented by interests in a Restricted Global Note which will be registered in the name of Cede & Co. as nominee for, and which will be deposited with the Custodian for DTC, in respect of interests held through DTC.

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Fiscal Agency Agreement and, with respect to a Restricted Global Note, as set forth in Rule 144A and the Restricted Notes will bear the legends set forth thereon regarding such restrictions set forth under “*Transfer Restrictions*”

Any beneficial interest in an Unrestricted Global Note that is transferred to a person who takes delivery in the form of an interest in a Restricted Global Note will, upon transfer, cease to be an interest in that Unrestricted Global Note and become an interest in the corresponding Restricted Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in that Restricted Global Note for as long as it remains such an interest. Any beneficial interest in a Restricted Global Note that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note will, upon transfer, cease to be an interest in that Restricted Global Note and become an interest in that Unrestricted Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Unrestricted Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the “**Definitive Note Certificates**”). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effects of the Terms and Conditions of the Notes. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Notes will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (the “**Record Date**”), where “**Clearing System Business Day**” means Monday to Friday inclusive, except 25 December and 1 January.

Notices

So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of the Notes *provided however, that*, so long as the Notes are listed on a stock exchange and its rules so require, notices will also have to be filed in accordance with the rules of such stock exchange.

Meetings

The holder of each Global Note will be treated as being one person for the purposes of any quorum requirements of, or have the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote

in respect of each 1,000 units of the currency in which the relevant Notes are denominated as comprise the principal amount of Notes for which the relevant Global Note may be exchangeable.

Purchase and Cancellation

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled following its purchase will be effected by reduction in the principal amount of the relevant Global Note.

Exchange for Definitive Note Certificates

Exchange

Notes initially represented by a Restricted Global Note are exchangeable in whole, but not in part, (free of charge to the Holder) for Restricted Definitive Note Certificates (i) if the Restricted Global Note is held by or on behalf of DTC and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Note or ceases to be a “clearing agency” registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC, by the Holder giving notice to the Registrar or a Paying and Transfer Agent or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 12 (*Taxation*) which would not be suffered were the Notes in definitive form. The Issuer shall notify the Noteholders of the occurrence of any of the events specified above as soon as practicable thereafter.

Notes initially represented by an Unrestricted Global Note are exchangeable in whole, but not in part, (free of charge to the Holder) for Unrestricted Definitive Note Certificates (i) if the Unrestricted Global Note is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the Holder giving notice to the Registrar or a Paying and Transfer Agent or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 12 (*Taxation*) which would not be suffered were the Notes in definitive form. The Issuer shall notify the Noteholders of the occurrence of any of the events specified above as soon as practicable thereafter.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the Registrar. In exchange for the relevant Global Note, as provided in the Fiscal Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Note Certificates in or substantially in the form set out in the relevant schedule to the Fiscal Agency Agreement.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Note Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

“**Exchange Date**” means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or a Paying and Transfer Agent is located.

Delivery of Definitive Note Certificates

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Note Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity and/or security as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and, in the case of a Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Definitive

Note Certificates issued in exchange for a beneficial interest in a Restricted Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under “*Transfer Restrictions*”.

Legends

The holder of a Definitive Note Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Paying and Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Restricted Definitive Note Certificate bearing the legend referred to under “*Transfer Restrictions*”, or upon specific request for removal of the legend on a Restricted Definitive Note Certificate, the Issuer will deliver only Restricted Definitive Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer and the Registrar that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

CLEARING AND SETTLEMENT

Book Entry Procedures for the Global Notes

For each Series of Notes evidenced by a Restricted Global Note, custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See “—*Book Entry Ownership*” and “—*Settlement and Transfer of Notes*”.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**”) and together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Restricted Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Restricted Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under “*Exchange for Definitive Note Certificates*”, DTC will surrender the relevant Restricted Global Notes for exchange for individual Restricted Definitive Note Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book Entry Ownership

A Global Note representing the Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B 1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L 1855 Luxembourg.

DTC

The Restricted Global Note representing Restricted Notes of any Series will have a CUSIP number, unless otherwise agreed, and will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be) for its share of each payment made by the Issuer to the holder of the Global Notes, and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be).

The Issuer expects that, upon receipt of a payment in respect of Notes evidenced by a Global Note, the Common Depository by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of the beneficial interests in any Global Note held through such Direct Participant in any clearing system will be governed by standing instructions and customary practices.

Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and such obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note, in respect of each amount so paid. None of the Issuer, the Fiscal Agent or any Paying Agent will have responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within a clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Note Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Restricted Global Note to pledge such interest to persons or entities

that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading Between Euroclear and Clearstream, Luxembourg Participants

Secondary market sales of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading Between DTC Participants

Secondary market sales of book entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement system in same day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading Between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Restricted Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in an Unrestricted Global Note (subject to the certification procedures provided in the Fiscal Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Restricted Global Note will instruct the Registrar to decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Note of the relevant class and increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note. Book entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading Between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Restricted Global Note (subject to the certification procedures provided in the Fiscal Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Restricted Global Note who will in turn deliver such book entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by an Unrestricted Global Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Restricted Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Fiscal Agent or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre Issue Trades Settlement

It is expected that the delivery of Notes will be made against payment therefor on the relevant closing date, which could be more than three business days following the date of pricing. Under Rule 15c6 I under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant closing date will be required, by virtue of the fact that the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant closing date should consult their own advisers.

TAXATION

The following is a general description of certain material tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

EU Directive on the Taxation of Savings Income (Directive 2003/48/EC)

Under the EU Savings Directive, member states are required to provide to the tax authorities of another member state details of payments of interest and other similar income paid by a person within its jurisdiction (a “**paying agent**”) to or for an individual (or certain other persons) resident in that other member state. However, for a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

Also, a number of non-EU countries and certain dependent or associated territories of certain member states have adopted similar measures (either provision of information or transitional withholding) in relation to such payments.

Investors should note that the Council of the European Union formally adopted certain amendments to the EU Savings Directive on 24 March 2014. These extend the scope of the EU Savings Directive so as to treat a wider range of income as similar to interest and to bring payments made through a wider range of collective investment undertakings wherever established (including partnerships) within the scope of the EU Savings Directive. The amendments also introduce “look-through” requirements to prevent the EU Savings Directive from being circumvented by the use of intermediaries. Member states must implement the necessary domestic legislation to comply with the amended EU Savings Directive with effect from 1 January 2017.

The EU Savings Directive may be repealed in due course in order to avoid overlap with the amended Council Directive 2011/16/EU on administrative cooperation in the field of taxation, pursuant to which member states will be required to apply other new measures on mandatory automatic exchange of information from 1 January 2016.

Investors who are in any doubt as to their position should consult their professional advisers.

United States Federal Income Taxation

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a holder thereof. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme (including Notes with a maturity of 30 years or longer) and only applies to Notes held as capital assets for U.S. federal income tax purposes. It does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax exempt organisations, dealers or traders in securities or currencies or to holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. dollar. Moreover, this summary does not address the U.S. federal estate and gift tax, net investment tax or alternative minimum tax consequences of the acquisition, ownership or retirement of Notes and does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at their initial “issue price,” as defined in “—U.S. Holders—Original Issue Discount” below.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), existing and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as at the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations, which could affect the tax consequences described herein. Any special U.S. federal income tax considerations relevant to a particular issue of the Notes will be provided in the relevant Pricing Supplement.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is (i) an individual citizen or resident of the United States; (ii) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any State thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax adviser as to the consequences of acquiring, owning or disposing of Notes.

A Non-U.S. Holder is a beneficial owner of the Notes other than a U.S. Holder or a partnership (or an entity treated as a partnership for U.S. federal income tax purposes).

Prospective investors should consult their own tax adviser with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of Notes.

U.S. Holders

Interest

Except as set forth below, interest (including “qualified stated interest” as defined under “—*Original Issue Discount*” below) paid on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a “foreign currency”), including any additional amounts, will be includible in a U.S. Holder’s gross income as ordinary interest income in accordance with the U.S. Holder’s usual method of tax accounting. In addition, interest on the Notes will generally be treated as foreign source income for U.S. federal income tax purposes. Prospective purchasers of Notes should consult their own tax advisers concerning the applicability of foreign tax credit and source of income rules attributable to the Notes.

Foreign Currency Denominated Interest

Any interest paid in a foreign currency will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the foreign currency, including the amount of any applicable withholding tax thereon, regardless of whether the foreign currency is converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or in the case of an accrual period that spans two taxable years of the U.S. Holder, the part of the period within each taxable year), at the U.S. Holder’s election, at the spot rate of exchange on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within each taxable year) or, for an electing accrual basis U.S. Holder, the spot rate on the date of receipt, if that date is within five days of the last day of the accrual period. Any such selection will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date payment is received differs from the rate applicable to an accrual of that interest.

