IMPORTANT NOTICE

You must read the following before continuing. The following applies to the Base Offering Memorandum following this page (the "**Base Offering Memorandum**"), and you are therefore required to read this carefully before reading, accessing or making any other use of the Base Offering Memorandum. In accessing the Base Offering Memorandum, 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.

THE FOLLOWING BASE OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS BASE OFFERING MEMORANDUM MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES AND WITHIN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" ("QIBs") AS DEFINED IN AND PURSUANT TO RULE 144A OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") ("RULE 144A"). 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 DOCUMENT.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT TO QIBs PURSUANT TO RULE 144A.

Confirmation of your representation: In order to be eligible to view this Base Offering Memorandum or make an investment decision with respect to any securities, you must be a person who is outside the United States unless you are a QIB in the United States. By accepting the email and accessing this Base Offering Memorandum, you shall be deemed to have represented to the Arrangers and Permanent Dealers named herein that you and any customers you represent, unless you are QIBs, are not in the United States; that the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia unless you are a QIB in the United States; and that you consent to delivery of such Base Offering Memorandum by electronic transmission.

You are reminded that this Base Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Base Offering Memorandum 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 Offering Memorandum to any other person.

Any materials relating to the 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 potential offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

This document is being distributed only to, and is directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

This Base Offering Memorandum has been sent to you in an 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, Arranger or Dealers named herein, any person who controls any such persons, or any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Base Offering Memorandum distributed to you in electronic format and the hard copy version.



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.$15,000,000,000 Global Medium Term Note Programme

Under the Global Medium Term Note Programme described in this Base Offering Memorandum (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 (the "**Government**"), subject to compliance with relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**"). The aggregate principal amount of Notes outstanding at any time will not exceed U.S.$15,000,000,000 (or its equivalent in other currencies).

This Base Offering Memorandum comprises neither a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**"), a base prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK Prospectus Regulation**"), nor listing particulars given in compliance with the listing rules made under Part VI of the FSMA by the United Kingdom Financial Conduct Authority in its capacity as competent authority under the FSMA (the "**FCA**"). Application may be made to the FCA for Notes to be admitted to the Official List of the FCA (the "**Official List**") and to be admitted to trading on the Main Market (the "**Market**") of the London Stock Exchange plc (the "**London Stock Exchange**") on an issue-by-issue basis from the date hereof. For the purposes of this application, the Issuer is an exempt issuer pursuant to Article 1(2) of the UK Prospectus Regulation. Accordingly, this Base Offering Memorandum has not been reviewed or approved by the FCA and has not been approved as a base prospectus by any other competent authority under the UK Prospectus Regulation. Any Notes issued under the Programme are not subject to the prospectus requirements of the UK Prospectus Regulation but will be issued in accordance with the listing rules of the London Stock Exchange. The Programme also permits Notes to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges, regulated markets and/or quotation systems as may be agreed with the Issuer. References in this Base Offering Memorandum 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 Programme and the Notes may also be listed and admitted to trading on the Astana International Exchange ("**AIX**"). AIX and its related companies and their respective directors, officers and employees do not accept responsibility for the content of this Base Offering Memorandum including the accuracy or completeness of any information or statements included in it. Liability for the Base Offering Memorandum lies with the issuer of the Base Offering Memorandum and other persons such as Experts whose opinions are included in the Base Offering Memorandum with their consent. Nor has AIX, its directors, officers or employees assessed the suitability of the securities to which the Prospectus relates for any particular investor or type of investor. If you do not understand the contents of this Base Offering Memorandum or are unsure whether the securities are suitable for your individual investment objectives and circumstances, you should consult an authorised financial advisor. Notice of the aggregate nominal amount of interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein that are applicable to, each Tranche (as defined below) of Notes will be set forth in a final terms document (the "**Final Terms**") or in a separate offering memorandum specific to such Tranche (the "**Drawdown Offering Memorandum**") as described below in "*Final Terms and Drawdown Offering Memoranda*", which, with respect to Notes to be admitted to the Official List and to be admitted to trading on the Market, will be delivered to the FCA and to the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

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 ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") (the "**Unrestricted Notes**") and represented by a registered global note certificate (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 S.A. ("**Clearstream, Luxembourg**") with a common depositary (the "**Common Depositary**") and (ii) in the case of a Series intended to be cleared though 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 (as defined below), 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 represented by one or more registered global note certificates (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 Depositary 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, Notes in definitive form 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 stable), Moody's Investors Service Ltd. ("**Moody's**") is Baa1 (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. 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.

The Notes have not been and will not be registered under 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 (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 Offering Memorandum should be read and construed together with any amendment or supplement hereto. Further, in relation to any Series of Notes, this Base Offering Memorandum should be read and construed together with the relevant Final Terms.

Neither this Base Offering Memorandum 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 6.

Arrangers and Permanent Dealers

BCC Invest JSC	**Citigroup**	**J.P. Morgan**	**Société Générale Corporate & Investment Banking**

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Base Offering Memorandum and declares that, to the best of its knowledge, the information contained in this Base Offering Memorandum (including the information incorporated herein by reference) is in accordance with the facts and the Base Offering Memorandum makes no omission likely to affect their import.

To the best of the knowledge and belief of the Issuer, this Base Offering Memorandum 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 Offering Memorandum on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Base Offering Memorandum 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 Offering Memorandum 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 (as defined in "*Overview of the Programme*") or Dealer.

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 Offering Memorandum. Neither this Base Offering Memorandum 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 Offering Memorandum 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 Offering Memorandum 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 Offering Memorandum 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 Offering Memorandum may become outdated relatively quickly.

SUPPLEMENTS TO THIS BASE OFFERING MEMORANDUM

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 material inaccuracy relating to the information contained in this Base Offering Memorandum 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 Offering Memorandum or, as the case may be, publish a new base Offering Memorandum, 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 Offering Memorandum 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 Offering Memorandum 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 Offering Memorandum 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 Offering Memorandum 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 Offering Memorandum may only be used for the purpose for which it has been prepared.

The distribution of this Base Offering Memorandum 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 Offering Memorandum 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 Offering Memorandum 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. in reliance on Regulation S and sold in the U.S. 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 Offering Memorandum 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 Offering Memorandum 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 Offering Memorandum 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 stabilisation manager(s) (the "**Stabilisation Manager(s)**") (or persons acting on behalf of the Stabilisation 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, stabilisation may not necessarily occur. 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 cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of 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 relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws, regulations 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 OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This Base Offering Memorandum 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 Offering Memorandum, 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 Offering Memorandum 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*".

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes may include a legend titled "MiFID II Product Governance" that will outline the target market assessment in respect of such Notes and which channels for distribution of such Notes are appropriate. Any person subsequently offering, selling or recommending such Notes (a "**distributor**") should take into consideration the target market assessment; *however*, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID II product governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arrangers, the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; *however*, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

SINGAPORE SFA PRODUCT CLASSIFICATION

In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise stated in the Final Terms in respect of any Notes and notified to the Dealers prior to an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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 U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"); however, this Base Offering Memorandum 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 Offering Memorandum 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 Offering Memorandum 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 Offering Memorandum 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. 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.

FINAL TERMS AND DRAWDOWN OFFERING MEMORANDA

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Issuer has endeavoured to include in this Base Offering Memorandum all of the necessary information except for information relating to the Notes which is not known at the date of this Base Offering Memorandum and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Offering Memorandum and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Offering Memorandum.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Offering Memorandum and must be read in conjunction with this Base Offering Memorandum. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Terms and Conditions of the Notes described in the relevant Final Terms as supplemented to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Offering Memorandum will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Offering Memorandum. In the case of a Tranche of Notes which is the subject of a Drawdown Offering Memorandum, each reference in this Base Offering Memorandum to

information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Offering Memorandum unless the context requires otherwise.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be incorporated in, and form part of, this Base Offering Memorandum and, for so long as the Programme remains in effect and (in the case of any of the referenced Terms and Conditions of the Notes) Notes to which such Terms and Conditions of the Notes are applicable shall be outstanding, copies of each such document may be inspected during normal business hours at the specified office of the Fiscal Agent and such documents may also be viewed electronically and free of charge at: https://www.gov.kz/memleket/entities/minfin/documents/1?directions=_261&lang=ru.

- the Terms and Conditions of the Notes contained in the Base Prospectus dated 24 September 2014 (pages 13-46 inclusive) prepared by the Issuer in connection with the Programme;
- the Terms and Conditions of the Notes contained in the Base Prospectus dated 19 June 2015 (pages 13-48 inclusive) prepared by the Issuer in connection with the Programme;
- the Terms and Conditions of the Notes contained in the Base Prospectus dated 26 October 2018 (pages 20-51 inclusive) prepared by the Issuer in connection with the Programme; and
- the Terms and Conditions of the Notes contained in the Base Prospectus dated 19 September 2019 (pages 23-54 inclusive) prepared by the Issuer in connection with the Programme.

The non-incorporated parts of a document listed above are either not relevant for an investor or are otherwise covered elsewhere in this Base Offering Memorandum. To the extent that any document or information incorporated by reference in this Base Offering Memorandum, itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this Base Offering Memorandum, except where such information or documents are stated within this Base Offering Memorandum as specifically being incorporated by reference or where this Base Offering Memorandum is specifically defined as including such information.

ENFORCEMENT OF FOREIGN JUDGMENTS AND AWARDS

The Issuer is a sovereign state and substantially all of its assets are located in Kazakhstan. As a result, it may not be possible (a) to effect service of process upon the Issuer outside of Kazakhstan, (b) to enforce against it in courts of jurisdictions other than Kazakhstan, judgments obtained in such courts unless the Issuer has effectively waived its state immunity or (c) to enforce against it in the Kazakhstan's courts, judgments obtained in other jurisdictions unless that other jurisdiction and Kazakhstan are party to a treaty on mutual recognition and enforcement of judgments. Neither the United Kingdom nor the U.S. is party to any such treaty with 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 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 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. 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 Arbitration" No. 488-V dated 8 April 2016 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.

However, 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, under which enforcement against State assets is limited to 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 central Government budget (the "**Republican Budget**") and objects of State ownership (such as natural resources). Therefore, it will not be possible for claimants to enforce judgements against assets which have been allocated to state-owned entities.

PRESENTATION OF INFORMATION

Certain figures included in this Base Offering Memorandum 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 Offering Memorandum 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 Offering Memorandum. 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 Offering Memorandum 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 Offering Memorandum 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. All statistical data included in this Base Offering Memorandum is subject to future revision and amendment. In particular, the methodology used to compile any statistical data in the future may change if new data sources, classifications or principles are introduced. Similarly, certain statistical data contained in this Base Offering Memorandum is provisional based on figures that the Kazakhstan and/or its agencies believe to be based on reasonable assumptions and the most recent information available. Specifically, the statistical data set out in this Base Offering Memorandum for the year of 2023 and the interim period in 2024, or at the relevant date in 2024, may subsequently be adjusted or revised and may differ from previously published financial and economic information. In the same way, certain statistical data for the year of 2023 and the relevant interim period in 2024, and/or as at the relevant date in 2024, has been presented as a percentage of GDP based on MNE's provisional figures for nominal GDP for the year of 2023 and three months ended 31 March 2024, respectively. Accordingly, such economic information for periods of 2023 and 2024 set out in this Base Offering Memorandum may be subsequently adjusted or revised. Kazakhstan does not expect any of such revisions or adjustments to be materially different from the previously published data. In addition, certain numbers (for example, total public debt as at 31 March 2024 as a percentage of GDP and international reserves as at 31 March 2024 as a percentage of GDP) are calculated using projected GDP for 2024. Projected GDP for 2024 is calculated on the basis of historical macroeconomic data for four sectors (agriculture, industry, construction and services) and taking into account the current investment and budgetary situation and the implementation of Government programmes.

The information presented in this Base Offering Memorandum with respect to the State Budget of Kazakhstan (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 No. 95-IV dated 4 December 2008 (the "**Budget Code**") and applicable budget laws including the Law of the Republic of Kazakhstan "On the Republican Budget for 2024-2026" No. 43-VIII dated 5 December 2023.

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

In this Base Offering Memorandum, unless otherwise specified, references to "**Kazakhstan**" or the "**State**" are to the Republic of Kazakhstan; references to "**President**", "**Government**" or "**Parliament**" are to the President, 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 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 Offering Memorandum and the information therein do not form part of (and are not incorporated into) this Base Offering Memorandum.

EXCHANGE RATES

Solely for convenience, this Base Offering Memorandum 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
		(Tenge/U.S. dollar)		
Month				
January 2024	448.17	451.28	457.06	445.43
February 2024	451.31	449.95	454.59	446.72
March 2024	446.78	449.74	453.35	446.78
April 2024	441.44	446.34	448.89	441.44
May 2024	444.79	442.19	444.79	439.40
June 2024	471.46	454.69	471.46	446.89
July 2024	475.37	474.86	480.77	471.46
August 2024	481.63	478.28	483.65	473.95

	Period End	Average[(1)]	High	Low
		(Tenge/U.S. dollar)		
Year				
2019	381.18	383.06	390.13	373.56
2020	420.71	416.22	448.52	375.87
2021	431.67	426.24	436.35	414.77
2022	462.65	460.02	512.19	414.67
2023	454.56	456.98	482.77	431.08

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 31 August 2024, the official exchange rate of the NBK was U.S.$1.00 to KZT481.63 .

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 Offering Memorandum. The inclusion 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 Offering Memorandum and any decision to invest in the Notes should be based on a consideration of this Base Offering Memorandum 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
Issuer Legal Entity Identifier	5493007OEK8EF02UO833
Description and Size	Global Medium Term Note Programme U.S.$15,000,000,000 (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	BCC Invest JSC Citigroup Global Markets Limited J.P. Morgan Securities plc Société Générale
Dealers	BCC Invest JSC Citigroup Global Markets Limited J.P. Morgan Securities plc Société Générale 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 Offering Memorandum to "**Permanent Dealers**" are to those persons 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 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	Citibank Europe plc, Germany Branch
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 or the Drawdown Offering Memorandum (as the case may be) which, for the purposes of that Tranche only, supplements the Terms and Conditions of the Notes and this Base Offering Memorandum and must be read in conjunction with this Base Offering Memorandum. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as supplemented, amended or replaced by the relevant Final Terms or the relevant Drawdown Offering Memorandum (as the case may be).

At least 20% of the maximum number of the Notes offered for sale in connection with the Programme will be offered for sale through the AIX as part of the issuance.

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, unless otherwise specified in the relevant Final Terms.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must (a) have a minimum denomination of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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 or (b) be issued in other circumstances which do not constitute a contravention of Section 19 of the FSMA.
Interest	Notes may be interest-bearing or noninterest-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 whose 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 "*Negative Pledge*" below, the Notes are unsecured obligations of the Issuer which rank *pari passu*, without any preference among themselves and at least *pari passu* 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 (*Negative Pledge*).
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 disclosed in the relevant Final Terms. 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 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, Singapore and Kazakhstan. See "*Subscription and Sale*". The Notes have not been and will not be registered under the 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 Offering Memorandum nor the Notes are required to be registered or cleared under the regulations of the KASE.

Listing and Trading	Application may be made for the Notes to be admitted 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. Notes may also be unlisted or may be listed or admitted to trading, as the case may be, on any market (including any unregulated or regulated market for the purposes of MiFID II) as may be agreed among the Issuer and the relevant Dealer(s) or (in the case of a direct purchase of Notes by an investor) the relevant Noteholders(s) in relation to each relevant Series. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Enforcement of Notes in Global Form	In the case of Global Notes, individual investors' rights against the Issuer are governed by a deed of covenant dated 7 October 2024 (the "**Deed of Covenant**"), a copy of which is available for inspection at the specified office of the Fiscal Agent and may also be viewed electronically and free of charge at: https://www.gov.kz/memleket/entities/minfin/documents/1?directions=_261&lang=ru
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*".
Warnings	This overview should be read as an introduction to the Base Offering Memorandum. Any decision to invest in the Notes should be based on a consideration of this Base Offering Memorandum as a whole by the investor. Any decision to invest in the Notes may result in an investor losing all or part of its invested capital. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Base Offering Memorandum or if it does not provide, when read together with the other parts of this Base Offering Memorandum, key information in order to aid investors in considering whether to invest in the Notes.

RISK FACTORS

Investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with the other information set out in this Base Offering Memorandum, before making a decision to invest in the Notes and should understand that the risks set forth below could, individually or in the aggregate, have a material adverse effect on the Issuer's ability to repay principal and make payments of interest on the Notes or otherwise 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. Additional risks and uncertainties not currently known to the Issuer or that the Issuer currently deems to be immaterial may also materially affect the Issuer's economy and its ability to fulfil its obligations under the Notes. In any such case, investors may lose all or part of their investment in the Notes.

Risks relating to Kazakhstan's global position as an emerging market

Kazakhstan is an emerging market and subject to greater risk than more developed markets

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 Offering Memorandum 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 in the international capital markets and changing regulatory environments can lead to reduced liquidity and increased credit risk premiums for certain market participants and result 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 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 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 decreases, it may experience liquidity constraints, limiting the availability of capital for businesses and potentially slowing Kazakhstan's economic growth. Kazakhstan's economy is also not immune from developments in the economies of other countries located in emerging markets. Financial unrest or instability experienced in one or more countries located in emerging markets, especially countries in the CIS, around the Caspian Sea or in Central Asia (some of which have recently experienced significant political instability, including terrorism and internal unrest), could have a negative impact on Kazakhstan's economy and a material adverse effect on the trading price of the Notes and, potentially, the Issuer's ability to make payments of principal and interest under the Notes.

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

Kazakhstan's economy and finances have been affected adversely by global financial developments and political changes in certain emerging markets. Real GDP growth decreased from 4.5 per cent. in 2019 to 2.6 per cent. in 2020 principally due to the impact of the COVID-19 pandemic and decline in oil prices, before increasing to 4.1 per cent. in 2021, 3.2 per cent. in 2022 and to 5.1 per cent. in 2023. For the six months ended 30 June 2024 real GDP growth was 3.2 per cent. While in recent years Kazakhstan has sought to diversify its economy and, in particular, to increase export of manufacturing products, Kazakhstan continues to remain heavily reliant on the oil and gas industry and on hydrocarbon exports. For more information on the risks associated with the relatively undiversified nature of Kazakhstan's economy and a significant degree of reliance of the country's public finances on the performance of the oil and gas industry, see "*—Any material reduction in the price of commodities may have a material adverse effect on the revenues and financial condition of Kazakhstan*".

Changes in both the global and domestic environment have resulted in, amongst 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. For example, the Tenge experienced a significant depreciation against the U.S. dollar in the first quarter of 2022 mainly due to significant

deterioration of external factors, such as depreciation of the Russian Rouble and the decrease in crude oil prices (starting from October 2018) due to increased oil reserves and oil production by principal exporters. The Tenge depreciated relative to the U.S. dollar by 10.4 per cent. in 2020 primarily due to a sharp fall in oil prices caused by the COVID-19 pandemic. In 2022, the Tenge faced new pressures and volatility due to the conflict between Ukraine and Russia, the sanctions imposed by numerous countries on Russia, a major trade partner of Kazakhstan, and resultant disruptions in supply chains and historical trading relationships. The Tenge experienced sharp depreciation in the first quarter of 2022, with the exchange rate reaching KZT512.19: U.S.$1.00. By the end of 2022, the exchange rate stabilised around KZT462.65: U.S.$1.00. By the end of 2023, the average exchange rate was around KZT456.98: U.S.$1.00.

On 7 October 2023, Hamas launched an attack on a number of Israeli cities, killing a substantial number of members of the Israeli Defence Forces and civilians. In response, Israel has declared war against Hamas, mobilised Israeli Defence Forces, and began a large-scale military operation against Hamas militants within Israel and in the Gaza Strip. Israel has also intensified its attacks on groups and entities that it sees as supporting Hamas. Accordingly, Israel has increased the intensity of its attacks in Syria and on 1 April 2024, Israel bombed the Iranian embassy in Damascus while Iranian military commanders convened for a “top-level” meeting inside the embassy complex. This strike resulted in sixteen deaths including seven Islamic Revolutionary Guard Corps members and one Iranian advisor. In retaliation, Iran launched an unprecedented retaliatory attack on Israel on 14 April 2024, that included hundreds of missiles and drones launched primarily from its own soil, but also by Iran-backed groups in several other countries. As a response, Israel launched a direct missile attack on the Iranian city of Isfahan on 19 April 2024. Despite Hamas’ claim that that they had accepted a ceasefire, the fighting continues as Israeli Defence Forces moved to take the Rafah crossing on 7 May 2024. The Israel-Gaza conflict has since intensified, experiencing multiple major escalations, which include increased firing of rockets by Hamas into Israel, Israeli air strikes resulting in the killing of Hamas and Palestinian leaders in Lebanon, Beirut and allegedly Tehran, Israel commencing a ground offensive against Hizbollah in Lebanon, and Iran launching an extensive ballistic missile attack against Israel on 1 October 2024. The scale, duration, and impact of this conflict on the region and any global effects are currently unclear and cannot be predicted with any certainty. A wider and more protracted regional conflict, together with unpredictable economic and political consequences associated with the same, could have a material adverse impact on the Kazakhstan economy.

Kazakhstan's economy remains vulnerable to external shocks and the economic performance of its trade partners. A significant decline in economic growth in the EU or any of Kazakhstan's other major trade partners, including Russia (whether or not resulting from sanctions imposed by, among others, the U.S., the UK 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 "*—The Russia-Ukraine conflict and the sanctions imposed on Russia by numerous national and international authorities in response, as well as countermeasures taken by Russia, have had, and will continue to have, an adverse impact on Kazakhstan's economic situation*" below. The most significant contagion affecting Kazakhstan's economy is the global change in prices for energy resources, metals and other commodities. Several global economies, including China, are experiencing a slowdown in economic growth and stock market volatility. China is one of the main trade partners of Kazakhstan, which means that any disruption to economic stability or growth in China, or any rupture in economic or political relations between Kazakhstan and China, could have an adverse effect on the economy of Kazakhstan which, in turn, may materially and adversely affect Kazakhstan’s financial condition and its ability to repay the Notes.

There can be no assurance that 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. This could affect Kazakhstan's ability to raise capital in the international debt markets and may have a material adverse effect on the trading price of the Notes.

Any material reduction in the price of commodities may have a material adverse effect on the revenues and financial condition of Kazakhstan

Kazakhstan is a major exporter of commodities, including oil and natural gas. In 2023, mineral products (including oil, gas and coal as well as metals and precious stones) accounted for 66.0 per cent. of Kazakhstan's exports based on actual trade flows. For the six months ended June 2024, mineral products (including oil, gas and coal as well as metals and precious

stones) accounted for 66.2 per cent. of Kazakhstan's exports based on actual trade flows, as compared to 60.2 per cent. for the same period in 2022.

Kazakhstan's economy and the State Budget, therefore, particularly rely on fiscal revenues from the export of minerals, in particular crude oil and oil products. 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 is currently the source for official transfers to the State Budget, which amounted to KZT4.5 trillion in 2021, KZT4.6 trillion in 2022 and KZT4.0 trillion in 2023 and are budgeted to be KZT3.6 trillion in 2024. As at 31 May 2024, the National Fund held foreign currency assets of U.S.$60.96 billion. These assets allow the National Fund to act as a fiscal buffer against external shocks to the economy and to offset any shortfalls in tax revenues from extraction sector enterprises in a given year. It also provides protection to Kazakhstan against a devaluation of the Tenge. In the event of a sustained decline in oil prices, the resources of the National Fund may be insufficient to maintain the appropriate level of liquidity in order to fund guaranteed transfers from the National Fund to the Republican Budget. Moreover, the National Fund's saving function is ensured by maintaining a minimum required balance of 30.0 per cent. of the projected GDP for the relevant budget year. Therefore, should a guaranteed or targeted transfer from the National Fund risk lowering the said minimum balance, the transfer from the National Fund will be reduced or not made at all.

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. Any decrease in oil and gas prices has a significant negative impact on Kazakhstan's budget revenues.

According to the U.S. Energy Information Agency, the average spot price for Brent crude oil decreased by 34.7 per cent. in 2020 to U.S.$41.9 per barrel, which led to a significant reduction in budget revenues from the oil sector to KZT1,355.5 billion. In 2021, the spot price increased by 68.9 per cent. to U.S.$70.8 per barrel, which resulted in a rise in budget revenues from the oil sector to KZT2,662.8 billion. In 2022, the spot price increased further by 42.5 per cent. to U.S.$100.9 per barrel, resulting in a substantial growth in budget revenues from the oil sector to KZT5,666.1 billion. The spot price fell to U.S.$82.4 per barrel in 2023, an 18.3 per cent. decrease compared to the spot price in 2022, causing budget revenues from the oil sector to drop to KZT7,201.1 billion.. The OPEC countries and non-OPEC oil-producing countries, including Kazakhstan and Russia, under the OPEC Plus Agreement have implemented a series of output cuts since late 2022. On 2 June 2024, the OPEC Plus group agreed to extend a significant portion of these substantial oil production cuts well into 2025 to stabilise the market amidst modest demand growth, elevated interest rates and increasing supply from rising U.S. production. Such actions have not, however, reversed the downward pressure on the oil market. Such decreases in oil prices and production volumes have resulted in corresponding decreases in oil producers' income and payments to the State Budget, which could, in turn, have a material adverse effect on Kazakhstan's economy and public finances. Kazakhstan's 2024 Budget Law assumes an average price per barrel of Brent crude oil of U.S.$80 in each of 2024, 2025 and 2026. As at 1 July 2024, the world price for Brent crude oil was U.S.$86.5 per barrel. However, there can be no assurance that international crude oil prices will stay at or above that level or that further revisions of the State Budget will not be required in light of continuing oil price volatility.

Any material reduction in commodity prices generally would have an adverse effect on Kazakhstan's economy and a sustained or 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.

Production and transportation problems in the oil industry may result in reduced revenue for the National Fund

Any production problems in the oil industry, such as the suspension of production at the Kashagan oil field from 25 September 2013 due to significant delays in achieving forecast production and substantial cost overruns in replacing the oil and gas pipelines to 28 September 2016 when production resumed with reduced output levels, could lead to reduced revenue for the National Fund.

No assurance can be given that similar production stoppages will not occur in the future. Additionally, any disruption of oil transportation, in particular due to Kazakhstan's heavy reliance on the Caspian Pipeline Consortium, for any reason, including as a result of regional conflict, infrastructure failure, terrorism, natural disaster, industrial accident, public health threats and global pandemics or change in national government policy, could have a material adverse effect on Kazakhstan's economy. The occurrence of similar circumstances in the future could result in continued reduced revenue for the National Fund, which, in turn, could have a significant effect on Kazakhstan's budgetary revenues and may materially adversely affect Kazakhstan's financial condition, including its ability to make payments on the Notes.

In addition, in relation to certain proceedings affecting Kazakhstan's interests in the Kashagan oil field and certain other assets, see "*Risks relating to the Stati Claimant Enforcement Proceedings*" below and "*General Information – Litigation*".

The Russia-Ukraine conflict and the sanctions imposed on Russia by numerous national and international authorities in response, as well as countermeasures taken by Russia, have had, and will continue to have, an adverse impact on Kazakhstan's economic situation

The Russia-Ukraine conflict that intensified in February 2022, as well as the sanctions imposed on persons in or related to Russia by the United States, United Kingdom, EU and other authorities since 2014 have had, and are expected to continue to have, a significant disruptive effect on Kazakhstan, as well as global markets, including oil and gas markets, as well as supply chains, more generally. The Russia-Ukraine conflict and the sanctions and export-control measures implemented by various countries and authorities against Russian and Belarusian persons and entities in response, have contributed, and are likely to continue to contribute, to increased inflationary pressures, increased costs, supply chain disruptions, gas supply shortages, market volatility and economic uncertainty. In June 2022, the World Bank Group (the "**World Bank**") stated that the Russia-Ukraine conflict had magnified the slowdown in the global economy triggered by the COVID-19 pandemic and warned that the global economy was entering a potentially protracted period of low growth and elevated inflation, particularly as the Russia-Ukraine conflict disrupts economic activity, investment and trade, and as pent-up demand following the pandemic fades and fiscal and monetary policy accommodation is withdrawn or tempered by central banks and governments.

The U.S. and the EU (as well as other nations, such as Australia, Canada, Japan and Switzerland) first imposed sanctions on certain Russian, Belarussian and Ukrainian persons and entities in connection with the ongoing conflict in Ukraine, including sanctions imposed by the U.S. and the EU on 12 September 2014. These sanctions have been expanded by the U.S. Countering America's Adversaries Through Sanctions Act of 2 August 2017 as well as a number of directives issued thereunder and under previous sanctions legislation in 2017 and 2018 which target specific individuals and legal entities. On 6 August 2018, under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 ("**CBW Act**"), the U.S. determined that the Russian government has used chemical or biological weapons in violation of international law and, following this determination, certain sanctions have been imposed which include denial of exports or reexports to Russia of goods or technology controlled for national security reasons. In August 2019, the U.S. imposed a second round of sanctions under the CBW Act, including a prohibition on U.S. banks participating in the primary market for non-Russian Rouble denominated bonds issued by the Russian sovereign and lending non-Russian Rouble denominated funds to the Russian sovereign. The second round of CBW Act sanctions also imposes a presumption of denial, subject to certain exceptions, on applications for licences to export dual-use goods that are controlled by the U.S. Department of Commerce for chemical and biological weapons proliferation reasons and requires the U.S. to oppose the extension of any loan or financial or technical assistance to Russia by international financial institutions, such as the World Bank or International Monetary Fund. On 15 April 2021, the United States imposed new sanctions expanding restrictions on the purchase of certain Russian sovereign debt and other financing instruments and adding a number of Russian entities and individuals to the List of Specially Designated Nationals. Since the expansion of the invasion in 2022, the sanctions against Russia have intensified significantly. The U.S., EU, and UK have implemented numerous new sanctions and export controls targeting various sectors of the Russian economy, as well as individuals and entities linked to the conflict. In 2022, the EU introduced several sanction packages, imposing asset freezes, travel bans and restrictions on economic relations with the so-called Donetsk and Luhansk regions (DNR and LNR). These measures also prohibited dealings in Russian sovereign debt and restricted access to European financial markets for Russian state-owned enterprises. In 2023 and 2024, the U.S. expanded its sanctions, targeting the metals and mining sectors, and imposed further restrictions on several Russian financial institutions. These included new designations of Russian banks and actions against entities involved in sanctions evasion. The EU continued to enhance its sanctions regime, with additional packages focusing on asset freezes, export control restrictions and measures against entities supporting Russia's military-industrial complex. The latest sanctions targeted numerous individuals and entities involved in arms trafficking, sanctions evasion, and other illicit activities supporting Russia's war effort.

The sanctions imposed to date have had an adverse effect on the Russian economy, causing volatility in Russian markets, which in turn has had an adverse effect on Kazakhstan and its economy. These sanctions prompted 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. Given the further sanctions imposed by the U.S., EU and UK in 2023 and 2024, it is unlikely that these adverse conditions will improve in the near future.

Factors which affect the Russian Rouble tend to also impact the exchange rate of the Tenge. The significant depreciation of the Tenge against the U.S. dollar in 2022 was, at least in part, due to the depreciation of the Russian Rouble in the same year. Possible further actions by the U.S. or other countries towards Russia could adversely affect the Russian financial market, which could lead to short-term volatility in the Tenge. Nevertheless, the most important factor affecting the value of the Tenge are the oil market conditions. See "*— Any material reduction in the price of commodities may have a material adverse effect on the revenues and financial condition of Kazakhstan*". Any possible future expansion of U.S. or EU or UK sanctions which adversely affects the operations or finances of Russian financial institutions having a substantial presence

in the Kazakhstan market may impact the ability of such financial institutions to provide certain financial and trade-related services to their customers in Kazakhstan.

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. Nevertheless, Russia is one of the main trade partners of Kazakhstan. Since February 2022, Kazakhstan has experienced significant inward migration, particularly from Russia, as well as increased financial flows, with several Russian businesses and individuals relocating their operations to or expanding their activities in Kazakhstan in response to geopolitical uncertainties. In addition, there are great similarities in the structures of the economies of the two countries, in particular in their dependence on raw materials exports, and there exist historical long-term relationships (political, economic, commercial and cultural). Accordingly, when making decisions in the field of monetary policy, the NBK pays special attention to the Central Bank of the Russian Federation's actions in the area of interest and currency policy. Accordingly, the economic situation and policy measures in Russia, including monetary policy of the Central Bank of the Russian Federation, have a significant influence on the economic situation in Kazakhstan. Furthermore, Russia and Kazakhstan, together with Belarus, are members of the Customs Union and Common Economic Space and established the Eurasian Economic Union on 1 January 2015 (with subsequent accession by Armenia and Kyrgyzstan). In 2023, the trade turnover between Kazakhstan and Russia amounted to U.S.$25.9 billion, an increase of 3.7 per cent. since 2022. 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. Since Russia is the main trade partner of Kazakhstan and is a member of the Eurasian Economic Union, the ongoing geopolitical developments involving Russia may adversely impact the Kazakhstan economy.

Kazakhstan will use the proceeds of each offering of Notes under the Programme 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. It is expected that State-owned and State-affiliated companies will comply with sanctions restrictions.

The continuation, escalation or expansion of hostilities between Russia and Ukraine, or in the Middle East or elsewhere, may lead to further restrictions, sanctions or countersanctions, increased economic instability worldwide, heightened operating risks and cyber disruptions or attacks. Kazakhstan's close economic links with Russia, the Russia-Ukraine conflict and the related sanctions, counter-sanctions and restrictions have had, and may continue to have, adverse impacts on the global economy, capital markets, supply chains, energy prices, suppliers and consumer demand as a result of increased inflationary pressures directly associated with the conflict, all of which could have a material adverse effect on Kazakhstan and the ability of Kazakhstan to repay principal and make payments of interest on the Notes.

The occurrence of pandemics and natural disasters and the impact of climate change may adversely impact Kazakhstan's economy

The occurrence of pandemics (including but not limited to COVID-19) may adversely impact Kazakhstan's economy by causing, amongst other things, supply chain disruptions and market volatility. For example, since 2020, the global economy has been exposed to the continuing effect of the COVID-19 pandemic which negatively affected the global economy and trade, and which also adversely impacted the economy of Kazakhstan by, amongst other things, contributing to a decline in GDP growth and to increased unemployment.

Natural disasters, including earthquakes and floods, are a threat to Kazakhstan's economy. Kazakhstan may also be increasingly threatened by climate change. A global increase in the mean temperature is likely to lead to changed precipitation patterns, sea level rises and more frequent extreme weather events, such as prolonged droughts and flooding. Kazakhstan's economy is dependent on climate sensitive sectors, such as agriculture and Kazakhstan has suffered from severe droughts and flooding in the past which may become more frequent as a result of climate change. A change in climate may have several other consequences, including lower agricultural productivity, damage to coastal infrastructure, fragile ecosystems, impact on health and biodiversity, financial market disruption, lower GDP and altered migration patterns.

In an effort to reduce the negative impacts associated with climate change, the Government has incorporated a number of climate change adaptation and mitigation provisions into national legislation. The new Environmental Code includes provisions on adaptation to climate change which envisages ongoing information gathering and vulnerability assessment, planning, development and implementation of climate change mitigation measures, followed by monitoring and evaluation of the effectiveness of climate change adaptation measures, regular reporting on the impact of climate change on Kazakhstan, and allows for regular adjustment of such measures by the Government. Expenditures associated with pandemic, natural disaster relief efforts or climate change mitigation efforts may adversely affect Kazakhstan's budgetary position and, as a result, may impair Kazakhstan's ability to service payments on the Notes.

Risks relating to Kazakhstan's financial condition from internal factors

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

Following the onset of the global financial crisis in 2008, credit growth in Kazakhstan 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, as well as the exchange rate of the Tenge. These factors caused significant losses for Kazakhstan's banks and a general destabilisation of Kazakhstan's banking sector. As a result, there was a material deterioration in the loan portfolio of banks, which, in some cases, continued through 2018. In some banks, the losses were so significant that it led to their insolvency and required the adoption of measures to resolve such insolvencies, including the revocation of their licence and liquidation, the recognition of losses by shareholders and some qualified creditors and Government support measures. For example, in 2017, the Government contributed KZT2,093 billion to JSC "Fund of Problem Loans" (the "**FPL**"), which was established in 2012. FPL focuses on improving the quality of loan portfolios of Kazakhstan's second-tier banks. It plays a crucial role in the banking system of Kazakhstan as it helps manage and mitigate non-performing loans (loans overdue by more than 90 days) ("**NPLs**"), ensuring financial stability by acquiring and managing the impaired loans. In February 2019, in accordance with the measures approved by the NBK and the Government to improve the financial sustainability of Tsesnabank JSC, the FPL acquired from Tsesnabank JSC a portfolio of agricultural loans in the amount of KZT604 billion. This was the second purchase of impaired loans from Tsesnabank JSC by the FPL in less than six months, following a similar, but smaller purchase in September 2018 for KZT450 billion. Kazakhstan also provided a liquidity injection to Tsesnabank JSC and supported a restructuring of its domestic bonds. During 2017-2019, the FPL also purchased the assets of BTA Bank JSC. In November 2020, the FPL purchased a distressed loans portfolio from JSC ATF Bank for KZT174 billion through the issue and placement of 10-year 9.0 per cent. bonds. In August 2021, the FPL carried out a similar transaction by purchasing a distressed loan portfolio from WORLDBUSINESS CAPITAL, INC for KZT 6.5 billion financed through the issue and placement of 5-year 10.0 per cent. bonds.

As at 1 June 2024, JSC SB VTB Bank (Kazakhstan) ("**VTB Bank (Kazakhstan)**") is the only remaining Russian owned bank in Kazakhstan, holding less than 0.5 per cent. market share in key financial indicators. The exit of JSC SB Sberbank and JSC SB Alfa Bank in 2022 following the imposition of sanctions related to the Russia-Ukraine conflict had minimal impact on Kazakhstan's banking sector. These exits led to the transfer of the clients' assets to Kazakhstan's domestic financial institution thus moderately increasing the concentration of assets and liabilities within domestic financial institutions. See "— Kazakhstan's Banking Industry—Structure of the Kazakhstan Banking System" below.

The low asset quality of Kazakhstan banks was caused not only by problems among borrowers but also by poor credit practices, including lending and collateral policies and practices. In light of debt restructurings, actual loan quality may be worse than indicated by reported levels of NPLs, which were 3.3 per cent., 3.4 per cent., 2.9 per cent. and 3.1 per cent. of total loans for the banking sector as at 31 December 2021, 2022, 2023 and the three months ended 31 March 2024, respectively. As a result, the banking sector might need additional financial assistance from the Government, which may be unwilling or unable to provide it. At the same time, loans with low returns and low coverage of provisions remain on the balance sheet of banks, which put pressure on the banks' capital.

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 future worldwide credit market downturns and/or economic slowdowns, which could have a material adverse effect on the trading price of the Notes.

The high level of concentration in the banking sector elevates the level of systemic risk in the sector

There is a high level of concentration in the Kazakhstan banking sector, with the five largest banks collectively holding 71.8 per cent. of all customer deposits and accounting for 74.5 per cent. of the aggregate loan portfolio of all Kazakhstan banks as at 1 August 2024. In addition, the NPLs of the three largest Kazakhstan banks, JSC Halyk Bank ("**Halyk Bank**"), JSC Kaspi Bank ("**Kaspi Bank**") and JSC Bank CenterCredit ("**BCC**"), accounted for 2.14 per cent., 5.01 per cent. and 1.58 per cent., respectively, of the total NPLs of all Kazakhstan banks as at 1 August 2024. The high level of concentration in the banking sector can significantly elevate the systemic risk, making the financial system more vulnerable to shocks and increasing the likelihood of widespread financial instability. Ongoing banking reform and related measures that may facilitate the establishment of foreign bank branches and subsidiaries may mitigate systemic risk to a degree, but the implementation of such measures is ongoing and their impact is not certain. See "*Monetary and Financial System – Kazakhstan's Banking Industry – Effects of the 2008-2009 Global Financial Crisis and Anti-Crisis Measures*".

The Kazakhstan Tenge is subject to volatility and depreciation

Since Kazakhstan introduced a free-floating exchange rate regime in 2015, the value of the Tenge has fluctuated considerably. See "*—Changes to exchange rate policies could affect Kazakhstan's economy and public finances*". Any depreciation of the Tenge against the U.S. dollar and any future devaluations in the currencies of Kazakhstan's main trade partners (specifically including Russia; see "*—The Russia-Ukraine conflict and the sanctions imposed on Russia by*

numerous national and international authorities in response, as well as countermeasures taken by Russia, have had, and will continue to have, an adverse impact on Kazakhstan's economic situation") 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.

In the free-floating exchange rate regime, daily fluctuations of the exchange rate occur in one direction or another depending on market factors. Currently, the intervention of the NBK is minimal. The participation of the NBK in the foreign exchange market is aimed exclusively at preventing sudden destabilising changes in the exchange rate, caused mainly by the influence of non-fundamental factors (such as speculative operations and panic moods of market participants). . The NBK most recently intervened in July 2024 (net volume US$869.8 million) and August 2024 (net volume -US$241.5 million) following a long period of non-intervention. The long-term trend will be determined by the effect of fundamental factors, mainly the price of oil and the exchange rates of the currencies of the main trade partners.