Original Issue Discount

U.S. Holders of Notes issued with original issue discount (“**OID**”) will be subject to special tax accounting rules, as described in greater detail below. U.S. Holders of Notes issued with OID (including cash basis taxpayers) should be aware that, as described in greater detail below, they generally must include OID in income for U.S. federal income tax purposes on an economic accrual basis, in advance of the receipt of cash attributable to that income. However, U.S. Holders of such Notes generally will not be required to include separately in income cash payments received on the Notes, even if denominated as interest, to the extent such payments do not constitute qualified stated interest (as defined below). Notes issued with OID will be referred to as “Original

Issue Discount Notes.” Solely for the purposes of determining for U.S. federal income tax purposes whether a Note has OID and the yield and maturity of a Note, the Issuer may, under certain circumstances, be deemed to exercise any call option that has the effect of decreasing the yield on the Note and the U.S. Holder may, under certain circumstances, be deemed to exercise any put option that has the effect of increasing the yield on the Note. The relevant Final Terms will so state when the Issuer determines that a particular Note will be an Original Issue Discount Note.

The following discussion does not address the U.S. federal income tax consequences of an investment in contingent payment debt instruments. In the event the Issuer issues contingent payment debt instruments the relevant Final Terms or a supplement to this Base Prospectus will describe the material U.S. federal income tax consequences thereof.

Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a currency other than the U.S. dollar are described in “—*Foreign Currency Discount Notes*” below.

For U.S. federal income tax purposes, a Note, other than a Note with a term of one year or less, will be treated as an Original Issue Discount Note if the excess of the Note’s “stated redemption price at maturity” over its “issue price” equals or exceeds a *de minimis* amount (i.e., 0.25% of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of a Note that provides for payments other than qualified stated interest before maturity, its weighted average maturity)). The “stated redemption price at maturity” of a Note is the sum of all payments required to be made on such Note other than “qualified stated interest” payments. The “issue price” of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, agent or wholesaler). The term “qualified stated interest” means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. Notice will be given in the relevant Pricing Supplement when it is determined that a particular Note will bear interest that is not qualified stated interest.

In the case of a Note issued with *de minimis* OID, the U.S. Holder generally must include such *de minimis* OID in income as stated principal payments on the Notes made in proportion to the stated principal amount of the Note. Any amount of *de minimis* OID that has been included in income will be treated as capital gain.

U.S. Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income in advance of the receipt of some or all of the related cash payments. The amount of OID includible in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the “daily portions” of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note (“accrued OID”). The daily portion is determined by allocating to each day in any “accrual period” a *pro rata* portion of the OID allocable to that accrual period. The “accrual period” for an Original Issue Discount Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The “adjusted issue price” of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortisation of any acquisition or bond premium, as described below) and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, a U.S. Holder will have to include in income increasingly greater amounts of OID in successive accrual periods.

In the case of an Original Issue Discount Note that is a Floating Rate Note, both the “yield to maturity” and “qualified stated interest” will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if interest on a Floating

Rate Note is based on more than one interest index or if the principal amount of the Note is indexed in any manner. Persons considering the purchase of Floating Rate Notes should carefully examine the relevant Final Terms and should consult their own tax advisers regarding the U.S. federal income tax consequences of the holding and disposition of such Notes.

U.S. Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium. U.S. Holders should consult their own tax advisers about this election.

Certain of the Notes may be redeemed prior to their maturity. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the relevant Final Terms and should consult their own tax advisers with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

Short-Term Notes

In the case of Notes having a term of one year or less (“**Short-Term Notes**”), all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, U.S. Holders generally will be taxable on the discount in lieu of any stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-Term Note, unless the U.S. Holder elects to compute this discount using tax basis instead of issue price. In general, individuals and certain other cash method U.S. Holders of a Short-Term Note are not required to include accrued discount in their income currently unless they elect to do so (but will be required to include any stated interest in income as it is received). U.S. Holders that report income for U.S. federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short-Term Notes (as ordinary income) on a straight line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realised on the sale, exchange or retirement of the Short-Term Note will generally be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, a U.S. Holder that does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the U.S. Holder’s interest expense with respect to any indebtedness incurred or continued to purchase or carry such Notes.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note at a “premium.” A U.S. Holder generally may elect to amortise the premium over the remaining term of the Note on a constant yield method as an offset to interest when includible in income under the U.S. Holder’s regular accounting method for U.S. federal income tax purposes. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, bond premium will be computed in units of foreign currency and amortisable bond premium will reduce interest income in units of the foreign currency. At the time amortised bond premium offsets interest income, foreign currency gain or loss (taxable as ordinary income or loss) is measured by the difference between exchange rates at that time and at the time of the acquisition of the Notes. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the Internal Revenue Service. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognised on disposition of the Note.