Any fluctuation in the value of the Tenge relative to the U.S. dollar may cause volatility in revenues of Kazakhstan from U.S. dollar-denominated oil exports. A significant devaluation of the Tenge will materially affect the ability of Kazakhstan to service its non-Tenge denominated debt. Additionally, any depreciation or further devaluation of the Tenge could result in reduced revenues in the balance of payments or outflow of capital from Kazakhstan, and may also lead to increased inflation and domestic interest rates, any of which could have a material adverse effect on Kazakhstan's economy in general, and the asset quality of the Kazakhstan banking sector.

As at 1 August 2024, approximately 8.89 per cent. of total loans granted and approximately 24.3 per cent. of deposits in the banking system in Kazakhstan were denominated in currencies other than Tenge. There is a risk that the depreciation or further devaluation of the Tenge could also have a material adverse effect on Kazakhstan's banking sector and economy.

Changes to exchange rate policies could affect Kazakhstan's economy and public finances

Although the Tenge is convertible for current account transactions, it is not a fully convertible currency for capital account transactions outside Kazakhstan. Since the NBK adopted a floating exchange rate policy for the Tenge in April 1999, the Tenge has fluctuated significantly and the NBK has adopted a number of exchange rate policies with the latest policy adopted in August 2015.

In 2020, the Tenge weakened by 10.4 per cent. relative to the U.S. dollar, from KZT381.18 to KZT420.71 per U.S.$1.00. The pressure on the Tenge was highest towards the end of March 2020 following the failure of oil-producing countries to reach an agreement regarding a cut to crude oil production, with the exchange rate reaching KZT448.52: U.S.$1.00 on 2 April 2020. After the announcement of the agreed production cuts in April 2020, oil prices and the Tenge moved into a phase of gradual recovery. In 2021, the Tenge continued to experience fluctuations due the ongoing impact of the COVID-19 pandemic on the global markets and oil prices, but it stabilised to an extent by the end of the year, with the exchange rate at KZT431.67: U.S.$1.00. In 2022, the Tenge faced new pressures and volatility due to the conflict between Ukraine and Russia, the sanctions imposed on Russia, a major trade partner of Kazakhstan, and resultant supply chain disruptions. The Tenge experienced sharp depreciation in the first quarter of 2022, with the exchange rate reaching KZT512.19: U.S.$1.00. By the end of 2022, the exchange rate stabilised around KZT462.65: U.S.$1.00. In 2023, the Tenge continued to face volatility but within a narrower band compared to previous years. As at 31 December 2023, the official KZT/U.S.$ market exchange rate reported by the NBK was KZT454.56: U.S.$1.00, as compared to KZT462.65: U.S.$1.00 as at 31 December 2022, KZT431.67: U.S.$1.00 as at 31 December 2021, KZT420.71: U.S.$1.00 as at 31 December 2020 and KZT381.18: U.S.$1.00 as at 31 December 2019.

There can be no assurance that the NBK will maintain its free-floating exchange rate and medium-term inflation targeting policy. Any change in the NBK's exchange rate policy could have an adverse effect on Kazakhstan's public finances and economy.

Kazakhstan's Currency Control Law allows the Government to introduce currency control measures which may hinder the stability and growth of Kazakhstan's economy

Under the Law "On Currency Regulation and Currency Control" No. 167-VI dated 2 July 2018 (the "**Currency Control Law**"), the Government – based on a joint recommendation from the NBK and other competent authorities – is entitled to introduce "payment balance protection measures". These measures can be established when there is a serious threat to the stability of (i) the balance of payments, (ii) the internal currency market and/or (iii) the economic security of Kazakhstan, provided that such threats cannot be resolved by other economic policy measures. The payment balance protection measures must comply with the international treaties ratified by Kazakhstan, if and when such treaties entered into within the framework of participation in international organisations. Such measures must have temporary effect and be cancelled when the circumstances that led to their introduction are eliminated. Should the payment balance protection measures impose new permits (licenses) or notification requirements, such new permits (licenses) or notification requirements are

exempt from the requirements of the Law "On Permits and Notifications" No. 202-V dated 16 May 2014. In order for Kazakhstan to remain in compliance with its membership obligations under the Charter of the IMF, the currency regime cannot restrict residents from repaying foreign currency-denominated obligations. As at the date of this Base Offering Memorandum, the Government has not invoked payment balance protection measures. Should the Government decide to introduce such measures in the future, Kazakhstan may face potential risks such as reduced foreign investment, diminished investor confidence and restricted access to international capital markets, which could have a material adverse effect on Kazakhstan's economic stability and growth.

Kazakhstan's economy is under inflationary pressure

The economy of Kazakhstan is significantly affected by inflationary pressure. According to the Bureau of National Statistics of Kazakhstan ("**NSB**"), the annual inflation rate in 2019, 2020, 2021, 2022, 2023 and as at 30 June 2024 was 5.4 per cent., 7.5 per cent., 8.4 per cent., 20.3 per cent., 9.8 per cent., and 8.4 per cent., respectively. Although Kazakhstan's inflation rate for 2022 (20.3 per cent.) was higher than that of Kyrgyzstan (14.7 per cent.) and Uzbekistan (12.3 per cent.), it largely reflected the broader regional trend of rising inflation influenced by global economic pressures. Expenses of local businesses are mostly denominated in Tenge and, accordingly, may be affected by inflation. In particular, the dependence on imports in the Kazakhstan economy creates inflation rate risk related to increases in world prices for food products and other products and services. Employee wages have been, and are likely to continue to be, particularly sensitive to monetary inflation in Kazakhstan. While the NBK has in recent years been able to manage the inflation by implementing a prudent monetary policy, it may not be able to do so in the future. Sustained high inflation could lead to market instability, a reduction in consumer purchasing power, erosion of consumer confidence, and could also hamper efforts of the NBK to decrease the dollarisation of the Kazakhstan economy. Any of these events could have a material adverse impact on the financial and economic condition of Kazakhstan.

The securities market in Kazakhstan is underdeveloped

Kazakhstan has a less-developed securities market than the U.S. or the United Kingdom and other Western European countries, which may hinder the development of the Kazakhstan economy. An organised securities market was established in Kazakhstan only in the mid-to-late 1990s and procedures for settlement, clearing and registration of securities transactions may, therefore, be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years, including an initiative to develop Astana as an international financial centre, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Kazakhstan. In particular, legal protections against market manipulation and insider trading are not as well developed or as strictly enforced in Kazakhstan as they are in the U.S. or the United Kingdom and other Western European countries, and existing laws and regulations may be applied inconsistently. In addition, less information relating to Kazakhstan-based entities may be publicly-available to investors in such entities than is available to investors in entities organised in the U.S. or the United Kingdom and other Western European countries. The above-mentioned factors may impair foreign investment in Kazakhstan and hinder the development of Kazakhstan's economy.

Kazakhstan's continuing need to fight corruption and improve business climate may hinder the growth of Kazakhstan's economy and its ability to meet obligations under the Notes

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 180 countries and territories included in the 2023 Corruption Perceptions Index published by Transparency International, Kazakhstan ranked number 93, indicating that a perception of public sector corruption occurring within the country remains widespread.

Kazakhstan's business climate and competitive indicators are also negatively affected by the need for reform in investor protection arrangements, the cost of establishing a business, the tax system, resolving insolvency and contract enforcement. Any future allegations of corruption in Kazakhstan and the failure to address the need for reforms 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.

There can be no assurance that further market-based reforms such as the Comprehensive Privatisation Plans will be successfully implemented

In recent years, the Government has introduced a number of measures to encourage privatisation and competition among Kazakhstan companies. In 2012, the Government launched the "People's IPO" programme in order to, among other things, stimulate the domestic equities market. The "People's IPO" programme was terminated at the end of 2015. In March 2014, the Government adopted a decree, which set out its "Comprehensive Privatisation Plan" for the 2014-2016 period, and in

December 2015, the Government approved a further Comprehensive Privatisation Plan for the 2016-2020 period. On 29 December 2020, the Government approved the Comprehensive Privatisation Plan for the 2021-2025 period, which became effective on 1 January 2021. The Government's privatisation programme is driven by the need for substantial investment in many enterprises. As at 1 January 2024, 382 assets worth KZT330 billion were privatised under the 2021-2025 Comprehensive Privatisation Plan (the "**Plan**"). In 2022, up to 5 per cent. of KazMunayGas shares began trading on the AIX and the KASE following their initial public offering ("**IPO**"). In 2023, a secondary public offering ("**SPO**") of KEGOC shares took place. By 1 January 2024, approximately 68.0 per cent. of the measures outlined in the Plan were implemented. In February 2024, Air Astana conducted an IPO with a triple listing on the LSE, AIX and KASE. In 2025, the Plan contemplates IPOs of Kazakhstan Temir Zholy and QazaqGaz. The Plan has, however, excluded certain enterprises deemed strategically significant by the Government and there remains a need for substantial investment in many sectors of the Kazakhstan economy, including business infrastructure. There can be no assurance that the Government's privatisation plans or other market-based reforms will be successfully implemented. Should these market-based reforms prove to be unsuccessful, Kazakhstan may face continued underinvestment in key sectors, limiting economic growth and reducing competitiveness in the global market which may have a material adverse impact on the financial and economic condition of Kazakhstan.

Challenges in the implementation of economic and financial reforms may mean such reforms are delayed or do not happen, which may have a negative effect on the performance of Kazakhstan's economy

In order to ensure the sustainable growth of Kazakhstan's economy, the Government has been implementing a wide range of economic, financial and banking system reforms, and reforms of the legal, tax and regulatory environment. The Government has approved policy measures and actions to promote private sector investments, diversify the economy, to broaden the tax base and to facilitate access to credit to further foster private investment in Kazakhstan by both local and foreign investors.

The continued pursuit of Kazakhstan's long-term objectives in these areas, including those contemplated by the Kazakhstan-2050 Strategy, National Development Plan 2029 and National Plan 2025 (each as defined below), will depend on a number of factors, including continued political support in Kazakhstan and across multiple government ministries, adequate funding, the outcome of policy reviews, improved security, power sector reform, availability of human capital and enhanced coordination between the relevant stakeholders. The economic and other assumptions underlying the objectives set forth in the Kazakhstan-2050 Strategy, National Development Plan 2029 and National Plan 2025, including with respect to oil prices and production, GDP growth, inflation, external debt and the fiscal deficit, may not be met, which would undermine Kazakhstan's ability to achieve its stated objectives. Failure to achieve one or more of the objectives or complete certain reforms or projects set forth in the Kazakhstan-2050 Strategy and National Plan 2025 may render it difficult to achieve other stated objectives, and Kazakhstan's ability to achieve its strategic objectives may be affected by many factors beyond its control. Moreover, some planned reforms may disadvantage certain existing stakeholders, who may seek to curtail such reforms. In addition, the Government has a number of privatisation plans, which may be difficult to achieve without implementing further legislation or active participation from international investors. See "*The Republic of Kazakhstan—Development Strategy*" below.

If the Government is not able to fund or implement the large number of reforms and proposals (including privatisations) currently being proposed, or if there is a delay in such funding or implementation, then the Government may not be able to meet the long-term strategic objectives, which could result in an adverse effect on the economy of Kazakhstan and its ability to meet its obligations under the Notes.

The shadow economy may have a material adverse effect on revenue collection by the Kazakhstan Government

A significant portion of Kazakhstan's economy is an informal or shadow economy. The size of the informal economy was estimated by the NSB to constitute 18.2 per cent. of GDP in 2023, 18.7 per cent. of GDP in 2022, 19.8 per cent. of GDP in 2021 and 20.2 per cent. of GDP in 2020. The informal economy is not recorded, resulting in a lack of revenue for the Government through collection of taxes, ineffective regulation or reform, unreliable statistical information (including the understatement of GDP and the contribution to GDP of various sectors) and an inability to monitor or otherwise regulate a large portion of the economy. The Government has stated that it intends to address the problems created by the shadow economy by improving business infrastructure and tax administration and by continuing the privatisation process. There can be no assurance, however, that these measures will be effective or that any failure to implement them may not have a material adverse effect on Kazakhstan.

Revenues in the State Budget depend on the performance of state-owned enterprises

State-owned enterprises represent a significant portion of the Kazakhstan economy. For example, as at 30 June 2024, the assets held by state holding JSC "Sovereign Wealth Fund "Samruk-Kazyna" ("**Samruk-Kazyna**") represent approximately

30 per cent. of Kazakhstan's GDP. Poor economic performance of state-owned businesses, regardless of its cause, may have both direct and indirect adverse impacts on the revenues in Kazakhstan's State Budget.

Protests or civil unrests, such as events in Kazakhstan in 2022, as well as any difficulties following the transfer of presidential power in Kazakhstan, may have an adverse effect on Kazakhstan's economy and its ability to meet obligations under the Notes

In January 2022, there were widespread protests in Kazakhstan in response to the removal of a cap on the price of liquefied petroleum gas and the resultant increase in price for consumers. Some commentators have reported that the protests were moreover an attempted coup d'etat by dissident forces operating within the country. The protests resulted in disruption and damage throughout Kazakhstan to public and private property and infrastructure with numerous casualties among civilians and security forces. The protests started in the city of Zhanaozen and spread to other cities across Kazakhstan including Almaty, Aktau and Atyrau. As the protests spread throughout various cities in Kazakhstan, President Kassym-Jomart Tokayev imposed a state of emergency and removed the government and various ministers and officials from office. Following the cessation of the state of emergency and a stabilisation of the situation on 19 January 2022, President Kassym-Jomart Tokayev appointed a new government.

Whereas order was restored swiftly following the outbreak of the protests, there can be no guarantee that civil unrest will not occur in the future.

The prevailing political conditions in Kazakhstan have continued to develop following the events of January 2022 and early presidential elections were conducted on 20 November 2022. President Tokayev was re-elected for a 7-year term until 2029. However, renewed uncertainty with respect to the political environment in Kazakhstan, with possible political and economic reforms, their absence or similar events, circumstances or other forms of political instability may have a material adverse impact on the financial and economic condition of Kazakhstan, and thus have a negative effect on the ability of Kazakhstan to repay principal and make payments of interest on the Notes.

Official statistics in Kazakhstan 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. Unreliable official statistics in Kazakhstan may lead to ineffective policymaking due to incomplete, inaccurate or outdated data, increasing uncertainty, deterring foreign investment and potentially compromising economic stability of Kazakhstan.

Legal and regulatory risks

Enforcement of liabilities can be difficult in certain jurisdictions

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. Despite Kazakhstan's waiver of sovereign immunity, there remains a risk that a claimant will not be able to enforce a judgment or award against assets of Kazakhstan in certain jurisdictions without Kazakhstan having specifically consented to such enforcement at the time when the enforcement is sought. This may include the inability of a claimant to enforce an arrest order or attachment or seizure of Kazakhstan's assets and the subsequent sale of these assets. 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 U.S. federal or state securities law.

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 the United Kingdom or the U.S. However, Kazakhstan, the United Kingdom and the U.S. 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 and Kazakhstan law 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 remain subject to any exceptions and limitations provided for in Kazakhstan law. Therefore, there remains a risk that a claimant will not be able to have a foreign judgment recognised or enforced in the Kazakhstan courts. 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. In addition, as per the provisions of the Civil Code of the Republic of Kazakhstan, judgments cannot be enforced against assets allocated to state bodies unless specified otherwise by (i) an international agreement, (ii) a written contract that is not an international agreement, or (iii) a declaration to the court or a written notification in specific proceedings.

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

Kazakhstan's legislative, tax and regulatory framework and court system still continue to develop compared to established market economies, which may create uncertainty for businesses and investment in Kazakhstan

Although a large volume of legislation has been enacted in Kazakhstan since early 1995 (including new tax codes in January 2002, January 2009 and January 2018 and new or amended laws relating to foreign arbitration and foreign investment, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, and state enterprise reform and privatisation throughout the period), the legal framework in Kazakhstan (although one of the most developed among the countries of the former Soviet Union) is still evolving compared to countries with established market economies.

The judicial system, judicial officials and other Government officials in Kazakhstan may not be fully independent of external social, economic and political forces. For example, there have been instances of improper payments being made to public officials. Therefore, court decisions can be difficult to predict and administrative decisions have on occasion been inconsistent. Kazakhstan is a civil law-based jurisdiction and, as such, judicial precedents have no binding effect on subsequent decisions.

Kazakhstan's tax system is still in a transitional phase and it is expected that tax legislation in Kazakhstan will continue to evolve. The Code of the Republic of Kazakhstan "On Taxes and Other Obligatory Payments to the Budget" (the "**Tax Code**") which became effective in January 2018 contains a number of new features, such as a presumption of innocence concept, pursuant to which any ambiguities arising out of the application of law in the process of a tax audit must be interpreted in favour of the taxpayer. The Tax Code further provides for a higher degree of predictability of tax regulation by setting forth that all amendments to the tax code in any given year must be adopted by no later than 1 December of a particular year and become effective no earlier than 1 January of the following year. There nonetheless remains a risk that legal and tax authorities may make arbitrary judgments and assessments of tax liabilities and challenge previous judgments and tax assessments, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, including, in particular, the uncertainty surrounding judgments rendered under the previous tax code which was replaced by the Tax Code in 2018, as well as a lack of an established system of precedent or consistency in legal interpretation, the legal and tax risks involved in doing business in Kazakhstan are substantially more significant than those in jurisdictions with a more developed legal and tax system.

As at the date of this Base Offering Memorandum, Kazakhstan is considering the adoption of a new Tax Code, which may introduce changes such as interactions with tax authorities via mobile applications, targeted account freezes limited to the amount of tax debt, exemptions from audits and fines and extended deferral periods for tax payments. However, the details of, and the timeline for, these changes remain uncertain.

Risks relating to the Stati Claimant Enforcement Proceedings

Kazakhstan is a party to a number of enforcement and/or asset attachment proceedings outside Kazakhstan in which Anatolie Stati, his son Gabriel Stati and two companies owned by them (the "**Stati Claimants**") are seeking to enforce an approximately U.S.$500 million arbitral award against Kazakhstan. Kazakhstan is contesting all such proceedings. Although the parties to the dispute have entered into a framework agreement for the full and final settlement of the dispute, there remains a risk that the Stati Claimants may nevertheless attempt to attach, seize or otherwise assert rights with respect to the assets of Kazakhstan, alleging, contrary to the position of Kazakhstan, that such assets are not subject to the state immunity. It is possible, therefore, that the Stati Claimants may seek to assert rights over the proceeds of Kazakhstan's capital markets transactions, including the proceeds of the Notes, the scheduled payments under the Notes or other

outstanding external debt, which may disrupt the settlement process of any issue of Notes or have a material adverse impact on the price or trading of any issue of Notes in the secondary market. See further, "*General Information – Litigation*".

Factors which are material for the purpose of assessing the risks associated with the Notes

Risks relating to the 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

The Issuer may issue Notes with variable interest rates which are volatile in nature. For instance, 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

The Issuer may issue inverse floating rate Notes with an interest rate equal to a fixed rate minus a rate based upon a reference rate. 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). Typically, an increase in the reference rate not only decreases the interest rate on such 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 Issuer may issue Notes at a substantial discount or premium from their principal amount. The market value of these Notes tends to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. In particular, the longer the remaining term of the Notes, the price volatility may be greater compared to conventional interest-bearing securities with comparable maturities.

- Fixed Rate Notes

The Issuer may issue fixed rate Notes which involves the risk that subsequent changes in market interest rates may adversely affect the value of the fixed rate Notes.

Investors should consider all of these matters when making their investment decision with respect to the relevant Notes.

The regulation and reform of benchmarks may adversely affect the value of Notes linked to or referencing benchmarks

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**"), among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the national or international reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain benchmarks (i) discourage market participants from continuing to administer or contribute to the benchmark, (ii) trigger changes in the

rules or methodologies used in the benchmark or (iii) lead to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of national or international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Future discontinuance of certain benchmark rates (for example, EURIBOR) may adversely affect the value of floating rate Notes which are linked to or which reference any such benchmark rate

With respect to any Series of Notes that has a floating rate of interest based upon a benchmark, such as EURIBOR, investors should be aware that these rates have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated.

Changes to the administration of certain interbank offered rates (the "**IBORs**") or the emergence of alternatives to an IBOR, may cause such IBOR to perform differently than in the past, or there could be other consequences which cannot be predicted. The discontinuation of an IBOR or changes to its administration could require changes to the way in which the Rate of Interest (as defined in the Terms and Conditions of the Notes) is calculated in respect of any Notes referencing or linked to such IBOR. The development of alternatives to an IBOR may result in Notes linked to or referencing such IBOR performing differently than would otherwise have been the case if the alternatives to such IBOR had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Notes linked to or referencing such IBOR.

Whilst alternatives to certain IBORs for use in the bond market have been or are being developed, in the absence of any legislative measures, outstanding notes linked to or referencing an IBOR will only transition away from such IBOR in accordance with their particular fallback arrangements in their terms and conditions. The operations of any such fallback arrangements could result in less favourable return for noteholders than they might receive under other similar securities which contain different or no fallback arrangements (including which they may otherwise receive in the event that legislative measures or other initiatives (if any) are introduced to transition from and given IBOR to an alternative rate).

Condition 8.9 (*Benchmark Replacement*) provides for certain fallback arrangements in the event that a relevant benchmark is discontinued or no longer published. Such fallback arrangements include the possibility that the Rate of Interest (as defined in the Terms and Conditions of the Notes) on the applicable Notes could be set by reference to an Alternative Reference Rate (as defined in the Terms and Conditions of the Notes) and that amendments could also be made to, amongst other things, the Day Count Fraction, Business Day Convention and Interest Determination Date of the Notes (each, as defined in the Terms and Conditions of the Notes) to ensure the proper operation of the Alternative Reference Rate, as the case may be, all as determined by the Issuer following consultation with an Independent Adviser (as defined in the Terms and Conditions of the Notes) and acting in good faith and in a commercially reasonably manner. The Alternative Reference Rate that is applied may not be effective to reduce or eliminate economic prejudice to investors. The use of an Alternative Reference Rate will still result in any Notes linked to or referencing a benchmark performing differently (which may include payment of a lower Rate of Interest) than they would if the relevant benchmark were to continue to apply in its current form.

If, following the discontinuation of a relevant benchmark, no Alternative Reference Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for floating rate Notes based on the rate which was last observed on the Relevant Screen Page (as defined in the Terms and Conditions of the Notes). Due to the uncertainty concerning the availability of Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory development, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions under Condition 8.9 (*Benchmark Replacement*) in making any investment decision with respect to any Notes linked to or referencing a benchmark rate.

Risks relating to all Notes issued under the Programme

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

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 per cent. of the aggregate principal amount outstanding of such Notes, and to multiple Series of Notes with the consent of both (i) the holders of $66^{2/3}$ per cent. of the aggregate principal amount outstanding of all Series of Notes being aggregated and (ii) the holders of 50 per cent. 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 per cent. 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, among other things, 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 Terms and Conditions restrict the ability of an individual Noteholder to declare an event of default, and permit a majority of Noteholders to rescind a declaration of such a default

The Terms and Conditions contain a provision which, if an Event of Default occurs, permits the holders of at least 25 per cent. in aggregate nominal amount of the outstanding Notes of the relevant Series to declare all the Notes of that Series to be immediately due and payable by providing notice in writing to the Issuer, whereupon the Notes of that Series shall become immediately due and payable, at their nominal amount with accrued interest, without further action or formality.

The Terms and Conditions also contain a provision permitting the holders of at least 50 per cent. in aggregate nominal amount of the outstanding Notes of the relevant Series to notify the Issuer to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration 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, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

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.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if Definitive Note Certificates are subsequently issued

The Terms and Conditions do not permit the sale or transfer of Notes in such circumstances as would result in amounts being held by a Noteholder which are lower than the minimum Specified Denomination (as defined in the Terms and Conditions). However, in the event that a Noteholder holds a principal amount of less than the minimum Specified Denomination, such Noteholder would need to purchase an additional amount of Notes such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Noteholder holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, such Noteholder may not receive a Definitive Note Certificate in respect of such holding (should Definitive Note Certificates be issued) and would need to purchase a principal amount of Notes such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a Definitive Note Certificate.

If Definitive Note Certificates are issued, Noteholders should be aware that Definitive Note Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

There can be no assurance that an issue of Notes will occur on the initially scheduled Issue Date or at all

An issue of Notes may be conditional on a number of conditions precedent and subject to termination rights (which may be exercised by any of the relevant Dealers with respect to itself only without cause and without advance notice to investors) set out in any subscription agreement between the Issuer and one or more Dealers in respect of any Tranches of Notes. If any of these conditions precedent are not satisfied, or if the relevant subscription agreement is terminated with respect to any Dealer in accordance with its terms, then that issue of Notes may be delayed or may not occur at all. In the event of investors receiving Notes allocated to them only after the initially scheduled Issue Date or not receiving such Notes at all in circumstances contemplated by the provisions of the relevant subscription agreement, such investors will (in the case of an aborted issue of Notes) receive the return of the subscription price paid by such investors for such Notes but will not be entitled to any compensation for such late or non-delivery of Notes.

Holders of Notes held through DTC, Euroclear and Clearstream, Luxembourg must rely on procedures of those clearing systems to effect transfers of Notes, receive payments in respect of Notes and vote at meetings of Noteholders

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a custodian for DTC. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Transferability of the Notes may be limited under applicable securities laws

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or any other jurisdiction of the United States. Notes issued under the Programme may not be offered, sold or otherwise transferred in the U.S. other than to persons that are QIBs. Each purchaser of Notes will be deemed, by its acceptance of such Notes, to

have made certain representations and agreements intended by the Issuer to restrict transfers of Notes as described under "*Subscription and Sale*" and "*Transfer Restrictions*". It is the obligation of each purchaser of Notes to ensure that its offers and sales of Notes comply with all applicable securities laws.

In addition, if at any time the Issuer determines that any owner of Notes, or any account on behalf of which an owner of Notes purchased its Notes, is a person that is required to be a QIB, the Issuer may compel that such owner's Notes be sold or transferred to a person designated by or acceptable to the Issuer.

The Notes may not be suitable as an investment for all investors

Potential investors must determine the suitability of an investment in the Notes in each Series in the light of their own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Offering Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact that such Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect such investor's investment and ability to bear the applicable risks.

Risks relating to the market generally

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

There may not be an active trading market for the Notes, in which case an investor's ability to sell the Notes may be limited

The trading market for the Notes will be influenced by economic and market conditions in Kazakhstan and, to varying degrees, by interest rates, currency exchange rates and inflation rates in other countries, such as the U.S., the EU Member States and elsewhere. An application may be made for the listing of the Notes on the London Stock Exchange and for the Notes to be admitted to the Official List. There can be no assurance that any such listings will be obtained or, if such listings are obtained, that an active trading market for the Notes will develop or be sustained. If a market does develop, 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. The Notes may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the economic and political condition of Kazakhstan. In addition, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. Accordingly, there can be no assurance as to the development or liquidity of any active trading market for the Notes, an investor's ability to sell its Notes or the prices at which an investor may be able to sell its Notes.

The limited history of the AIX compared to more established exchanges may impact the liquidity and pricing of, as well as the ability to trade, the Notes on the AIX

The Programme and Notes issued under the Programme may be listed on the AIX in the new Astana International Financial Centre ("**AIFC**"). The AIX was launched in July 2018, and therefore, has a very short history of operations. There can be no assurance that the AIX will attract a sufficient number of market participants and issuers to ensure acceptable trading volumes in the foreseeable future or at all. Also, the infrastructure for trading and settlement has been newly set up and no assurance can be given that trading on the AIX will immediately function as well as in more established exchanges. Accordingly, market participants, issuers and other involved parties may occasionally experience technical difficulties with

various aspects of AIX's operations, such as quotation and trading information and settlement. These factors may negatively impact the liquidity and pricing of, and the ability to trade at all, the Notes on the AIX.

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 relating to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Similarly, the credit ratings assigned to an issue of Notes do not necessarily mean that they are a suitable investment. Also, similar ratings on different types of notes do not necessarily mean the same thing. The significance of each rating should be analysed independently from any other rating.

In general, European regulated investors are restricted under the Regulation (EC) No. 1060/2009 (as amended, the "**EU CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, save for the wording in italics, as completed by the relevant Final Terms or as supplemented, amended or replaced by the relevant Drawdown Offering Memorandum, will be endorsed on each Definitive Note Certificate. The relevant Final Terms (or relevant provisions thereof) will be endorsed upon or attached to each Global Note and Definitive Note Certificate. The Terms and Conditions of the Notes applicable to Global Notes will differ from those which would apply to Notes in definitive form to the extent described under "Summary of Provisions Relating to Notes in Global Form".

1. Introduction

The Republic of Kazakhstan (the "**Issuer**"), represented by the Ministry of Finance of the Republic of Kazakhstan ("**Kazakhstan**") acting upon authorisation of the Government of the Republic of Kazakhstan, has established a Global Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.$15,000,000,000 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 7 October 2024 (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 7 October 2024 (as may be further amended or supplemented from time to time, the "**Fiscal Agency Agreement**") and made between the Issuer, Citibank Europe plc, Germany Branch 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 given in the relevant Final Terms;

"**Broken Amounts**" has the meaning given in the relevant Final Terms;

"**Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**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 given in the relevant Final Terms;

"**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;

"**Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**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;

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing with relevant experience in the international capital markets, in each case appointed by the Issuer at its own expense.

"**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 given in the relevant Final Terms;

"**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 Position in the Fund and (iii) Foreign Exchange, and the terms "**Special Drawing Rights**", "**Reserve Position 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 given in the relevant Final Terms;

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 given in the relevant Final Terms;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**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:

(a) 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;

(b) 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;

(c) any Security Interest arising by operation of law which has not been foreclosed or otherwise enforced against the assets to which it applies; and

(d) 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;

"**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, 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 Banks**" means the four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Final Terms;

"**Reference Rate**" means 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 given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Interest Payment Date**" has the meaning given in the relevant Final Terms;

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

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**T2**" means the real time gross settlement system operated by the Eurosystem or any successor system;

"**TARGET Settlement Day**" means any day on which T2 is open for the settlement of payments in Euros;

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

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

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; and

(b) 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 the Registrar or any Transfer 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 Registrar or the relevant Transfer 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 the Registrar or any Transfer 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 the Registrar or the relevant Transfer 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 Registrar or the relevant Transfer 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 Registrar or the relevant Transfer Agent (as the case may be).

4.3 No Charge

Transfers of Notes shall be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer 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 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 interest amount in respect of, that Note.

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, further, 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. (Brussels time) (the "**Relevant Time**") 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*, provided, however* that:

(x) if no Reference Rate appears on the Relevant Screen Page at the 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Reference Rates that each of the Reference Banks is quoting to leading banks in the Principal Financial Centre at the Relevant Time on the relevant Interest Determination Date, as determined by the Calculation Agent; and

(y) if paragraph (x) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Reference Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Reference Rate) in respect of a Calculation Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the Principal Financial Centre are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the relevant Interest Determination Date relating to the next succeeding Interest Period for a period equivalent to the duration of the relevant Interest Period (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin or Maximum Rate of Interest or Minimum Rate of Interest applicable to the preceding Interest Period and to the relevant Interest Period).

(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 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 8 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.

8.9 **Benchmark Replacement**

Notwithstanding the foregoing provisions of this Condition 8, if the Issuer (in consultation with the Calculation Agent determines that the relevant Reference Rate specified in the relevant Final Terms has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered, then the following provisions shall apply:

(a) the Issuer shall use reasonable endeavours to appoint an Independent Adviser for the determination (with the Issuer's agreement) of an alternative rate (the "**Alternative Reference Rate**") and an alternative screen page or source (the "**Alternative Relevant Screen Page**") no later than three (3) Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "**Determination Cut-off Date**") for purposes of

determining the Rate of Interest applicable to the Notes for all future Interest Periods (as applicable) (subject to the subsequent operation of this Condition 8.9);

(b) the Alternative Reference Rate shall be such rate as the Independent Adviser and the Issuer acting in good faith agree has replaced the relevant Reference Rate in customary market usage for the purposes of determining floating rates of interest in respect of eurobonds denominated in the relevant Specified Currency, or, if the Independent Adviser and the Issuer agree that there is no such rate, such other rate as the Independent Adviser and the Issuer acting in good faith agree is most comparable to the relevant Reference Rate, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Reference Rate;

(c) if the Issuer is unable to appoint an Independent Adviser, or if the Independent Adviser and the Issuer cannot agree upon, or cannot select, the Alternative Reference Rate and Alternative Relevant Screen Page prior to the Determination Cut-off Date in accordance with sub-paragraph (b) above, then the Issuer (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner) may determine which (if any) rate has replaced the relevant Reference Rate in customary market usage for purposes of determining floating rates of interest in respect of eurobonds denominated in the relevant Specified Currency, or, if it determines that there is no such rate, which (if any) rate is most comparable to the relevant Reference Rate, and the Alternative Reference Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Reference Rate; *provided, however*, that if this sub-paragraph (c) applies and the Issuer is unable or unwilling to determine an Alternative Reference Rate and Alternative Relevant Screen Page prior to the Interest Determination Date relating to the next succeeding Interest Period in accordance with this sub-paragraph (c), the Rate of Interest applicable to such Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of a preceding Interest Period as applicable (which may be the initial Rate of Interest);

(d) if an Alternative Reference Rate and Alternative Relevant Screen Page is determined in accordance with the preceding provisions, such Alternative Reference Rate and Alternative Relevant Screen Page shall be the Reference Rate and the Relevant Screen Page in relation to the Notes for all future Interest Periods (subject to the subsequent operation of this Condition 8.9);

(e) if an Alternative Reference Rate is determined in accordance with the above provisions, the Independent Adviser (with the Issuer's agreement) or the Issuer (as the case may be), may also, following consultation with the Calculation Agent, specify changes to the Day Count Fraction, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Alternative Benchmark Rate, which changes shall apply to the Notes for all future Interest Periods (subject to the subsequent operation of this Condition 8.9); and

(f) the Issuer shall promptly following the determination of any Alternative Reference Rate and Alternative Relevant Screen Page give notice thereof and of any changes pursuant to sub-paragraph (e) above to the Calculation Agent, the Fiscal Agent and the Noteholders.

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 Final Redemption

Unless previously purchased and cancelled, the Notes will be redeemed at the 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 (*Final 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 regulated market of 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 10.4 (*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 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 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 or on behalf of 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;

(c) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting such Note to another Paying Agent in a member state of the European Union; or

(d) 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 per cent. 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 principal or 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 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 per cent. 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, Paying 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, Paying 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; and

(d) 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 and Electronic Consents

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 (which need not be a physical place and instead may be by way of audio or video conference call) 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 Fiscal Agent or the Issuer, as the case may be) setting out the purpose of the meeting. The Fiscal Agent will agree the time and place of the meeting (which need not be a physical place and instead may be by way of audio or video conference call) with the Issuer promptly. The Issuer or the Fiscal Agent, as the case may be, will notify the Noteholders (with a copy to the Fiscal Agent or the Issuer, as the case may be) within 10 days of receipt of such written request of the time and place of the meeting (which need not be a physical place and instead may be by way of audio or video conference call), 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*), 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 and Electronic Consents. All information to be provided pursuant to this Condition 17.1 shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents.

(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 (which for these purposes shall be deemed to include any sukuk representing the credit of the Republic of Kazakhstan or any other similar instrument) issued directly or indirectly 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 Terms and Conditions, the Fiscal Agency Agreement and/or the Deed of Covenant 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 held by Noteholders present in person or represented by proxy; 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 held by Noteholders present in person or represented by proxy.

(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.

(ii) *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 66 ⅔ 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 ⅔ 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 (other than any variation arising from the discontinuation of any interest rate benchmark used to determine the amount of any payment in respect of the Notes) 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, an Electronic Consent 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", "Electronic Consent" 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 or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, 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 substitution or conversion; or

(ii) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount; or

(o) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes and the Deed of Covenant.

17.6 **Information**

Prior to or on the date that the Issuer proposes any Extraordinary Resolution, Written Resolution or Electronic Consent 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 18.8 (*Manner of publication*) 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 or Electronic Consent, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 18.5 (*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 or vote in respect of any Electronic Consent. 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, Written Resolutions and Electronic Consents which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 18.8 (*Manner of publication*).

17.11 **Exchange and Conversion**

Any Extraordinary Resolutions, Written Resolutions or Electronic Consents 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.

17.12 **Written Resolutions and Electronic Consents**

A Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Noteholders.

For so long as any Notes are in the form of a Global Note held on behalf of one or more of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (the "**relevant clearing system(s)**"), then the approval of a resolution proposed by the Issuer given by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures:

(a) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders; or

(b) (where such holders have been given at least 21 days' notice of such resolution) by or on behalf of:

(i) in respect of a proposal pursuant to Condition 17.2 (*Modification of this Series of Notes only*), the persons holding at least 75 per cent. of the aggregate principal amount of the outstanding Notes in the case of a Reserved Matter or more than 50 per cent. of the aggregate principal amount of the outstanding Notes, in the case of a matter other than a Reserved Matter;

(ii) in respect of a proposal Condition 17.3 (*Multiple Series Aggregation—Single limb voting*), the persons holding 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); or

(iii) in respect of a proposal pursuant to Condition 17.4 (*Multiple Series Aggregation—Two limb voting*), (x) the persons holding at least 66⅔ 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); and (y) the persons holding 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),

(in the case of (i), (ii) and (iii), each an "**Electronic Consent**") shall, for all purposes (including Reserved Matters) take effect as (A) a Single Series Extraordinary Resolution (in the case of (i) above), (B) a Multiple Series Single Limb Extraordinary Resolution (in the case of (ii) above) or (C) a Multiple Series Two Limb Extraordinary Resolution (in the case of (iii) above), as applicable.

The notice given to Noteholders shall specify, in sufficient detail to enable Noteholders (in the case of a proposal pursuant to Condition 17.2 (*Modification of this Series of Notes only*) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 17.3 (*Multiple Series Aggregation—Single Limb Voting*) or Condition 17.4 (*Multiple Series Aggregation—Two Limb Voting*) to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the "**Relevant Consent Date**") by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

If, on the Relevant Consent Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion for approval, the resolution shall, if the party proposing such resolution (the "**Proposer**") so determines, be deemed to be defeated. Alternatively, the Proposer may give a further notice to Noteholders (in the case of a proposal pursuant to Condition 17.2 (*Modification of this Series of Notes only*) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 17.3 (*Multiple Series Aggregation—Single Limb Voting*) or Condition 17.4 (*Multiple Series Aggregation—Two Limb Voting*) that the resolution will be proposed again on such date and for such period as shall be agreed with the Issuer (unless the Issuer is the Proposer). Such notice must inform Noteholders (in the case of a proposal pursuant to Condition 17.2 (*Modification of this Series of Notes only*) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 17.3 (*Multiple Series Aggregation—Single Limb Voting*) or Condition 17.4 (*Multiple Series Aggregation—Two Limb Voting*) that insufficient consents were received in relation to the original resolution and the

information specified in the previous paragraph. For the purpose of such further notice, references to Relevant Consent Date shall be construed accordingly.

An Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened above, unless that meeting is or shall be cancelled or dissolved.

Where Electronic Consent has not been sought, for the purposes of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the relevant clearing system(s) with entitlements to any Global Note and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the relevant clearing system(s) and, in the case of (b) above, the relevant clearing system(s) and the accountholder identified by the relevant clearing system(s). Any such certificate or other document (i) shall be conclusive and binding for all purposes and (ii) may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

All information to be provided pursuant to paragraph (d) of Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents.

A Written Resolution and/or Electronic Consent (i) shall take effect as an Extraordinary Resolution and (ii) will be binding on all Noteholders, whether or not they participated in such Written Resolution and/or Electronic Consent, even if the relevant consent or instruction proves to be defective.

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 **Electronic Consents**

If approval of a resolution proposed under the terms of these 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, is proposed to be given by way of Electronic Consent, the Aggregation Agent will, as soon as reasonably practicable after the relevant Electronic Consent has been given, 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 consented to the resolution by way of Electronic Consent such that the resolution is approved. If so, the Aggregation Agent will determine that the resolution has been duly approved.

18.5 **Certificate**

For the purposes of Condition 18.2 (*Extraordinary Resolutions*), Condition 18.3 (*Written Resolutions*) and Condition 18.4 (*Electronic Consents*), 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 and, with respect to an Electronic Consent, the date arranged for voting on the Electronic Consent.

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.

18.6 **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.

18.7 **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.

18.8 **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 and Electronic Consents*), 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 18.5 (*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 Condition19.2, 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

If any Noteholder receives or recovers any amount in a currency other than that in which the relevant payment is expressed to be due (the "**Contractual Currency**") (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 Fiscal Agent or any Paying Agent. 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 per cent., being rounded up to 0.00001 per cent.), (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 (a) property, including any bank account, used by a diplomatic or consular mission of the Issuer or its special missions or delegations to international organisations, including their heads and other employees (except to the extent they are appointed as

process agent and it is required for any service of process pursuant to the Notes) (b) property of military character and under the control of a military authority or defence agency of the Issuer and (c) property located in the Republic of Kazakhstan that is used for public or governmental purposes (as distinct from property dedicated to a commercial use).

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

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[**MiFID II product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any [person subsequently offering, selling or recommending the Notes (a "**distributor**")][distributor] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**Singapore SFA Product Classification** - In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes [are]/[are not] [prescribed capital market products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.][1]

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.$15,000,000,000 Global 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 Offering Memorandum dated 7 October 2024 [and the supplement[s] to it dated [●]] (together the "**Base Offering Memorandum**"). This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Base Offering Memorandum. 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 Offering Memorandum . The Base Offering Memorandum is available for viewing during normal business hours at [●], has been published on the website[s] of the [London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html][and the Astana International Exchange at www.aix.kz/news-announcements/aix-market-notices/ and copies may be obtained from [●].]