Sale, Exchange or Retirement

A U.S. Holder’s tax basis in a Note generally will be its U.S. dollar cost (as defined herein) increased by the amount of any OID included in the U.S. Holder’s income with respect to the Note and reduced by (i) the amount of any payments on the Note that are not qualified stated interest and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The U.S. dollar cost of a Note purchased with a foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, in the case of

Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement (less any accrued but unpaid interest, which will be taxable as ordinary interest income) and the U.S. Holder's adjusted tax basis of the Note. The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of such amount on the date of sale, exchange or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Gain or loss recognised on the sale, exchange or retirement of a Note (other than gain or loss that is attributable to OID, or to changes in exchange rates, which will be treated as ordinary income or loss) will be capital gain or loss and will be long term capital gain or loss if the Note was held for more than one year. The deductibility of capital losses is subject to limitations. Gain or loss recognised by a U.S. Holder on the sale, exchange or retirement of a Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. A U.S. Holder will recognise foreign currency gain or loss on the principal amount of the Note equal to the difference between (i) the U.S. dollar value of the U.S. Holder's purchase price for such Note determined at the spot rate on the date of sale or other disposition and (ii) the U.S. dollar value of the U.S. Holder's purchase price for the Note determined at the spot rate on the date the U.S. Holder acquired the Note. However, foreign currency gain or loss is taken into account only to the extent of total gain or loss realised on the transaction. Gain or loss realised by a U.S. Holder on the sale, exchange or retirement of a Note generally will be U.S.-source income or loss. Prospective investors should consult their tax advisers as to the foreign tax credit implications of such sale, exchange or retirement of Notes.

Sale or Other Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be ordinary income or loss.

Dual Currency Notes

U.S. Holders of Notes that are denominated in more than one currency or that have one or more non currency contingencies and are denominated in either one foreign currency or more than one currency will be subject to special rules applicable to "multi-currency debt securities." A U.S. Holder generally would be required to apply the "noncontingent bond method" in the multi-currency debt security's denomination currency, which, for this purpose, would be the multi-currency debt security's predominant currency as determined by the Issuer. A description of the principal U.S. federal income tax considerations relevant to holders of Dual Currency Notes, including specification of the predominant currency, will be set forth, if required, in the relevant Pricing Supplement.

Other Notes

A description of the principal U.S. federal income tax considerations relevant to U.S. Holders of any other type of Note that the Issuer may issue under the Programme will be set forth, if required, in the relevant Final Terms or in a supplement to this Base Prospectus.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Internal Revenue Service Form 8886. U.S. Holders should consult their own tax advisers as to the possible obligation to file Internal Revenue Service Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any foreign currency received as interest or as proceeds from the sale or other disposition of the Notes.

Foreign Financial Asset Reporting

Individuals and, to the extent provided by the U.S. Secretary of Treasury in regulations or other guidance, certain domestic entities that hold an interest in a "specified foreign financial asset" are required to attach certain

information regarding such assets to their income tax return for any year in which the aggregate value of all such assets exceeds the relevant threshold. A “specified foreign financial asset” includes any debt or equity of a non-U.S. entity, to the extent not held in an account at a financial institution, though accounts at non-U.S. financial institutions may themselves be “specified foreign financial assets.” Penalties may be imposed for the failure to disclose such information regarding specified foreign financial assets. U.S. Holders are advised to consult their tax advisers regarding the potential reporting requirements that may be imposed on them by this legislation with respect to their ownership of the Notes.

Non-U.S. Holders

Under U.S. federal income tax law currently in effect, subject to the discussion below under “—*U.S. Backup Withholding and Information Reporting*” payments of interest (including OID) on a Note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless such interest is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Subject to the discussion below under “—*U.S. Backup Withholding and Information Reporting*” any gain realised by a Non-U.S. Holder upon the sale, exchange or retirement of a Note generally will not be subject to U.S. federal income tax, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realised by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

U.S. Backup Withholding and Information Reporting

Information reporting requirements apply to certain payments on the Notes and to proceeds of the sale or redemption of Notes made within the United States or through certain U.S. paying agents, U.S. intermediaries or U.S.-related brokers, to certain holders of Notes (other than an exempt recipient). The payor will be required to backup withhold on such payments to a holder of a Note that is a U.S. person, other than an “exempt recipient,” if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments of principal and interest, as well as accruals and payments of OID, as applicable, to a Non-U.S. Holder will not be subject to backup withholding and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certification is incorrect. The backup withholding rate under the current law is 28%.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisers concerning the tax consequences of their particular situations.