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Offering Memorandum with an earlier date.*]

[1] For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer. Notice to be added if the Notes are not 'prescribed capital market products' pursuant to Section 309B of the SFA.

[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 7 October 2024 which are incorporated by reference in the Base Offering Memorandum dated 7 October 2024. This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Base Offering Memorandum dated 7 October 2024 [and the supplement[s] to it dated [●]]] ([together,] the "**Base Offering Memorandum**"), including the Conditions incorporated by reference in the Base Offering Memorandum. 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 Offering Memorandum. The Base Offering Memorandum is available for viewing during normal business hours at [●], has been published on the website of the [London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html][and the Astana International Exchange at www.aix.kz/news-announcements/aix-market-notices/ 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:	[●] per cent. 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:	[[●] per cent. Fixed Rate] [EURIBOR] +/- [●]per cent. Floating Rate] [Zero Coupon]
10.	Redemption/Payment Basis:	[Redemption at par/[●] per Calculation 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 cent. 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] [●] / Not Applicable]
	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 / Not Applicable]
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 is/ are to be determined:	[Screen Rate Determination/ISDA Determination]
	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 EURIBOR]
	- Interest Determination Date(s):	[●]
	- Relevant Screen Page:	[●]
	- Reference Banks:	[●]
	ISDA Determination:	
	- Floating Rate Option:	[●]
	- Designated Maturity:	[●]
	- Reset Date:	[●]
	Margin(s):	[+/-][●] per cent. per annum
	Minimum Rate of Interest:	[●] per cent. per annum
	Maximum Rate of Interest:	[●] per cent. 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 cent. per annum
	Reference Price:	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

15.	Financial Centre(s):	[Not Applicable/[●]]
16.	Redenomination:	[Applicable/Not Applicable]
17.	Calculation Agent:	[●]

[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/will be] made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the FCA and admitted to trading on the London Stock Exchange's Main Market with effect from [●]. [Application has also been made by the Issuer (or on its behalf) for the Notes to be listed and admitted to trading on the Astana International Exchange with effect from [●].]
(ii)	Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

Ratings:	The Notes to be issued [have been/are expected to be] rated: S & P: [●] Moody's: [●] Fitch: [●] [Other: [●]] [Not Applicable]

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

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests*)]

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

[5. Fixed Rate Notes only—YIELD

Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. OPERATIONAL INFORMATION

ISIN (Reg S Notes):	[●]
ISIN (Rule 144A Notes):	[●]
Common Code (Reg S Notes):	[●]
Common Code (Rule 144A Notes):	[●]
CUSIP (Rule 144A Notes):	[●]
CFI:	[As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
FISN:	[As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
Any clearing system(s) other than [DTC,] Euroclear Bank SA/NV and Clearstream Banking S.A., and the relevant identification number(s):	[●]
Names and addresses of additional Paying Agent(s) (if any):	[●]

7. DISTRIBUTION

Method of distribution:	[Syndicated]/[Non-syndicated]
If syndicated, names of Managers:	[●]
Stabilisation Manager(s):	[●]
If non-syndicated, name of Dealer:	[●]
U.S. Selling Restrictions:	[Regulation S Compliance Category 1; Rule 144A; TEFRA D/TEFRA C/TEFRA not applicable]

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 the largest landlocked country 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. 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. In 2019, Astana was renamed as Nur-Sultan to honour the first President of the Republic of Kazakhstan, Nursultan Nazarbayev, who resigned in March 2019. In 2022, Nur-Sultan was renamed back to Astana. Almaty remains, however, the financial, cultural and scientific centre of the country and is the largest city in Kazakhstan.

As at 1 June 2024, the population of Kazakhstan surpassed 20.0 million. Kazakhstan is one of the most sparsely populated countries in the world with an average population density of approximately 7.4 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 71.0 per cent. of the population at the beginning of 2024, followed by Russians (14.9 per cent.), Uzbeks (3.3 per cent.), Ukrainians (1.9 per cent.), Uigurs (1.5 per cent.), Germans (1.1 per cent.), Tatars (1.1 per cent.) and others (5.2 per cent.). 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 is the official language of Kazakhstan. Russian is widely spoken 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. Kazakhstan's adult literacy rate is approximately 99.8 per cent. As at 31 December 2023, 69.0 per cent. of the economically active population (labour force) in Kazakhstan had degrees from university-level institutions.

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. According to the Energy Institute Statistical Review of World Energy 2024, in 2023, Kazakhstan was the thirteenth largest oil producer in the world and the second largest oil producer in the CIS after Russia. The country is also a significant exporter of wool, wheat, meat, machinery and various chemicals. Kazakhstan has enjoyed relatively high levels of FDI, particularly in the oil and gas sector. From 2019 to 2023, FDI in Kazakhstan amounted to approximately U.S.$117 billion. Net FDI inflows were U.S.$3.2 billion in 2023, compared with U.S.$6.5 billion, U.S.$3.4 billion, U.S.$3.7 billion and U.S.$3.3 billion in 2022, 2021, 2020 and 2019, respectively. From 1 January to 1 April 2024 net FDI inflows amounted to U.S.$1.9 billion.

History

Almaty, Kazakhstan's largest city and the financial, cultural and scientific centre, 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 48.0 per cent. 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 30.0 per cent. 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 Soviet Russia to KSSR during the Second World War.

The increasing political power of ethnic Kazakhs highlighted when 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 CIS. Nursultan Nazarbayev, then First Secretary of the Kazakh Communist Party, became the first President of Kazakhstan with the formation of the newly independent state and held the position of head of state since that time and until March 2019 when he announced his retirement as President. Kassym-Jomart Tokayev has been the President of Kazakhstan since 20 March 2019. See "*– Constitution, Government and Political Parties—The President*".

Constitution, Government and Political Parties

Constitution

Kazakhstan's current constitution (the "**Constitution**") was adopted in August 1995 by a national referendum and came in to force on 5 September 1995. The Constitution has since been amended in 1998, 2007, 2011, 2017, 2019 and 2022. 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, Parliament (of two chambers: the upper chamber, the "**Senate**" and the lower chamber, the "**Majilis**"), the Government (headed by the Prime Minister), the Supreme Court, the Constitutional Court and local governments and administrations.

The Constitution protects certain fundamental rights and personal freedoms of the citizens of Kazakhstan, including the right to life and 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). Death penalty is prohibited under the Constitution.

Amendments to the Constitution can be proposed by the President, Parliament or the Government. Such proposals are then required to be submitted to a national referendum. More than 50.0 per cent. of Kazakhstan citizens who have a right to vote must participate in any national referendum regarding a proposed amendment to the Constitution in order for it to be valid. The proposed amendments are then adopted if more than 50.0 per cent. of Kazakhstan citizens who participated in the voting, in not less than two-thirds of the country's 17 regions ("**oblasts**"), major cities and the capital city 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 75.0 per cent. 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 national referendum. Following such a refusal by the President, Parliament can, with not less than 80.0 per cent. 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 national referendum.

The Constitution was most recently amended in June and September 2022. In June 2022, amendments were made to, among other things, establish the Constitutional Court and update the procedure for electing members of Parliament. In September 2022, amendments increased the term of office of the President of Kazakhstan to seven years while liming re-election to a single term. See "–*The President*" below.

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, the city of Shymkent and the city of Almaty with consent from the local representative body (the "**maslikhat**") of the relevant oblast, the capital, Astana, the city of Shymkent and the city of Almaty. The President has the power to dissolve Parliament as a whole or solely 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), the Governor of the NBK (following approval from the Senate and the Chairperson of the Constitutional Court (following approval from the Senate)).

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.

On 19 March 2019, the President of Kazakhstan Nursultan Nazarbayev resigned from his post. The President's powers were transferred to Kassym-Jomart Tokayev, who was at the time the Chairman of the Senate and who became the President until the next presidential election, which was at the time scheduled to be held in April 2020. On 9 April 2019, Kassym-Jomart Tokayev announced that the early presidential election will take place on 9 June 2019. Tokayev said that he called for the early election because it was "absolutely necessary" to ensure "continuity, predictability and stability" at the time of political transition and "to remove any uncertainty". Before the announcement, on 8 April 2019, consultations were held with the participation of the Chairman of the Senate, Prime Minister, Chairman of the Constitutional Court and Deputy Chairman of the Majilis. On 9 June 2019, a presidential election was held and President Tokayev won the election receiving 70.96 per cent. of the votes.

Following the January 2022 protests, President Tokayev introduced the political concept of "New Kazakhstan" in his state-of-the-nation address on 1 September 2022. Tokayev stated that "for the successful implementation of radical and comprehensive reforms aimed at building a just Kazakhstan, a new mandate of trust from the people is required." He further noted that these reforms can only be implemented over an extended period of time which is why he would be seeking re-election. In September 2022, President Tokayev signed a decree for an early presidential election which he won in November 2022 after securing 81.31 per cent. of the votes.

Under the Constitution, with effect from September 2022 (see "—*Constitution*") the President is elected to office by a popular vote for a term of seven years; the same person may not be elected President more than once.

If the President is unable to perform his duties for a sustained period of time due to illness, the 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 or her duties due to illness and the Constitutional Court 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 75.0 per cent. 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 one third of its members. Following an investigation arranged for by the Senate, the President may, at a joint meeting of both chambers of Parliament, be dismissed by a final vote of at least 75.0 per cent. 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, 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.

The Parliament

The Parliament is the highest representative body of Kazakhstan exercising legislative power.

The current parliamentary structure of Kazakhstan includes a bicameral Parliament, consisting of two chambers: the Senate and the Majilis.

The Senate consists of 50 deputies, 10 of whom are appointed by the President (five of which on the proposal of the Assembly of People of Kazakhstan) and the remainder of whom are appointed by the representative body of each oblast, the capital city Astana, Almaty and Shymkent. The term of office for members in the Senate is six years. Every three years, half of the seats in the Senate are up for re-election. Senate elections were last held on 14 January 2023 and will be next held in 2026.

The Majilis consists of 98 members elected under a mixed electoral system, which includes proportional representation from a unified national election district based on party lists and single-mandate territorial election districts. The term of office for members in the Majilis is five years. The most recent election for the Majilis took place on 19 March 2023, in which seven political parties participated. The Amanat party (formerly known as Nur Otan party) received 53.9 per cent. of the votes, winning 40 seats, the Auyl party received 10.9 per cent. of the votes, winning 8 seats, the Respublica party received 8.59 per cent. of the votes, winning 6 seats, the People's Party of Kazakhstan received 6.8 per cent. of the votes, winning 5 seats, the Democratic Party of Kazakhstan Ak Zhol received 8.41 per cent. of the votes, winning 6 seats, and the National Social Democratic party received 5.20 per cent. of the votes, winning 4 seats, and the Baytaq party received 2.30 per cent. of the votes. Besides, 29 candidates were elected in the Majilis in single-mandate territorial election districts. The next Majilis election is scheduled to take place in 2028.

The process of introducing new legislation is initiated by Government agencies, which send proposals for new legislation to the Ministry of Justice of Kazakhstan. The Ministry of Justice drafts an overall legislative plan containing all proposals that have been received. The draft legislative plan, which is signed by the Prime Minister, is then sent to the Presidential administration, for review.

If the proposal is included into the legislative plan, the relevant Government agency drafts the bill. The Government then forwards the relevant bill to Parliament, where following adoption by the Majilis, it is sent to the Senate. The Senate can then either approve the bill, or suggest amendments and submit the amended bill back to the Majilis for its consideration. Once both chambers of Parliament have approved the bill, it is sent to the President for signature, after which the law becomes effective.

The Government

The executive branch is the Government, headed by the Prime Minister. The Government is responsible for the development and implementation of social and economic policies of Kazakhstan, its defence, security and ensuring public order; implementation of legislation and international treaties; and preparation and implementation of the Republican Budget, as well as the conduct of the foreign policy.

The Government is a collegial body, which exercises the executive power of the State, heads the countrywide system of various executive bodies and manages their activities. The Government is accountable to the President and Parliament. The Government is formed by the President in the manner prescribed by the Constitution. The Government consists of the Prime Minister, the Prime Minister's deputies, ministers representing 21 ministries and other officials.

The Supreme Court and Judicial System

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 and other members appointed by the President. The Chairperson of the Supreme Judicial Council shall be appointed by the President following approval from the Senate. 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 judges (consisting of nine judges, including 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.

On 5 July 2024, amendments to the Law "On the Judicial System and the Status of Judges of the Republic of Kazakhstan" were adopted, which will take effect on 1 July 2025. These amendments establish separate Cassation courts in Kazakhstan, which will function as interregional courts. The President will establish the Cassation courts based on the proposal of the Chairperson of the Supreme Court, with the consent of the Supreme Judicial Council. The Cassation courts will serve as the cassation instance, a role currently fulfilled by the Supreme Court until the amendments come into force.

The Constitutional Court

In 2022, the Constitution was amended to transform the Constitutional Council into the Constitutional Court. Prior to the amendments, Constitutional Council was responsible 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.

The Constitutional Court, in addition to the powers formerly exercised by Constitutional Council, examines legal acts that directly affect the rights and freedoms of individuals enshrined in the Constitution for their compliance with the Constitution. The Constitutional Court consists of 11 judges, including the Chairperson, whose term of office is eight years. The Chairperson of the Constitutional Court is appointed by the President following approval from the Senate.

Local Government

The structure of local government was established in December 1993 and is comprised of maslikhats for each of the country's 17 oblasts and the cities which have the status of "cities of republican status" (Astana, Almaty and, since 19 June 2018, Shymkent). Approximately 188 rural districts and a further 89 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, Shymkent and oblasts are appointed by the President following approval by the maslikhats of Astana, Almaty, Shymkent 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, Almaty and Shymkent, are appointed by the Akim of that city following approval by the maslikhat of that city; (iv) Akims of districts within Astana, Almaty and Shymkent are appointed by the Akims of Astana, Almaty and Shymkent following approval by the maslikhats of Astana, Almaty and Shymkent, respectively; and (v) Akims of towns, rural districts and villages are elected by the residents of the relevant towns, rural districts and villages, respectively.

Political Parties

The principle of political plurality is enshrined in the Constitution. There are seven registered political parties, the main ones being the Amanat party (formerly known as Nur-Otan party), the Democratic party of Kazakhstan Ak Zhol, the People's party of Kazakhstan, the National Social Democratic party and the Auyl party.

In order to formally establish a political party, a party must consist of at least 700 citizens representing at least two-thirds of the oblasts, and the cities of Astana, Almaty and Shymkent. A political party must obtain at least 5.0 per cent. of the total number of votes in a unified national election district to hold one of the 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 5.0 per cent. 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.

The President cannot be a member of a political party while exercising his or her powers.

See "*The Parliament*" above.

International Relations

Kazakhstan has established diplomatic relations with over 187 countries. 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 ("**IBRD**"), the International Development Association ("**IDA**"), the Multilateral Investment Guarantee Agency ("**MIGA**") and the International Finance Corporation ("**IFC**")), the Organization for Security and Cooperation in Europe ("**OSCE**"), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Atomic Energy Agency, the European Bank for Reconstruction and Development (the "**EBRD**"), the Asian Development Bank (the "**ADB**"), the International Organisation of Securities Commissions, Japan International Cooperation Agency and the Islamic Development Bank (the "**IDB**"). Kazakhstan was elected twice as a member of the UN Human Rights Council for the terms 2013-2015 and 2022-2024.

Kazakhstan maintains peaceful relations with countries of the global community and has no outstanding disputes relating to state borders. On 8 February 2019, Kazakhstan ratified the Convention on the Legal Status of the Caspian Sea, which was signed on 12 August 2018 by the leaders of Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan. Under this convention, the waters of the Caspian Sea are divided into three zones: territorial waters, fishery zones and the "common maritime space". The territorial waters extend from the coastline up to 15 nautical miles. They are subject to the sovereignty of the coastal state. The signatories' respective fishery zones extend to a belt of a further 10 nautical miles adjacent to the territorial waters, in which each signatory state has exclusive rights over the aquatic biological resources. The waters located beyond the signatories' respective fishery zones (i.e., beyond a maximum of 25 nautical miles from the coasts) are part of the "common maritime space". It is open for use by all signatory states. Thus far, Azerbaijan, Kazakhstan, Russia and Turkmenistan have ratified this convention. Iran has not yet ratified the convention. The convention will enter into force once all signatories have ratified it.

Russia

Kazakhstan has historically maintained significant political and economic relations with Russia. After gaining independence in 1991, 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 square kilometres of territory enclosing the Baikonur Space Centre.

In May 1997, Kazakhstan and Russia (together with other parties) signed documents confirming 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 trade partners and, together with Kazakhstan and Belarus, is a member of the Eurasian Economic Union. See "*—International Organisations—Eurasian Economic Union*".

From 1 January to 30 June 2024 Kazakhstan's imports from Russia accounted for 28.6 per cent. of Kazakhstan's total imports, compared with 26.5.2 per cent. for 2023 and 34.7 per cent. for 2022. Over the same period, Kazakhstan’s exports to Russia accounted for 10.8 per cent. of Kazakhstan’s total exports, compared with 10.8 per cent. for 2023 and 10.4 per cent. for 2022.

In 2023, Kazakhstan's exports to Russia accounted for 10.8 per cent. of Kazakhstan's total exports, as compared to 10.4 per cent. in 2022.

In 2023, the trade turnover between Kazakhstan and Russia amounted to U.S.$25.9 billion, a decrease of 3.7 per cent. since 2022.

If the current sanctions against Russia are extended or further expanded, this could have a negative impact on both imports from, and exports to, Russia. See "*Risk Factors— Risks Relating to Kazakhstan's global position as an emerging market —The Russia-Ukraine conflict and the sanctions imposed on Russia by numerous national and international authorities in response, as well as countermeasures taken by Russia, have had, and will continue to have, an adverse impact on Kazakhstan's economic situation*", 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 Eastern Ukraine and Crimea. The conflict has had no material impact on Kazakhstan's relations with Russia or Ukraine. Kazakhstan has been taking an active role in trying to facilitate the peaceful resolution of the conflict.

Kazakhstan maintains friendly relations with both Ukraine and Russia. Kazakhstan expresses particular concern about the significant loss of life, destruction of civilian infrastructure, and the unprecedented humanitarian impact, including the large number of refugees.

Consistently aligning with its principled stance on international issues, Kazakhstan firmly advocates for a peaceful resolution to the conflict. It stands ready to provide a neutral platform for peace talks if the conflicting parties express interest in such negotiations.

The conflict in Ukraine has direct repercussions for Kazakhstan, especially due to its geographical location, which disrupts established transport and logistics routes crucial for foreign trade and transit. Additionally, Kazakhstan is affected indirectly by extensive anti-Russian sanctions, as Russia remains a pivotal trade and economic partner both bilaterally and through regional integration associations.

While Kazakhstan has implemented a series of measures aimed at ensuring that the country is not used as a conduit in the circumvention of Russian sanctions imposed by the United States, United Kingdom, the European Union and certain other countries, it has refrained from imposing equivalent sanctions due to a number of political, economic and geographical considerations. Kazakhstan's approach underscores its commitment to regional stability, peace, and maintaining constructive relationships with all parties involved in the conflict in Ukraine, while also safeguarding its own national interests and sovereignty.

China

Political relations with China, Kazakhstan's significant neighbour, have steadily developed since Kazakhstan's independence. Kazakhstan first established diplomatic relations with China in 1992. In 1994, both countries signed an accord defining the China-Kazakhstan border and further reaffirmed the position through supplemental agreements in 1996, 1997, 1998 and 1999. In 2001, Kazakhstan and China signed an agreement on cooperation for cross-boundary river use and protection. China also publicly announced its intention to cease testing nuclear weapons at the Lop Nur test site, near the Kazakhstan border in Xinjiang province, a long-standing source of dispute between the two countries. Kazakhstan and China continue to cooperate within international and regional frameworks such as the UN and the Shanghai Cooperation Organization ("**SCO**").

China entered Kazakhstan's energy market after signing an Intergovernmental Agreement on Cooperation in the Field of Oil and Gas in September 1997. A general agreement between Kazakhstan's Ministry for Energy and Mineral Resources and China's National Petroleum Corporation (CNPC) was also signed, which included the development of oil projects in Kazakhstan and the construction of the Kazakhstan-China Oil Pipeline. This agreement facilitated the implementation of additional joint projects beneficial to both countries. In July 2013, ConocoPhillips sold its 8.4 per cent. of shares in Kazakhstan's Kashagan oil field to CNPC, marking the first equity holding by a Chinese company in a major offshore Caspian energy field.

Oil is downstreamed directly to China from Kazakhstan via the Kazakhstan-China Oil Pipeline, which consists of two existing Soviet-era pipeline sections and three major new sections, totalling around 2,800 km from Atyrau in western Kazakhstan to Alashankou on the Kazakhstan-China border. It is one of the world's longest oil pipeline systems. The three new segments are operated by joint ventures between KazMunayGas and CNPC or PetroChina. The Turkmenistan-China Gas Pipeline (lines A, B, and C) operated by Asian Gas Pipeline LLP is a major transit pipeline transporting Turkmen and Uzbek gas to China, exporting Kazakh gas to China. The length of the gas pipeline through Kazakhstan is 2,612 km for lines A and B and 1,304 km for line C.

The two countries also cooperate in security and military spheres. In August 2006, Kazakhstan's National Security Committee and China's Public Security Ministry conducted an anti-terrorist exercise at the border. Law enforcement agencies of both countries continue to collaborate on combating drug trafficking, weapons and explosive materials smuggling and organised transnational crimes.

In May 2015, the Chinese President Xi Jinping and former President of Kazakhstan Nazarbayev agreed to align the China-proposed Belt and Road Initiative with Kazakhstan's "Nurly Zhol" infrastructure development programme to achieve common development and prosperity based on equality and reciprocity. Kazakhstan has also agreed to cooperate with China on trade, industrial capacity, energy and technology. Significant investments have been made in transportation infrastructure related to the Belt and Road Initiative, particularly in railways. The railway linking China with Western Europe runs through Kazakhstan, reducing transport time between China and Western Europe to approximately 15 days, compared to about 45 days by sea.

Economic relations between Kazakhstan and China continue to develop. According to NBK statistics, the value of China's direct investments into Kazakhstan amounted to U.S.$1.81 billion as at 31 December 2023. China remains one of the largest external trade partners of Kazakhstan, accounting for 24.8 per cent. of Kazakhstan's total external trade turnover for the period 1 January to 30 June 2024, compared with 17.9 per cent. for 2023.

Cooperation between Kazakhstan and China in the energy sector and other economic sectors has developed within the framework of the SCO. Initially, the main purpose of the SCO was to find a civilised solution to border disputes following the collapse of the Soviet Union, as well as addressing security issues. The SCO has become a key platform for fostering regional security, economic cooperation and diplomatic engagement. As a founding member of the SCO, Kazakhstan has been actively involved in developing the organization's strategic direction since its establishment in 2001. In recent years, the SCO's scope has expanded beyond political and security issues to include combating extremism, terrorism and separatism, as well as strengthening economic cooperation in energy, transport, industry and agriculture. The Energy Club within the SCO was established to resolve energy issues among member states by facilitating energy dialogues and the signing of bilateral agreements. The importance of Kazakhstan’s membership was enhanced by its recent chairmanship in the SCO for the term 2023-2024. Kazakhstan has chaired the SCO on four occasions in total.

Given Kazakhstan's central location in Central Asia, regional security is of prime importance to the SCO. The SCO provides a multilateral forum for combating terrorism, extremism, and separatism. Through the SCO’s Regional Anti-Terrorist Structure (RATS), Kazakhstan works closely with member states like Russia, China, and its Central Asian neighbors to enhance regional stability. During the 24th Meeting of the Council of Heads of State of the SCO held in Astana in July 2024, Kazakhstan’s president Kassym-Jomart Tokayev also outlined the security as the one of the priorities of strategic importance under Kazakhstan’s chairmanship of the SCO. He emphasized that the SCO has exceptional opportunities to serve as a guarantor of peace and security throughout the Eurasian continent. In this regard, Kazakhstan’s Initiative on World Unity for Just Peace, Harmony, and Development has received unanimous support from SCO member states.

The SCO also offers Kazakhstan opportunities for economic cooperation with key members, particularly China and Russia. Mutual trade among SCO member states continues to grow, with Kazakhstan’s trade with SCO member states increased by 6.5% in 2024 as compared to 2023.

From a multilateral diplomacy perspective, Kazakhstan's membership of the SCO strengthens its diplomatic ties with other member and observer states, such as India, Pakistan, and Iran. The SCO enhances Kazakhstan’s international standing and allows it to balance relations with major global powers.

Kazakhstan also engages in broader cultural and humanitarian cooperation trough the SCO. The Kazakh chairmanship has, for instance, focused on enhancing cultural and humanitarian ties. Key projects include the SCO Spiritual Sanctuaries and its first international music festival, SCO Silk Road. Ten tourist territories have also been identified for the implementation of joint projects. The city of Almaty in Kazakhstan has been designated as the cultural and tourist capital of the SCO.

In July 2024, Chinese President Xi Jinping arrived in Kazakhstan for a state visit and to attend the 24th Meeting of the Council of Heads of State of the SCO. This is the Chinese President’s fifth visit to Kazakhstan and the second one in less than two years, following his previous state visit in September 2022. The visit this time is expected to foster bilateral ties and cooperation between Kazakhstan and China. ***United States***

Over the past 30 plus years, Kazakhstan and the United States built a strong partnership based on mutual respect and trust. Tested by time, this partnership excels in all areas, including but not limited to politics, trade and investment, defence and security, culture and education, climate and environment, critical minerals, transport and infrastructure. Maturity of bilateral ties is embedded in the enhanced strategic partnership status that Astana and Washington D.C. established six years ago. More than U.S.$60 billion of U.S. investments and remarkable increase in trade turnover to U.S.$4 billion

recorded in 2023 (representing a 33.0 per cent. increase as compared to 2022) highlight the strong partnership between Kazakhstan and the United States.

Traditionally, Astana and Washington D.C. have a very dynamic bilateral agenda. Since 1 January 2024, a number of high-profile visits have been organised. At the invitation of Secretary Blinken, His Excellency Murat Nurtleu paid a working visit to Washington D.C. in March, followed by the annual meetings of HLD and ESPD in Astana and Washington D.C. respectively. As a champion and avid supporter of C5+1 dialogue, Kazakhstan hosted the inaugural B5+1 Forum in Almaty in March 2024 that paved the way for further productive discussions at the TIFA Council and USTR Ambassador Katherine Tai's first visit to Astana in March 2024.

Iran

Kazakhstan and Iran share an undisputed maritime border in the Caspian Sea and have maintained a long-established relationship since ancient times, dating back to the Silk Road era.

The foundation of the modern cooperation between Kazakhstan and Iran was laid during the official visit of President Nazarbayev to Iran in November 1992. During this visit, they signed a Protocol establishing the Joint Intergovernmental Commission on Trade, Economic, Industrial, and Scientific Cooperation. Subsequent visits by Iranian President Rafsanjani in October 1993 further strengthened the friendly ties. Since then, both countries have engaged in regular high-level political dialogues through numerous visits: Kazakhstani president has visited Iran six times and Iranian presidents have visited Kazakhstan nine times.

Kazakhstan (as a neutral and balanced broker with an outstanding reputation on the disarmament and non-proliferation track) 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.

Under the presidency of Kassym-Jomart Tokayev from 2019 onwards, bilateral cooperation has intensified significantly. This was underscored by meetings such as the one that took place in Sochi on 1 October 2019, where President Tokayev met with former Iranian President Hassan Rouhani during the Supreme Eurasian Economic Council meeting. Additionally, a telephone conversation between President Tokayev and President Hassan Rouhani on 20 May 2020, and their meeting at the SCO summit in Dushanbe on 17 September 2021, highlighted the continuing deepening of relations.

A significant milestone was President Tokayev's official visit to Iran on 19 June 2022, which elevated Kazakhstani-Iranian relations to a new level. During this visit, President Tokayev held fruitful negotiations with President Ebrahim Raisi and met with Ayatollah Ali Khamenei, the Spiritual Leader of Iran. The visit resulted in the signing of 24 agreements, including a Memorandum of Understanding aimed at increasing bilateral trade turnover to U.S.$3 billion.

Moreover, the Kazakhstani-Iranian business forum organised during the visit led to commercial agreements totalling U.S.$235 million. Notably, the visit also marked the launch of the first container train on the Kazakhstan-Turkmenistan-Iran-Turkey route, symbolising enhanced economic connectivity between the two nations.

International Organisations

World Trade Organisation

On 30 November 2015, Kazakhstan became a full member of the World Trade Organisation (the "**WTO**"), having initially applied for WTO membership in 1996. In the process of acceding to the WTO, Kazakhstan made various commitments, including in relation to access to the commodity market, access to the services market, technical regulation, sanitary and phytosanitary measures, agriculture, investment policy and intellectual property rights.

Due, in part, to the benefits of Kazakhstan's membership in the WTO, imports have been increasing in recent periods. For example, imports into Kazakhstan from non-CIS countries, based on actual trade flows, increased by 196.0 per cent. from U.S.$14.0 billion in 2016 to U.S.$41.5 billion in 2023.

Kazakhstan participated in the 10th WTO Ministerial Conference held in December 2015 in Nairobi. Kazakhstan urged WTO members to follow its example and abolish subsidies for the export of agricultural products. A number of key WTO members supported this initiative and actively expressed their support for the proposal. The WTO passed a Ministerial Decision on 19 December 2015, pursuant to which developed country members of the WTO undertook to eliminate export subsidy entitlements immediately, and developing country members of the WTO agreed to do so by the end of 2023, in each case subject to certain exceptions.

As of 2024, only Net Food-Importing Developing Countries (NFIDCs) and Least-Developed Countries (LDCs) are permitted to provide export subsidies to their own entities under Article 9.4 of the WTO Agreement on Agriculture.

In October 2018, WTO members agreed to hold the next Ministerial Conference of the WTO in Astana in June 2020, but the conference was postponed due to the COVID-19 pandemic and the next conference dates were subsequently set for November and December 2021 in Geneva. However, due to travel restrictions put in place following the identification of a new variant of the COVID-19 virus, the Ministerial Conference was indefinitely postponed. Eventually, the Ministerial Conference took place in June 2022 in Geneva and was co-hosted by Kazakhstan and chaired by Mr. Timur Suleimenov, former Deputy Chief of Staff of Kazakhstan's President. The conference concluded successfully on 17 June 2022, with agreement on a package of key trade initiatives. Following the successful chairmanship, Kazakhstan secured significant multilateral outcomes, including unprecedented decisions on fisheries subsidies, the WTO response to emergencies, food safety and agriculture, and WTO reform.

Commonwealth of Independent States

Kazakhstan is one of the founding members of 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, including nine full member 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 and sport 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 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. Article 4 of the Collective Security Treaty (the "**CST**") establishes a mutual defence pact among member states. According to Article 4, if one member state is subjected to aggression defined as an armed attack that threatens its security, stability, territorial integrity, or sovereignty, it will be considered as an aggression against all CSTO members. In response, the other members are obligated to provide assistance, including military support, to counter the threat. The CSTO's current members include Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan, all of which are committed to mutual security and defence.

Eurasian Economic Union

In 1994, former President Nazarbayev proposed the establishment of a Eurasian economic union. In 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.

As part of the process leading to the establishment of the Eurasian Economic Union, 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 the Eurasian Economic Union Agreement, and on 1 January 2015 the Eurasian Economic Union came into effect. The Eurasian Economic Union represents a comprehensive cooperation among the member states with deadlines for integration in various areas and expansion of the areas of responsibility of its supra-national bodies. Its objective is to form a legal framework for a united economic zone, establish a common energy market and provide for the free movement of people within the zone. Most of the existing CES agreements are codified in the Eurasian Economic Union Agreement. The Eurasian Economic Union has an integrated single market. As of 2023, it consists of 183 million people and a gross domestic product of over U.S.$2.4 trillion. Membership in the Eurasian Economic Union gives Kazakhstan significant opportunities for further economic

development. The main drivers behind Kazakhstan's membership in the Eurasian Economic Union 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 mitigates against global economic downturns.

Since the establishment of the Eurasian Economic Union, Armenia and Kyrgyzstan have acceded as members and Moldova, Cuba and Uzbekistan have been granted observer status. In 2015, the Eurasian Economic Union signed its first free trade agreement, which was with Vietnam. Since then, several other free trade agreements have been signed, including with Singapore, Iran (a limited scale free trade agreement due to the existing sanctions regime) and Serbia (replacing then-existing respective bilateral agreements with the key Eurasian Economic Union economies). The Free Trade Agreement between the Eurasian Economic Union and Iran was signed on 25 December 2023. The Agreement will enter into force after all the necessary procedures are completed and will replace the Interim Agreement dated 17 May 2018. In 2018, the Eurasian Economic Union signed a non-preferential agreement on economic and trade cooperation with China. Negotiations of free trade agreements with Egypt, India, Indonesia, UAE and Mongolia are ongoing. See "*Balance of Payments and Foreign Trade – Foreign Trade Regime*".

As a permanent regulatory body of the Eurasian Economic Union, the EEC has authority to make decisions of a normative and legal nature that are binding on member states. These decisions are part of Union law and are subject to direct application in the territories of the member states. Therefore, the EEC and the Eurasian Economic Union have a significant influence on Kazakhstan's legislation and economy.

European Union

The European Union (the "**EU**") is the main trade partner of Kazakhstan, accounting for 30.0 per cent. of Kazakhstan's external trade turnover in 2023. The New Strategy of the EU on Central Asia approved in June 2019 establishes the basis for cooperation of the EU with Central Asian countries for the next 10-15 years.

In January 1995, Kazakhstan signed a Partnership and Co-operation Agreement with the EU, which came into force on 1 July 1999. Due to Kazakhstan's progression from the status of an assistance recipient to a partner country of the EU, on 21 December 2015, the EU and Kazakhstan signed a new, Enhanced Partnership and Cooperation Agreement (the "**Enhanced Partnership and Cooperation Agreement**"), which entered into provisional application on 1 May 2016. The Enhanced Partnership and Cooperation Agreement covers 29 areas of cooperation, including the issues of international and regional security, trade, investment, and infrastructure development, as well as innovation, culture, sport and tourism. Kazakhstan became the first country in Central Asia to sign a second generation agreement that is supposed to stimulate the cooperation between the EU and Kazakhstan and forms the legal basis for the whole spectrum of Kazakhstan-EU relations. Second generation agreements have a broader scope and increased level of regulatory and other cooperation at state level than standard "first generation" bilateral trade agreements. The Partnership and Cooperation Agreement was drafted in a way to take into account Kazakhstan's obligations within the WTO and the Eurasian Economic Union. It also outlines the commitment towards a facilitated EU visa regime for citizens of Kazakhstan, which establishes a dialogue on migration issues between both parties.

*North Atlantic Treaty Organisation ("**NATO**")*

Kazakhstan has taken part in the NATO Partnership for Peace (the "**PfP**") program since 1994. The goal of Kazakhstan's cooperation with NATO is to prepare its Armed Forces' peacekeeping units for deployment in UN peacekeeping missions that adhere to NATO standards. This partnership significantly enhances the peacekeeping capabilities of Kazakhstan's Armed Forces. Since 2002, Kazakhstan's involvement in the PfP Planning and Review Process has strengthened the interoperability between its armed forces and NATO Allies. Kazakhstan actively participates in both hosting and participating in PfP training and exercises. Since 2006, Kazakhstan has hosted military exercises entitled "Steppe Eagle" in cooperation with NATO Allies and regional partners. Through these exercises, Kazakhstan has developed its military's technical and operational standards to align with international expectations. In December 2010, Kazakhstan's PfP Training Centre (the "**KAZCENT**") received NATO accreditation as a Partnership Training and Education Centre. The country's peacekeeping military unit (the "**KAZBAT**"), has also been trained to operate under NATO guidelines, enhancing its ability to participate in multilateral missions worldwide.

OSCE

Kazakhstan has been a member of the OSCE 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 comprises 57 countries across four continents. Since joining the OIC, Kazakhstan has actively participated in significant events, including summits, conferences of foreign ministers and annual coordination meetings of foreign ministers at 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 also participates in the Conference of the Parliament Union of the OIC. During the 38th session of the Council of Foreign Ministers of the OIC, Kazakhstan's President proposed establishing a system of food cooperation within the OIC. On 19 February 2018, the Islamic Organization for Food Security, headquartered in Astana, was officially launched.

On 10 September 2017, Astana hosted the first OIC Summit on Science and Technologies, presided over by former President of Kazakhstan. The summit resulted in the adoption of the Astana Declaration and the OIC Programme for the Development of Science, Technologies and Innovation until 2026. At the 45th Session of the OIC Ministers of Foreign Affairs, held in May 2018 in Bangladesh, a Kazakhstan diplomat Askar Musinov was elected Vice-General Secretary (Assistant Secretary General for Science and Technology) of the OIC for Science and Technology for the term 2019-2023. Kazakhstan is currently advancing the "Dialogue Platform OIC-15" initiative, which aims to unify 15 leading Muslim countries in science and technology to enhance the potential of Islamic countries in these fields. The first Ministerial meeting of the OIC-15 Dialogue Platform took place in Almaty on 25-26 May 2023. The second OIC-15 Ministerial Meeting is to be held in Tehran, Iran. Kazakhstan places significant importance on cooperation with the economic bodies of the OIC, including the Islamic Development Bank (IDB), one of the largest development institutions. One of the four regional offices of the IDB is located in Almaty.

Other Regional Organisations

In 1992, at the initiative of Kazakhstan's President, the Conference on Interaction and Confidence-Building Measures in Asia (the "**CICA**") was established with its secretariat located in Kazakhstan. The CICA currently comprises 28 member states and aims to enhance cooperation by multilateral approaches towards peace, security and stability in Asia. Kazakhstan has been chairing the CICA for the 2020-2024 term.

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

The SCO is an international organisation dedicated to ensuring security and promoting stability across the Eurasian region. Its activities encompass addressing emerging challenges and threats, fostering trade relations and enhancing cultural and humanitarian cooperation. The SCO aims to establish a fair, polycentric global order that serves the interests of all its member states. See "*The Republic of Kazakhstan—International Relations—China*".

At the initiative of Kazakhstan, the Association of Investors of the SCO Member States was established. During Kazakhstan's chairmanship in the SCO, significant milestones were achieved. In June 2017, the SCO welcomed India and Pakistan as new members. Then, on 4 July 2024, during the Astana SCO summit, the Belarus was granted full membership, becoming the tenth full member of the SCO. Full members of the SCO include Kazakhstan, China, Russia, India, Iran, Pakistan, Kyrgyzstan, Tajikistan and Uzbekistan.

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, Tajikistan and Belarus.

Legal System

Civil Code

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" No. 415-II dated 13 May 2003, and partnerships, which are established under the Law "On Partnerships with Limited and Additional Liability" No. 220-I dated 22 April 1998. Incorporated legal entities are required to register with the Ministry of Justice or NJSC "State Corporation "Government for Citizens", as applicable. 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.

Entrepreneurship Code and Investment Regime

The current investment regime is principally governed by the Entrepreneurship Code of the Republic of Kazakhstan, dated 29 October 2015 (the "**Entrepreneurship Code**"). The Entrepreneurship Code 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 Entrepreneurship Code is to protect competition, create conditions for the efficient functioning of commodity markets and ensure unity of economic space and the free movement of goods and free economic activity in Kazakhstan. Among other things, the Entrepreneurship Code provides that certain transactions that increase market concentration are subject to prior approval by the Agency of the Republic of Kazakhstan for Protection and Development of Competition (the "**Competition Authority**"). Market participants are also restricted from entering into anti-competitive agreements or undertaking any action that leads to the restraint of competition.

Domestic and foreign investors generally fall under the same investment regime, with certain exceptions. In addition, Kazakhstan is a party to bilateral investment protection treaties, which, as at the date of this Base Offering Memorandum, were entered into and are currently in force with 48 nations, under which protections are available to investors from the relevant nation that is a party to the treaty. Kazakhstan is also a party to the 1997 Moscow Convention for the Protection of the Investor's Rights, under which protections are available to foreign investors irrespective of their nationality. The guarantees provided for by the above instruments include (depending on the instrument) guarantees of fair and equitable treatment, of full protection of security, of certainty of contracts with the Kazakhstan State and Kazakhstan's obligation to pay compensation to the investor in the event of (direct or indirect) expropriation of the investment. The Entrepreneurship Code and the bilateral investment protection treaties include rights for an investor to submit a dispute arising out of, or in connection with, its investment to international arbitration (as an alternative to submitting the dispute to the local courts).

In 1994, Kazakhstan ratified the Energy Charter Treaty, which provides protections to investors from other parties to the Energy Charter Treaty in respect of investments associated with economic activities in the energy sector. These protections encompass all economic activities related to the exploration, extraction, refining, production, storage, land transport, transmission, distribution, trade, marketing or sale of energy materials and products. They also extend to services such as the construction of energy facilities, prospecting, consulting, management and design and activities aimed at improving energy efficiency.

Subsoil Code

With effect from 29 June 2018, a new Subsoil and Subsoil Use Code (the "**Subsoil Code**") replaced the Law "On Subsoil and Subsoil Use" from 2010. The Subsoil Code's main aims include the attraction of investment into the mining sector and expansion of exploration activities. The Subsoil Code has for the first time introduced the rule under which licences for exploration of solid subsoil resources can be granted to the first applicant (provided no one else has applied for the same deposit), while retaining the pre-existing procedure under which licences are granted on the basis of a tender. The Subsoil Code has also significantly simplified the licence application process. Taken together with the changes in tax laws (including beneficial tax treatment of exploration activities and the decrease in the administrative and tax burdens on taxpayers), the introduction of the new Subsoil Code is expected to foster foreign and local direct investments in the subsoil sector. In addition to the Subsoil Code, 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 Code, subsoil contracts and licences may be granted to local or foreign legal entities or individuals. Transfers of subsoil use rights are only permitted after consent of the competent authority has been obtained. The transfer of a subsoil use right (a share in the subsoil use right) is prohibited (i) under a licence for the exploration of solid minerals in the first year of its operation, (ii) under a licence for geological study of subsurface resources and (iii) under a licence for prospecting. 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.

Other Legislation

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 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. Pursuant to the Currency Control Law, the NBK carries out record registration of currency contracts entered into between a resident and a non-resident of Kazakhstan related to 'capital movement transactions' (e.g., loan agreements, agreements providing for participation in the capital of a Kazakh legal entity) that exceeds a certain threshold.

Kazakh legal entities (excluding Kazakh banks) must purchase and/or sell foreign currency through their bank accounts opened with Kazakh banks in accordance with the rules on carrying out currency operations in Kazakhstan. In particular, Kazakh legal entities (excluding Kazakh banks) can exchange non-cash foreign currency for the national currency within one business day, for purposes unrelated to fulfilling foreign currency obligations, up the equivalent of U.S.$50,000.

Under the Currency Control Law, the Government – based on a joint recommendation from the NBK and other competent authorities – is entitled to introduce "payment balance protection measures". These measures can be established when there is a serious threat to the stability of (i) the payment balance, (ii) the internal currency market and/or (iii) the economic security of Kazakhstan, provided that such threats cannot be resolved by other economic policy measures. The payment balance protection measures must comply with the international treaties ratified by Kazakhstan, if and when such treaties entered into within the framework of participation in international organisations. Such measures must have temporary effect and be cancelled when the circumstances that led to their introduction are eliminated. Should the payment balance protection measures impose new permits (licenses) or notification requirements, such new permits (licenses) or notification requirements are exempt from the requirements of the Law "On Permits and Notifications" No. 202-V dated 16 May 2014. As at the date of this Base Offering Memorandum, the aforementioned measures have never been implemented in practice.

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; and 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 registration. The Central Securities Depository JSC 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). The main securities trading platform in Kazakhstan is the KASE, whose members include Kazakhstan's leading banks, investment companies and brokers. In 2017, the AIX was established as part of the AIFC. The AIX's mission is to develop the public equity and debt capital markets in Kazakhstan and the Central Asian region.

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).

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

In common with many other countries around the world, the fight against corruption continues to be a high-priority item on the governmental agenda in Kazakhstan.

Since its independence, Kazakhstan has been gradually creating effective anti-corruption institutions and mechanisms that meet international standards. Kazakhstan was one of the first in the post-Soviet space to create a legal framework for combating corruption. Since 2001, a number of anti-corruption programmes have been implemented and specific measures have been taken within the framework provided by these programmes to eliminate the causes of, and conditions conducive to, corruption.

In recent years, Kazakhstan has taken a number of measures to improve domestic anti-corruption legislation. The country's Criminal Code provides an extensive list of corruption-related crimes. A life-long ban has been introduced on holding public office in Government bodies for persons who have committed corruption offenses, as well as the mechanisms for seizing property or income derived from property obtained in violation of criminal law.

As part of Kazakhstan's efforts to promote social justice, on 12 July 2023, Kazakhstan adopted the Law "On Return of Illegally Acquired Assets" aimed at recovering unlawfully appropriated assets. By 29 March 2024, approximately KZT85 billion, including cash, properties and land were identified and returned. These funds will be used for social projects, while additional investment agreements of KZT7 billion will finance infrastructure in Astana and Shymkent, boosting employment and tax revenues. When the "Plan of the Nation-100 Specific Steps" programme was adopted in 2015, large-scale reforms were carried out to implement the programme, including with respect to anti-corruption legislation. See "– *Development Strategy*" below and "*The Economy of Kazakhstan – Ongoing Economic Reforms – 100 Specific Steps*". The Law "On Prevention of Corruption" was adopted in November 2015. A number of other measures followed, including the adoption of the Law "On Public Councils" No. 383-V dated 2 November 2015, the Law "On Access to Information" No. 401-V dated 16 November 2015, the Code of Ethics for Civil Servants No. 342 dated 29 August 2020 and the introduction of the institution of an ethics ombudsman.

In the past several years, a number of anti-corruption projects have been introduced, such as "Adaldyk Alany-Regions Free from Corruption" (aimed at eradication of petty corruption in governmental institutions), "Protecting business and investments" (aimed at combating corruption in the business sector), "Adal Zhol" (aimed at controlling the quality of train services), "Sanaly Urpaq" (aimed at helping to form and strengthen an anti-corruption culture through the educational system), "Adal komek" (aimed at increasing the legal literacy of citizens, providing legal assistance on certain matters), "Antikor-live" (aimed at explaining the integrity policy and creating an anti-corruption culture among the population through social networks and other information resources) and "Adal bilim" (aimed at eradication of corruption and increasing the trust of citizens in the education system).

In June 2019, a new Anti-Corruption Agency was established, with responsibilities for detecting, fighting, uncovering and investigating criminal offenses involving corruption. In 2019, service centres of the Anti-Corruption Agency were opened in the capital city Astana and 12 other regions of the country, and in 2020 service centres were opened in the remaining four regions of Kazakhstan. The Anti-Corruption Agency actively supports businesses through its involvement in the "Protecting business and investments" project. All project offices provide practical anti-corruption support to participating businesses, with such businesses able to request assistance on a seven-days-a-week, 24-hours-a-day basis. As at 1 January 2024, 656 business projects, with a total value of KZT16.3 trillion, were covered by the "Protecting business and investment" project.

The activities of the Anti-Corruption Agency have contributed to a decrease in the number of registered corruption-related crimes to 1,692 in 2023 from 1,724 in 2022. In the six months ended 30 June 2024, the Anti-Corruption Agency registered 681 corruption-related crimes. In 2019, 2020 and 2021 the number of the relevant cases amounted to 2,245, 2,193 and 1,557, respectively. The aggregate recoveries in connection with corruption-related crimes amounted to KZT195 billion in the six months ended 30 June 2024, KZT285.1 billion as at 31 December 2023 and KZT108.5 billion as at 31 December 2022.

Kazakhstan state-owned companies have adopted and implemented anti-corruption guidelines. They regularly review and analyse corruption-related risks and also seek to increase transparency in hiring and promoting their employees.

The adoption of anti-corruption measures is positively evaluated by the international community. In 2008, Kazakhstan became a full member of the UN Convention Against Corruption. Kazakhstan also takes part in the sub-regional programme of the Istanbul Anti-Corruption Action Plan, within the framework of which, the anti-corruption policy of Kazakhstan is subject to periodic expert assessment.

Kazakhstan maintains constructive relations with Transparency International, with regular visits to the head offices of anti-corruption rating organisations and substantive discussions with experts conducting country analysis for the Corruption Perceptions Index. In 2023, Kazakhstan ranked in 93rd place among 180 countries rated (with 39 points), which demonstrates the progress that has been made in fighting corruption both in the short-term and in the longer term. For example, Kazakhstan was ranked 124th among 180 countries in 2018 and was ranked 140th among 177 countries in 2013.

In order to develop international cooperation in this area, Kazakhstan joined the Group of States Against Corruption of the Council of Europe on 30 December 2019, becoming its 50th member state. Membership in this organisation is expected to enable Kazakhstan to adopt the best international practices in the anti-corruption area as well as to share its own successful initiatives.

Kazakhstan, represented by the Anti-Corruption Agency, is a member of the International Association of Anti- Corruption Agencies ("**IACCA**", with its headquarters in Beijing), the OECD Anti-Corruption Network for Eastern Europe and Central Asia ("**ACN OECD**"), ADB and OECD Anti-Corruption Initiative for Asia and the Pacific (with its headquarters in Manila), International Anti-Corruption Academy ("**IACA**", with headquarters in Luxembourg) and the CIS Interstate Anti-Corruption Council (with its headquarters in Minsk).

Kazakhstan is a founding member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism ("**EAG**"), one of nine FATF-style regional groups established to promote FATF recommendations and monitor their implementation by member states. Kazakhstan organised the 38th EAG plenary meeting carried out from 4 to 9 June 2023 in Almaty. The Financial Monitoring Agency of the Republic of Kazakhstan (the "**Financial Monitoring Agency**") signed memoranda with 39 countries on behalf of the country.

Kazakhstan ratified the following UN conventions specified in the FATF international standards:

- On 29 June 1998, Kazakhstan acceded to the UN Convention against Illicit Traffic in Narcotic and Psychotropic Substances;
- On 2 October 2002, Kazakhstan acceded to the International Convention for the Suppression of the Financing of Terrorism;
- On 4 May 2008, Kazakhstan ratified the UN Convention against Corruption;
- On 4 June 2008, Kazakhstan ratified the UN Convention against Transnational Organised Crime;
- On 2 May 2011, Kazakhstan ratified the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime.

From 12 to 30 September 2022, Kazakhstan successfully passed the Mutual Evaluation of the compliance with measures to combat money laundering and terrorist financing with the FATF international standards. The report on the Mutual Evaluation presents conclusions on compliance of the legislation of Kazakhstan with the FATF Recommendations, as well as the effectiveness of the national AML/CFT system, recommendations of expert-evaluators aimed at improving and strengthening the national AML/CFT system. Kazakhstan is making significant efforts to identify, understand and assess its ML/TF risks and develop measures to minimise them. The Financial Monitoring Agency of the Republic of Kazakhstan is a core element of the functioning of Kazakhstan's AML/CFT regime and has a significant amount of data at its disposal.

Development Strategy

In October 1997, former President Nazarbayev presented a strategy for the development of Kazakhstan through to 2030 (the "**Kazakhstan-2030 Strategy**"). On 6 April 2007, he signed a decree that focused further measures to implement the Kazakhstan-2030 Strategy (the "**2030 Framework**"). The 2030 Framework provided for a list of objectives, including introducing corporate governance principles and ensuring transparency in the activities of state holding companies and joint stock companies with state participation. Pursuant to the 2030 Framework, state holdings shall improve the system of corporate governance in joint stock companies with state participation by assessing their performance, introducing the institute of independent directs and other corporate governance principles. The 2030 Framework also aimed to approving a Model Code of Corporate Governance for joint-stock companies with state participation and their subsidiaries (affiliates), which was adopted on 5 October 2018 by virtue of the Decree of the Minister of National Economy of Kazakhstan (the Model Code does not cover Samruk-Kazyna).

On 15 October 2021, the President Tokayev signed the Presidential Decree "On Approval of the Concept of Legal Policy of the Republic of Kazakhstan until 2030" which highlighted the need to improve and modernise the Republic of Kazakhstan's corporate law (the "**2030 Concept**"). The 2030 Concept is a programme document defining the strategy of building a democratic state governed by the rule of law through the renewal and improvement of the legal system. To improve the state governance in this area, the Action Plan for implementing the 2030 Concept was approved by the Government Resolution dated 29 April 2022, which outlines several key initiatives. These include reviewing the effectiveness of the legal frameworks for operational management and economic management rights in modern relations, developing norms concerning the responsibility of corporate officers, and modernising corporate legislation in line with best practices in corporate governance. The Action Plan also details 104 measures which provide for, among other things, modernisation of corporate legislation based on recommendations and standards of best practice in corporate governance, and the development of framework for the liability of corporate officials. Given the complexity and correlation of these initiatives with other areas of civil law, their implementation will require a comprehensive preliminary analysis. The Ministry of Justice, together with the interested parties, has been carrying out an analysis of the Civil Code. The working group includes representatives from government bodies, NGOs, academia, and expert communities. In addition, a study on civil legislation is planned under a joint economic research programme with the World Bank in 2024, with potential phases extending into 2025-2026. Analytical research aimed at improving civil legislation has been approved for funding from the Republican Budget for 2025-2027. There are also plans in place to include civil law research in programme-targeted funding for 2025-2026. Thus, a comprehensive study of civil legislation is scheduled for 2024-2027.

In December 2012, the Kazakhstan-2030 Strategy was replaced with the Kazakhstan-2050 Strategy (the "**Kazakhstan-2050 Strategy**"), which is a long-term development strategy with seven main focus areas that 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, which Kazakhstan achieved on 30 November 2015. See "*The Economy of Kazakhstan—Recent Trends in the Economy*". The Kazakhststan-2050 Strategy is implemented through the National Development Plan 2029 (as defined below), the National Security Strategy of the Republic of Kazakhstan and development plans of state bodies and national companies.

In May 2015, following the presidential election, former President Nazarbayev announced the "Plan of the Nation-100 Specific Steps" programme, which outlined 100 specific steps to implement five institutional reforms. The aim of the programme is to provide a clear direction for Kazakhstan's development and to enable the international community to track Kazakhstan's progress. The programme is also a response to global and local challenges and its ultimate goal is for Kazakhstan to become one of the 30 most developed countries in the world. Since its announcement, the government of Kazakhstan has periodically reviewed progress of the plan's implementation. During the most recent review, it was reported that 76 steps have been completed. The Kazakh authorities remain committed to continuing the implementation of the remaining steps.

On 12 December 2017, the so-called Digital Kazakhstan development programme (the "**Digital Programme**") was adopted by the resolution of the Government. The Digital Programme was aimed at, among other things, accelerating the development of the Kazakhstan economy, improving the quality of life by digital technologies in the medium term, and creating conditions for the transition of the Kazakhstan economy to a fundamentally new development path which ensures the creation of a digital economy of the future in the long term. Because the Digital Programme was ended on 17 May 2022, the Government approved the new rules for the digital transformation of public administration on 9 November 2022. The rules provide, among other things, for the development and implementation of digital transformation roadmaps for a three-year period.

In 2022, according to the UN E-Government Development Index (EGDI), Kazakhstan was ranked 28th out of 193 countries by the level of development of electronic government (e-Gov). The level of digital literacy has increased over the period from 2019 to 2023 by 8.9 per cent. up to 90.2 per cent. as at the year end of 31 December 2023.

On 21 May 2024, President Tokayev signed a law on the digitalisation of the country. In particular, the law concerns the development of fibre-optic communication lines, cellular infrastructure, electronic documents, navigation satellite technologies, etc. The document provides for the introduction of amendments to certain legislative acts on the issues of communication, digitalisation, improving the investment climate and eliminating unnecessary legislative regulation.

On 30 July 2024, President Tokayev signed a decree approving the "National Development Plan of the Republic of Kazakhstan until 2029" (the "**National Development Plan 2029**"), replacing the prior National Plan 2025, which had aimed at addressing the consequences of the COVID-19 pandemic as well as developing a sustainable and inclusive economy in light of the prevailing economic conditions. The National Development Plan 2029 aims to renew and grow Kazakhstan's economy and improve citizens' welfare and introduces measure aimed at achieving these objectives by 2029. It is built on five key principles: promoting competition, supporting entrepreneurship, investing in education and innovation, improving productivity and ensuring balanced regional development. The plan addresses 17 areas, each with specific goals for 2029 and aligns with the UN's Sustainable Development Goals. Progress in social and economic development is tracked using a set of national indicators. To achieve the strategic directions set out in the National Development Plan 2029, a map of key national indicators was created, which provides for 39 indicators of socio-economic development of the country. The map includes a number of indicators to measure the welfare of citizens and the quality of social benefits. Sociological surveys will be conducted among the population and businesses to monitor the qualitative institutional improvement until 2029.

THE ECONOMY OF KAZAKHSTAN

Recent Trends in the Economy

Nominal GDP growth was KZT119.8 trillion in 2023 and real GDP growth was 5.1 per cent. For 2024, the Government is targeting real GDP growth of 6.0 per cent. However, according to preliminary data, GDP for the first half of 2024 grew by 3.2 per cent. This slowdown was due to the impact of severe flooding and a reduction in oil production (by 1.6 per cent.) which impacted most sectors of the economy including trade, transportation and logistics.

Since 2019, GDP growth has largely been driven by the expansion of the manufacturing base which in 2019 represented 11.4 per cent. of GDP and currently represents approximately 13 per cent. Conversely the agriculture, forestry and fishing sector dropped (as a share of GDP) from 4.4 per cent. to 2.5 per cent. over the same period.

For the six months ended 30 June 2024, production of goods increased from 3.5 per cent. to 3.6 per cent., services increased from 3.1 per cent. to 3.3 per cent. and industrial production was up by 2.8 per cent. Manufacturing remained strong, growing 5 per cent. with machine building up by 9.4 per cent., metallurgy up by 8.3 per cent., chemicals up by 5.3 per cent., pharmaceuticals up by 14.8 per cent. and furniture up by 28.3 per cent. Construction increased by 8.6 per cent. to KZT2.7 trillion.

Kazakhstan's production of natural gas has increased every year from 2019 to 2023. Production of oil (including gas condensate) in 2023 was 89 million tonnes, an increase of 5.9 per cent. over the 84 million tonnes produced in 2022. Natural gas production was 58.8 billion cubic metres in 2023, a 10.5 per cent. increase over the 53.2 billion cubic metres produced in 2022.In 2019, 2020, 2021, 2022 and 2023, Kazakhstan had the following trade balances (based on actual trade flows, excluding unregistered trade adjustments) of U.S.$18.3 billion, U.S.$(3.5) billion, U.S.$18.9 billion, U.S.$33.7 billion and U.S.$18.7 billion, respectively. In 2019, the positive trade balance (based on actual trade flows, excluding unregistered trade adjustments) decreased by 33.1 per cent., principally due to a decrease in exports of fuel and energy products from U.S.$42.8 billion in 2018 to U.S.$38.5 billion in 2019 and an increase in imports of machinery, equipment and means of transportation from U.S.$13.2 billion in 2018 to U.S.$17.2 billion in 2019. In 2020, the trade balance (based on actual trade flows, excluding unregistered trade adjustments) decreased by 53.1 per cent. as compared to 2019 principally due to a larger decrease in exports (18.1 per cent.) than the decrease in imports (2.0 per cent.). The large decrease in exports was principally due to a decrease in exports of fuel and energy products from U.S.$38.5 billion in 2019 to U.S.$27.4 billion in 2020. Exports decreased by 5.0 per cent. in 2019 and then further decreased by 18.1 per cent. to U.S.$47.5 billion in 2020 principally due to the impact of the COVID-19 pandemic and a decline in oil prices from 2019 to 2020. The share of mineral products (including oil, gas and coal as well as metals and precious stones) in exports was 72.0 per cent. in 2019, 66.0 per cent. in 2020, 65.9 per cent. In 2021, 67.8 per cent in 2022, 54.2 per cent. for 2023 and 73.4 per cent for the first six months of 2024 The average exchange rate was KZT383.06: U.S.$1.00 in 2019, KZT416.22: U.S.$1.00 in 2020, KZT426.24: U.S.$1.00 in 2021, KZT460.02: U.S.$1.00 in 2022 and KZT456.98: U.S.$1.00 in 2023.The inflation rate for 2019, 2020, 2021, 2022 and 2023 was 5.4 per cent., 7.5 per cent., 8.4 per cent., 20.3 per cent. and 9.8 per cent., respectively.

In 2019, 2020, 2021, 2022 and 2023 Kazakhstan's unemployment rate was 4.8 per cent., 4.9 per cent., 4.9 per cent., 4.9 per cent. and 4.7 per cent., respectively.

As at 1 June 2024, gross international reserves and assets of the National Fund of the Republic of Kazakhstan collectively amounted to U.S.$100.7 billion, of which U.S.$39.8 billion was gross international reserves, and U.S.$61 billion was the assets of the National Fund. See "*Public Finance—National Fund*". This represents a U.S.$11.8 billion increase as compared to December 2018, when gross international reserves and assets of the National Fund collectively were U.S.$88.9 billion. While foreign currency assets of the National Fund increased by U.S.$2.9 billion between December 2018 and May 2024 mainly due to return on investments, gross international reserves (including gold) increased by U.S.$8.8 billion between December 2018 and May 2024. Within gross international reserves, gold reserves increased by U.S.$8.6 billion between December 2018 and May 2024 and amounted to U.S.$22.9 billion as at 31 May 2024, which was largely due to gold purchases in the domestic market as part of the State's priority right to purchase refined gold from domestic producers.

The IMF (World Economic Outlook April 2024) has projected that Kazakhstan will have real GDP growth of 3.1 per cent. in 2024 and 5.6 per cent. in 2025. The World Bank has projected that Kazakhstan will have real GDP growth of 3.4 per cent. in 2024 and 4.7 per cent. in 2025. According to the IMF and the World Bank, such growth will largely be driven by oil production.

Measures in Response to COVID-19 and Other Challenges

The Government introduced a number of measures in response to the effects of the COVID-19 pandemic on the Kazakhstan economy. The total package of anti-crisis measures, excluding tax preferences and local support, amounted to KZT6.3 trillion. One of the largest components of this overall anti-crisis support package was KZT1 trillion in funding for the

Employment Roadmap (as defined below), which comprises more than 6,800 infrastructure projects for the repair and construction of social facilities, transport infrastructure, irrigation and irrigation systems, housing and communal services and the improvement of settlements. The funds for the Employment Roadmap are expected to enable the creation of approximately 241,000 jobs in the post-pandemic period. See "*The Economy of Kazakhstan– Employment*".

Another KZT1 trillion of extrabudgetary funds has been allocated under the State programme "Economy of Simple Things", which provides for subsidised lending to finance working capital of businesses involved in priority projects, such as replacing imported socially-significant food products with locally-produced products, at an interest rate of 8.0 per cent. per year and also provides subsidised lending to finance investment projects at an interest rate of 6.0 per cent. per year.

The package of anti-crisis measures also included:

- KZT1.7 trillion in funding to compensate for the loss of tax revenues to the Republican Budget and to ensure the fulfilment of all social obligations of the State;
- KZT476.2 billion paid to 4.6 million people from the State Social Insurance Fund for loss of income in the amount of the minimum wage (KZT42,500) per month during the state of emergency and restrictive measures (quarantine);
- KZT390 billion for the construction of 15 million square metres of housing;
- KZT237 billion to allow an exemption from taxes and fees on the wage fund for SMEs and large businesses in the affected sectors of the economy;
- KZT313 billion to be used for an additional indexation of up to 10 per cent. of social payments (pensions, benefits and targeted social assistance), increasing scholarships and reimbursing the population for paying utility bills;
- KZT240 billion for the expansion of various existing State programmes;
- KZT125 billion for various measures related to the fight against the COVID-19 pandemic, such as additional payments to medical and other workers and the construction of hospitals to treat patients with infectious diseases; and
- KZT575 billion aimed at supporting citizens and the economy, completing certain construction projects in the capital city of Astana and other priority tasks.

Ongoing Economic Reforms

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 reforms and measures include the following.

New Economic Policy

In December 2012, former 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 55th most competitive country out of 141 countries ranked in the World Economic Forum's Global Competitiveness Report 2019, as compared to its ranking of 59th out of 140 countries in the previous year. Kazakhstan ranked 64th on institutions, 67th on infrastructure, 44th on ICT adoption, 60th on macroeconomic stability, 95th on health, 57th on skills, 62nd on product market, 25th on labour market, 104th on financial system, 45th on market size, 35th on business dynamism and 95th on innovation capability. Kazakhstan ranked 35th among 67 nations in the latest World Competitiveness Ranking of the International Institute for Management Development (IMD). Kazakhstan improved its performance in all categories except infrastructure compared to 2023. Released in June 2024, the IMD Global Competitiveness Index comprises 67 nations and serves as a crucial standard for evaluating the economic competitiveness of those nations. The four key aims of the 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 2020, a comprehensive package of anti-crisis measures was introduced to provide concessional lending to businesses under the "Business Roadmap 2025", "Economy of Simple Things", "Enbek" and "Employment Roadmap" programmes.

These measures included subsidising interest rates of up to 6.0 per cent. per annum on all existing loans to SMEs in the sectors most affected by the COVID-19 pandemic. From 2020 to 2021, state support measures covered approximately 19,400 SME projects with loans totalling KZT848.5 billion. Sectoral restrictions were lifted, leading to more than 57,600 projects receiving preferential financing in 2021, amounting to KZT1.9 trillion.

Taking into account the tasks outlined by the President in the Letter to the People of Kazakhstan "A Fair State. One nation. Prosperous Society", a new economic policy was adopted in September 2022. The goal of all structural reforms within its framework is to create sustainable development of the country and qualitative growth in the well-being of citizens of Kazakhstan. The new economic policy is a synergy of economic and political reforms. Pursuant to this policy, all state resources will be concentrated on the implementation of strategic functions to ensure national security, the rule of law, the development of human capital, the expansion of basic infrastructure, regional development and the coordination and regulation of economic processes in the medium term. The key priorities of the new economic policy are aimed at building an open and predictable model of economic development based on fair competition, proactively attracting quality investments, technological transfer and a high level of human capital. At the same time, the Strategy for Achieving Carbon Neutrality until 2060 will become the foundation for gradual transformations, according to which Kazakhstan needs to decarbonise the economy and build a sustainable low-carbon model of economic development to create new growth drivers. To achieve this goal, all measures taken will be aimed at ensuring macroeconomic stability, economic diversification, digitalisation, development of SMEs and human capital.

In 2022-2023, the certain economic measures were taken under the state support instruments provided by the National Entrepreneurship Development Project for 2021-2025 (the "**National Project**") to improve access to business financing.

Since the cessation of the National Project, the Government has developed and adopted a Comprehensive Programme for the support and development of small and medium-sized enterprises (the "**Comprehensive Programme**"), which combined the "Business Roadmap 2025" and "Economy of Simple Things" programmes. The Comprehensive Programme is aimed at providing support for efficient business enterprises with a view to increasing market competition and overall attractiveness of the economy of the Republic of Kazakhstan.

Following the expanded Government meeting on 19 April 2023, the President directed the Ministry of National Economy to audit the State Planning System. The audit recommendations included the deprioritisation of ten objectives (including achieving of a status of a top 30 most developed nation) while focusing on the other 37 objectives.

The National Development Plan 2029 was approved for the country's development to targeted for the medium term. Pursuant to the National Development Plan 2029, the following five cross-cutting principles underlying economic transformations were identified:

- Liberalisation and stimulation of competition;
- Protection of entrepreneurship and clear, predictable and attractive economic policy for investors;
- Providing quality education and supporting entrepreneurial and creative initiatives;
- Increasing the productivity and complexity of the economy; and
- Reducing regional disparities.

The aforementioned principles are in line with the Strategic Plan 2025 and the National Plan 2025. An important component of economic success will be the implementation of structural reforms to further liberalise the economy of Kazakhstan.

As part of the execution of the Decree of the President given at an extended meeting of the Government on 7 February 2024, a decree "On measures to liberalise the economy" was developed. Firstly, the Decree pays significant attention to institutional support. Pursuant to the Decree, it is planned to create a National Privatisation Office. Furthermore, the measures provided in the Decree are aimed at increasing the autonomy, quality and independence of corporate governance of Samruk-Kazyna and its subsidiaries. Secondly, the government will focus on further improving regulatory policies and simplifying procedures for opening and running a business in Kazakhstan. This includes the digitalisation of consumer access to commercial services provided by quasi-governmental organisations, as well as simplification of procedures for obtaining technical specifications and connecting to utility networks. Thirdly, a separate block of the Decree provides for a set of measures aimed at strengthening the protection of the rights and legitimate interests of business. Among them are the decriminalisation of criminal offenses in the field of economic activity, coordination with prosecutors of prohibitive and restrictive measures initiated by government agencies and other measures.

The implementation of large-scale economic reforms in accordance with high global international standards, including the OECD standards, will allow Kazakhstan to become the main regional centre of attraction for technology and investment.

Reducing Size of Informal Economy

In September 2014, a law came into effect with the aim of reducing the size of the informal (shadow) economy and increasing tax revenues by granting an amnesty in relation to property (including property outside 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—State Budget Revenues – Sources of State Budget Revenue*".

In an attempt to reduce the shadow economy and combat corruption, ensure fair taxation and improve social policies, Kazakhstan is gradually introducing universal income declaration. All citizens are required to pay taxes in proportion to their income, allowing the government to gain a clearer view of the population's actual earnings and better shape social policies. The process began on 1 January 2021, with declarations required from public officials and their spouses, totalling about 580,000 people. By 1 January 2023, it expanded to include employees of state institutions and the quasi-public sector, affecting over 2 million people. As of 1 January 2024, executives and founders of legal entities, as well as individual entrepreneurs and their spouses, are also required to declare their income, involving around 4 million people. The final phase in 2025 will cover the remaining 6.4 million citizens, including private-sector employees, retirees, students and the unemployed.

Concept for the Development of Transport and Logistics Potential

The State Programme on Infrastructure Development, also known as the "Nurly Zhol Programme" was repealed by the Resolution of the Government No. 1116 dated 30 December 2022. Since the commencement of the Nurly Zhol Programme in 2015, freight traffic on inland waterways has increased by 100.0 per cent., from 750,000 tonnes to 1.6 million tonnes, navigation on the Irtysh River has been resumed and the quality of navigable waterways has been improved.

In December 2022, Kazakhstan adopted the Concept for the Development of Transport and Logistics Potential of Kazakhstan until 2030. The strategic goals of the Concept are (i) to ensure the economic growth of Kazakhstan and improve the quality of life of the population via the development of affordable and safe transport and logistics services and (ii) entry into the regional leaders in terms of transport and transit potential. The Concept provides for, among other things, the increase of (a) investments, (b) labour productivity in the transport sector, (c) cargo transit via Kazakhstan and (d) the number of rail and air passengers.

Housing Construction Programme "Nurly Zher"

Kazakhstan's Housing Construction Programme "Nurly Zher" (the "**Nurly Zher Programme**"), originally adopted in 2016, was reconfirmed as the "Nurly Zher" State Housing and Communal Development Programme for 2020-2025. The objective of the Nurly Zher Programme is to increase the availability of housing for the people of Kazakhstan. From 2017 to 2022, under the programme, 84.6 million square metres of new housing had been built in Kazakhstan, approximately 751,000 families had improved their living conditions and a total of KZT11 trillion had been invested in housing construction.

In line with the new state planning system, the Concept for the Development of Housing and Communal Infrastructure until 2026 was adopted in September 2022 and subsequently reconfirmed with amendments in March 2023 for implementation during 2023-2029. The primary goal of the Concept is to develop comprehensive communal infrastructure and comfortable housing to enhance living standards and ensure equal access to basic services for the population. The Concept aims to enhance the quality of housing and communal services by developing the communal sector and improving housing accessibility for diverse population segments. The Concept provides for 100.0 per cent. access to water supply services in cities and villages, reducing the wear of heating, water supply, and wastewater networks by 40.0 per cent., achieving 98.1 per cent. wastewater treatment in cities of republican and regional significance, achieving a housing availability index of 0.53, and reducing the share of condominiums requiring major repairs to 28.8 per cent. by 2029.

By the end of 2023, access to water supply services reached 98.9 per cent. in cities and 96.6 per cent. in villages. Furthermore, 3,000 km of water supply networks were constructed or reconstructed (1,000 km in cities and 2,000 km in villages). The wear reduction of heating, water supply and wastewater networks amounted to 50.0 per cent., and the wastewater treatment level in cities of republican and regional significance reached 80.0 per cent. Housing availability across Kazakhstan stood at 0.37, with 17.5 million square metres or 157 thousand housing units put into operation. The share of condominiums requiring major repairs amounted to 31.1 per cent., with 73 multi-apartment residential buildings renovated.

Gross Domestic Product

The following table below sets forth data regarding Kazakhstan's GDP and population for the years presented.

	Year ended 31 December					Six months ended 30 June
	2019[1]	2020[1]	2021	2022	2023[2]	2024
Nominal GDP (KZT billions)	69,532.6	70,694.0	83,951.6	103,765.5	120,561.1	25,666.4
Real GDP growth rate (% year-on-year)	4.5	(2.5)	4.3	3.2	5.1	3.3
Nominal GDP per capita (KZT)	3,755,744.6	3,766,810.4	4,418,275.1	5,284,726.7	6,058,292.7	1,297,000.0
Nominal GDP per capita (U.S.$)	9,812.5	9,121.7	10,370.8	11,476.6	13,276.7	2,880.1
Real GDP per capita growth (% year-on-year)	3.2	(3.8)	3.0	(0.1)	3.7	1.8
GDP deflator (% year-on-year)	7.6	4.2	13.9	19.7	11.4	6.3
Total population (thousands) (end of period)	18,361.8	18,879.6	19,503.2	19,766.8	20,033.8	20,139.9

Source: NSB, MNE

Notes:

(1) Calculations were made in accordance with the new methodology for assessing the unobserved economy registered in the Ministry of Justice of the Republic of Kazakhstan (No. 19215 of 08.08.2019).
(2) Preliminary data.

The informal (shadow) 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 its existence. The size of the informal economy was estimated to constitute 18.2 per cent. of GDP in 2023, 18.7 per cent. of GDP in 2022, 19.7 per cent. of GDP in 2021 and 20.2 per cent. of GDP in 2020.

For 2024, the Government is targeting real GDP growth of 6.0 per cent. However, the IMF's World Economic Outlook April 2024 projected Kazakhstan's real GDP growth to be 3.1 per cent. for 2024. Real GDP increased by 5.1 per cent. in 2023 and by 3.2 per cent. in the six months ended 30 June 2024.

According to the World Bank, in 2022, based on purchasing power parity, Kazakhstan's economy was the 42nd largest economy in the world. Using official exchange rates, nominal GDP per capita was U.S.$ 9,812.5, U.S.$ 9,121.7, U.S.$ 10,370.8, U.S.$ 11,476.6 and U.S.$ 13,276.7 in 2019, 2020, 2021, 2022 and 2023, respectively. Real GDP per capita grew by 3.7 per cent. in 2023.

GDP by Source

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

	Year ended 31 December					Six months ended 30 June
	2019	2020[1][2]	2021	2022	2023	2024
	(KZT millions)					
Production of goods						
of which:	**26,071,350.0**	**27,192,162.8**	**33,829,913.9**	**41,741,280.1**	**43,821,781.4**	**18 ,845 ,719.1**
Agriculture, forestry and fishing	3,105,560.7	3,808,889.1	4,222,766.5	5,444,727.3	5,240,555.0	1319477,6
Industry	19,154,492.5	19,098,171.4	24,841,595.1	30,841,860.5	31,927,792.3	14880738,1
of which:						
Mining and quarrying	10,032,109.5	8,596,835.5	11,886,878.4	15,210,887.2	15,519,395.6	7 336 487,4
Manufacturing	7,972,864.1	9,235,617.6	11,424,765.7	13,929,790.7	14,543,670.8	6492927,4
Electricity, gas, steam and air conditioning supply	980,795.2	1,097,125.1	1,310,044.3	1,452,458.8	1,601,676.5	905 060,6
Water supply; sewerage, waste management and recycling	168,723.7	168,593.2	219,906.7	248,723.8	263,049.4	146 262,7
Construction	3,811,296.8	4,285,102.3	4,765,552.3	5,454,692.3	6,653,434.1	2 645 503,4
Production of services	**38,610,254.8**	**39,636,072.3**	**45,266,156.4**	**54,626,235.4**	**67,898,144.3**	**29 808 499,9**
of which:						
Wholesale and retail trade; repair of motor vehicles and motorcycles	11,788,364.0	12,166,037.6	14,106,194.6	17,046,877.7	21,741,986.2	8 393 491,7
Transport and storage	5,589,850.6	4,824,663.8	5,718,757.0	6,391,443.33	6,679,382.8	3 186 339,8
Accommodation and food service activities	793,329.6	722,736.0	812,752.2	1,052,069.3	1,302,846.2	445 555,7

Communications and information	1,349,561.9	1,670,561.0	1,952,156.7	2,109,087.4	2,493,470.2	1 168 633,7
Financial and insurance activities.....	2,233,384.2	2,376,245.1	2,438,216.0	3,171,635.7	3,644,912.4	2 068 708,1
Real estate activities	5,222,690.9	5,147,649.0	5,486,403.2	6,732,562.0	9,021,239.7	4 402 776,4
Professional, scientific and technical activities	3,062,749.9	2,919,937.4	3,106,546.6	3,427,482.3	4,285,995.0	2 153 141,9
Administrative and support service activities	1,600,314.9	1,609,821.0	1,741,828.5	2,219,160.6	2,802,467.5	1 139 950,4
Public administration and defence; compulsory social security....	1,175,340.4	1,342,993.7	1,533,106.6	1,961,063.2	2,248,364.8	1 205 117,2
Education.....	1,859,275.3	2,572,779.7	3,245,879.8	4,224,630.8	5,493,386.9	2 457 717,0
Human health and social work activities	1,326,324.9	1,804,796.2	2,459,919.9	2,959,635.6	3,763,507.0	1 420 041,5
Arts, entertainment and recreation	508,692.8	639,680.6	731,327.4	928,891.5	1,195,346.7	434 578,9
Other service activities	2,053,934.9	1,788,578.2,	1,879,315.7	2,338,955.0	3,152,138.3	1 294 277,6
Activities of households as employers; undifferentiated goods and services – producing activities of households for own use	46,440.5	49,593.0	53,752.2	62,741.0	73,100.6	38 170,0
Gross value added.....	**64,681,604.8**	**66,828,235.1**	**79,096,070.3**	**96,367,515.5**	**111,719,925.7**	**48654219**
Net taxes on products and imports.....	4,851,021.7	3,820,798.1	4,855,517.6	7,398,002.7	8,841,170.7	3 688 521,3
of which:						
Product and import taxes	5,057,371.0	4,069,079.9	5,161,134.0	7,779,408.5	9,180,745.3	N/A
Product and import subsidies	206,349.3	206,349.3	248,281.8	305,616.4	381,405.8	N/A
Total GDP	**69,532,626.5**	**70,649,033.2**	**83,951,587.9**	**103,765,518.2**	**1 20,561,096.4**	**52,342,740.3120**

Source: NSB, MNE

Notes:

(1) Preliminary data.

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

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023[1]**
	(percentage share of GDP)				
Production of goods	**37.4**	**38.6**	**40.4**	**40.0**	**36.3**
of which:					
Agriculture, forestry and fishing	4.4	5.4	5.1	5.2	4.3
Industry, *of which:*	27.5	27.1	29.6	29.5	26.5
Mining and quarrying	14.5	12.2	14.1	14.5	12.9
Manufacturing	11.4	13.1	13.6	13.4	12.1
Electricity, gas, steam and air conditioning supply	1.4	1.6	1.6	1.4	1.3
Water supply; sewerage, waste management and recycling	0.2	0.2	0.3	0.2	0.2
Construction	5.5	6.1	5.7	5.3	5.5
Production of services	**55.6**	**56.0**	**53.8**	**52.9**	**56.4**
of which:					
Wholesale and retail trade; repair of motor vehicles and motorcycles	17.0	17.2	16.8	16.4	18.0
Transport and storage	8.0	6.8	6.8	6.2	5.6
Accommodation and food service activities	1.1	1.0	1.0	1.0	1.1
Communications and information.....	2.0	2.4	2.3	2.1	2.1
Financial and insurance activities	3.2	3.4	2.8	3.1	2.9
Real estate activities	7.5	7.2	6.5	6.5	7.5
Professional, scientific and technical activities..	4.4	4.1	3.7	3.3	3.6
Administrative and support service activities ...	2.3	2.3	2.0	2.1	2.4
Public administration and defence; compulsory social security	1.7	1.9	1.8	1.9	1.9
Education.....	2.7	3.6	3.9	4.1	4.6

Human health and social work activities	1.9	2.6	2.9	2.9	3.0
Arts, entertainment and recreation.....	0.7	0.9	0.9	0.9	1.0
Other service activities	3.0	2.5	2.3	2.3	2.6
Activities of households as employers; undifferentiated goods-and-services-producing activities of households for own use	0.1	0.1	0.1	0.1	0.1
Gross value added.....	**93.0**	**94.6**	**94.2**	**92.9**	**92.7**
Net taxes on products and imports	7.0	5.4	5.8	7.1	7.3
of which:					
Product and import taxes	7.3	5.8	6.1	7.5	7.6
Product and import subsidies	0.3	0.4	0.4	0.4	0.3
Total GDP.....	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: NSB, MNE

Notes:

(1) Preliminary data.

From 2019 through 2023, 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 42.9 per cent., 42.5 per cent., 44.5 per cent., 44.3 per cent. and 43 per cent. of GDP in 2019, 2020, 2021, 2022 and 2023 (based on preliminary data for 2023), respectively.

Production of goods as a percentage of GDP decreased from 37.4 per cent. in 2019 to 36.3 per cent. in 2023 (based on preliminary data for 2023).

In January to March 2023, GDP growth amounted to 4.9 per cent. The growth was achieved due to an increase in the production of goods by 4.3 per cent., and in the production of services by 5 per cent.