Kazakhstan Tax

Under existing Kazakhstan laws and regulations, payments of principal and interest on the Notes, as well as any capital gain realised on disposal, sale, exchange or transfer thereof is not subject to taxation in Kazakhstan, so no withholding or any other Kazakhstan tax applies to any such payment and gain as at the date hereof. There are no stamp duties or registration or other taxes payable in Kazakhstan in connection with any transfer of the Notes.

TRANSFER RESTRICTIONS

The Notes are being sold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes sold in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

The Issuer is a foreign government as defined in Rule 405 under the Securities Act and is eligible to register securities on Schedule B of the Securities Act. Therefore the Issuer is not subject to the information provision requirements of Rule 144A(d)(4)(i) under the Securities Act.

1. Restricted Notes

Each prospective purchaser of Notes in reliance on Rule 144A (a “**144A Offeree**”), by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows:

- (i) such 144A Offeree acknowledges that this Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Base Prospectus, or disclosure of any of its contents to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.
- (ii) such 144A Offeree agrees to make no photocopies of this Base Prospectus or any documents referred to herein.

Each purchaser of Restricted Notes within the United States, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows (terms used herein that are defined in Rule 144A or in Regulation S are used herein as defined therein, as applicable):

- (a) the purchaser of the (i) is a QIB, (ii) is acquiring the Notes for its own account or for the account of a QIB and (iii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account;
- (b) the purchaser understands that such Restricted Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, such Restricted Notes have not been and will not be registered under the Securities Act or any other applicable State securities laws, the purchaser acknowledges that such Restricted Note is a “restricted security” (as defined in Rule 144(a)(3) under the Securities Act) and that (i) if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Restricted Notes, such Restricted Notes may be offered, sold, pledged or otherwise transferred only (A) in the United States to a person that the seller reasonably believes is a QIB purchasing for its own account in a transaction meeting the requirements of Rule 144A whom the seller has notified, in each case, that the offer, resale, pledge or other transfer is being made in reliance on Rule 144A, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (D) to the Issuer or an affiliate of the Issuer (upon redemption thereof or a similar transaction); in each case in accordance with any applicable securities laws of any state of the United States and (ii) no representation can be made as to the availability at any time of the exemption provided by Rule 144 for the resale of the Restricted Notes;
- (c) the Restricted Notes offered hereby will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED

STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “QIB”), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THE NOTES.

THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE REALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS NOTE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT”;

- (d) the purchaser understands that Notes offered in reliance on Rule 144A will be represented by the Restricted Global Note. Before any interest in a Note represented by the Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the Fiscal Agency Agreement) as to compliance with applicable securities laws; and
- (e) the Issuer, the Arrangers, the Dealers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

For so long as the Notes of the relevant series are held in global form, Noteholders of such series may not require transfers to be registered during the period beginning on the third business day before the due date for any payment of principal or interest in respect of such Notes.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

2. Unrestricted Notes

Each purchaser of Notes pursuant to Regulation S and each subsequent purchaser of such Notes, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (1) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.
- (2) it understands that such Notes have not been and will not be registered under the Securities Act and that, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (3) the Issuer, the Registrar, the Arrangers, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

- (4) it understands that the Notes offered in reliance on Regulation S will be represented by the Unrestricted Global Note before any interest in the Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the Fiscal Agency Agreement) as to compliance with applicable securities laws.
- (5) none of the Issuer, the Arrangers or the Dealers or any person representing any such entity has made any representation to it with respect to any such entity or the offering or sale of any Notes, other than the information in this Base Prospectus.
- (6) it understands that the Notes, while represented by the Unrestricted Global Note or if issued in exchange for an interest in the Unrestricted Global Note or for Note Certificates, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF ANY U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED.