GDP by Use

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

	Year ended 31 December					Three months ended 31 March
	2019	**2020**	**2021**	**2022**	**2023**	**2024[2)]**
				(percentage share of GDP)		
Consumption	**61.3**	**65.8**	**63.0**	**60.1**	**62.9**	**64.8**
Private	51.1	51.9	50.6	49.3	51.3	52.7
Public	9.1	12.8	11.3	10.5	11.2	11.4
Non-profit institutions	1.1	1.1	1.1	0.3	0.4	0.7
Gross domestic investment	**27.7**	**28.8**	**26.5**	**25.0**	**30.0**	**24.8**
Fixed capital	23.5	24.7	23.0	22.2	26.7	21.7
Inventory accumulation	4.2	4.1	3.5	2.8	3.3	3.1
Net exports	**8.1**	**4.0**	**8.6**	**14.9**	**7.1**	**10.4**
Exports of goods and services	36.5	30.5	33.6	41.7	**34.7**	38.2
Imports of goods and services	28.4	26.5	25.0	26.8	27.6	27.8
Statistical discrepancy	**2.9**	**1.4**	**1.9**			
GDP[(1)]	**100.0**	**100.0**	**100.0**	**100.0**	**100,0**	**100.0**

Source: NSB, MNE

Notes:

(1) Recalculated in accordance with new methodology for assessing the unobserved economy registered in the Ministry of Justice of the Republic of Kazakhstan (No. 19215 of 8 August 2019).
(2) Nine month figures as a percentage of GDP have been calculated for the three months ended 31 March 2024.

As a percentage of GDP, domestic demand (i.e., final consumption and gross domestic investment) decreased from 89.0 per cent. in 2019 to 91.6 per cent. in 2023 (based on preliminary data). The share of net exports decreased from 8.1 per cent. in 2019 to 7.0 per cent. in 2023 (based on preliminary data), but then increased to 10.2 per cent. in the three months ended 31 March 2024 (based on reporting data).

The share of domestic consumption in GDP was 61.3 per cent., 65.8 per cent., 63.0 per cent., 59.9 per cent., 62.0 per cent. and 63.5 per cent. in 2019, 2020, 2021, 2022, 2023 (according to preliminary data) and for the three months ended 31 March 2024, respectively.

The share of final consumption expenditures in GDP increased from 61.3 per cent. in 2019 to 62.0 per cent. in 2023 due to a decrease in the contribution of net exports to GDP. However, in nominal terms, GDP consumption increased from KZT42.7 trillion in 2019 to KZT74.8 trillion in 2023 (based on preliminary data).

The share of final consumption expenditures of GDP decreased from 65.8 per cent. in 2020 to 63.0 per cent. in 2021 due to a significant increase in the contribution of net exports to GDP from 4.0 per cent. in 2020 to 8.6 per cent. in 2021 due to a significant increase in exports of goods.

The share of final consumption expenditures of GDP decreased by 63.0 per cent. in 2021 to 59.9 per cent. in 2022 due to a significant decrease in imports of goods and services. The consumption rate of GDP increased by 59.9 per cent. in 2022 to 62.0 per cent. in 2023 (based on preliminary data) due to a significant decrease in the contribution of net exports to GDP from 14.8 per cent. in 2022 to 7.0 per cent. in 2023 (based on preliminary data) mainly due to a significant increase in imports of goods and services.

Gross domestic investment as a percentage of GDP was 27.7 per cent., 28.8 per cent., 26.5 per cent., 25.0 per cent., 29.6 per cent. and 24.3 per cent. in 2019, 2020, 2021, 2022, 2023 (based on preliminary data) and the three months ended 31 March 2024, respectively. The decreases in gross domestic investment as a percentage of GDP from 2019 to 2020 and from 2021 to 2022 were mainly due to an increase in net exports as a percentage of GDP from 8.1 per cent. in 2019 to 4.0 per cent. in 2020, to 8.6 per cent. in 2021, to 14.8 per cent. in 2022 and to 7.0 per cent. in 2023 (based on preliminary data). The increase in gross domestic investment as a percentage of GDP between 2019 and 2020 was principally due to an increase in net exports as a percentage of GDP from 8.6 per cent. in 2021 to 14.8 per cent. in 2022. In nominal terms, gross domestic investment increased from KZT19.2 trillion in 2019 to KZT20.4 trillion in 2020, KZT22.3 trillion in 2021, KZT25.9 trillion in 2022 and KZT35.6 trillion in 2023 (based on preliminary data). Gross domestic investment amounted to KZT6.3 trillion in the three months ended 31 March 2024.

From 2019 to 2023 (based on preliminary data), the growth of net exports fluctuated. Net exports as a percentage of GDP decreased from 8.1 per cent. in 2019 to 4.0 per cent. in 2020 and increased to 8.6 per cent. in 2021 and to 14.8 per cent. in 2022, and then decreased to 7.0 per cent. in 2023 (based on preliminary data).

In 2023, GDP growth amounted to 5.1 per cent. Investments in fixed capital increased by 11.2 per cent. In 2023, foreign trade turnover amounted to U.S.$139.6 billion, with an increase of 2.5 per cent. Exports of goods decreased by 6.7 per cent., amounting to U.S.$79.9 billion.

In the first quarter of 2024, GDP growth amounted to 3.8 per cent. The growth was achieved due to an increase in the production of goods by 5.1 per cent., and the production of services by 3.0 per cent. GDP growth in 2024 is targeted at 6.0 per cent. Nominal GDP in 2024 is forecasted at KZT134.9 trillion. Exports are expected to increase to U.S.$80.3 billion.

Despite external and internal conditions, the economy of Kazakhstan successfully adapted to new realities and by the end of 2022 reached GDP growth at 3.2 per cent. Production of goods increased by 3.5 per cent., while production of services – by 2.5 per cent. The main factor of economic growth was production activity in basic sectors of the economy of Kazakhstan.

In 2022, the manufacturing industry grew by 4.7 per cent. from 3.6 per cent. in 2021 to 4.7 per cent. In terms of industries, production growth was ensured in mechanical engineering by 10.8 per cent., including in the automotive industry – by 21.9 per cent. and the production of electrical equipment – by 23.8 per cent., in food production – by 6.4 per cent., in beverages – by 11.0 per cent., oil refining products – by 1.8 per cent., chemical industry – by 13.6 per cent., plastic products – by 4.8 per cent., light industry – by 5.6 per cent. At the same time, there was a slight decrease in production volumes in the mining industry (i.e. by 0.9 per cent.). Gross output of products (services) in agriculture increased by 9.1 per cent.

In 2022, the growth in the volume of the construction works amounted to 6,304.3, as compared to KZT5,530.7 billion in 2021. the same time, there was a reduction in the volume of housing construction. 15.7 million square metres of housing were commissioned in 2022, which is 7.4 per cent. less than in 2021. Furthermore, the favourable conditions for economic activity in the country saw an increase in investment in fixed capital. Their volumes increased by 11.2 per cent. up to KZT17.6 trillion in 2023. The stimulating factor for this growth was the implementation of industrial-innovative and infrastructure projects. The mining industry and real estate operations (housing construction) remain attractive. At the same time, significant investment growth was observed in public administration and defence – by 2.2 times, in healthcare and social services – by 60.8 per cent. and in education – by 48.8 per cent.

Despite the increased volatility in commodity markets, foreign trade turnover maintains a trend of sustainable growth. At the end of 2022, the volume of foreign trade turnover increased by 33.2 per cent., amounting to U.S.$135.5 billion from 101.7in 2021. Exports grew by 40.2 per cent. (U.S.$84.6 billion) from 60.3 in 2021 due to favourable oil prices and growth in exports of food products, machinery and equipment, metals and chemical products. Imports grew by 23.0 per cent. (U.S.$50.9 billion) from 41.1 in 2021 which was facilitated by an increase in the value of imported goods. As at 31 December 2022, the positive trade balance amounted to U.S.$33.6 billion.

The average per capita cash income of the population amounted to KZT181.9 thousand and in nominal terms increased by 15.8 per cent., while in real terms – by 1.1 per cent. The average monthly salary in 2023 amounted to KZT364.3 thousand, which in real terms increased by 2.7 per cent. The situation on the labour market remains stable. In 2023, the unemployment rate amounted to 4.7 per cent.

As at 2023, annual inflation amounted to 9.8 per cent. Food prices increased by 8.5 per cent., non-food products – by 9.1 per cent., and paid services – by 12.4 per cent. The main factors for increasing inflationary pressure are the restructuring of supply chains, increasing prices for fuels and lubricants, increased consumer lending, and growth in government spending.

In 2023, industrial production increased by 4.4 per cent., including manufacturing industry – by 4.0 per cent., and mining – by 0.3 per cent. The pace of the manufacturing industry was affected by an increase in production in mechanical engineering by 28.2 per cent., including in the automotive industry – by 36.9 per cent., electrical equipment – by 38.7 per cent., in food production – by 2.1 per cent., beverages – by 0.7 per cent., petroleum products – by 0.2 per cent., chemical industry – by 3.5 per cent., pharmaceutical products – by 11.5 per cent., light industry – by 12.2 per cent. In 2023, gross output of products (services) in agriculture decreased by 8.4 per cent. as compared to 2022. The volume of construction work increased by 15.7 per cent as compared to 2022. Around 17.8 million square metres of housing was commissioned, which is 13.8per cent. more than for the same period in 2022.

As at 31 May 2024, the volume of investments in fixed assets decreased by 6.5 per cent. to KZT4,895.2 billion. Decrease was in investments in agriculture (by 30.1 per cent. to KZT197.9 billion), trade (by 3.9 per cent. to KZT121.5 billion), industry (by 18.0 per cent. to KZT2,199.0 billion) and mining (by 29.2 per cent. to KZT1,308.4 billion). The growth was in investments in information and communications (by 2.3 times to KZT90.5 billion), transport and warehousing (by 27.4 per cent. to KZT704.7 billion), construction (by 27.1 per cent. to KZT58.4 billion) and manufacturing (by 14.1 per cent. to KZT514.1 billion). As of 1 July 2024, the country's international reserves increased by 5.4 per cent. year on year and amounted to US$101 billion.

As of 1 July 2024, gold assets amounted to US$40 billion and the National Fund's foreign currency assets amounted to US$61 billion. As at 31 March 2024, average per capita monetary income of the population amounted to KZT195,000 and increased by 14.4 per cent. in nominal terms and by 4.7 per cent. in real terms. The annual inflation amounted to 9.1 per cent. Food prices increased by 6.9 per cent., non-food products – by 8.2 per cent. and paid services – by 13.2 per cent.

From January to July 2024, industrial production grew by 2.9 per cent in aggregate, including growth in the manufacturing sector of 5.1 per cent. The pace of development of the manufacturing industry was influenced by a 4.7 per cent. increase in production in mechanical engineering, including a 16.4 per cent. increase in electrical equipment.

From January to July 2024, gross output of products (services) in agriculture grew by 3.7 per cent. as compared to output in 2023.

Principal Sectors of the Economy

Industry

The following table sets forth Kazakhstan's industrial output (goods and services) by economic sector in Tenge for the periods presented.

	Year ended 31 December					1 January - 31 August
	2019	2020	2021	2022	2023	2024[(2)]
	(KZT millions)					
Mining and quarrying	15,978,061	11,785,557	17,976,976	24,926,378	21,773,338	14,603,838
Of which:						
Coal and lignite	357,768	335,981	395,505	642,254	526,785	320,855
Crude oil	12,256,876	8,001,804	12,938,747	19,012,732	15,860,637	10,371,232

Natural gas	396,713	272,848	242,815	359,587	259,708	169,362
Metal ores	1,908,282	2,256,236	3,370,042	3,471,012	3,786,676	2,879,987
Other mining	248,735	231,665	341,134	501,785	404,456	2,464,617
Technical services to mining industry	809,687	687,023	688,733	939,008	935,076	634,333
Manufacturing	11,573,350	13,232,695	17,121,392	21,161,830	21,640,705	14,957,414
Of which:						
Foods	1,708,013	1,957,241	2,287,783	3,070,130	3,125,243	2,079,062
Beverages	398,492	443,428	565,288	770,298	896,693	631,427
Tobacco	112,491	211,589	237,126	285,119	283,022	180,713
Light industry	115,843	142,721	153,627	193,230	211,287	125,689
Wood and cork products (excluding furniture), straw wares and wickerwork	24,590	26,283	29,667	40,207	58,215	42,471
Paper products	67,848	71,073	93,028	128,940	135,639	94,744
Coke and refined petroleum products	839,688	837,535	1,104,216	1,153,691	1,148,185	801,150
Chemicals and chemical products	475,139	476,329	573,589	924,575	957,469	702,723
Basic pharmaceuticals	92,442	141,861	202,195	162,352	144,335	114,699
Rubber and plastic products	244,351	257,931	343,216	455,830	444,106	267,434
Other non-metallic mineral products	632,437	732,210	965,149	1,205,247	1,249,492	792,704
Metallurgy[(1)]	4,965,432	5,662,784	7,676,586	9,036,308	8,177,805	5,937,317
Metal products (excluding machines and equipment)	264,388	291,109	334,446	398,693	438,871	1,840,564
Engineering, including machine building	1,472,284	1,823,922	2,386,182	3,151,710	4,171,864	2,684,474 1
Furniture	47,997	53,545	64,329	72,002	82,561	62,925
Electrical supply, gas supply, steam supply and air conditioning	1,561,366	1,740,718	2,150,972	2,327,194	258,9717	1,955,976
Water supply, sewer system, waste system collection and removal of waste	267,565	269,535	356,902	361,686	397,955	299,111
Total industrial output	**29,380,342**	**27,028,506**	**37,606,243**	**48,777,089**	**46,401,716**	**31,816,340**

Source: NSB, 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 (goods only, excluding services) accounted for 27.5 per cent., 27.1 per cent., 29.6 per cent., 29.5 per cent. and 26.5 per cent. of Kazakhstan's total GDP in 2019, 2020, 2021, 2022 and 2023 (based on preliminary data for 2023), respectively. In 2023, the share of mining was higher by 0.8 per cent. than the share of manufacturing. Further, trade accounts for the largest share of GDP. In January-December 2023, total mining output included crude oil (106.8 per cent.), metal ores (99.9 per cent.), technical services (96.6 per cent.), coal and lignite (94.5 per cent.), natural gas (110.8 per cent.) and other mining (112.7 per cent.). 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 (goods and services) from crude oil extraction accounted for 17.6 per cent., 11.2 per cent., 10.6 per cent., 11.3 per cent. and 9.1 per cent and 7.5 per cent of Kazakhstan's GDP in 2019, 2020, 2021, 2022, 2023 and for the first half of 2024, respectively

It is a strategic priority of the Government to diversify Kazakhstan's 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 2019 to 2023, in nominal terms, total industrial output (goods and services) increased by 157.9 per cent. The sectors with the most growth over the 2019 to 2023 period were metallurgy, engineering (including machine building) and metal ore mining.

Total industrial output (goods and services) increased by 4.1 per cent. in 2019, as compared to the previous year. It then decreased by 0.5 per cent. in 2020. The increase in 2019 as compared to 2018 was principally driven by increased output in extraction of metal ores and crude oil production as well as increased output in engineering (including machine building). The decrease in 2020 as compared to the 2019 was principally driven by decreased output in crude oil production.

Total industrial output (goods and services) increased by 3.6 per cent., 1.2 per cent., 4.4 per cent. and 2.9 per cent. in 2021, 2022, 2023 and the six months ended 30 June 2024, respectively, in each case as compared to the previous year. The increase in industrial production (goods and services) in 2021 as compared to 2020 and, in 2022 as compared to 2021 was principally driven by increased output in in manufacturing sector. The increase in 2023 as compared to 2022 was mainly driven by increased output in extraction of crude oil and manufacturing production. The increase in the six months ended

30 June 2024 as compared to the six months ended 30 June 2023 was principally driven by increased output in extraction of metal ores, as well as increased output in metallurgy production.

In real terms, industrial output (goods only, excluding services) increased by 4.1 per cent. in 2019, 0.5 per cent. in 2020 and 3.6 per cent. in 2021, 1.2 per cent. in 2022, 4.4 per cent. in 2023 and 2.9 per cent. in the six months ended 30 June 2024, in each case as compared to the previous year.

The Turkic Investment Fund aims to promote intra-regional trade, finance small and medium-sized business projects, support the expansion of transport and logistics chains, warehousing and production facilities, assist in the creation and modernisation of physical and digital infrastructure and support various development projects.

As at 1 July 2024, a total of 181 projects with an aggregate value of approximately KZT3,762 billion are at various stages of planning and preparation, including 15 projects at the republican level valued at approximately KZT81.5 billion and 166 projects at the regional level with the aggregate value of approximately KZT3,679 billion. In an effort to revitalise the PPP statutory framework and kickstart the implementation of PPP projects, legislative amendments were adopted to prevent the circumvention of public procurement procedures, strengthen anti-corruption control, improve project quality and balance the interests of the state and business.

Oil and Natural Gas

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 2024 published by the Organisation of the Petroleum Exporting Countries ("**OPEC**"), in 2023, Kazakhstan ranked 11th in the world for its level of proven crude oil reserves and 20th in the world for its level of proven natural gas reserves. As at 31 March 2024, there were 306 hydrocarbon subsoil use contracts registered in Kazakhstan.

The national oil and gas company, JSC NC KazMunayGas ("**KazMunayGas**"), was created in 2002 to represent the Kazakhstan's interests in Kazakhstan's oil and gas industry. KazMunayGas has a number of subsidiaries, including companies operating in the areas of exploration, extraction, transportation, refining and sales of hydrocarbon raw materials. KazMunayGas holds equity interests in the Tengiz field (20 per cent.), the Kashagan field (16.88 per cent.) and the Karachaganak field (10 per cent.), as well as interests ranging between 33 per cent. and 100 per cent. in other onshore and offshore operating projects. The Government of the Republic of Kazakhstan approved a Comprehensive Plan for the Development of the Gas Industry. One of the points of the plan approved by the Cabinet of Ministers was the change of the name of JSC NC KazTransGas to JSC National Company QazaqGaz and its rebranding, marking the start of a new phase in its operations and strategy. In Kazakhstan, gas has long been treated as a residual resource. With high oil prices over the years, the state and investors focused on developing oil fields and used gas for the most part, as a tool for increasing the volume of liquid hydrocarbon production. In recent years, the role of gas has grown significantly on a global scale. Natural gas, among other hydrocarbon raw materials, is increasingly replacing traditional fuels in the transition to a low-carbon economy as renewable energy sources develop. National company "QazaqGaz" will begin a new stage of development of the country’s gas industry with the aiming of re-positioning the company in the domestic and international markets.

As at 31 March 2024, total number of subsoil use contracts with KazMunayGas participation amounts to 101 (exploration contracts plus extraction contracts).

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 Kazakhstan classification system.

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 OPEC Annual Statistical Bulletin 2024, as at 31 December 2023, Kazakhstan had proven reserves of approximately 30 billion barrels of oil, or 1.9 per cent. of global proven reserves, and according to the Energy Institute Statistical Review of World Energy 2024, as at 31 December 2023, Kazakhstan produced 90.0 million tonnes of oil in 2023, or 2.0 per cent. of global production in that year.

In 2016, Kazakhstan joined the OPEC Plus Agreement. Since that time, Kazakhstan continues to cooperate with OPEC and non-OPEC countries within the OPEC Plus Agreement. The OPEC countries and non-OPEC oil-producing countries, including Kazakhstan and Russia, under the OPEC Plus Agreement have implemented a series of output cuts since late 2022. On 2 June 2024, the OPEC Plus group agreed to extend a significant portion of these substantial oil production cuts well into 2025 to stabilise the market amidst modest demand growth, elevated interest rates and increasing supply from rising U.S. production.

The most significant oil fields in Kazakhstan are the Tengiz field, the Kashagan field and the Karachaganak field. Set out in the table below is data for production of oil in each of three fields for the years indicated.

	Year ended 31 December				
Oil and Gas Condensate Field	**2019**	**2020**	**2021**	**2022**	**2023[2]**
		(million tonnes)			
Tengiz	29.8	26.5	26.6	29.2	28.9
Karachaganak[1]	10.1	12.2	11.6	11.3	12.1
Kashagan[1]	14.1	15.1	15.9	12.7	18.8

Source: KazMunayGas Annual reports, MNE

Note:

(1) Production of liquid hydrocarbons for Karachaganak and oil and condensate production for Kashagan.
(2) Preliminary data.

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 per cent.), ExxonMobil Kazakhstan (25.0 per cent.), KazMunayGas (20.0 per cent.) and LukArco (5.0 per cent.). The Tengiz field has estimated recoverable reserves of 898 million tonnes of oil. In 2020, production at Tengiz was 26.5 million tonnes. In July 2016, equity owners in the Tengizchevroil consortium made the decision to finance the Future Growth Project-Wellhead Pressure Management Project. The integrated Future Growth Project-Wellhead Pressure Management Project is designed to further increase total daily production from the Tengiz reservoir and seeks to maximise the ultimate recovery of resources. The two combined projects are making a significant contribution to the national economy of Kazakhstan. The Future Growth Project-Wellhead Pressure Management Project has already created approximately 48,000 jobs in Kazakhstan, with approximately 1,000 more permanent jobs expected to be added to support the operation of the project. The implementation of the project is expected to increase oil production from the Tengiz field by 12 million tonnes per year.

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 has recoverable reserves of liquid hydrocarbon feedstock of approximately 320 million tonnes and over 450 billion cubic metres of natural gas. The field is owned by Karachaganak Petroleum Operating B.V. ("**KPO**"), a consortium of Royal Dutch Shell (29.25 per cent.), Eni (29.25 per cent.), Chevron (18.0 per cent.), Lukoil (13.5 per cent.) and KazMunayGas (10.0 per cent.), which is party to a 40-year production sharing agreement with the Government. The Ministry of Energy announced on 14 December 2020 that the KPO consortium paid U.S.$1.305 billion to settle a long-running dispute with the Government over profit-sharing. The agreement paves the way for the project's investors to proceed with a U.S.$1 billion expansion project. In addition to the cash settlement, KPO agreed to adjust the production-sharing agreement for the Karachaganak field. This would be expected to generate earnings for Kazakhstan up to an additional U.S.$600 million in oil and gas sales by 2037, assuming a U.S.$40-50 per barrel crude oil price. Royal Dutch Shell and Eni are the joint operators of the Karachaganak project. In 2023, the total volume of oil production at the Karachaganak field was 12.1 million tonnes as compared to 11.3 million tonnes in 2022. Production in 2019 decreased as compared to 2018 due to the complete shutdown of production facilities at the Karachaganak Processing Complex, as well as at Unit 2 and Unit 3 gas treatment units, from 16 September to 10 October 2019 for scheduled preventive maintenance, which was the most significant maintenance conducted in KPO's history. The Karachaganak oil and condensate field is in Phase 2 commercial development (Stage 2M), which includes a number of major capital expenditure projects (the Production Plateau Extension Projects and the Karachaganak Expansion Project) aimed at increasing raw gas treatment and reinjection capacity to extend the duration of the liquid hydrocarbon production plateau at the achieved rates.

The North Caspian project is the first major offshore oil and gas project in Kazakhstan. It includes five fields: Kashagan, Kalamkas-Sea, Kairan, Aktoty and Kashagan South-West. The giant Kashagan field is the largest oil discovery in Kazakhstan in the last four decades. The estimated proved plus probable oil and condensate reserves life is over 120 years at the 2019 production level. The Kashagan field lies in an offshore location 80 kilometres from Atyrau at water depths of three to four metres. The field reservoir lies at a depth of over four kilometres and is characterised by high pressures and high hydrogen sulphide content. North Caspian Operating Company ("**NCOC**") acts as the operator of the project on behalf of a consortium comprising KMG Kashagan BV (16.88 per cent., which is owned in equal shares by KazMunayGas and Samruk-Kazyna), Royal Dutch Shell (16.81 per cent.), Total (16.81 per cent.), Eni (16.81 per cent,), ExxonMobil (16.81

per cent.), CNPC (8.33 per cent.) and Inpex (7.56 per cent.). Production of oil from the Caspian shelf of the Kashagan field began on 11 September 2013 but was suspended on 25 September 2013 due to problems with the gas pipelines at the field. On 28 September 2016, production of oil in the Kashagan field resumed and amounted to 14.1 million tonnes in 2019, 15.1 million tonnes in 2020, 16.2 million tonnes in 2021, 12.7 million tonnes in 2022 and 18.8 million tonnes in 2023.

In April 2023, Kazakhstan filed a lawsuit against the NCOC demanding compensation of U.S.$13 billion (later increased to U.S.$15 billion). The Kashagan's authorities accused the consortium participants of bidding procedure violation and failing to fully implement their obligations in relation to construction. Kazakhstan's claim has since increased to U.S.$150 billion. An additional claim is related to U.S.$138 billion in respect of lost revenue reflecting the calculation of the value of oil production that was promised to the government but not delivered by the field developers. The consortium, which includes major organizations such as Eni, Shell, ExxonMobil and TotalEnergies denies any wrongdoing and is defending itself in arbitration proceedings.

Total production of oil and gas condensate in Kazakhstan in 2019, 2020, 2021, 2022 and 2023 amounted to 90.6 million tonnes, 85.7 million tonnes, 85.9 million tonnes, 84.2 million tonnes and 89.9 million tonnes, respectively. In 2019, the growth in production at Tengiz (by 1.2 million tonnes) and Kashagan (by 0.9 million tonnes) was partially offset by a decrease in production at Karachaganak (by 0.9 million tonnes), principally due to the complete shutdown of production facilities at the Karachaganak Processing Complex, as well as at Unit 2 and Unit 3 gas treatment units, from 16 September to 10 October 2019 for scheduled preventive maintenance. The agreement made in April 2020 by OPEC countries and non-OPEC oil-producing countries within the OPEC Plus Agreement, including Kazakhstan and Russia, to cut crude oil production aimed at stabilising the market contributed to the decrease in total oil and gas condensate production from 2019 to 2020. In 2023, production at Tengiz, Kashagan and Karachaganak collectively accounted for 66.4 per cent. of Kazakhstan oil production in 2023.

Kazakhstan exports most of the oil it produces. Exports of crude oil have increased significantly since 2000, and most of the oil produced in 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. See " – *Pipelines*" below. In 2019, 2020, 2021, 2022 and 2023, Kazakhstan exported 55.8 million tonnes, 51.8 million tonnes, 53.1 million tonnes, 52.2 million tonnes and 56.1 million tonnes of crude oil, respectively.

In 2023, the largest importers of Kazakhstan oil by volume were Italy, the Netherlands, France, Greece and Switzerland.

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. Kazakhstan's total oil refining capacity as at 31 December 2023 was approximately 19.5 million tonnes per year. In 2023, 19.5 million tonnes of oil was refined in Kazakhstan, as compared to 17.8 million tonnes, 13.9 million tonnes, 15.8 million tonnes and 13.8 million tonnes in 2022, 2021, 2020 and 2019, respectively.

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, there is a maximum domestic price for petroleum products, which is calculated in accordance with a specified formula based on 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 sudden increases in global oil prices, which occur frequently during seasonal consumption peaks.

Natural Gas

According to the OPEC Annual Statistical Bulletin 2024, as at 31 December 2023 Kazakhstan had proven reserves of approximately 1.83 trillion cubic metres of natural gas, or 0.9 per cent. of global reserves, and according to the Energy Institute Statistical Review of World Energy 2024, as at 31 December 2023, Kazakhstan produced 30.8 billion cubic metres of natural gas in 2023, or 0.8 per cent. of global production in that year. Most of Kazakhstan's natural gas reserves are in crude oil or condensate-rich fields. Two of the three largest petroleum liquids fields, Karachaganak and Tengiz, are also the two largest natural gas fields.

Total production of natural gas in Kazakhstan in 2019, 2020, 2021, 2022 and 2023 amounted to 56.4 billion cubic metres, 55.1 billion cubic metres, 53.8 billion cubic metres, 53.2 billion cubic metres and 59.1 billion cubic metres, respectively. Output from natural gas extraction (goods and services) accounted for 11.4 per cent., 8.7 per cent., 10.4 per cent., 11.3 per cent. and 9.1] per cent. of Kazakhstan's GDP in 2019, 2020, 2021, 2022 and 2023, respectively.

Natural gas has been in the second place for a long time in the structure of domestic consumption and the national energy balance of the country. The main weight in the structure of total primary consumption is occupied by coal (on average over the last ten years – approximately 50.0 per cent.), due to the rich raw material base, low production costs and, as a

consequence, affordable price. The share of gas, in terms of use, is half as much (a ten-year average of 24.0 per cent.), but is gradually increasing, from 19.0 per cent. in 2015 to 26.0 per cent. in 2022. According to IHS Markit forecasts, by 2040 the share of coal will decrease to 42.0 per cent., and gas, on the contrary, will increase to 29.0 per cent.

The turning point and the main driver for the growth of the gas share in the overall consumption structure was the adoption in 2014 of a large-scale Programme for gasification of the regions of Kazakhstan, as well as Kazakhstan's commitments to reduce carbon dioxide emissions within the framework of the Paris Agreement of 2016. Gas is the most environmentally friendly and cheapest compared to other types of organic non-renewable fuel in Kazakhstan.

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.

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 Code, the Ministry of Energy is conducting a permanent monitoring of the fulfilment of the approved Associated Gas Utilisation Programmes by Kazakhstan subsoil users. Pursuant to the Subsoil Code, subsoil users have been 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 was a reduction of gas flaring from 80.2 to 33.35 billion cubic metres between 2019 and 2023.

The following table sets out the amount of natural gas consumed in Kazakhstan and exported from Kazakhstan, for the years presented.

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(billion cubic metres)				
Total consumption of natural gas in Kazakhstan	16.3	17.0	21.0	19.3	19.4
Total natural gas exports	12.0	8.8	16.0	12.8	13.5

Source: Ministry of Energy

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. Domestic gas consumption increased in 2023 by 0.5 per cent. as compared to 2022 and amounted to 19.4 bcm. 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. Further, in 2014, the Government adopted the General Plan for Gasification of the Republic of Kazakhstan, under which it plans to make natural gas available by 2030 to 56.0 per cent. of the population. The level of gasification in Kazakhstan increased from 59.0 per cent. as at 1 January 2023 to 60.0 per cent. as at 1 January 2024.

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 Kazakhstan has a right of first refusal over any gas assets that are sold, which are currently privately owned. In addition, the 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 5 December 2014, the Government approved an ongoing programme, the "Concept for the Development of the Gas Sector through 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.

Electricity

Electricity in Kazakhstan is generated by more than 170 power plants with various forms of ownership. In 2023, the volume of electricity generated in Kazakhstan was 112.8 billion kWh. Of this volume, thermal power stations generated 87.3 billion kWh; hydropower plants generated 7.7 billion kWh; gas turbine stations generated 11.0 billion kWh; wind stations generated 3.8 billion kWh; and solar power stations generated 1.8 billion kWh. The aggregate installed electricity capacity in Kazakhstan as at 31 December 2023 was 24,641.9 MW and the available capacity was 20,428.4 MW (with the difference being due to the age and disrepair of certain generation assets).

Renewable energy sources have become a key component in the development of Kazakhstan's energy sector in recent years. The volume of electricity generated by renewable energy facilities in 2023 amounted to 6.7 billion kWh. As at the date of this Base Offering Memorandum, there are 117 renewable energy facilities in Kazakhstan with a total capacity of 2,868 MW, comprised of wind farms (3.8 billion KWh), solar power plants (1.8 billion KWh), hydropower (0.9 billion KWh) and biomass (0.02 billion KWh). The installed capacity of renewable energy facilities in Kazakhstan has increased from 178 MW in 2014 to 2,868 in 2023. As part of the Concept for Transition to a "green economy", Kazakhstan achieved the objective of ensuring that the share of renewable energy sources was brought to 4.5 per cent. by 2024. By the first half of 2024, the amount of electricity generated by renewable energy facilities accounted for 6.47 per cent of total electricity generation.

The table below shows the installed and electricity production capacity of Kazakhstan as at the dates presented.

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
			(MW)		
Installed electricity capacity	22,937	23,622	23,959	24,320	24,641
Electricity production capacity	19,330	20,078	20,200	20,310	20,428

Source: Kazakhstan Electricity Grid Operating Company (KEGOC)

In 2023, Kazakhstan exported approximately 2.5 billion KWh of the total volume of electricity it generated. Kazakhstan exported 2.1 billion KWh, 2.4 billion KWh, 2.0 billion KWh, 2.2 billion KWh and 2.5 billion KWh of electricity in 2019, 2020, 2021, 2022 and 2023, respectively. 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 in the country, Kazakhstan imports electricity to serve its southern and western zones. In the past, Russia was the main purchaser of exported electricity from Kazakhstan and most of such electricity came from Ekibastuzskaya GRES-1. In August 2018, Russia declined to renew its agreement with Ekibastuzskaya GRES-1, which had a negative impact on Kazakhstan's electricity exports.

As at 1 January 2021, power stations in Kazakhstan were divided into eight power stations of national importance and 171 other power stations that were connected to the national grid either directly or through grids of distribution companies or other owners. Power stations of national importance include (i) Ekibastuzskaya GRES-1, owned by Samruk Energy (100.0 per cent.); (ii) Ekibastuzskaya GRES-2, owned by Samruk-Kazyna (50.0 per cent.) and Samruk Energy (50.0 per cent.); (iii) "Eurasian Energy Corporation" (Aksu GRES), owned by Eurasian Resources Group (100.0 per cent.); (iv) Zhambylskaya GRES; (v) Karaganda GRES-2; (vi) Bukhtarminskaya GES; (vii) Ust-Kamenogorskaya GES; and (viii) Shulbinskaya GES.

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 by entering into direct bilateral contracts of sale. According to procedures established by the Natural Monopoly Agency, KEGOC, as the system operator, regional electricity companies and other organisations that own the electricity networks are required 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.

On 26 July 2024, ADB and the Government signed a transaction advisory services agreement to develop around 600 MW of hydropower across the Alaqol, Balkash, and Irtysh/Zaysan basins in the southeast Kazakhstan as part of Kazakhstan’s Hydropower Development Programme. The Hydropower Development Programme aims to attract private sector investment and participation in designing, financing, constructing, operating and maintaining multiple hydropower projects. ADB will conduct pre-feasibility studies, assist in the preparation of tender documents and a template power purchasing agreement and work to attract competitive bids to engage investors. This marks another step towards helping Kazakhstan increase its renewable energy capacity, reduce carbon emissions and enhance energy security.

From 1 January 2019, an electricity capacity market has started operating 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, payments with respect to which are supposed to cover the operating expenses of power plants, will be paid by purchasers of electricity. The second tariff, payments with respect to which are supposed to cover the capital expenses of investments in new projects and in the modernisation, reconstruction and expansion of existing power facilities, will be paid by a designated- by-law single offtaker (currently, a wholly-owned subsidiary of KEGOC).

In 2023, the installed capacity of renewable energy sources in Kazakhstan amounted to 2,900 MW, representing a 20.1 per cent. increase as compared to 2022. The major share of investments accounted for electricity generation by thermal power plants amounting to KZT206.9 billion, a 29.0 per cent. increase year-on-year. Investments were as follows: (i) wind power plants – KZT175.8 billion; (ii) hydroelectric power plants – KZT12.4 billion; (iii) nuclear (atomic) power plants – KZT288.6 million; and (iv) solar power plants – KZT39.1 million. The Pavlodar region accounted for the largest volume of investments, amounting to KZT138.3 billion, a 60.7 per cent. increase from the previous year. Investments in the Akmola region amounted to KZT124 billion in 2023, as compared to KZT8.1 billion in 2022, while investments in the Zhetysu region amounted to KZT34.8 billion in 2023, a 26.5 per cent. increase year-over-year.

Nuclear power

As at the date of this Base Offering Memorandum, Kazakhstan has no active nuclear power generation capacity. The country's only nuclear power plant, the BN-350 sodium-cooled fast reactor located near Aktau in the Mangystau Region, ceased generating power in 1999 after 26 years of operation and is being decommissioned.

In 2023, the President Tokayev proposed holding a nationwide referendum on the construction of a nuclear power plant. He emphasised that developing nuclear energy has become a critical economic and political issue, with conflicting opinions

on its benefits. On 27 June 2024, the President Tokayev announced that the referendum on the nuclear power plant would be held in autumn 2024.

Mining

In addition to its oil and gas reserves, Kazakhstan has significant reserves of other energy producing minerals. Kazakhstan is a leading producer of many mineral commodities. Despite being a major mineral producer, 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.

Production of coal (excluding coal concentrate) was 110.7 million tonnes in 2019, 109.5 million tonnes in 2020, 112.1 million tonnes in 2021, 113.7 million tonnes in 2022 and 112.7 million tonnes in 2023. As at 31 December 2023, Kazakhstan had proved reserves of 33.6 billion tonnes of coal, or 3.8 per cent. of global recoverable reserves. 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.

Kazakhstan continues to maintain a leading position in the global natural uranium market. According to data from nuclear industry information company UxC, as reported in the 2023 annual report of National Atomic Company Kazatomprom JSC, Kazakhstan accounted for approximately 39.0 per cent. of global uranium production in 2023. The volume of uranium production was 21.5 thousand tonnes in 2023, 21.3 thousand tonnes in 2022, 21.8 thousand tonnes in 2021, 19.5 thousand tonnes in 2020 and 22.8 thousand tonnes in 2019. The decrease in production volumes from 2019 to 2020 was due to a decrease in field development activities and a decrease in the number of personnel during the second quarter of 2020 in the context of the COVID-19 pandemic. The planned production of uranium for 2024 is 22.5 thousand tonnes. Currently, due to a lack of domestic demand, all uranium produced in Kazakhstan is exported.

Kazakhstan produces a significant amount of precious metals. Kazakhstan produced volumes of gold of approximately 61.0 tonnes in 2019, 67.8 tonnes in 2020, 64.9 tonnes in 2021, 73.0 tonnes in 2022 and 72.9 tonnes in 2023. Kazakhstan also produces a significant amount of the world's silver (estimated to be the 12th largest silver producing country globally in 2022 and 2023), producing 1,007.6 tonnes in 2019, 1,015.7 tonnes in 2020, 982.5 tonnes in 2021, 997.5 tonnes in 2022 and 884.5 tonnes in 2023.

According to the Kazakhstan Institute of Geology, Kazakhstan has substantial reserves of non-ferrous minerals, including lead, zinc and copper. In 2019, Kazakhstan produced 132.6 thousand tonnes of lead, 318.3 thousand tonnes of zinc and 472.3 thousand tonnes of copper. In 2020, Kazakhstan produced 128 thousand tonnes of lead, 311.3 thousand tonnes of zinc and 477 thousand tonnes of copper. In 2021, Kazakhstan produced 118.7 thousand tonnes of lead, 300.8 thousand tonnes of zinc and 401.8 thousand tonnes of copper. In 2022, Kazakhstan approximately produced 108.7 thousand tonnes of lead, 266.1 thousand tonnes of zinc and 451.9 thousand tonnes of copper. In 2023, Kazakhstan produced 101.4 thousand tonnes of lead, 279.9 thousand tonnes of zinc and 419.3 thousand tonnes of copper.

Ferrous and non-ferrous metals mined in Kazakhstan are exported principally to Japan, South Korea, the U.S., Canada, Russia, China and the countries of the EU.

In 2024, 180 projects with the aggregate value of approximately KZT1.3 trillion are scheduled to be commissioned, creating about 15,200 permanent jobs. These projects include: (1) the industrial development of a tungsten ore deposit in the Almaty region; (ii) the construction of the plant for producing heat-insulating materials in the Almaty region; (iii) the construction of the plant for manufacturing springs for railway rolling stock in the Kostanay region; and (iv) the construction of the ceramic tile production plant in Shymkent. Kazakhstan monitors the industrial-innovative projects on a continuous basis.

NFC Kazakhstan LLP, a company specialising in large non-ferrous metallurgy projects, is considering the construction of a new copper smelter in Kazakhstan. The smelter construction will be carried out in two stages, with a total capacity of 600,000 tonnes. Stage 1 will cover 300,000 tonnes and is designed to process concentrates from KAZ Minerals projects (i.e., (Bozshakol, Aktogay and Vostoktsvetmet mines) as well as other deposits in Kazakhstan. Stage 2 will also cover 300,000 tonnes focusing on raw materials from the Aidarly and Koksay mines. The project participants include KAZ Minerals (49.0 per cent.) and a Chinese company, NFC (51.0 per cent.). NFC is securing favourable project financing and conducting pre-feasibility and bankability studies. The total investment in the project is estimated at approximately U.S.$1.5 billion. The project is planned for launch in 2028.

Construction

As at 1 January 2024, there were over 52,000 construction contractors operating in Kazakhstan, of which 52,000 were small companies (up to 100 employees), 335 were medium-sized companies (from 101 to 250 employees) and 126 were large companies (over 250 employees). The construction sector accounted for 5.5 per cent., 6.1 per cent., 5.7 per cent., 5.3 per cent. and 5.5 per cent. of GDP in 2019, 2020, 2021, 2022 and 2023, respectively.

According to the NSB Office for Strategic Planning and Reform, a total of 17.5 million square metres of housing was built in Kazakhstan in 2023, an increase of 11.9 per cent. as compared to 2022. Approximately KZT3.1 trillion was spent on housing construction in Kazakhstan in 2023, which is an increase of 5.9 per cent. as compared to 2022. In 2023, 37,913 new buildings were built in Kazakhstan, including 35,329 residential buildings, and 93 comprehensive schools, 62 pre-school institutions, two hospitals and 104 outpatient clinics 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 decreased in recent years. The agricultural sector (agriculture, forestry and fishing) accounted for 4.4 per cent., 5.4 per cent., 5.1 per cent., 5.2 per cent. and 4.3 per cent. of Kazakhstan's total GDP in 2019, 2020, 2021, 2022 and 2023 (based on preliminary data for 2023), respectively. Gross production (services) of agricultural products amounted to KZT5.18 trillion, KZT6.36 trillion, KZT7.55 trillion, KZT9.52 trillion and KZT8.73 trillion in 2019, 2020, 2021, 2022 and 2023, respectively.

Of the country's overall land mass of 272.5 million hectares, approximately 219 million hectares are classified as agricultural land. Pastures account for 183 million hectares, or 84.0 per cent., of agricultural land. The agricultural sector in Kazakhstan is comprised of crop cultivation and livestock farming. Crop cultivation accounted for 54.7 per cent., 58.2 per cent., 58.4 per cent., 61.3 per cent. and 50.2 per cent. of gross agricultural products output in 2019, 2020, 2021, 2022 and 2023, respectively.

According to the NSB, in 2023, the total sown area of cereals and leguminous crops amounted to 17.4 million hectares, of which 13.7 million hectares of wheat. In 2023, cereals were harvested from 16.6 million hectares, yielding a total of 17.1 million tonnes at an average yield of approximately 1.03 tonnes per hectare. Specifically, wheat production totalled 12.1 million tonnes with an average yield of approximately 0.92 tonnes per hectare.

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.

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 agricultural sector. Kazakhstan has also taken steps to support its fishing industry, including cleaning oil products in the Caspian Sea and increasing protection against illegal fishing practices. In order to support the agriculture sector, the Government has implemented several programmes to improve the investment climate for farming in Kazakhstan. Government subsidies for agriculture amounted to KZT357.3 billion in 2019, KZT387.4 billion in 2020, KZT409.2 billion in 2021, KZT450.0 billion in 2022 and KZT492.8 billion in 2023.

JSC Development Bank of Kazakhstan ("**DBK**") has launched the Programme of Support of Investment Projects in Agro-Industrial Complex and Food and Beverages Sector for 2024-2029. The volume of financing under the programme is set at KZT500 billion. It aims to support investment projects focused on processing agricultural products to reduce imports and expand exports. The two investment projects that have already been approved under the programme include: (i) a poultry farm for meat production and (ii) the modernisation of an oil plant for producing packaged refined vegetable oil.

DBK is also considering the implementation of a number of other projects, including the deep processing of wheat and corn, development of poultry farms for meat production, construction of a greenhouse complex, expansion of a confectionery factory and the formation of an export-oriented agro-industrial cluster. Financing under this programme is provided in the amount of KZT3 billion for a period ranging from five to 20 years.

On 30 December 2021, Kazakhstan adopted the Concept of Development of Agro-Industrial Complex of Kazakhstan for 2021-2030. This concept is aimed at creating a competitive agro-industrial complex by threefold increase of labour productivity, twofold increase in exports of agro-industrial products and expanding the domestic production of socially important food products. During the reporting period, it was planned to achieve 19 target indicators and implement 36

measures. As at 2024, of the planned 19 target indicators: 11 have been achieved, two are in the process of fulfilment, and six are partially fulfilled.

One of the indicators was the achievement of self-sufficiency in basic food products of own production which was partially fulfilled. In 2023, 43,800 tonnes of cheese and cottage cheese were produced (an increase of 10.3 per cent. as compared to 2022. In 2023, imports amounted to 55,200 tonnes (as compared to 35,300 tonnes in 2022), and exports amounted to 3,000 tonnes (as compared to 2,700 tonnes in 2022).

A significant share of imports of food products comes from the EAEU countries that enjoy free movement of goods. International sanctions on Russia have reoriented the Russian exports to Kazakhstan and other countries in Central Asia, in particular in respect of food products. Thus, according to the NSB, in 2023, there was an increase in imports from Russia (as compared to 2022) of (i) flour confectionery products from U.S.$202 million to U.S.$209 million, (ii) sugar from U.S.$97.2 million to U.S.$203 million, and (iii) dairy products from U.S.$13.8 million to U.S.$16.3 million. Imports of cheese and cottage cheese from Belarus grew from U.S.$43.3 million to U.S.$45 million, and sausage products from U.S.$33.2 million to U.S.$35.5 million.

According to the NSB, the growth of investments in fixed assets in food products by the end of 2023 amounted to KZT150.7 billion, as compared to KZT118.3 billion in 2021.

Transportation

Kazakhstan has a railway network, 19 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, former 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 the 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 2023, the operational length of Kazakhstan's railway network consisted of 16,055.6 km of railways, of which 15,709.4km were electrified and 5,017.9 km were double or triple track lines.

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, in part related to the implementation of the China-proposed Silk Road Economic Belt initiative (see "*The Republic of Kazakhstan—International Relations—China*").

The Aktobe Rail and Section Works LLP steel mill is the first rail-manufacturing facility to have been established in Kazakhstan. Hot commissioning at the facility began in September 2015, and the final plant acceptance certificate was issued in August 2017. Locomotives, freight cars, passenger cars, railway switches, wrought wheels, large car casting and other railway components are now being produced domestically in Kazakhstan from this plant. The Government is planning to attract KZT657 billion in investment by 2025, of which KZT455 billion is planned to be from private sources, to upgrade the country's rolling stock within the framework of the Nurly Zhol Programme.

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, since 1 January 2015, transport operators have had access to the railway infrastructure at the borders of other EU member states (within the scope set out by the infrastructure operator of the relevant area of railway infrastructure concerned).

Air Transport

Kazakhstan currently has 19 airports, of which the Almaty, Shymkent and Astana airports account for most of the freight and passenger transportation load. The volume of air freight transportation in Kazakhstan in 2019, 2020, 2021, 2022 and 2023 was approximately 26.7 thousand tonnes, 23.4 thousand tonnes, 34.0 thousand tonnes, 24.5 thousand tonnes and 23.8 thousand tonnes, respectively.

Air Astana has been the country's flagship carrier since 2004. Previously the country's flagship carrier was Air Kazakhstan from 1996 to 2004 and Kazakhstan Airlines from 1991 to 1996. In 2015, a new airline owned by Samruk-Kazyna, Qazaq Air, commenced operating domestic flights. In November 2018, Air Astana, Samruk-Kazyna and BAE Systems agreed to create the first low-cost carrier in Kazakhstan, FlyArystan, as a subsidiary of Air Astana. FlyArystan began flying on domestic routes from its base in Almaty to Astana, Karaganda, Taraz, Pavlodar, Shymkent and Uralsk in May 2019 using Airbus A320 planes. Before the restrictions on air transportation were imposed due to the COVID-19 pandemic, Kazakhstan had air links with 26 foreign countries on 99 international routes. Currently, regular flights to international destinations are operated to 29 countries on 107 routes with a frequency of 579 flights per week. In the beginning of 2024, Air Astana completed its IPO, marking a significant milestone in the airline's development.

Ports and Shipping

As at 1 January 2024, Kazakhstan had two river ports (Pavlodar and Atyrau), three Caspian Sea ports (Aktau, Kuryk and Bautino) and 2,104 kilometres of internal navigable water routes. The sea ports of Aktau and Kuryk are focussed on international shipping of various dry cargoes, crude oil and oil products and ferry cargoes. The total capacity of Kazakhstan's sea ports was 21 million tonnes per year as at 31 December 2023.

On 29 April 2024, the Government approved the Comprehensive Plan for the Development of Maritime Infrastructure for 2024-2028. The Comprehensive Plan aims to enhance the transport and logistics infrastructure by constructing and upgrading terminal capacities at maritime ports. The initiative seeks to increase the cargo handling capacity from 21.0 million tonnes to 30.0 million tonnes annually, including 200,000 TEUs (Twenty-foot Equivalent Units). Additionally, the plan focuses on expanding the range of cargo types handled, improving logistics services for international transport and advancing digitalisation in maritime transportation. These developments are designed to bolster Kazakhstan's maritime capabilities, ensuring robust support for economic growth and integration into global trade networks.

Roads

As at 31 December 2023, Kazakhstan had approximately 95,000 km of roads. Much of the road network in Kazakhstan was constructed during the Soviet era and is in need of maintenance or modernisation.

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

In addition, a highway from Altynkol to Pidzhim was completed at the end of 2016 as part of the infrastructure for a special economic zone, "Khorgos-Eastern Gates", on the China-Kazakhstan border. This special economic zone is expected to become an important centre of consolidation and distribution of cargo flows in Eurasia.

ADB is providing financing to the Government 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.

A number of 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 2025. Road projects covering the construction and reconstruction of 12,000 kilometres are planned for 2024.

The construction of inter-regional road networks include key projects such as, "Center-South" (Astana-Karaganda-Balkhash-Almaty), Taldykorgan-Ust-Kamenogorsk and Aktobe-Atyrau-Astrakhan). 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 in the border zones and an increase in exports to foreign markets.

In addition to the above, there are a number of projects relating to the reconstruction of roads that have a particular national importance, including rolling projects Maikapshagay-Kalbaltau and Astana-Petropavlovsk-settlements in the Russian Federation. Works have been completed on the 180 km section of the Usharal-Dostyk road to date.

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 transportation of Kazakhstan's hydrocarbon resources, allowing it to reach international markets. As at 31 December 2023, there were 10,297 km of pipelines in Kazakhstan. Kazakhstan's pipeline infrastructure is owned and operated by State-owned companies and the CPC.

Kazakhstan's geographical location means that its maritime borders have no access to the open ocean. As a result, pipeline infrastructure through neighbouring countries plays an important role in transporting Kazakhstan's hydrocarbon resources, ensuring their delivery to foreign markets. As at 31 December 2023, Kazakhstan had 23,439 km of pipelines. Kazakhstan's pipeline infrastructure is owned and operated by state-owned companies and the CPC.

Oil pipelines

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

- the Uzen-Atyrau-Samara (UAS) pipeline, with a pipeline capacity of 17.5 million tonnes per year, which transports crude oil from Western Kazakhstan to the Baltic Sea ports of Russia;

- the CPC Pipeline, with a pipeline capacity of 83 million tonnes of oil and gas condensate per year, including to 72.5 million tonnes per year on the Kazakhstan segment, for transportation of crude oil from the Tengiz Kashagan and Karachaganak fields to the Novorossiysk sea port in Russia; and

- the Kazakhstan-China Oil Pipeline, with a pipeline capacity of 20 million tonnes per year, which exports oil from Kazakhstan to China and transits Russian oil and is among the world's longest oil pipeline systems.

KazMunayGas acts on behalf of the Government in respect of its 20.75 per cent. shareholding in CPC. The CPC Pipeline is the primary transportation route for oil from the Tengiz, Kashagan and Karachaganak fields. In May 2008, the Russian Ministry of Industry and Energy and the Kazakhstan Ministry of Energy and Mineral Resources reached an agreement to

increase the capacity of the CPC Pipeline, which was approved by the CPC Pipeline shareholders in 2010. Under the capacity expansion project, the capacity of the CPC Pipeline was increased from 28.2 million tonnes of oil and gas condensate per year to 67 million tonnes per year, including to 54.1 million tonnes per year on the Kazakhstan segment. As at 31 December 2023, the CPC Pipeline was 1,510 km long, with the segment in Kazakhstan totalling 452 km. In 2023, 51.8 million tonnes of oil and gas condensate produced in Kazakhstan were transported through the CPC Pipeline, representing approximately 61.0 per cent. of the total oil and gas condensate produced in Kazakhstan.

Due to the ongoing Russia-Ukraine conflict, there exists a certain possibility of a potential shutdown of the Caspian Pipeline Consortium (CPC) pipeline, which is essential for transporting Kazakhstan's crude oil to global markets through Russia's Black Sea port of Novorossiysk. See—"*Risk Factors—Production and transportation problems in the oil industry may result in reduced revenue for the National Fund" above.*

Gas pipelines

Kazakhstan's natural gas pipeline system transports natural gas from Turkmenistan and Uzbekistan to Russia and China, as well as from one part of Russia to another through Kazakhstan territory. In addition, gas supply is provided within Kazakhstan, and gas produced in Kazakhstan is exported to China, Russia and Kyrgyzstan. The natural gas pipeline network includes the transnational Turkmenistan-Uzbekistan-Kazakhstan-China gas pipeline (branches A, B and C), operated by Asian Gas Pipeline LLP (the "**Asia Gas Pipeline**"), which is the shortest pipeline route from the gas producing regions of Central Asia (principally Turkmenistan and Uzbekistan) through Russia to Europe. In 2023, the volume of gas transit through the territory of Kazakhstan in the direction of Russia and China was 48 billion cubic metres.

The Asia Gas Pipeline is a major transit gas pipeline that transports Turkmen and Uzbek gas in the direction of China, exports Kazakhstan gas to China and ensures uninterrupted gas supply to the southern regions of Kazakhstan. The length of the gas pipeline through the territory of Kazakhstan is 2,612 km for the A and B branches and 1,304 km for the C branch. The total throughput of the Asia Gas Pipeline is 55 bcm per year (30 cm for the A and B branches and 25 bcm for the C branch). In 2008, the construction of the main gas pipeline (branches A and B) (from the Kazakhstan-China border to the settlement of Horgos) began and branches A and B were commissioned in 2013. In 2018 the C branch of the Asia Gas Pipeline was completed, increasing transit gas volumes from 30 bcm per year to 55 bcm per year. In 2022, gas transit over the Asia Gas Pipeline increased to 38.8 bcm, transit of gas to the domestic market decreased to 2.7 bcm, while gas export increased to 4.3 bcm. In 2023, the volume of gas transit over the Asia Gas Pipeline amounted to 35.6 bcm, 2.7 bcm of which was to the domestic market and 5.5 bcm of which was exported.

In 2016, Kazakhstan completed construction of the Beineu-Bozoi-Shymkent gas pipeline designed to transport gas from west Kazakhstan for use in the southern regions of Kazakhstan and export to China. The Beineu-Bozoy-Shymkent gas pipeline is the second section of the Kazakhstan-China gas pipeline and connects the western oil and natural gas fields with the southern regions of the country, as well as with the gas pipelines of the Bukhara gas-bearing region – Tashkent-Bishkek-Almaty and Gazli-Shymkent and the C branch of the Asia Gas Pipeline. With the launch of the Kokyt Ata compressor station at the end of January 2019, the project to increase the pipeline capacity of the Beineu-Bozoi-Shymkent Gas Pipeline from 10 billion cubic metres per year to 13 billion cubic metres per year was completed. The length of the Beineu-Bozoy-Shymkent gas pipeline is 1,454 km. This pipeline transported gas in volumes of 10.1 billion cubic metres in 2019, 12.7 billion cubic metres in 2020, 12.9 billion cubic metres in 2021, 12.2 billion cubic metres in 2022 and 15.3 billion cubic metres in 2023.

The Bukhara Urals gas pipeline originates in Uzbekistan and was initially built to supply gas from Uzbekistan to north-east Kazakhstan and Russia's southeast Urals region. Gas flows along the pipeline are variable and, at times, the pipeline transfers gas southwards from Russia. The annual throughput capacity of the Bukhara Urals gas pipeline is approximately 21.0 bcm. Bukhara-Tashkent-Bishkek-Almaty is a transit gas pipeline that provides gas from Uzbekistan to Kazakhstan's main southern population centre. Between Shymkent and Almaty, the pipeline crosses Kyrgyz territory to supply gas to Bishkek, the Kyrgyz capital. The annual throughput capacity of the Bukhara-Tashkent-Bishkek-Almaty gas pipeline is 5.8 bcm.

Telecommunications

The telecommunications sector in Kazakhstan has expanded rapidly in recent years.

As at 31 December 2023, there were 15 fixed broadband subscribers per 100 inhabitants, with a total of 2.9 million fixed broadband subscribers across the country. In rural areas there were 8 fixed broadband subscribers per 100 inhabitants, with a total of approximately 632,500 subscribers in such areas.

As at 1 April 2024, there were 25.4 million mobile subscribers in Kazakhstan. 4,858 rural settlements are covered by 3G and 4G mobile networks, with 18.3 million mobile subscribers having 3G, 4G or 5G Internet access.

A number of projects have been implemented in the country aimed at providing remote villages with broadband high-speed Internet, despite the large size of the country's territory. As a result of the implementation of these projects, 116 cities and 4,858 villages from 6,406 settlements currently have access to the Internet using various technologies (ADSL, FTTH, 3G, 4G and 5G). Today, all cities, regional and district centres in Kazakhstan have fixed (wired) Internet access using various technologies. As at 1 May 2024, there were 3.1 million fixed broadband subscribers nationwide. According to the NBS, in 2023, the penetration rate of home broadband Internet access networks was 96.3 per cent., of which the share of households with mobile broadband was 81.4 per cent. and fixed (wired) broadband communications was approximately 44.5 per cent.

Testing of 5G technology in Kazakhstan commenced in 2019, and 5G technologies are expected to be introduced by the end of 2023 in the cities of republican significance (Astana, Almaty and Shymkent) and regional centres. By 2025, communication operators plan to install over 3,500 5G base stations in cities of republican significance and regional centres. As at the date of this Base Offering Memorandum, 940 base stations have already been installed across 20 cities.

Employment

In 2019, 2020, 2021, 2022 and 2023, an average of 8.8 million, 8.7 million, 8.8 million, 8.9 million and 9.0 million people, respectively, were employed in Kazakhstan representing 95.2 per cent., 95.1 per cent., 95.1 per cent., 95.1 per cent. and 95.2 per cent., respectively, of the labour force. In 2023, the economically active population (labour force) in Kazakhstan was 9.5 million people.

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

Employed Population by Main Economic Activities

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(thousands of persons)				
Total	**8,780.8**	**8,732.0**	**8,807.1**	**8,971.5**	**9,081.9**
Agriculture, forestry and fishing	1,184.7	1,175.1	1,176.4	1,108.9	1,078.7
Industry	1,094.9	1,089.2	1,098.0	1,121.2	1,121.5
of which:					
Mining and quarrying	279.9	276.9	277.9	274.8	277.5
Manufacturing	583.6	581.8	585.6	613.7	605.6
Electricity, gas, steam and air conditioning supply	150.2	149.2	150.1	148.1	148.9
Water supply; sewerage, waste management and recycling	81.2	81.5	84.3	84.6	89.6
Construction	635.6	630.9	641.4	658.9	642.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,431.1	1,421.3	1,451.9	1,497.9	1,515.1
Transport and storage	637.9	617.5	609.5	640.6	647.7
Accommodation and food service activities	196.9	193.7	190.9	198.4	214.3
Information and communication	161.7	159.7	161.7	166.5	187.8
Financial and insurance activities	190.5	189.0	184.9	186.3	201.7
Real estate transactions	154.5	158.4	168.4	166.1	151.1
Professional, scientific and technical activities	256.4	254.7	247.3	253.7	265.0
Administrative and support service activities	292.3	285.5	287.5	280.8	272.8
Public administration and defence; compulsory social security	495.3	489.3	484.1	508.5	523.7
Education	1,108.7	1,109.5	1,120.1	1,142.3	1,183.0
Health care and social services	502.7	512.4	526.0	561.2	577.5
Arts, entertainment and recreation	142.0	138.4	134.7	137.9	139.4
Other service activities	295.8	307.5	324.4	342.5	360.2

Source: NSB, MNE

Notes:

(1) Information formed according to the results of a sample survey of employment.

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

	Year ended 31 December					six months ended 30 June
	2019	2020	2021	2022	2023	2024
Unemployed population (thousands of persons)[1]	440.7	448.8	449.6	458.3	452.2	451.0
Unemployment rate (percentage of labour force)(%)	4.8	4.9	4.9	4.9	4.7	4.7

Source: NSB, MNE

Notes:

(1) Based on sample survey of employment. 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 4.9 per cent. in 2022 to 4.7 per cent. in 2023.

The following table sets out quarterly information regarding unemployment in Kazakhstan for the quarters presented.

	Total unemployed[1]		Registered unemployed[2]	
	Unemployed population (thousands)	*% of labour force*	*Unemployed population (thousands)*	*% of labour force*
2019				
First Quarter	442.9	4.8	74.8	0.8
Second Quarter	441.8	4.8	150.5	1.6
Third Quarter	442.1	4.8	216.1	2.3
Fourth Quarter	441.4	4.8	255.1	2.8
2020				
First Quarter	442.4	4.8	77.7	0.8
Second Quarter	454.0	5.0	184.6	2.0
Third Quarter	454.7	5.0	293.6	3.2
Fourth Quarter	453.0	4.9	97.5	3.8
2021				
First Quarter	451.3	4.9	115.4	1.25
Second Quarter	451.4	4.9	205.1	2.22
Third Quarter	450.8	4.9	284.9	3.08
Fourth Quarter	450.4	4.9	331.8	3.58
2022				
First Quarter	459.9	4.9	97.9	1.04
Second Quarter	460.3	4.9	229.3	2.43
Third Quarter	459.2	4.9	373.9	3.97
Fourth Quarter	456.0	4.8	451.9	4.80
2023				
First Quarter	453.5	4.8	224.9	2.37
Second Quarter	452.6	4.7	354.9	3.71
Third Quarter	451.5	4.7	534.6	5.60
Fourth Quarter	445.9	4.7	667.3	7.03
2024				
First Quarter	452.7	4.7	263.7	2.74

Source: NSB, MNE, Ministry of Healthcare and Social Development

(1) Based on data from surveys. 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 Ministry of Labour and Social Protection of the Republic of Kazakhstan.

The following table sets out quarterly information regarding self-employed in Kazakhstan for the quarters presented.

	Total self - employed
	Self-employed population (thousands)
2020	
First Quarter	2,046.9
Second Quarter	2,044.5
Third Quarter	2,060.3
Fourth Quarter	2,068.9
2021	
First Quarter	2,078.4
Second Quarter	2,104.7
Third Quarter	2,127.9

Fourth Quarter	2,094.8
2022	
First Quarter	2,098.7
Second Quarter	2,129.3
Third Quarter	2,133.8
Fourth Quarter	2,134.6
2023	
First Quarter	2,131.4
Second Quarter	2,169.2
Third Quarter	2,189.9
Fourth Quarter	2,135.9
2024	
First Quarter	2,185.9
Second Quarter	2,219.3

Source: NSB

In January 2011, the Government approved the Employment Roadmap 2020 (the "**Employment Roadmap**"), 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.

In 2021, a total of KZT326.9 billion was allocated for the implementation of the Employment Roadmap. Most of the funds, 47.0 per cent. (or KZT154.4 billion), were directed towards improving the quality of life, 31.0 per cent. (KZT100 billion) towards the development of the agro-industrial complex and 22.0 per cent. (KZT72.5 billion) towards business development in the regions and microlending. In 2021, the Interdepartmental Commission on Employment Matters of the Government approved a list of 247 infrastructure projects (including 106 ongoing projects) under the first direction of the Employment Roadmap.

As part of the implemented projects, 11,000 people were employed. Of the total number of employed, 93.0 per cent. or 10,200 people have registered electronic labour contracts.

The following state support measures are provided for business entities: (i) interest rate subsidies and loan guarantees from second-tier banks; (ii) favourable microloans; (iii) provision of necessary engineering infrastructure to business facilities; and (iv) state grants. These measures are provided to SMEs implementing projects in priority sectors of the economy, as well as to entrepreneurs operating in monotowns, small towns and rural settlements without sectoral restrictions.

Microloans for small businesses are offered at a rate of 8.0 per cent., and in monotowns, small towns and rural settlements, at a rate of 7.0 per cent. without sectoral restrictions, up to KZT20.0 million. For private businesses operating in priority sectors, loans up to KZT3.0 billion are provided at rates between 8.0 per cent. and 10.0 per cent. for a period up to 5 years.

To reduce the financial burden on entrepreneurs, a loan guarantee mechanism is in place, with the state covering up to 85.0 per cent. of collateral. The guarantee amount is capped at (i) 85.0 per cent. of the loan amount up to KZT360.0 million; and (ii) 50.0 per cent. of the loan amount up to KZT3.5 billion.

From 2019 to 30 September 2024, the State provided financial support in the form of: (i) KZT444.0 billion in subsidies in respect of loans totalling KZT5.6 trillion for 96,000 projects; (ii) KZT724.0 billion in the form of guarantees of loans totalling KZT1.5 trillion for 60,200 projects; and (iii) grants of KZT16.0 billion for 300 projects.

State support was provided across a number of sectors including agriculture, forestry, fishery, mining, construction, manufacturing, water supply, transport and warehousing, trade, electricity supply, education, healthcare, accommodation and catering services, information and communications, among others.

Wages and Income

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

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
			(KZT)		
Average monthly nominal earnings	186,815	213,003	250,311	309,697	364,295

Source: NSB

Average monthly nominal wages increased by 14.8 per cent. in 2019, 14.2 per cent. in 2020, 17.5 per cent. in 2021, 23.7 per cent. in 2022 and 17.6 per cent. in 2023, each compared with the previous year. These increases were due to increases in the wages of public sector employees, the implementation of special Government programmes aimed at supporting certain categories of employees (including those working in the health and education sectors) and, prior to the outbreak of the COVID-19 pandemic, an overall improvement in the country's macroeconomic situation.

The minimum wage is set annually by the Law "On the Republican 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 KZT28,284 per month in 2019, KZT42,500 per month in 2020, KZT42,500 per month in 2021, KZT60,000 per month in 2022 and KZT70,000 per month in 2023. In 2024, the minimum wage is KZT85,000 per month.

According to the NSB, approximately 4.3 per cent., 5.3 per cent., 5.2 per cent., 5.2 per cent. and 5.2 per cent. of the population earned an income below the official subsistence level in 2019, 2020, 2021, 2022 and 2023, respectively.

As at 1 January 2024, the total wage arrears were KZT1,007.2 million, as compared to KZT810.3 million as at 1 January 2022 and KZT754 million as at 1 January 2021. The total wage arrears as at 1 January 2023 was attributable to 55 companies. KZT725.7 million of that amount was attributable to 39 bankrupt enterprises. Wage arrears are monitored by several national and local agencies, including the MNE, Office of the Prosecutor General, the Finance Ministry and the Ministry of Justice, local authorities and the Republican Commission on Social Partnership and Regulation of Social and Employment Relations, and enforcement actions, including administrative fines and enforcement notices, are applied to the enterprises and/or their management where appropriate.

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.

On 1 April 2019, additional changes to the targeted social security payment programme were introduced, including a guaranteed payment of at least KZT20,789, or 70.0 per cent. of the minimum subsistence level, to each child who is a recipient of the targeted social security payments.

Disabled citizens are also entitled to disability benefits. The amount of disability benefit a citizen may receive depends on the degree and cause of disability, and on the minimum subsistence level at the time. As at 1 June 2024, 541,759 people received disability benefits in an average amount of KZT73,953 per month. Individual disability payments increased by 5.0 per cent., 10.0 per cent., 5.0 per cent., 9.0 per cent. and 8.5 per cent. in 2019, 2020, 2021, 2022 and 2023, respectively, in each case as compared to the previous year.

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

Social assistance and social security, which includes social benefits and state pensions, is the largest expenditure item in the State Budget and accounted for 29.0 per cent., 27.2 per cent., 25.3 per cent., 23.4 per cent. and 20.8 per cent. of total State Budget expenditure in 2019, 2020, 2021, 2022 and 2023, 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 for whom social contributions have been made to the Social Insurance Fund. Participants in the mandatory social insurance system include employees, individual entrepreneurs and self-employed individuals, except those who have reached the retirement age. Payments from the Social Insurance Fund are made in cases of loss of work capacity, loss of a breadwinner, loss of a job, loss of income due to pregnancy and childbirth, adoption of a child and loss of income due to caring for a child until they reach one and a half years of age.

Education

Primary, junior and secondary school education is provided by the State free of charge and is compulsory from the age of six; children typically attend at least nine years of school. 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 an entrance examination to universities and colleges.

Education accounted for 16.4 per cent., 17.9 per cent., 20.5 per cent., 21.0 per cent. and 23.0 per cent. of total State Budget expenditure in 2019, 2020, 2021, 2022 and 2023, respectively. The education sector accounted for 2.6 per cent., 3.0 per cent., 4.59 per cent., 5.47 per cent. and 4.87 per cent. of Kazakhstan's GDP in 2019, 2020, 2021, 2022 and 2023 (based on the preliminary GDP data for 2023), respectively.

In 2023, 90.6 per cent. of children between the ages of 2 and 6 years old in Kazakhstan were in pre-school education, and 99.6 per cent. of children between the ages of 3 and 6 years were in pre-school education. As at 31 December 2023, there were 11,346 pre-school education establishments, attended by 984,940 children. In the 2023-2024 academic year there were 6,905 public day comprehensive schools for 3.47 million children in Kazakhstan, as compared to 6,909 public day comprehensive schools for 3.48 million children in the 2022-2023 academic year. In the 2023-2024 academic year, there were 772 colleges in Kazakhstan (including 325 private colleges), with approximately 542,000 students.

In 2023, there were 120 higher education institutions, including 11 national universities, 29 state universities, 14 non-civilian institutions, 1 autonomous educational organisation, 1 international university, 16 authorised universities and 48 private universities. In the 2023-2024 academic year, the total number of students enrolled in higher education programs was 642,588 students, of these 36,491 students were enrolled in master's degree programmes, 5,966 graduate students were enrolled in doctorate degree programmes and 7,437 graduate students were enrolled in residency programmes.

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.

Kazakhstan’s priorities for 2025 in education include, among other things, in respect of pre-school education: (i) increasing the coverage of children from two to six years of age to 92.5 per cent.; (ii) opening 556 pre-school organisations for 77,400 places; (iii) introducing a unified database of registration, waiting lists and issuance of referrals to pre-school organisations on a child-by-child basis in all regions; (iv) providing free meals in pre-school organisations for all children from socially vulnerable social groups and (v) bringing the share of teachers with specialised qualifications to 81.0 per cent. In respect of secondary education, the measure, among other things, include: (i) the revision of the content of the State Compulsory Education Standard in the context of human-centred approach, development of personalised learning, formation of 21st century skills and holistic development of children; (ii) synchronisation of the State Compulsory Education Standard for preschool and primary education; (iii) introduction of early immersion in the target language and subject-language integration; (iv) creation of a network of engineering, humanitarian and IT schools in the regions; (v) launching the Digital Teacher project for children from socially vulnerable families and (vi) transition to an electronic platform for the examination of textbooks, teaching and methodological complexes and teaching aids.

As part of the national project "Comfortable School", 369 new schools for 740,000 pupil places will be constructed between 2023 and 2025 (in two stages: 461,000 places in 2024, and 279,000 places in 2025). Furthermore, the following school infrastructure development measures are being considered and implemented: (i) modernisation of 1,000 schools in small towns, district centres and villages; (ii) equipping 1,000 schools with robotics, chemistry, biology, physics and STEM classrooms; (iii) carrying out major repairs in 200 schools; (iv) connecting 2,000 schools to Starlink satellite Internet; and (v) elaboration of the issue of establishing safety requirements for supplementary education organisations, children's health camps, as well as private educational organisations receiving state contracts.

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 infectious diseases is provided at the expense of the Republican Budget and local budgets. In 2011, Kazakhstan introduced free screening in respect of 11 diseases under the National Screening Programme, which was introduced in 2011.

In 2011, the Government introduced "Salamatty Kazakhstan" programme for the development of healthcare in Kazakhstan for 2011-2015, and from 2016-2019 the "Densaulyk" programme for the development of healthcare in

Kazakhstan was developed and implemented. In 2020, the implementation of the State Health Development Programme of the Republic of Kazakhstan for 2020-2025, which is an extension of the "Densaulyk" programme, began. The priorities of this updated programme include the health of children and young people, large-scale projects to upgrade the health infrastructure and significantly improving the status of health workers.

The Concept for the Development of Healthcare in the Republic of Kazakhstan until 2026 approved by Government Resolution No. 945 dated 24 November 2022 is currently being implemented. The main principles of the Concept are prioritising prevention in health protection and promoting a healthy lifestyle, orienting healthcare socially to meet the needs of the population and improve the quality of life, ensuring equal access to safe, effective and high-quality medical care, supporting domestic developments, developing a competitive pharmaceutical industry and advancing medical science, ensuring the availability of safe, high-quality and effective medicines and medical products and their rational use, ensuring the sanitary and epidemiological well-being of the population, and achieving sustainability and manageability of the healthcare system.

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, as at 31 May 2024, early detection and use of hi-tech means of diagnostics and treatment have helped to reduce the mortality rate from malignancies from 186.2 per 100,000 in 2023 to 184.4 per 100,000 in 2024, reduce maternal mortality from 13.6 per 100,000 live births in 2023 to 10.5 per 100,000 live births in 2024 and the rate of accidental deaths, poisonings and injuries from 48.79 per 100,000 people in 2023 to 48.13 per 100,000 people in 2024.

The health system in Kazakhstan was severely tested in 2020 due to the COVID-19 pandemic. The COVID-19 pandemic contributed to a decrease in life expectancy from 72.41 per year in 2016 to 71.37 in 2020, an increase in the total mortality rate from 7.37 per 1,000 people in 2016 to 8.56 per 1,000 people in 2020 and an increase in the mortality rate from cardiovascular disease from 178.92 per 100,000 people in 2016 to 192.76 per 100,000 people in 2020.

Pensions and Pension Reform

The following table sets out information regarding pension assets and contributions in Kazakhstan for the years presented.

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
			(KZT billions)		
Pension assets (end of year)	10,800.5	12,913.5	13,070.1	14,663.4	17,864.6
of which:					
Investment income (end of year)	3,703.3	5,553.6	6,911.6	7,793.4	9,360.6
Pension contributions	989.8	1,084.7	1,340.3	1,726.9	2,161.4

Source: NBK

The role of the pension sector in Kazakhstan's economy is growing. As at 31 December 2023, the total assets of the pension system amounted to KZT17.86 trillion (including KZT1.57 trillion of investment income), an increase of 21.8 per cent. as compared to 31 December 2022.

As at 31 December 2023, Kazakhstan's pension assets consisted of Government securities (46.6 per cent.), non-government securities of domestic issuers (15.9 per cent.), foreign government securities (14.8 per cent.), assets under external management (13.3 per cent.), deposits in banks (6.0 per cent.), international financial institutions securities (2.1 per cent.), monetary funds on investment account and other assets (0.8 per cent.), non-government securities of foreign issuers (0.4 per cent.) and NBK notes (0.0 per cent.).

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 included: the establishment of a single state pension fund, the JSC "Unified Accumulative Pension Fund" (the "**UAPF**"), which replaced private pension funds and is currently the only organisation in Kazakhstan that 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 5.0 per cent. of the employee's monthly income); and 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 is being implemented within 10 years, starting from January 2018.

Kazakhstan introduced mandatory employer pension contributions (MEPC) on 1 January 2024. Employers will now transfer mandatory pension contributions for their employees each month using their own funds.

Kazakhstan adopted the Social Code of the Republic of Kazakhstan No. 224-VII dated 20 April 2023 (the "**Social Code**"), which repealed the Pension Law.

The current pension system under the Social Code consists of the following three levels.

- The first level is a state basic pension funded by the State Budget, which covers all residents of Kazakhstan who reach retirement age. This pension was introduced in 2005 and, until 2018, all recipients received the same amount under this flat basic pension (KZT15,274 per month just prior to 1 July 2018). With effect from 1 July 2018, this level has been significantly increased for pensioners with a longer length of employment and participation in the pension system and the flat basic pension is now determined separately for each recipient. The basic pension is increased annually to the level of inflation, as its size is tied to the subsistence level. As at 1 June 2024, approximately 2.3 million people received the basic pension and the average size of such pension was KZT42,704 per month.

- The second level is a mandatory defined contribution pension represented by two payments: (1) solidarity pensions funded by the State Budget (to those who had at least six months of service as at 1 January 1998). The payment size depends on the number of years of service worked as at 1 January 1998 and the level of pre-retirement income. As at 1 June 2024, approximately 2.4 million people received the solidarity pension with an average pension payment of KZT82,959 per month; and (2) pension payments from the UAPF. According to the NBK, the total amount of pension savings as at 1 May 2024 amounted to KZT18,923 billion. As at 1 May 2024, there were 12.2 billion individual retirement accounts in the UAPF. The average amount of monthly pension payments from the UAPF as at 1 May 2024 was approximately KZT34,075. As at 1 July 2024, the amount of arrears on mandatory pension contributions amounted to KZT2.6 billion, a decrease of KZT0.3 billion or 10.0 per cent. compared to KZT2.9 billion as at 1 January 2024.

- The third level is voluntary pension contributions, which can be funded by either employee or employer contributions. As at 1 May 2024, the total amount of pension payments out of voluntary pension payments was approximately KZT225 million.

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 did 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 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 in trust management of NBK on the basis of the trust management agreement concluded with 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. Pursuant to the Social Code, the UAPF depositors have been given the right to transfer up to 50.0 per cent. of their pension savings from the NBK's trust management to private management. The UAPF is prohibited from conducting business activities except for permitted under the Social Code, utilising pension assets for purposes other than those which are provided for under applicable legislation, pledging pension assets and/or its own assets, issuing securities other than shares, borrowing funds, providing loans, issuing guarantees or suretyships or having participating interests in legal entities except as provided by the NBK.

The Social Code currently restricts the use of pension assets for purposes other than: investment in financial instruments approved by the Government; 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 voluntary accumulative pension funds ("**VAPFs**") 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.

Since 1 January 2021, citizens who have pension savings in the UAPF have been granted the right to use part of their pension savings for social purposes, such as improving housing conditions (including purchasing property) or paying for medical treatment. This right can be exercised by working citizens with pension savings in the UAPF, allowing them to use the amount exceeding the "minimum sufficiency threshold". Retirees whose pension is at least 40.0 per cent. of their previous income can use up to 50.0 per cent. of the remaining pension savings in the fund. In addition, citizens who have

already arranged a pension annuity and still have savings can use the remaining amount in the fund. This provision covers both working citizens and those who are already retired.

The pension savings in the UAPF amounted to KZT10,800 billion, KZT12,913 billion, KZT13,070 billion, KZT14,663 billion and KZT17,362 billion in 2019, 2020, 2021, 2022 and 2023, respectively. In 2024, pension savings amounted to KZT19,876 billion. As a percentage of GDP, such savings were 15.5 per cent., 18.3 per cent., 15.6 per cent., 14.3 per cent. and 14.5 per cent. in 2019, 2020, 2021, 2022 and 2023, respectively. 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.

Each year during the fire season, Kazakhstan registers around 1,000 forest fires and around 4,000 steppe fires and ignitions. In recent years, there has been a rising trend in the number of forest fires. While there were 701 forest fires in 2020, this number increased to 749 in 2021, 801 in 2022 and 810 in 2023. The increase in the number of forest fires was accompanied by the significant growth of the corresponding financial damage. According to the Ministry of Ecology and Natural Resources of Kazakhstan, the total damage from forest fires for the period from 2020 to 2023 amounted to KZT192.87 billion (KZT2.11 billion in 2020, KZT6.14 billion in 2021, KZT20.59 billion in 2022, and KZT163.24 billion in 2023) and the total damage arising from the 2024 floods is estimated to be KZT300 billion.

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 66.0 per cent. 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.

Kazakhstan has taken several steps to improve the environment. These steps include the following:

- The transition to a "green economy" is referred to as one of the key priorities of the Kazakhstan-2030 Strategy and Kazakhstan-2050 Strategy. Pursuant to the Decree of the President of the Republic of Kazakhstan No. 577 dated 30 May 2013, Kazakhstan adopted the Concept for Transition of the Republic of Kazakhstan to Green Economy, which aims to transition to a "green economy" by reducing the use of primary resources such as water and land, upgrading outdated infrastructure, decreasing air and water pollution levels, minimising reliance on external water resources and promoting energy production from renewable sources.

- The new Environmental Code of the Republic of Kazakhstan was adopted on 2 January 2021 in order to further 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.

- 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.

- Kazakhstan has taken a series of steps to improve transparency and involvement of the public in the environmental matters. Among other things, in 2000, Kazakhstan ratified the 1998 Convention for Participation in Decision-Making and Access to Justice in Environmental Matters signed in Aarhus, Denmark in 1998 (the "**Aarhus Convention**"), and on 8 April 2016, made changes to a series of environmental laws including the Environmental Code, with a view of implementing provisions of the Aarhus Convention. Kazakhstan's legislation now provides types of economic activities projects which are subject to public hearings. On 8 October 2009, Kazakhstan joined the Pollutant Release and Transfer Registers protocol of the United Nations Economic Commission for Europe and, on 12 December 2019, ratified the protocol with effect from 22 April 2020. The protocol regulates information on pollution produced by the assets of businesses and is aimed at enhancing public scrutiny in this area. Prior to the ratification of the protocol, Kazakhstan created a national register for this purpose, which is available to the public online. State company Kazhydromet makes a wide range of environmental information available to the authorities as well as the public.

- To bring the existing environmental legislation to the requirements of the OECD (Organization for Economic Co-operation and Development), a new Environmental Code addressing the following issues was signed into law on 2 January 2021 and will become effective on 1 July 2021:

  - transition to standards in the field of environmental protection and economic mechanisms in the field of environmental regulation;

  - revision of the EIA procedure (environmental impact assessment);

  - implementation of strategic environmental assessment;

  - improvement of the polluter pays principle;

  - implementation of integrated environmental permits;

  - improvement of the procedure for state environmental control; and

  - improving the regulation of ozone-depleting substances and greenhouse gas emissions, as well as the inclusion of norms for adaptation to climate change.

The 2024 Republican Budget provides for KZT380.8 billion for environmental protection (as at 1 July 2024), as compared to KZT387 billion in the 2023 Republican Budget, KZT505.4 billion in the 2022 Republican Budget and KZT408.1 billion in the 2021 Republican Budget. In 2021, 2022 and 2023, actual Republican expenditure on environmental protection was KZT406.8 billion, KZT505.3 billion and KZT383.2 billion, respectively.