SUBSCRIPTION AND SALE

Subject to the terms and conditions contained in the programme agreement dated on or about the date hereof (the “**Programme Agreement**”) between the Issuer and the Arrangers in their capacity as the Permanent Dealers, from time to time the Notes will be offered by the Issuer to the Permanent Dealers and the Permanent Dealers may agree to purchase such Notes. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they made to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Certain of the Dealers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer in the ordinary course of their respective businesses. The Issuer may apply all or part of the proceeds of any Notes issued pursuant to the Programme in repayment of all or part of any such credit facilities.

The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche.

Selling Restrictions

United States

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that except as permitted by the Programme Agreement it will offer the Notes for resale in the United States initially only to persons who they reasonably believe to be QIBs in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the respective meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States in accordance with Regulation S. The Programme Agreement provides that Dealers may through their respective U.S. affiliates resell a portion of the Notes within the United States only to QIBs in reliance on Rule 144A.

An offer or sale of Notes within the United States by a Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A, or another available exemption from registration under the Securities Act.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Notes which have a maturity of less than a year (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes under the Programme and as contemplated by this Base Prospectus and any Final Terms to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Dealers; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Kazakhstan

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan except in compliance with the laws of Kazakhstan.

A Kazakhstan resident may freely purchase and sell the Notes, subject to compliance with the restrictions set forth in this Base Prospectus, any Final Terms and with applicable laws.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No representation is made that any action has been or will be taken in any jurisdiction that would, or is intended to, permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus or any other offering materials or any final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed (and each further Dealer appointed under the Programme will be required to agree) that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each country or

jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Prospectus, any other offering material or any Final Terms (in all cases at its own expense) and neither the Issuer nor any other Dealer shall have responsibility therefor. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or form which they purchase, order, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

GENERAL INFORMATION

1. Admission to Trading

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or about 2015. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Market will normally be effected for delivery on the third working day after the day of the transaction.

2. Clearing of the Notes

It is expected that the Notes will be accepted for clearance through Euroclear and Clearstream, Luxembourg and/or DTC. Where relevant, the appropriate common code and the International Securities Identification Number and/or (where applicable) the CUSIP number in relation to each Series of Notes will be specified in the Final Terms relating thereto. The relevant Final Terms will specify any other clearing system as shall have accepted the Notes for clearance together with any further appropriate information.

3. Authorisations

The establishment of the Programme was authorised and approved on 11 August 2014 by the Ministry of Finance of Kazakhstan pursuant to the Order of the Ministry of Finance of the Republic of Kazakhstan "On the issuance of state securities on foreign capital markets in 2014" No. 350, dated 11 August 2014; and on 12 February 2013 by the Government of Kazakhstan pursuant to the Resolution of the Government of the Republic of Kazakhstan "On the issuance of state securities on foreign capital markets" No. 121, dated 12 February 2013. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the update of the Programme and the issue and performance of the Notes.

4. Significant/Material Change

Since 31 December 2014, there has been no significant change in the Issuer's (a) tax and budgetary systems, (b) gross public debt or the maturity structure or currency of its outstanding debt and debt payment record, (c) foreign trade and balance of payment figures (d) foreign exchange reserves including any potential encumbrances to such foreign exchange reserves as forward contracts or derivatives, (e) financial position and resources including liquid deposits available in domestic currency and (f) income and expenditure figures.

5. Litigation

There are no, nor have there been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the 12 months preceding the date of this Base Prospectus, which may have, or have had in the recent past, significant effects on the financial position of the Issuer.

6. Documents on Display

Copies of the following documents may be inspected during normal business hours at the offices of the Ministry of Finance of Kazakhstan at 11 Pobeda Avenue, Astana, Kazakhstan for 12 months from the date of this Base Prospectus. For so long as any of the Notes is outstanding, copies of the following documents may be inspected at the specified offices of the Paying and Transfer Agent during normal business hours:

- (a) the Fiscal Agency Agreement;
- (b) the Deed of Covenant; and

(c) this Base Prospectus and any supplements thereto.

7. Third Party Information

The Issuer confirms that where information included in the Base Prospectus has been sourced from a third party the source is identified, and that information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

8. Interested Persons

No person involved in the offering has any interest in the offering which is material to the offering.

9. Arrangers and Dealers Transacting with the Issuer

Certain of the Arrangers, Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer in the ordinary course of business.

THE ISSUER
The Republic of Kazakhstan,
represented by the Ministry of Finance of the Republic of Kazakhstan
acting upon authorisation of the Government of the Republic of Kazakhstan
11 Pobeda Avenue
Astana 010000
Kazakhstan

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England

**J.P. Morgan Securities
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Canary Wharf
London E14 5JP
England

**Kazkommerts
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