Privatisation

Kazakhstan has undertaken a substantial programme of privatising State-owned enterprises. According to data collected by the Committee of State Assets and Privatisation of the Ministry of Finance of the Republic of Kazakhstan, the aggregate selling price for entities that were privatised from 2019 to 2024 was as follows (as at 1 June 2024): (1) within the framework of the 2016-2020 Comprehensive Privatisation Plan: (i) in 2019, 33 entities were privatised with an aggregate sale price of KZT78.8 billion, and (ii) in 2020, 12 entities were privatised with an aggregate sale price of KZT101.1 billion; (2) within the framework of the 2021-2025 Comprehensive Privatisation Plan: (i) in 2021, 210 entities were privatised with an aggregate sale price of KZT49 billion; (ii) in 2022, 147 entities were privatised with an aggregate sale price of KZT251 billion, and (iii) in 2023, 23 entities were privatised with an aggregate sale price of KZT30 billion. As at 1 June 2024, four entities were privatised with an aggregate sale price of KZT66 billion.

On 29 December 2020, the Government approved the 2021-2025 Comprehensive Privatisation Plan, which became effective on 1 January 2021. As part of this Comprehensive Plan, the following six national companies belonging to Samruk-Kazyna group are planned for IPO/SPO: Kazakhstan Temir Zholy, KazMunayGas, QazaqGaz, Samruk Energy, Air Astana and KEGOC. In December 2022, KazMunayGas conducted an IPO, as a result of which 3.0 per cent. of the total number of placed ordinary shares of KazMunayGas were sold for a total amount of KZT153.8 billion. In September-November 2023, KEGOC conducted a SPO, as a result of which 5.6 per cent. of the total number of placed shares of KEGOC were sold for a total amount of KZT22.6 billion. In February 2024, Air Astana conducted an IPO, as a result of which 43.7 per cent. of the total number of placed shares of Air Astana were sold for a total amount of U.S.$370 million. In 2024, pursuant to the Comprehensive Plan, it is planned that Samruk Energy conducts an IPO. The IPOs in respect of shares of Kazakhstan Temir Zholy and QazaqGaz are planned for 2025.

The placement of shares in an IPO, as well as other types of disposals of the Samruk-Kazyna's assets, is carried out by Samruk-Kazyna independently pursuant to the Kazakhstan Law "On National Welfare Fund", the Kazakhstan Law "On Joint Stock Companies" and other legislative acts and internal corporate documents.

In accordance with the Resolution of the Government of the Republic of Kazakhstan No. 1141 "On some issues of privatization for 2016-2020" dated 30 December 2015 and No. 908 "On some issues of privatisation for 2021-2025" dated 29 December 2020, Kazakhtelecom JSC and Kazpost was included in the list of companies subject to privatisation on a priority basis.

In this connection, in the List of strategic objects transferred to the authorised capital and/or owned by national holdings and/or national companies or their affiliates, as well as other legal entities with the participation of the state, approved by the Government of the Republic of Kazakhstan No. 651 dated 30 June 2008, the corresponding changes were made to the withdrawal of 10 per cent. of ordinary shares of Kazakhtelecom JSC owned by Samruk-Kazyna for further IPO (in accordance with the RoK Resolution No. 186 dated 11 April 2019).

At the same time, at present, Samruk-Kazyna is working to find a strategic investor as part of the transfer of Kazpost JSC to the competitive environment. In order to implement the above-mentioned Comprehensive Privatisation Plan, the Ministry is working on amending the legislation in the field of mail.

As part of the 2021-2025 Comprehensive Privatisation Plan, the privatisation of JSC "Qazaq Air" (a subsidiary of Samruk-Kazyna) was scheduled for 2024. This move was aimed at unlocking new growth opportunities in the country's aviation market, including expanding Qazaq Air's flight network, increasing its fleet, and introducing innovative solutions. The privatisation, managed by the airline's sole shareholder, Samruk-Kazyna, will comply with national aviation regulations. In May 2024, the President Tokayev announced that Qazaq Air was sold to a Vietnamese company, Sovico Group (which also owns VietJet Air). Sovico Group have committed to expanding Qazaq Air's fleet by 20 to 50 new aircrafts over the next five years, with a focus on Boeing 737 Max 8 and Airbus A320/321 models (the carrier's fleet currently consists of five De Havilland turboprop-powered aircrafts). It is expected that the total amount of direct investments would exceed U.S.$1 billion. The investor will also fully repay Qazaq Air's debt to Samruk-Kazyna.

State-Owned Enterprises

As at 31 May 2024, in Kazakhstan there were 172 republican State-owned enterprises (of which 106 republican State-owned enterprises with the right of economic management and 66 republican State-owned government enterprises), 133 joint stock companies and 33 limited liability partnerships.

Samruk-Kazyna

Samruk-Kazyna is a State-owned, sovereign wealth fund and a Kazakhstan-incorporated joint stock company which was established in 2008. The mission of Samruk-Kazyna is to improve the sovereign welfare of Kazakhstan and ensure long-term sustainability for future generations.

Samruk-Kazyna 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 (KazPost), the national oil and gas company (KazMunayGas), the national nuclear power company (Kazatomprom), the national electricity network management company (KEGOC) and the national airline (Air Astana). As at 31 December 2023, Samruk-Kazyna had 317 subsidiaries and controlled assets with a value of approximately KZT36.9 trillion, representing approximately 30.6 per cent. of Kazakhstan's GDP in 2023. As at 31 December 2023, Samruk-Kazyna had net assets of KZT21.7 trillion, an increase of KZT2 trillion compared to 31 December 2022. Dividends paid by Samruk-Kazyna to the Government in 2023 amounted to KZT238 billion.

As at 31 December 2023, out of 23 subsidiaries of Samruk-Kazyna, six companies incurred losses. However, the share of these companies in net income of Samruk-Kazyna is below 5.0 per cent. Samruk-Kazyna Group generated a net profit per share in the amount of KZT1,698 billion.

According to the Samruk-Kazyna Development Strategy for 2023-2032, approved by the Government on 17 March 2023, the following key objectives have been established:

- focusing investments in Kazakhstan's economy, including for the implementation of strategic projects;
- supporting the social and infrastructural development of Kazakhstan;
- strengthening the competitiveness and achieving the reputation of a reliable partner on a global scale; and
- diversification of the investment portfolio with particular focus on breakthrough projects with a high export

potential.

By 2030, Samruk-Kazyna aims to switch to an investment holding model under favourable market conditions and retain a majority share in its strategic assets.

Baiterek

Baiterek is a State-owned joint stock company that was created in 2013 to manage and own, either in whole or in part, various financial development institutions in Kazakhstan, including DBK, the Housing Construction Savings Bank, the Kazakhstan Mortgage Company and the Fund for Developing Entrepreneurship. 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 Offering Memorandum, Baiterek owns, either in whole or in part, seven major subsidiaries (four development institutions and three financial institutions), certain of which were previously owned by Samruk-Kazyna prior to the creation of Baiterek. As at 31 December 2023, Baiterek had total assets of KZT13.6 trillion, as compared to total assets of KZT12.2 trillion as at 31 December 2022.

On 25 December 2023, Kazakhstan adopted the Baiterek Development Plan for 2024-2033. Baiterek's key objectives include: (i) the development of non-resources sectors of the economy, entrepreneurship and manufacturing industry; (ii) the provision of support for exports of non-resource-based products; (iii) increasing labour productivity; (iv) the development of a competitive agro-industrial complex; (v) increasing the investment attractiveness of the economy and (vi) improving the overall welfare of the population.

The National Management Holding "KazAgro" ("**KazAgro**"), was a State-owned joint stock company that was established in 2007 and which was the parent of a group of agricultural holding companies. KazAgro's principal activities were participation in the development and implementation of State lending programmes 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. Pursuant to the Government Resolution No. 952 dated 31 December 2020, Baiterek was reorganised by way of merger with KazAgro. As a result of the merger, KazAgro ceased to exist effective March 2021.

In 2022, Baiterek acquired a 99.99 per cent. of shares in JSC SB "Sberbank of Russia" ("**Sberbank of Kazakhstan**") from PJSC Sberbank in Russia. Following the acquisition, Sberbank SB JSC was re-registered and renamed Bereke Bank JSC. On 31 March 2024, Qatar Stock Exchange announced acquisition of the entire share capital of Bereke Bank by Lesha Bank LLC for KZT65 trillion.

KazMunayGaz

JSC "National Company "KazMunayGas" ("**KMG**") is Kazakhstan's leading vertically integrated oil and gas company, with operations spanning the entire production cycle from exploration and production of hydrocarbons to transportation, refining, and provision. Established in 2002, KMG represents the Republic of Kazakhstan's interests in the national oil and gas industry. The company is majority-owned by Samruk-Kazyna (67.42 per cent.), with additional stakes held by the Ministry of Finance (20.0 per cent.), the NBK (9.58 per cent.), and public investors (3.0 per cent.) through a free float on KASE and AIX. The shares owned by the NBK are managed by Samruk-Kazyna.

KMG's principal activities include: (1) oil and gas exploration and production; (2) oil transportation; (3) participation in the development and implementation of government policies related to the oil and gas industry; and (4) refining and trading of crude oil and petroleum products (diesel, gas, bitumen and other products). As at 31 December 2023, KMG's total assets stood at KZT16.94 trillion, as compared to KZT16.66 trillion as at 31 December 2022.

QazaqGaz

QazaqGaz, formerly known as KazTransGas, is Kazakhstan's vertically integrated holding company, engaged primarily in the exploration, production and sale of natural gas in Kazakhstan and abroad, wholly owned by Samruk-Kazyna. QazaqGaz is the national operator of gas and gas supply in Kazakhstan and represents the Kazakhstan's strategic interests in the gas industry. It operates the gas transmission network in the country, which is a natural monopoly, through its subsidiaries. The company was established on 5 February 2000. On 30 November 2021, the Government granted QazaqGaz the status of a 'national company'.

QazaqGaz manages the country's largest network of main gas pipelines, stretching over 20,600 kilometres, including 2,793 kilometres of branch lines, with an annual throughput capacity of 240 billion cubic metres. It also oversees more than 59,000 kilometres of gas distribution networks. The company handles international gas transit, sales on domestic and

international markets, and is involved in the development, financing, construction, and operation of pipelines and gas storage facilities. QazaqGaz is a portfolio company of Samruk-Kazyna. In 2023, QazaqGaz group included 13 subsidiaries and jointly controlled companies operating in exploration and production, pipeline transportation, processing, distribution, and sales. The company reported revenue of KZT1.081 trillion and managed a pipeline network totaling 21,200 kilometres, with a workforce of 12,800 employees. As at 31 December 2023, QazaqGaz's total assets stood at KZT3.54 trillion, as compared to KZT3.17 trillion as at 31 December 2022.

Kazakhstan Temir Zholy

JSC "National Company "Kazakhstan Temir Zholy" ("**KTZ**") is a transport and logistics holding company, operator of the main railway network of Kazakhstan, and the national railway carrier of freight and passengers. The sole shareholder of KTZ is Samruk-Kazyna. KTZ group is the largest owner of locomotives, freight and passenger cars in the country. KTZ resources and assets include 1.7 thousand locomotives, 42 thousand freight wagons, 2.3 thousand of passenger locomotives. It is one of the largest employers in Kazakhstan having around 116.6 thousand employees. In terms of railway length, Kazakhstan ranks 3rd among the CIS and Baltic countries. KTZ provides economic interconnection with 17 regions of Kazakhstan and three cities of national importance, and through 16 joint points with five neighbouring countries: China, Russia, Uzbekistan, Kyrgyzstan and Turkmenistan.

KTZ transports strategic and socially important cargoes (coal, iron ore, oil products, grain, etc.). It provides 65.0 per cent. of cargo turnover and 15.0 per cent. of passenger turnover. As at 31 December 2023, KTZ had total assets of KZ4.94 trillion, as compared to KZT4.0 trillion as at 31 December 2022.

Samruk-Energy

"Samruk-Energy" JSC ("**Samruk-Energy**") was established on 18 April 2007 by resolution of general meeting of founders in order to develop and implement a long-term state policy on upgrading of existing and introduction of new generating facilities. The founders of the Company at the time of its establishment were Kazakhstan holding for management of state assets «Samruk» JSC and «KazTransGaz» JSC.

Samruk-Energy is the largest diversified electric power holding company in Kazakhstan, and its primary objective is to establish a highly efficient energy supply system to support the sustainable development of all sectors in Kazakhstan. Its core operations encompass production of electricity and heat, transmission, distribution, sale of electricity, and thermal coal mining. The Samruk-Energy is dedicated to implementing a cohesive state policy within the power industry. This commitment involves the modernization, reconstruction, and construction of power generation facilities. These efforts are aimed at bolstering Kazakhstan's energy security and ensuring a reliable energy supply for the nation's growth and development.

The Samruk-Energy's Earnings before interest, taxes, depreciation and amortization (EBITDA) grew from KTZ86.3 billion in 2020 to KTZ114.7 billion in 2021. The debt-to-EBITDA ratio has also improved, decreasing from 3.2 times in 2018 to 2.6 times in 2021, indicating a stronger capacity to service debt obligations. It has successfully managed its debt portfolio, reducing the overall interest rate from 12.6 per cent in 2018 to 10.7 per cent in 2021.

In 2022, Samruk-Energy conducted prefeasibility studies for renewable energy projects with a total capacity of 558.2 MW, nearing its 850.0 MW target at 65.7 per cent progress. In 2023, Samruk-Energy obtained financing to upgrade a power plant in Almaty, transitioning from a coal-fired facility to a lower-emission gas turbine plant to enhance sustainability and potentially decrease greenhouse gas emissions.

KEGOC

Kazakhstan Electricity Grid Operating Company joint-stok company ("**KEGOC**") was established in accordance with Decree No.1188 of the Government of Kazakhstan dated 28 September 1996 'On some measures to restructure power system management in Kazakhstan. KEGOC is the system operator of the Unified Power System of Kazakhstan, and it owns and manages the assets of the National Power Grid. KEGOC operates as the natural monopoly and employs more than 4 000 people.

In December 2014, the KEGOC was listed on the Kazakhstan Stock Exchange as part of the "People's IPO" programme. KEGOC floated 10 per cent minus one share. The minority shareholder structure included 7.3 per cent of individuals.

External Debt of State-Owned Enterprises

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 of more than 50.0 per cent.) was approximately U.S.$15.5 billion as at 1 April 2024, including external debt of State-owned enterprises guaranteed by Kazakhstan in the amount of U.S.$2.8 billion.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The following table sets forth the balance of payments of Kazakhstan for the years presented based on the methodology of the Balance of Payments and International Investment Position Manual (Sixth Edition, 2009):

	Year ended 31 December					Q1 2024 from 1 January to 31 March
	2019	2020	2021	2022	2023	2024
			(U.S.$ millions)			
Current account	**(7,027.7)**	**(10,960.4)**	**(2,672.7)**	**7,054.4**	**(8,725.7)**	**(2,782)**
Trade balance	18,420.78	6,009.0	24,228.1	34,997.2	20,101.1	11,824.9
Exports	59,541.4	44,065.1	65,790.6	85,630.4	79,812.2	39,899.6
Imports	41,120.7	38,056.1	41,562.5	50,633.3	59,711.0	28,074.7
Services	(3,786.7)	(3,237.4)	(2,099.5)	(1,550.1)	(1,812.4)	(486.3)
Exports	7,754.3	5,208.3	5,935.0	7,967.9	10,288.0	5,423.8
Imports	11,541.0	8,445.7	8,034.6	9,518.1	12,100.4	5,910.2
Primary income	(22,724.5)	(15,077.7)	(24,166.7)	(25,552.8)	(25,994.0)	-(11,438.2)
Compensation of employees, net	(1,599.4)	(899.9)	(1,137.8)	(1,283.9)	(1,492.2)	(896.7)
Investment income, net	(21,257.0)	(14,304.6)	(23,164.0)	(24,404.1)	(24,636.9)	(10,609.0)
Other primary income, net	2,380.6	1,933.1	2,086.5	3,540.7	135.1	67.6
Secondary income	1,062.8	1,345.7	(634.6)	(839.8)	(1,020.5)	(178.58)
Capital account balance	**231.1**	**239.2**	**233.4**	**247.7**	**1,272.9**	**25.2**
Financial account[(1)]	**1,298.4**	**(12,542.5)**	**(2,455.0)**	**5,912.2**	**(1,556.8)**	**1,062.4**
Direct investment	(5,904.4)	(5,875.4)	(1,901.4)	(8,076.5)	(2,310.7)	(2,169.9)
Net acquisition of financial assets	(2,173.6)	1,330.5	2,665.2	(3,009.6)	2,993.2	464.4
Net incurrence of liabilities	3,730.9	7,206.0	4,566.6	5,067.0	5,303.9	2,634.4
Portfolio investment	5,118.2	(7,743.9)	(3,577.6)	13,275.4	5,314.3	5,051.5
Net acquisition of financial assets	4,887.7	(6,339.6)	(1,199.5)	10,086.4	3,859.0	4,092.6
Net incurrence of liabilities	1,885.9	(7,566.2)	(5,826.6)	7,144.7	(1,143.5)	(958.9)
Financial derivatives, net	(81.0)	71.2	105.9	259.8	(21.8)	(11.2)
Other investment	2,165.6	1,005.6	2,918.2	453.6	(4,538.6)	(1,807.9)
Other equity, net	21.7	31.7	(7.3)	16.3	108.7	(41.2)
Medium- and long-term debt instruments	(329.8)	(2,025.2)	(2,887.7)	(878.1)	(168.3)	(694.8)
Short-term debt instruments	51.6	(668.4)	(210.4)	1,067.3	1,137.4	(1,114.2)
Net errors and omissions	**1,495.3**	**(5,013.9)**	**(4,813.8)**	**(3,570.0)**	**(25.9)**	**882.7**
Overall balance	**6,599.7**	**3,192.6**	**4,798.2**	**2,180.0**	**5,921.8**	**432.7**
Financing	**(6,599.7)**	**(3,192.6)**	**(4,798.2)**	**(2,180.0)**	**(5,921.8)**	**(432.7)**
Reserve assets of NBK	(6,599.7)	(3,192.6)	(4,798.2)	(2,180.0)	(5,921.8)	(432.7)

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

Current Account

The account of balance of payments of Kazakhstan has historically been characterised by a number of structural features, including a high share of raw materials in exports, insufficient volumes of exports of higher value-added goods, a significant share of imports in consumption, and a concentration of attracted foreign investment in the mining industry.

Oil and metal prices continue to dominate the dynamics of the account of balance of payments. For instance, in 2020, a historical record of current account deficit was recorded (see table below). This was a result of falling oil prices due to the reduction in global demand for energy resources during the COVID-19 pandemic. In 2021, the recovery of the global economy and rising commodity prices led to an increase in exports and, consequently, a reduction in Kazakhstan's current account deficit. In 2022, the current account posted a substantial surplus for the first time in 9 years. This was due to further increases in oil prices as a result of the military conflict in Ukraine. In 2023, due to the reduction of oil prices and high demand for imports, including the implementation of government programs for economic diversification, the current account returned to a deficit.

The following table provides for dynamics of the current account of the balance of payments:

(billion US dollars)	2019	2020	2021	2022	2023
Current account	**(7.0)**	**(11.0)**	**(2.7)**	**7.1**	**(8.7)**
in % of GDP	*(3.9)%*	*(6.4)%*	*(1.4)%*	*3.1%*	*(3.3)%*
Trade balance	**18.4**	**6.0**	**24.2**	**35.0**	**20.2**
Export	*59.5*	*44.1*	*65.8*	*85.6*	*79.9*
Import	*41.1*	*38.1*	*41.6*	*50.6*	*59.7*
Balance of services	**(3.8)**	**(3.2)**	**(2.1)**	**(1.6)**	**(1.8)**
Income balance	**(21.7)**	**(13.7)**	**(24.8)**	**(26.4)**	**(27.0)**

Source: NBK

Capital Account

Typically, significant amounts of capital are not transferred into the capital account of the balance of payments of Kazakhstan. The capital account surplus was U.S.$231.1 million, U.S.$239.2 million, U.S.$233.4 million and U.S.$247.7 million in 2019, 2020, 2021 and 2022, respectively. In 2023, there was a capital account surplus of U.S.$1,272.9 million. Typically, the main credits and debits under this item are related to the forgiveness by creditors of debt obligations of their borrowers. See "*Monetary and Financial System— Kazakhstan's Banking Industry*".

Financial Account

In 2019, the positive balance of the financial account (excluding operations with reserve assets) amounted to U.S.$1.3 billion. With respect to foreign direct investment, net capital inflow (negative balance) amounted to U.S.$5.9 billion. Net decrease in financial assets from FDI transactions amounted to U.S.$2.2 billion. The decrease was primarily due to repayments by foreign affiliates of their debt obligations to Kazakhstan enterprises. Net incurrence of FDI liabilities amounted to U.S.$3.7 billion, which was mainly due to reinvestment of non-resident earnings (retained earnings attributable to direct investors). For portfolio investments, a positive balance of U.S.$5.1 billion was due to a significant increase in assets of residents in the amount of U.S.$4.9 billion. The decrease in liabilities on portfolio investment in the amount of U.S.$230.5 million was principally due to redemption by Kazakhstan banks and companies of their previously issued Eurobonds, which was partially offset by Eurobonds issued by Kazakhstan in the amount of EUR 1.15 billion in the third quarter of 2019. With respect to other investments, the positive balance amounted to U.S.$2.1 billion.

In 2020, net inflow on the financial account (excluding reserve assets) amounted to U.S.$12.5 billion as compared to net outflow of U.S.$1.3 billion in 2019. For foreign direct investment, net capital inflow (negative balance) for 2020 amounted to U.S.$5.9 billion in 2019. The net acquisition of financial assets under foreign direct investment in the amount of U.S.$1.3 billion was due to increase in participation of Kazakhstan enterprises in the capital of foreign organisations and their funding of foreign affiliated companies. Net incurrence of foreign direct investment liabilities amounted to U.S.$7.2 billion. The increase in residents' liabilities of foreign direct investment was principally due to reinvestment of non-resident earnings (retained earnings attributable to direct investors) and increase in debt liabilities to foreign affiliated companies. The net inflow of portfolio investments in 2020 in the amount of U.S.$7.7 billion (as compared to the net outflow of U.S.$5.1 billion in 2019) was principally due to a decrease in residents' assets. Financial assets for portfolio investments decreased by U.S.$6.3 billion in 2020, principally due to a decrease in foreign securities held in the National Fund and at banks. Portfolio investment liabilities increased by U.S.$1.4 billion in 2020 mainly due to the placement of Russian Rouble-denominated bonds by Kazakhstan, the issuance of global depositary receipts by Kaspi Bank in the fourth quarter of 2020 and purchases by non-residents of short-term NBK notes. With respect to other investments, the net outflow (positive balance) amounted to U.S.$1.0 billion in 2020 (as compared to U.S.$2.2 billion in 2019).

In 2021, net inflow in the financial account (excluding reserve assets) amounted to U.S.$2.5 billion (U.S.$12.5 billion in 2020). A higher increase in residents' liabilities compared to the growth of their assets ensured a net inflow of capital or "net borrowing from other countries" in financial transactions. For foreign direct investment (FDI), the net inflow of capital (negative balance) for 2021 amounted to U.S.$1.9 billion (U.S.$5.9 billion in 2020). FDI operations are associated with financing by Kazakhstani enterprises of foreign affiliated companies. The increase in FDI liabilities amounted to U.S.$4.6 billion. The increase in residents' FDI liabilities was ensured by the reinvestment of non-residents' income (retained earnings attributable to direct investors). The decrease in debt obligations to foreign affiliates partially offset the increase in FDI obligations. Financial assets from FDI transactions amounted to U.S.$2.7 billion. For portfolio investments, net capital inflow amounted to U.S.$3.6 billion (U.S.$7.7 billion in 2020). The inflow of capital was ensured by a decrease of U.S.$0.9 billion in foreign assets of the National Fund and enterprises in the non-banking sector. The increase in residents' liabilities for portfolio investments by U.S.$2.4 billion is associated with the issuance of bonds in Russian Roubles for a total amount of RUB40 billion or U.S.$0.6 billion, the issue of Eurobonds by Development Bank of Kazakhstan JSC, as well as purchases by non-residents in the secondary market of short-term notes of the NBK and securities of the Ministry of Finance. For medium- and long-term debt instruments reflected in the item "Other investments", there was a net inflow of capital of U.S.$2.9 billion (net inflow of U.S.$1.0 billion in 2020). The inflow was ensured by attracting a government

loan from the Asian Infrastructure Investment Bank in the amount of EUR661.8 million. For short-term debt instruments, net capital outflow in 2021 amounted to U.S.$5.8 billion (U.S.$3.0 billion in 2020). The increase in short-term assets of residents by U.S.$8.9 billion is due to the growth of assets of banks, the National Fund, UAPF and Kazakhstan corporates in foreign accounts. The increase in residents' liabilities by U.S.$3.1 billion was due to an increase in liabilities on short-term loans and borrowings from banks and other sectors, as well as accounts payable of Kazakhstan corporates.

In 2022, net outflow in the financial account (excluding reserve assets) amounted to U.S.$5.9 billion, mainly provided by public sector operations. In 2021, the financial account recorded a net inflow of U.S.$2.5 billion. For foreign direct investment (FDI), the net inflow of capital (negative balance) for 2022 amounted to U.S.$8.1 billion (U.S.$1.9 billion in 2021). FDI operations are associated with financing by Kazakhstan corporates of foreign affiliated companies. The increase in FDI liabilities amounted to U.S.$5.1 billion. The increase in residents' FDI liabilities was ensured by the reinvestment of non-residents' income (retained earnings attributable to direct investors). Financial assets from FDI transactions amounted to U.S.$3.0 billion. For portfolio investments, net capital outflow amounted to U.S.$13.2 billion (in 2021, capital inflow amounted to U.S.$3.6 billion). The outflow of capital was ensured by an increase of U.S.$10.1 billion in foreign assets of the National Fund and enterprises in the non-banking sector. For medium- and long-term debt instruments reflected in the item "Other investments", there was a net inflow of capital of U.S.$0.9 billion (net inflow of U.S.$2.9 billion in 2021). For short-term debt instruments, net capital outflow in 2022 amounted to U.S.$1.3 billion (U.S.$5.8 billion in 2021). The increase in short-term assets of residents by U.S.$7.0 billion is due to the growth of assets of banks, the National Fund, UAPF and Kazakhstan corporates in foreign accounts. The increase in residents' liabilities by U.S.$5.7 billion was due to an increase in liabilities on short-term loans and borrowings from banks and other sectors, as well as accounts payable of Kazakhstan corporates.

In 2023, net inflow in the financial account (excluding reserve assets) amounted to U.S.$1.6 billion (for 2022 there was a net outflow of U.S.$5.9 billion). For foreign direct investment (FDI), the net capital inflow (negative balance) for 2023 amounted to U.S.$2.3 billion. The increase in obligations under FDI amounted to U.S.$5.3 billion. The increase in obligations of residents under FDI was ensured by the reinvestment of income of non-residents (retained earnings attributable to direct investors). The decrease in debt obligations to foreign affiliates partially offset the increase in FDI liabilities. For portfolio investments, net capital outflow amounted to U.S.$5.3 billion, mainly associated with an increase in the assets of the National Fund. For medium- and long-term debt instruments reflected in the item "Other investments", there was a net inflow of capital of U.S.$0.2 billion. The inflow was ensured by attracting external loans from other sectors.

Reserve Assets

Reserve assets (excluding assets of the NBK (excluding the assets of the National Fund) as at June 2024 were estimated at U.S.$39.9 billion.

Kazakhstan's net international investment position (defined as external financial assets minus external financial liabilities) was negative U.S.$63.8 billion as at 1 January 2019, negative U.S.$66.0 billion as at 1 January 2020, negative U.S.$72.0 billion as at 1 January 2021, negative U.S.$77.0 billion as at 1 January 2022, negative U.S.$68.1 billion as at 1 January 2023 and negative U.S.$67.8 billion as at 1 January 2024.

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 EU and between Kazakhstan and the U.S. From 1 March 2016, Kazakhstan linked the rate of export customs duty for oil to the world oil price. Export customs duty is charged at a rate set by a scale which is linked to the level of the world oil price, with zero rate export customs duty applying if the world oil price is below U.S.$25 per barrel. Accordingly, the higher the world oil prices, the higher the export customs duty rate. See "*Public Finance – State Budget Revenues – Source of State Budget Revenue – Tax Revenue*". The export price of manufacturing enterprises in the Kazakhstan for crude oil in January 2024 was U.S.$82 per tonne.

On 30 November 2015, Kazakhstan became a full member of the WTO, having initially applied for WTO membership in 1996. See "*The Republic of Kazakhstan—International Relations—International Organisations—World Trade Organisation*". Due, in part, to the benefits of Kazakhstan's membership in the WTO, imports have been increasing in recent periods. For example, imports into Kazakhstan from non-CIS countries, based on actual trade flows, increased by 47.6 per cent. from U.S.$41.4 billion in 2021 to U.S.$61.1 billion in 2023.

Composition of Trade

Data in this "—*Composition of Trade*" section excludes data on exports to, and imports from, countries of the Eurasian Economic Union because data in this section is presented on a customs basis and all trade with countries of the Eurasian Economic Union is treated as domestic, as opposed to foreign, trade. Accordingly, the overall amounts of exports and imports in this section are lower than the amounts of overall exports and imports in the "— *Direction of Trade*" section below.

The following table sets out the composition of Kazakhstan's exports on a customs basis (excluding unregistered trade adjustments) for the years presented.

	Year ended 31 December										Six months ended 30 June	
	2019		**2020**		**2021**		**2022**		**2023(**		**2024[1]**	
	(U.S.$ millions)	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*
Exports												
Products of animal and vegetable origin, finished foodstuffs	3,282.5	5.7	3,352.7	7.1	3,756.7	6.2	5,592.5	6.6	5,327.0	6.8	2,594.75	5.6
Mineral products[2]	41,781.2	72.0	31,377.5	66.0	39,759.6	65.9	57,165.6	67.6	51,946.3	66.0	30,527.724	66.2
Chemical products and products of related sectors (including rubber and plastic)	2,687.2	4.6	2,870.3	6.0	3,144.4	5.2	4,682.6	5.5	5,753.8	7.3	3,381.33	7.3
Leather and fur products	9.5	0.0	4.0	0.0	10.3	0.0	10.9	0.0	13.2	0.0	9.3	0.0
Timber, wood pulp and paper products	76.4	0.1	32.6	0.1	59.4	0.1	124.1	0.1	194.5	0.2	123.043	0.3
Textiles and textile products	186.4	0.3	151.4	0.3	198.9	0.3	175.1	0.2	303.7	0.4	192.255	0.5
Footwear, headwear and fashion accessories	4.2	0.0	3.2	0.0	4.8	0.0	4.3	0.0	19.7	0.0	14.424	0.0
Construction materials	48.6	0.1	42.4	0.1	43.6	0.1	62.9	0.1	77.8	0.1	52.407	0.1
Metals and metal products[3]	8,197.4	14.1	7,612.5	16.0	10,478.9	17.4	11,810.7	14.0	9,637.1	12.2	6,129.213	13.3
Machinery, equipment and transport, devices and apparatus	1,190.5	2.1	1,327.7	2.8	1,963.7	3.3	4,023.7	4.8	4,162.7	5.3	2,505.874	5.4
Other	601.7	1.0	766.4	1.6	900.8	1.5	940.8	1.1	1,238.7	1.6	605.794	1.3
Total exports	**58,065.6**	**100.0**	**47,540.8**	**100.0**	**60,321.0**	**100.0**	**84,593.1**	**100.0**	**78,674.5**	**100.0**	**46,136.131**	**100.00**

Source: Ministry of Finance, MNE

Note:

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

The following table sets out the composition of Kazakhstan's imports on a customs basis (excluding unregistered trade adjustments) for the years presented.

	Year ended 31 December										Six months ended 30 June	
	2019		2020		2021		2022		2023[1]		2024	
	(U.S.$ millions)	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*
Products of animal and vegetable origin, finished foodstuffs	3,967.6	10.0	4,091.6	10.5	4,914.6	11.9	6,161.9	12.1	6,193.3	10.1	2,070.1	7.9
Mineral products[2]	3,113.1	7.8	2,191.4	5.6	2743.1	6.6	3,250.7	6.4	3,148.4	5.1	552.5	2.1
Chemical products and products of related sectors (including rubber and plastic)	5,465.0	13.8	5,711.1	14.7	6,685.2	16.1	8,446.4	16.6	9,012.5	14.7	4,193.1	16.1
Leather and fur products	84.0	0.2	75.6	0.2	67.8	0.2	149.9	0.3	221.2	0.4	98,5	0.4
Timber, wood pulp and paper products	954.2	2.4	896.6	2.3	1,155.4	2.8	1,259.4	2.5	1,293.8	2.1	340.5	1.3
Textiles and textile products	1,271.2	3.2	1,259.5	3.2	1,571.1	3.8	2,482.0	4.9	4,758.2	7.8	1,771.5	6.8
Footwear, headwear and fashion accessories	461.2	1.2	377.7	1.0	590.1	1.4	504.1	1.0	1,045.6	1.7	474.6	1.8
Construction materials	538.1	1.4	535.9	1.4	673.8	1.6	759.0	1.5	739.2	1.2	290.3	1.1
Metals and metal products[3]	4,629.8	11.7	4,125.1	10.6	4,319.6	10.4	5,146.0	10.1	5,613.5	9.2	1,527.9	5.9
Machinery, equipment and transport, devices and apparatus	17,159.3	43.2	18,049.4	46.4	16,693.1	40.3	20,531.2	40.3	27,052.6	44.2	14,088.4	54.0
Other	2,065.8	5.2	1,615.1	4.1	1,974.7	4.8	2,243.7	4.4	2,080.7	3.4	702.9	2.7
Total imports	**39,709.3**	**100.0**	**38,929.1**	**100.0**	**41,415.4**	**100.0**	**50,934.4**	**100.0**	**61,158.9**	**100.0**	**25,110.8**	**100.0**

Source: Ministry of Finance, MNE

Note:

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

The following table sets out the balance between Kazakhstan's exports and imports by products category and for total exports and imports on a customs basis (excluding unregistered trade adjustments) for the years presented.

	Year ended 31 December									
	2019		2020		2021		2022		2023[1]	
	(U.S.$ millions)	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*
Trade Balance										
Products of animal and vegetable origin, finished foodstuffs	(685.2)	(3.7)	(738.9)	(8.6)	(1,184.9)	(6.3)	(569.4)	(1.7)	(866.3)	(4.9)
Mineral products[2]	38,668.1	210.7	29,186.0	338.9	37,016.5	195.8	53,914.9	160.2	48,798.0	278.6
Chemical products and products of related sectors (including rubber and plastic)	(2,777.8)	(15.1)	(2,840.8)	(33.0)	(3,540.8)	(18.7)	(3,763.8)	(11.2)	(3,258.8)	(18.6)
Leather and fur products	(74.5)	(0.4)	(71.6)	(0.8)	(57.5)	(0.3)	(139.0)	(0.4)	(208.0)	(1.2)
Timber, wood pulp and paper products	(877.8)	(4.8)	(864.0)	(10.0)	(1,096.0)	(5.8)	(1,135.3)	(3.4)	(1,099.3)	(6.3)
Textiles and textile products	(1,084.8)	(5.9)	(1,108.1)	(12.9)	(1,372.2)	(7.3)	(2,306.9)	(6.9)	(4,454.4)	(25.4)
Footwear, headwear and fashion accessories	(457.0)	(2.5)	(374.5)	(4.3)	(585.3)	(3.1)	(499.8)	(1.5)	(1,025.9)	(5.9)
Construction materials	(489.4)	(2.7)	(493.5)	(5.7)	(630.2)	(3.3)	(696.1)	(2.1)	(661.4)	(3.8)

Metals and metal products[3]	(3,567.6)	(19.4)	3,487.4	40.5	6,159.2	32.6	6,664.6	19.8	4,023.6	23.0
Machinery, equipment and transport, devices and apparatus	(15,968.8)	(87.0)	(16,721.7)	(194.2)	(14,729.4)	(77.9)	(16,507.6)	(49.0)	(22,889.9)	(130.7)
Other	(1,464.1)	(8.0)	(848.7)	(9.9)	(1,073.9)	(5.7)	(1,303.0)	(3.9)	(842.0)	(4.8)
Total trade balance	**18,356.3**	**100.0**	**8,611.7**	**100.0**	18,905.6	**100.0**	33,658.7	**100.0**	17,515.6	**100.0**

Source: Ministry of Finance, MNE

Note:

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

Oil and gas

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

	Year ended 31 December					Six months ended 30 June
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
	(Million tonnes)					
Crude oil	69.9	70.5	65.7	65.2	70.6	41.9
Fuel oil	2.4	2.0	2.0	2.3	2.2	1.1
Liquefied gas	1.9	2.0	1.7	1.3	1.0	0.4
Natural gas condensate	2.2	-	0.223	0.171	0.117	0.81

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 88.7 per cent., 84.5 per cent., 65.9 per cent., 67.6 per cent. and 66 per cent. of exports in 2019, 2020, 2021, 2022 and 2023, respectively, based on actual trade flows. Exports of oil and petroleum products represented 19.0 per cent., 14.3 per cent., 20.3 per cent., 25.5 per cent. and 18.4 per cent. of Kazakhstan's GDP in 2019, 2020, 2021, 2022 and 2023, respectively, based on actual trade flows.

Kazakhstan is a net exporter of gas. By the end of 2021, the total gas exports from Kazakhstan amounted to 16.0 billion cubic metres (-19.2 per cent. by 2020).

The traditional market for Kazakhstan gas is the CIS countries (amounting to 45.5 per cent. of supplies in 2023). According to the NSB, in 2023, the volume of gas supplies to Russia amounted to 8.0 billion cubic metres (an 18.4 per cent. increase from 2022), Ukraine – 0.6 billion cubic metres (an 85.7 per cent. decrease from 2022), China – 7.4 billion cubic meters and Switzerland – 3.2 billion cubic metres In 2022, domestic consumption of blue fuel reached approximately 21 billion cubic meters, of which approximately 5 billion cubic meters was exported. Kazakhstan expects gas exports to fall considerably in the winter of 2024-2025 in light of increased projected domestic market.

In 2023, 90 million tonnes of oil and gas condensate were produced in Kazakhstan, of which 70.5 million tonnes were exported. Compared to 2022, production increased by almost 7.0 per cent., while exports increased by 10.0 per cent., as compared to 2021.

The annual volume of exports of oil and gas products from Kazakhstan has changed from 72.2 million tonnes in 2019 to 70.7 million tonnes in 2023. Exports of fuel oil decreased by 14.5 per cent., or 375,895 tonnes, from 2019 to 2023. Exports of liquefied gas decreased by 44.3 per cent., or 823,895 tonnes, from 2019 to 2023. Exports of natural gas condensate decreased by 56 per cent., or 149.4 thousand tonnes, from 2019 to 2023.

In 2019, energy (including oil, petroleum products, natural gas, coal and electricity) accounted for approximately 74.4 per cent. of Kazakhstan's exports, of which oil and petroleum products accounted for 90.1 per cent., while natural gas accounted for 0.02 per cent., and coal for 2.9 per cent.

In 2020, energy (including oil, petroleum products, natural gas, coal and electricity) accounted for approximately 71.7 per cent. of Kazakhstan's exports, of which oil and petroleum products accounted for 89.1 per cent., while natural gas accounted for 0.02 per cent., and coal for 6.3 per cent.

In 2021, energy (including oil, petroleum products, natural gas, coal and electricity) accounted for approximately 74.1 per cent. of Kazakhstan's exports, of which oil and petroleum products accounted for 85.3 per cent., while natural gas accounted for 0.01 per cent., and coal for 8.7 per cent.

In 2022, energy (including oil, petroleum products, natural gas, coal and electricity) accounted for approximately 74.2 per cent. of Kazakhstan's exports, of which oil and petroleum products accounted for 82.1 per cent., while natural gas accounted for 0.01 per cent., and coal for 11.3 per cent.

Other significant exports include metals and metal products, which represented 12.6 per cent., 15.2 per cent., 17.4 per cent., 14 per cent. and 12.2 per cent. of exports in 2019, 2020, 2021, 2022 and 2023, respectively, foodstuffs and agricultural products, which represented 5.1 per cent., 6.5 per cent., 6.2 per cent., 6.6 per cent. and 6.8 per cent. of exports in 2019, 2020, 2021, 2022 and 2023, respectively, and chemical products and the products of related sectors, which represented 3.4 per cent., 4.8 per cent., 5.2 per cent., 5.5 per cent. and 7.3 per cent. of exports in 2019, 2020, 2021, 2022 and 2023, respectively.

Kazakhstan is a net importing country of many items, most of which enter the country by rail and trucks. Imports of machinery, equipment and vehicles accounted for 43.2 per cent. of imports in 2019, 46.4 per cent. of imports in 2020, 40.3 per cent. of imports in 2021, 40.2 per cent. of imports in 2022 and 44.2 per cent. of imports in 2023. Chemical products and the products of related sectors accounted for 13.8 per cent. of imports in 2019, 14.7 per cent. of imports in 2020, 16.1 per cent. of imports in 2021, 16.6 per cent. of imports in 2022 and 14.7 per cent. of imports in 2023.

Kazakhstan's foreign trade turnover in January-December 2023 amounted to U.S.$139,833.4 million and increased by 3.2 per cent. in nominal terms as compared to January-December 2022, including exports – U.S.$78,674.5 million (7.0 per cent. less in nominal terms), imports – U.S.$61,158.9 million (20.1 per cent. more in nominal terms).

The main share of goods exported by Kazakhstan in January-December 2023 included crude oil and crude petroleum products obtained from bituminous minerals (53.8 per cent.), chemical radioactive elements and radioactive isotopes (4.4 per cent.), refined copper and unprocessed copper alloys (4.1 per cent.), copper ores and concentrates (3.9 per cent.), ferroalloys (3.0 per cent.), petroleum gases and other gaseous hydrocarbons (2.6 per cent.).

In January-December 2023, the trade turnover of Kazakhstan with countries of the Eurasian Economic Union amounted to U.S.$28,517.8 million, which is 2.8 per cent. less in nominal terms as compared to the same period last year.

In January-December 2023, exports of goods amounted to U.S.$11,054.1 million (up 9.5 per cent.), imports – U.S.$17,463.7 million (down 9.3 per cent.).

In the total volume of foreign trade turnover of Kazakhstan with countries of the Eurasian Economic Union, Russia accounts for 91.1 per cent., followed by the Kyrgyzstan – 5.5 per cent., Belarus – 3.2 per cent. and Armenia – 0.2 per cent.

The main share of goods exported by Kazakhstan in January-December 2023 included crude oil and crude petroleum products obtained from bituminous minerals (53.8 per cent.), chemical radioactive elements and radioactive isotopes (4.4 per cent.), refined copper and unprocessed copper alloys (4.1 per cent.), copper ores and concentrates (3.9 per cent.), ferroalloys (3 per cent.), petroleum gases and other gaseous hydrocarbons (2.6 per cent.). In terms of imports of Kazakhstan, the main share of goods imported by Kazakhstan included passenger cars (5.0 per cent.), telephones (3.0 per cent.), bodies and cabins (2.6 per cent.), medicines (2.3 per cent.), parts and accessories of motor vehicles (1.9 per cent.) and other aircraft (1.7 per cent.).

In the six months ended 30 June 2024, the main partner countries of Kazakhstan in exports were: Italy (23.6 per cent.), China (18.6 per cent.), Russia (10.9 per cent.), the Netherlands (6.0 per cent.), France (5.5 per cent.) and Turkey (3.9 per cent.). The main partner countries of Kazakhstan in imports were: Russia (28.6 per cent.), China (24.5 per cent.), Germany (5.1 per cent.), the USA (4.1 per cent.), the Republic of Korea (3.3 per cent.) and Turkey (3.2 per cent.).

Direction of Trade

Data in this "*—Direction of Trade*" section includes data on exports to, and imports from, countries of the Eurasian Economic Union as such data was prepared on the basis of actual trade flows and not on a customs basis. Accordingly, the overall exports and imports amounts in this section exceed the overall exports and imports amounts in the "*—Composition of Trade*" section above.

The following table sets out the geographic distribution of Kazakhstan's exports based on actual trade flows (excluding unregistered trade adjustments) for the years presented.

	Year ended 31 December				
	2019	2020	2021	2022	2023[1]
			(U.S.$ millions)		
Exports to non-CIS countries, *including* ...	**47,956.1**	**38,389.5**	**47,827.5**	**69,004.9**	**62,701.5**
Germany	297.3	247.6	398.5	530.9	742.3
United Kingdom.....	649.4	688.0	855.1	1,462.3	702.9
Netherlands	4,398.3	3,149.0	4,384.2	5,488.2	4,057.5
Switzerland	2,688.2	1,570.2	1,078.0	1,076.8	941.1
Japan	880.3	664.7	557.3	782.1	587.7
U.S.	894.8	536.1	872.2	1,152.3	1,509.8
Italy	8,377.4	6,644.4	8,889.1	13,853.7	14,833.8
Finland	191.2	185.0	158.4	44.4	3.1
France	3,648.7	1,858.5	2,394.7	3,071.4	2,949.5
Egypt.....	13.5	5.5	7.0	36.7	23.7
India	1,572.8	1,991.6	1,625.7	1,889.6	449.2
Iran.....	295.9	128.5	275.3	309.7	83.5
Latvia	48.6	36.2	34.0	184.4	279.2
Lithuania	318.3	360.5	356.3	446.4	92.9
China.....	8,003.9	9,420.6	9,772.5	13,060.2	14,709.9
Turkey.....	2,420.5	2,131.5	2,964.7	4,751.0	3,969.1
Exports to CIS countries, *including*.....	**10,109.5**	**9,151.3**	**12,493.5**	**15,588.1**	**15,972.9**
Ukraine	755.6	424.7	575.2	239.4	55.0
Belarus	106.8	77.3	110.3	186.5	155.8
Russia.....	5,670.9	5,007.1	7,018.7	9,091.4	9,788.2
Uzbekistan	1,996.6	2,137.7	2,776.9	3,635.8	3,133.1
Other CIS	1,579.6	1,504.4	2,012.3	2,435.0	2,840.8
**Total exports ..... **	**58,065.6**	**47,540.8**	**60,321.0**	**84,593.1**	**78,674.5**

Source: NSB

Note:
(1) Preliminary data.

The following table sets out the geographic distribution of Kazakhstan's imports based on actual trade flows (excluding unregistered trade adjustments) for the years presented.

	Year ended 31 December				
	2019	2020	2021	2022	2023[1]
			(U.S.$ millions)		
Imports from non-CIS countries, *including*	**22,444.5**	**22,880.1**	**20 671.0**	**29,388.2**	**41,539.6**
Germany	1,495.2	1,832.3	1,814.8	2,232.7	3,154.0
US	1,351.3	1,163.8	1,351.0	1,900.9	2,541.5
Japan	596.5	552.0	559.9	1,144.0	1,604.3
Italy.....	1,579.7	937.2	786.3	1,054.4	1,237.8
South Korea	3,465.3	4,907.5	766.1	1,574.7	2,208.3
Finland	170.7	126.4	145.5	157.3	205.1
France	700.5	954.1	664.8	916.5	1,296.1
Poland	341.1	310.4	371.3	598.0	698.9
United Kingdom.....	472.2	358.9	308.9	384.3	478.7
Netherlands	237.3	240.8	227.6	296.8	391.9
Argentina	13.2	16.6	38.1	21.9	23.5
Brazil	255.9	39.0	96.7	279.8	237.5
India	292.6	383.7	377.8	562.6	580.7
Malaysia.....	102.8	129.7	102.2	149.9	213.4
Thailand	136.5	91.4	126.5	267.5	312.3
China.....	6,788.6	6,378.0	8,228.5	11,143.7	16,772.4
Turkey	817.1	950.9	1,146.4	1,597.1	2,040.8
Imports from CIS countries, *including*.....					
	17,264.8	**16,049.0**	**20,744.4**	**21,546.2**	**19,619.3**
Ukraine	379.6	360.1	450.9	294.4	336.8
Belarus	662.6	664.9	780.7	905.5	756.7
Russia.....	14,312.1	13,768.2	17,605.5	17,880.6	16,192.2
Uzbekistan	1,418.6	793.0	1,057.0	1,286.1	1.288.8
Other CIS	491.9	462.7	850.2	1,179.5	1,044.8
**Total imports ..... **	**39,709.3**	**38,929.1**	**41,415.4**	**50,934.4**	**61,158. 9**

Source: NSB

Note:

(1) Preliminary data.

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

Kazakhstan’s foreign trade turnover reached U.S.$139.8 billion in 2023, representing a 3.2 per cent. increase as compared to the previous year. According to the NSB, China became the country’s largest trade partner with bilateral trade reaching U.S.$31.5 billion, surpassing Russia. This shift reflects Kazakhstan's efforts to strengthen trade relations with traditional partners while exploring new markets and diversifying its export portfolio.

Kazakhstan, the largest economy in Central Asia, currently exports goods to 135 countries. The number of export commodities increased from 3,754 in 2022 to 3,857 in 2023.

Of the U.S.$139.8 billion in trade, exports reached U.S.$78.7 billion, a 7.0 per cent. decrease as compared to 2022, while imports increased by nearly 20.0 per cent. to U.S.$61.2 billion.

China's role as Kazakhstan's top trading partner was highlighted by a 30.0 per cent. increase in bilateral trade, with exports reaching U.S.$14.7 billion and imports at U.S.$16.8 billion. Kazakhstan exports oil, copper and copper cathodes, copper ores and concentrates, natural gas, ferroalloys, uranium and sunflower oil to China. Key imports include telephone equipment, computers, power generators, ferrous metals-based products, tires, parts and accessories for cars and tractors, road and construction machinery and automobiles. There is a substantial demand for Kazakhstan's agricultural products in China, which recently lifted its 19-year ban on Kazakh poultry and restrictions on meat and other agricultural products from southeastern Kazakhstan.

In 2023, Russia became Kazakhstan's second-largest trade partner, with bilateral trade reaching U.S.$26 billion, a slight decline from U.S.$27 billion in 2022. Despite sanctions and economic challenges faced by Russia, the total trade volume between Kazakhstan and Russia in 2023 grew by 6.0 per cent. as compared to U.S.$24.6 billion 2021, with exports to Russia increasing by 39.0 per cent. and imports decreasing by only 8.0 per cent.

Kazakhstan's other key trade partners include Italy (U.S.$16.1 billion), South Korea (U.S.$6 billion), Turkey (U.S.$6 billion) and the Netherlands (U.S.$4.4 billion). Italy is Kazakhstan's largest export destination, accounting for 18.9 per cent. of exports, which reached U.S.$14.8 billion in 2023, up from U.S.$13.9 billion in 2022. Trade with the European Union amounted to U.S.$42.6 billion, accounting for nearly a third of Kazakhstan's foreign trade, with exports at U.S.$31.7 billion and imports at U.S.$10.9 billion.

Non-CIS Countries

Kazakhstan's exports to non-CIS countries amounted to U.S.$48.0 billion, U.S.$37.9 billion, U.S.$55.6 billion, U.S.$79.1 billion and U.S.$73.7 billion in 2019, 2020, 2021, 2022 and 2023, respectively. As a percentage of total exports, exports to non-CIS countries amounted to 82,6 per cent. in 2019, 92.7 per cent. in 2020, 92.2 per cent. in 2021, 93.5 per cent. in 2022 and 93.7 per cent. in 2023. Between 2019 and 2023, exports to non-CIS countries increased by 30,7 per cent., principally as a result of increases in exports of energy products (the exports of which increased from U.S.$36,5 billion in 2019 to U.S.$45,2 billion in 2023) and metals and metal products (the exports of which increased from U.S.$5,8 billion in 2019 to U.S.$6,7 billion in 2023).

The value of Kazakhstan's imports from non-CIS countries amounted to U.S.$22.4 billion, U.S.$22.6 billion, U.S.$39.4 billion, U.S.$48.6 billion and U.S.$59.0 billion in 2019, 2020, 2021, 2022 and 2023, respectively. As a percentage of total imports, Kazakhstan's imports from non-CIS countries were 56,5 per cent. in 2019, 96.6 per cent. in 2020, 95.2 per cent. in 2021, 95.5 per cent. in 2022 and 96.5 per cent. in 2023. Imports from non-CIS countries increased by 85.1 per cent. between 2019 and 2023, principally as a result of increases in imports of machinery, equipment and vehicles (the imports of which increased from U.S.$12.7 billion in 2019 to U.S.$22.9 billion in 2023) and chemical products and products of related sectors (the imports of which increased from U.S.$3.0 billion in 2019 to U.S.$5.9 billion in 2023).

The EU is the leading trade partner of Kazakhstan mainly due to its large imports of oil and other mineral resources from Kazakhstan. The volume of trade between Kazakhstan and the EU amounted to U.S.$42.6 billion in 2023 (comprising exports of U.S.$31.6 billion and imports of U.S.$10.9 billion), which is a 1.7 per cent. decrease from 2022 principally due to a significant decrease in world prices for crude oil in 2020 as compared to 2019. Kazakhstan's exports to the EU in 2023 amounted U.S.$31.6 billion, or 40.3 per cent. of total exports in that year, as compared to U.S.$33.8 billion, or 40.0 per cent. of total exports in 2022, U.S.$24.1 billion, or 40.0 per cent. of total exports in 2021, U.S.$18.3 billion, or 38.6 per cent. of total exports, in 2020 and U.S.$24.8 billion, or 42.8 per cent. of total exports, in 2019. Kazakhstan's imports from

the EU in 2023 amounted to U.S.$10.9 billion, or 17.8 per cent. of total imports in that year, as compared to U.S.$8.0 billion, or 15.7 per cent. of total imports, in 2022, U.S.$5.9 billion, or 14.4 per cent. of total imports, in 2021, U.S.$6.5 billion, or 16.8 per cent. of total imports, in 2020 and U.S.$6.6 billion, or 16.9 per cent. of total imports, in 2019.

The main export commodity of Kazakhstan to the EU is crude oil, which accounted for approximately 89.0 per cent. of total exports to the EU for the period from 2019 to 2023. The primary route for oil supply is the CPC Pipeline to Black Sea ports, followed by maritime transportation. To diversify routes and develop transit potential, Kazakhstan has begun developing seaports, gradually increasing alternative oil supply routes. During this period, intermediate and capital goods constituted about 75.0 per cent. of imports from the EU.

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. Exports from Kazakhstan to China increased to U.S.$14.7 billion in 2023 from U.S.$13.0 billion in 2022, an increase of 13.0 per cent. Imports to Kazakhstan from China increased to U.S.$16.7 billion in 2023 from U.S.$11.1 billion, an increase of 50.4 per cent. The main export commodities of Kazakhstan to China from 2019 to 2023 were metals and metal ores (52.0 per cent.), crude oil (21.0 per cent.), gas (13.0 per cent.), and uranium (about 7.0 per cent.). Since 2023, the export of nuclear fuel, specifically fuel assemblies produced by the Kazakh-Chinese joint venture Ulba-FA, has also increased. Imports from China are diverse and include consumer goods as well as intermediate and capital goods. Further, wheat exports have grown due to the resumption of grain shipments by railcars. In the medium term, following the completion of railway construction leading to the Chinese border (e.g., Dostyk-Moyinty), Kazakhstan expects an increase in both export and transit potential.

CIS Countries

The value of Kazakhstan's exports to CIS countries amounted to U.S.$10.1 billion, U.S.$9.0 billion, U.S.$12.4 billion, U.S.$15.5 billion and U.S.$15.9 billion in 2019, 2020, 2021, 2022 and 2023, respectively. As a percentage of total exports, exports to CIS countries accounted for 17.4 per cent. in 2019, 19.2 per cent. in 2020, 20.7 per cent. in 2021, 18.4 per cent. in 2022 and 20.3 per cent. in 2023. The total value of exports to CIS countries increased by 58.0 per cent. between 2019 and 2023, principally as a result of increases in exports of (i) products of animal and vegetable origin and finished foodstuffs (the exports of which increased from U.S.$1.8 billion in 2019 to U.S.$3.0 billion in 2023), (ii) mineral products (the exports of which increased from U.S.$3.8 billion in 2019 to U.S.$2.5 billion in 2023) and (iii) metals and metal products (the exports of which increased from U.S.$2.3 billion in 2019 to U.S.$2.9 billion in 2023).

The value of Kazakhstan's imports from CIS countries amounted to U.S.$17.3 billion, U.S.$16.0 billion, U.S.$20.7 billion, U.S.$21.5 and U.S.$19.7 billion in 2019, 2020, 2021, 2022 and 2023, respectively. As a percentage of total imports, Kazakhstan's imports from CIS countries were 43.5 per cent. in 2019, 41.2 per cent. in 2020, 50.1] per cent. in 2021, 42.3 per cent. in 2022 and 32.1 per cent. in 2023. Imports from CIS countries increased by 13.6 per cent. between 2019 and 2023, principally as a result of increases in imports of (i) machinery, equipment and vehicles (the imports of which increased from U.S.$4.4 billion in 2019 to U.S.$4.1 billion in 2023), (ii) products of animal and vegetable origin and finished foodstuffs (the imports of which increased from U.S.$2.6 billion in 2019 to U.S.$3.8 billion in 2023), (iii) metals and metal products (the imports of which increased from U.S.$2.4 billion in 2019 to U.S.$3.5 billion in 2023) and (iv) chemical products and products of related sectors (the imports of which increased from U.S.$2.3 billion in 2019 to U.S.$3.0 billion in 2023).

In 2023, Kazakhstan's exports to Russia accounted for 12.4 per cent. of its total trade with Russia, whilst Kazakhstan's imports from Russia accounted for 26.5 per cent. of its total trade with Russia. Kazakhstan's exports to Russia, based on actual trade flows, amounted to U.S.$9.7 billion, or 12.4 per cent. of total exports, in 2023, as compared to U.S.$9.0 billion, or 10.7 per cent. of total exports, in 2022; U.S.$7.0 billion, or 11.6 per cent. of total exports, in 2021; U.S.$5.0 billion, or 10.5 per cent. of total exports, in 2020 and U.S.$5.7 billion, or 9.8 per cent. of total exports, in 2019. Kazakhstan's main exports to Russia are mineral products, metals and metal products and chemical products and products of related sectors, which accounted for 17.0 per cent., 18.4 per cent., and 28.7 per cent., respectively, of total exports to Russia in 2023. Kazakhstan's imports from Russia, based on actual trade flows, amounted to U.S.$16.1 billion, or 26.5 per cent. of total imports, in 2023, as compared to U.S.$17.8 billion, or 35.1 per cent. of total imports, in 2022; U.S.$17.6 billion, or 42.5 per cent. of total imports, in 2021; U.S.$13.7 billion, or 35.4 per cent. of total imports, in 2020 and U.S.$14.3 billion, or 36.0 per cent. of total imports, in 2019. Kazakhstan's main imports from Russia are (i) machinery, equipment and vehicles; (ii) chemical products and products of related sectors; (iii) products of animal and vegetable origin and finished foodstuffs; (iv) metals and metal products; and (v) mineral products, which accounted for 19.4 per cent., 16.5 per cent., 19.0 per cent., 20.4 per cent. and 11.3 per cent., respectively, of total imports from Russia in 2023. Historically, about 50.0 per cent. of Kazakhstan's exports to Russia consisted of metals and metal ores. However, by the end of 2023, their share had decreased to 27.0 per cent. During the same period, uranium exports grew, with their share increasing from 8.0 per cent. in 2019 to 16.0 per cent. in 2023. The share of finished goods in Kazakhstan's exports to Russia rose from 21.0 per cent. in 2019 to 46.0 per cent. in 2023. The main higher value-added export goods produced in Kazakhstan are ball bearings, parts of

railway locomotives, and seamless pipes. Russia's share in Kazakhstan's import of goods decreased from 36.0 per cent. in 2019 to 27.0 per cent. in 2023 (30.0 per cent. in the three months ended 31 March 2024). On average, from 2019 to 2023, 74.0 per cent. of imports from Russia consisted of intermediate and capital goods, including metals and metal products, machinery and equipment, as well as chemical products.

Kazakhstan's current membership in the Eurasian Economic Union 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 Eurasian Economic Union. To date, the Eurasian Economic Union has removed customs barriers and developed unified requirements and standards in a number of areas. Additional unified standards are being developed. Another area of focus is an improved access for other members of the Eurasian Economic Union to key transport and logistics infrastructure in the other member states. The volume of trade between Kazakhstan and Eurasian Economic Union countries amounted to U.S.$28.5 billion in 2023 (with exports of U.S.$11.0 billion and imports of U.S.$17.4 billion), which is 2.8 per cent. lower than in 2022.

Foreign Direct Investment

The following table shows the gross FDI inflow into, and outflow from, Kazakhstan for the years presented.

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(U.S.$ millions)				
Gross inflow of FDI[1]	**24,437**	**17,155**	**23,810**	**28,164**	**23,410**
including					
Mining and quarrying	13,683	8,227	9,724	12,080	8,422
- including extraction of crude oil and natural gas	*12,169*	*6,451*	6,645	9,588	5,605
Manufacturing	3,461	3,176	5,467	5,554	5,377
Construction	723	514	722	702	690
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,985	2,639	3,716	5,252	4,990
Transportation and storage	1,105	897	1,015	1,165	1,134
Financial and insurance activities	1,034	1,001	1,614	651	938
Professional, scientific and technical activities	610	219	540	1254	379
Gross outflow of FDI[2]	**2,730**	**1,432**	**2,559**	**4,253**	**4,829**
including					
Mining and quarrying	2	4	9	6	52
Manufacturing	78	95	107	76	172
Construction	200	116	78	80	22
Wholesale and retail trade; repair of motor vehicles and motorcycles	97	24	32	64	87
Transportation and storage	141	190	100	118	161
Financial and insurance activities	1,552	666	1,823	479	3,466
Professional, scientific and technical activities	58	85	146	2,818	505
Activities of households as employers; undifferentiated goods-and services-producing activities of households for own use	190	181	142	166	220

Source: NBK

Notes:

(1) Gross inflow of FDI includes: (i) purchase of at least 10.0 per cent. of voting shares or shares in domestic enterprises by non-residents or purchase of real estate in Kazakhstan by non-residents, (ii) reinvested earnings: share of foreign direct investors in undistributed income (loss) in domestic enterprises and (iii) increase in debt instruments: flow of funds 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: (i) purchase of at least 10.0 per cent. of voting shares or shares in foreign enterprises by residents of Kazakhstan or purchase of foreign real estate by residents of Kazakhstan, (ii) reinvested earnings: share of domestic direct investors in undistributed income (loss) in foreign enterprises and (iii) increase in debt instruments: flow of funds from domestic direct investors (both in cash and other forms, including goods, services, intangible assets and purchase of securities) without amortisation.

From 2019 to the end of 2023, the gross FDI inflow to Kazakhstan amounted to U.S.$117.0 billion. The gross inflow of foreign direct investments into Kazakhstan was U.S.$23 billion in 2023; U.S.$28 billion in 2022; U.S.$23.8 billion in 2021; U.S.$17 billion in 2020 and U.S.$24.4 billion in 2019. As a percentage of GDP, the gross inflow of FDI was 8.9 per cent. in 2023, as compared to 12.5 per cent., 12.1 per cent. and 10.0 per cent. in 2022, 2021 and 2020, respectively. In 2023, gross FDI inflows decreased significantly (by 16.9 per cent.) as compared to 2022. The decrease was mainly due to a decrease in the level of reinvestment of retained earnings of foreign direct investors.

The net inflow of FDI to Kazakhstan was U.S.$3.2 billion in 2023, as compared to U.S.$6.5 billion, U.S.$3.4 billion, U.S.$3.8 billion and U.S.$3.3 billion in 2022, 2021, 2020 and 2019, respectively.

From 2019 to the end of 2023, (i) the top investors in Kazakhstan were the Netherlands with U.S.$34.0 billion, the United States with U.S.$16.7 billion, Switzerland with U.S.$11.7 billion, Russia with U.S.$8.9 billion, China with U.S.$7.6 billion, Belgium with U.S.$5.3 billion, South Korea with U.S.$4.4 billion, France with U.S.$4.0 billion, Great Britain with U.S.$4.0 billion, Turkey with U.S.$2.2 billion, and (ii) the largest volume of investments was directed to the mining industry with U.S.$52.1 billion, manufacturing with U.S.$23.0 billion, wholesale and retail trade with U.S.$19.6 billion, transport and warehousing with U.S.$5.3 billion, financial and insurance activities with U.S.$5.2 billion, construction with U.S.$3.4 billion, professional, scientific and technical activities with U.S.$3.0 billion, electricity and gas supply with U.S.$1.6 billion, information and communications with U.S.$1.5 billion.

In 2022, the five largest countries in terms of gross FDI inflows to Kazakhstan were the Netherlands (U.S.$8.5 billion, or 30.1 per cent. of gross FDI inflows), the United States (U.S.$5.1 billion, or 18.2 per cent. of gross FDI inflows), Switzerland (U.S.$2.8 billion or 9.8 per cent. of gross FDI inflows), Belgium (U.S.$1.6 billion or 5.5 per cent. of gross FDI inflows) and Russia (U.S.$1.5 billion or 5.4 per cent. of gross FDI inflows). The five largest countries in terms of gross FDI inflows in 2021 were the Netherlands (U.S.$7.0 billion), the United States (U.S.$2.8 billion), Switzerland (U.S.$2.7 billion), Russia (U.S.$2.0 billion) and China (U.S.$1.8 billion).

On 17 May 2024, Kazakhstan's Prime Minister, Olzhas Bektenov, and Malaysian Prime Minister, Anwar Ibrahim, hosted an investment roundtable in Astana to boost cooperation in key economic sectors. Bilateral trade between the two countries grew from U.S.$150.0 million to nearly U.S.$245.0 million in 2023, with a shared goal of surpassing the pre-pandemic trade volume of U.S.$650.0 million. As at 17 May 2024, 48 companies with Malaysian capital operate in Kazakhstan, and 17 joint investment projects worth over U.S.$410.0 million are underway.

In 2022, the main recipients of gross FDI inflows in Kazakhstan were the mining sector (including production of crude oil and natural gas) (U.S.$12.1 billion or 43 per cent. of gross FDI inflows); manufacturing (U.S.$5.6 billion or 19.7 per cent. of gross FDI inflows); wholesale and retail trade, repair of motor vehicles and motorcycles (U.S.$5.3 billion or 18.6 per cent. of gross FDI inflows); professional, scientific and technical activities (U.S.$1.3 billion or 4.5 per cent. of gross FDI inflows) and transport and warehousing (U.S.$1.2 billion or 4.1 per cent. of gross FDI inflows).

In 2023, the five largest countries in terms of gross FDI inflows to Kazakhstan were the Netherlands (U.S.$6.0 billion, or 25.6 per cent. of gross FDI inflows), Russia (U.S.$2.9 billion or 12.3 per cent. of gross FDI inflows), Switzerland (U.S.$2.1 billion or 9.3 per cent. of gross FDI inflows), China (U.S.$1.7 billion or 7.0 per cent. of gross FDI inflows) and South Korea (U.S.$1.2 billion or 5.0 per cent. of gross FDI inflows). The five largest countries in terms of gross FDI inflows in 2022 were the Netherlands (U.S.$8.5 billion), the United States (U.S.$5.1 billion), Switzerland (U.S.$2.8 billion), Belgium (U.S.$1.6 billion) and Russia (U.S.$1.5 billion).

In 2023, the main recipients of gross FDI inflows in Kazakhstan were the mining sector (including production of crude oil and natural gas) (U.S.$8.4 billion or 36.0 per cent. of gross FDI inflows); manufacturing (U.S.$5.4 billion or 23.0 per cent. of gross FDI inflows); wholesale and retail trade, repair of motor vehicles and motorcycles (U.S.$5.0 billion or 21.3 per cent. of gross FDI inflows); transport and warehousing (U.S.$1.1 billion or 4.8 per cent. of gross FDI inflows) and financial and insurance activities (U.S.$0.9 billion or 4.0 per cent. of gross FDI inflows).

The gross FDI inflow into the extraction of crude oil and natural gas in 2023 amounted to U.S.$5.6 billion, or 24.0 per cent. of the gross inflow of FDI in that period, as compared to U.S.$9.6 billion, or 34.0 per cent. of the gross inflow of FDI, in 2022; U.S.$6.6 billion, or 28.0 per cent. of the gross inflow of FDI, in 2021; U.S.$6.5 billion, or 37.6 per cent. of the gross inflow of FDI, in 2020 and U.S.$12.2 billion, or 50.0 per cent. of the gross inflow of FDI, in 2019.

Legal protections available to foreign investors are set out in (i) the Entrepreneurship Code, which contains the main conditions for investor protection, ensuring the stable operation of the investor, as well as a package of preferences that the investor can receive during the implementation of its project; (ii) bilateral investment protection treaties which, as at the date of this Base Offering Memorandum, have been entered into by Kazakhstan, and remain in effect, with 47 nations, under which protections are available to investors from the relevant nation that is a party to the treaty, (iii) the Energy Charter Treaty, under which protections are available to investors from the other parties to the Energy Charter Treaty in respect of investments in the energy sector and (iv) the 1997 Moscow Convention for the Protection of Investor Rights, under which protections are available to foreign investors irrespective of their nationality. These protections include (depending on the instrument) guarantees of fair and equitable treatment, full protection of security, non-discrimination, certainty of contracts with the Kazakhstan State and Kazakhstan's obligation to pay compensation to the investor in the event of (direct or indirect) expropriation of the investment. Kazakhstan's foreign investment regime provides for the investor's right to refer a dispute arising out of, or in connection with, the investment to international arbitration (as an alternative to the referral of such disputes to the local courts).

In recent years the Government has taken a number of steps designed to attract FDI. For instance, a number of large Kazakh-Chinese industrial and investment projects have been implemented and are in the process of implementation. These projects contribute to the creation of new jobs and enterprises for the production of high-value added products in Kazakhstan in the conditions of slowdown in global economic activity.

Furthermore, in accordance with the CIS Economic Development Strategy until 2030, which defines the main areas of economic cooperation within CIS, the CIS countries aim to continue work on the development of cooperation in the areas of stimulating mutual investment, industrial cooperation and introduction of digital technologies .

The UK is one of Kazakhstan's key political, trade and economic partners in Europe. Kazakhstan and the UK maintain regular political dialogue, business ties between the two countries are dynamically developing and strengthening, and joint investment projects are being implemented. Trade turnover between Kazakhstan and the UK in 2023 totalled U.S.$1.2 billion (with exports amounted to U.S.$703 million), and imports to U.S.$478.7 million). Since 2005, the total volume of investments from the UK is equal to U.S.$17.1 billion.

As at 31 December 2023, the gross inflow of foreign direct investment from China to Kazakhstan amounted to U.S.$1.81 billion (an increase of 16.4 per cent.), and from Kazakhstan to China – U.S.$53.3 million (an increase of 13.3 per cent.). According to the results of the 20th meeting between the Ministry of Foreign Affairs of Kazakhstan and the State Committee for Development and Reform of China held on 15 December 2023 in Beijing, the List of joint Kazakh-Chinese projects in the field of industrialisation and investment includes 45 projects with the aggregate value of U.S.$14.5 billion.

PUBLIC FINANCE

The State Budget is a consolidated budget that includes the Republican Budget and the budgets of local authorities, after eliminating inter-budgetary transfers and credits.

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, Republican Budget and local budgets for the periods presented.

	Year ended 31 December					Three months ended 31 March
	2019	2020	2021	2022	2023[1]	2024[1]
	(KZT millions)					
Consolidated Budget[2]						
Receipts	13,888,109.6	14,864 398.6	15,856,359.5	23,385,741.256	29,260,840.79	6,181,509.18
Revenues[3]	12,554,425.9	11,152 396.2	13,961,484.9	22,071,824.778	25,553,531.3305	5,715,373.535
Expenditure[4]	14,194,533.1	17,470,942.6	18,588 109.4	24,169,447.619	29,817,764.92	6,704,424.18
Balance (Deficit)/Surplus	(306,423.5)	(2,606,552.2)	(2,731,749.9)	(783,706.363)	(556,924. 138)	(522,914.995)
State Budget						
Receipts	12,895,239.1	14,649,634.5	16,034,163	20,399,042	25,164,650	6,016,707
Revenues[3]	12,758,479.2	14,521,190.8	15,847,431	20,248,101	24,917, 246	5,994,422
Expenditure[4]	14,180,545.8	17,455,784.7	18,568,970	22,568,167	27,975,751	6,288,020
Balance (Deficit)/Surplus	(1,285,306.7)	(2,806,150.2)	(2,534,806)	(2,169,125)	(2,811,101)	(271,313)
Republican Budget[5]						
Receipts	10,723,623.0	12,048,960.7	12,680,907	16,141,603	19,296,574	4,300,129
Revenues[3]	10,592,324.1	11,928,461.8	12,504,629	15,963,398	19,037,979	4,278,419
Expenditure[4]	12,019,889.0	14,234,214.0	15,207,178	18,532,451	22,417,424	5,331,804
Balance (Deficit)/Surplus	(1,296,265.9)	(2,185,253.3)	(2,526,271)	(2,390,848)	(3,120,850)	(1,031,675)
Local Budgets[6]						
Receipts	6,083,443.6	7,772,331.0	8,811,072	11,030,359	13,601,578	3,204,613
Revenues[3]	6,039,951.2	7,721,256.1	8,742,647	10,976,144	13,552,443	3,184,617
Expenditure[4]	6,178,692.9	8,445,264.8	8,865,890	10,816,479	13,482,561	2,424,830
Balance (Deficit)/Surplus	(95,249.4)	(672,933.8)	(54,819)	213,880	119,017	779,783

Source: Ministry of Finance

Notes:

(1) Preliminary data. Three month figures as a percentage of GDP have been calculated for the three months ended 31 March 2024.
(2) 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*".
(3) Revenues comprise receipts less (a) payment of budget credits, (b) receipts from loans and (c) receipts from sale of financial assets.
(4) Expenditures exclude loan repayments.
(5) Prior to elimination of interbudgetary transfers and loans with local budgets.
(6) Less interbudgetary transfers and loans with the Republican Budget.

	Year ended 31 December					Three months ended 31 March
	2019	2020	2021	2022	2023[1]	2024[1]
	(as a % of GDP, unless otherwise indicated)					
Consolidated Budget[2]						
Receipts	20.0	21.0	18.9	35.7	38.7	24.1
Revenues[3]	18.1	15.8	16.6	33.7	33.8	22.3
Expenditure[4]	20.4	24.7	22.1	36.9	39.5	26.1
Balance – (Deficit)/Surplus	(0.4)	(3.7)	(3.3)	(1.2)	(0.7)	(2.0)
State Budget						
Receipts	18.5	20.7	19.1	31.1	33.3	23.4
Revenues[3]	18.3	20.5	18.9	30.9	33.0	23.3
Expenditure[4]	20.4	24.7	22.1	34.5	37.0	24.5
Balance – (Deficit)/Surplus	(1.8)	(4.0)	(3.0)	(3.3)	(3.7)	(1.1)
Republican Budget[5]						
Receipts	15.4	17.0	15.1	24.6	25.5	16.7
Revenues[3]	15.2	16.9	14.9	24.4	25.2	16.7
Expenditure[4]	17.3	20.1	18.1	28.3	29.7	20.8
Balance – (Deficit)/Surplus	(1.9)	(3.1)	(3.0)	(3.7)	(4.1)	(4.0)
Local Budgets[6]						
Receipts	8.7	11.0	10.5	16.8	18.0	12.5
Revenues[3]	8.7	10.9	10.4	16.8	17.9	12.4
Expenditure[4]	8.9	11.9	10.6	16.5	17.8	9.4
Balance – (Deficit)/Surplus	(0.1)	(1.0)	(0.1)	0.3	0.2	3.0
GDP (KZT billions)	**69,532.6**	**70,714.1**	**83,951.6**	**65, 487.8**	**75, 546.8**	**25,666.4**

Source: Ministry of Finance

Notes:

(1) Preliminary data. Three month figures as a percentage of GDP have been calculated for the three months ended 31 March 2021.
(2) 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*".
(3) Revenues comprise receipts less (a) payment of budget credits, (b) receipts from loans and (c) receipts from sale of financial assets.
(4) Expenditures exclude loan repayments.
(5) Prior to elimination of interbudgetary transfers and loans with local budgets.
(6) Less interbudgetary transfers and loans with the Republican Budget.

Up until 1 September2024, the local budget income amounted 126.0 per cent. of the projected budget. The local budget was set at KZT3.2 trillion, but the actual realised income amounted to approximately KZT4 trillion, which is a significant increase as compared to the same period last year. This represents a year-on-year growth of KZT914 billion and a gross rate of 13.0 per cent. The total local budget income is comprised of 94.0 per cent. of tax proceeds, which were 121.0 per cent. above the projected budget. The plan was to receive KZT3 trillion in tax revenue, but the actual collected amount stood at KZT3.7 trillion, resulting in an increase of KZT649 billion, a year-on-year growth of 27.6 per cent, or an absolute increase of KZT800 billion in tax receipts.

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 that 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 Republican 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 Republican Budget is approved by the republican budget law (the "**Budget Law**"), which sets out the Republican 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 Republican 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 programmes. 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 Republican 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 NSB and the NBK. The Republican 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 Republican 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 Republican 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 Republican Budget and the local budgets occurs after Parliament has approved the Republican 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, since 1 January 2013, state agencies in Kazakhstan have been 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 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 Republican 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 Republican 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.

Fiscal Policy

The Government's fiscal strategy for the medium term focuses on (i) achieving a targeted non-oil State Budget deficit of 5.0 per cent. of non-oil GDP in 2024–2025 and (ii) decreasing 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 and improving the tax administration, a new Tax Code was enacted in December 2017 and came into force with effect from 1 January 2018. Among other things, the Tax Code places the onus of proving a tax violation or tax underpayment on tax authorities, eliminates tax penalties if the taxpayer acted in accordance with the tax authorities' guidelines (whether or not they were subsequently repealed) and states that any uncertainty in tax laws or regulations must be interpreted in favour of the taxpayer. In addition, the Tax Code changed the fiscal policy by abolishing inefficient taxes and tax privileges under the requirements of the WTO, decreasing the tax burden on the financial services sector and aiming to improve taxation of investment projects in special economic zones. Furthermore, the Tax Code seeks to enhance tax administration by, among other things, decreasing the statute of limitation for tax claims. The Tax Code also seeks to encourage exploration activities in the subsoil sector by abolishing, with effect from 2019, tax on exploration activities. Furthermore, corporate income tax on projects relating to certain mineral deposits only becomes payable after the company starts receiving profits. The Tax Code also allows companies to carry forward losses to subsequent years. Under the Tax Code, a company-taxpayer that has made a contract with the tax authorities may submit its proposed tax scheme for approval by the tax authorities. Once approved, the tax authorities cannot impose taxes and/or penalties in relation to the scheme notwithstanding any subsequent changes of the tax authorities' view on the tax scheme.

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.

The Eurasian Economic Union Agreement provides that the annual State Budget deficit of a Eurasian Economic Union member must be below 3 per cent. of GDP, total public debt must not exceed 50 per cent. of GDP and inflation must not be more than 5 per cent. higher than that of the lowest inflation rate of any other Eurasian Economic Union member.

On 10 September 2022, Kazakhstan approved the Concept of Public Finance Management of the Republic of Kazakhstan until 2030 (the "**2030 Budgetary Policy**"). The 2030 Budgetary Policy introduces revisions to budgetary, fiscal and macroeconomic policies, as well as debt parameters for public debt and government debt. It establishes that public debt should not exceed 32.0 per cent. of GDP, government debt should remain below 27.5 per cent. of GDP, total public debt and quasi-governmental debt should be capped at 53.2 per cent. of GDP, the cost of servicing government debt should not exceed 10.0 per cent. of the Republican Budget expenditures, and budget deficit should not exceed 2.0 per cent. of GDP.

The following table provides for the indicators of public debt and budget deficit.

Name of indicators	as at 1 January 2022	as at 1 January 2023	as at 1 January 2024
Public debt not to exceed 32% (*in billions Tenge*)	21,975.6	25,317.7	27,165.7
GDP (*in %)*	26.2	24.4	22.7
Deficit (*in billions Tenge*)	(2,526.3)	(2,390.8)	(3,120.9)
GDP (*in %)*	3.0	2.1	2.3

Source: Ministry of Finance

Public debt increases annually by the amount needed to finance the budget deficit through borrowing, adjusted for exchange rate differences. The overall reduction of public debt is conditional on the corresponding reduction of the budget deficit. As at August 2024, the principal debt indicators remain within acceptable ranges and do not exceed the thresholds set by the 2030 Budgetary Policy. Rating agencies Fitch, Moody's and S&P have reported Kazakhstan's public debt levels as stable.

In 2023, the state budget deficit amounted to -2.7 per cent. of GDP with a gradual reduction to 2.3 per cent. by 2026.

In September 2022, the President adopted the Concept of Public Finance Management until 2030 to maintain the public debt sustainability. This Concept provides for containment of the growth of public debt within 32.0 per cent. of GDP and of government debt within 27.5 per cent. of GDP, as well as keeping the cost of servicing government debt within 10.0 per cent. of the Republican Budget expenditures. It also provides for a gradual reduction of the Republican Budget deficit to 2.0 per cent. in 2030.

The Government's fiscal policy, and if necessary, the budgetary framework, is adjusted as necessary in order to address or adapt to domestic or international developments.

2024 Budget Law

The following table sets forth certain summary information regarding Kazakhstan's Republican Budget for 2024 as provided for in the 2024 Budget Law. 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.

Republican Budget

	2024	2025	2026
		(KZT millions)	
Total receipts, *of which*	**20,449,124**	**20,134,389**	**21,201,715**
Total revenue, *of which:*	20,194,797	19,877,694	20,908,680
Tax revenue, *of which:*	15,759,823	16,996,154	18,025,344
Corporate income taxes	4,802,014	5,390,502	5,874,974
VAT	7,341,442	7,474,955	8,012,247
Excise taxes	190,313	192,212	196,056
Natural resource extraction tax	1,148,607	1,283,034	1,343,519
Other taxes	2,227,445	2,655,449	2,598,547
Non-tax revenue	361,446	374,243	377,743
Proceeds from sales of fixed assets.....	2,750	1,800	1,400
Transfer receipts(1)	4,070,777	2,505,495	2,504,192
Repayment of budget loans	254,326	256,695	293,035
Proceeds from sales of financial assets ..	-	-	-
Total expenditure, *of which:*	**23,316,158**	**23,513,109**	**24,877,185**
State administration	1,004,521	912,506	928,067
Defence	1,187,630	1,104,138	1,090,281
Law and order	1,278,199	1,196,847	1,184,903
Education	1,643,205	1,807,047	1,095,106
Health care	2,383,119	2,377,158	2,498,761
Social assistance and social security	5,426,904	6,146,680	6,795,011
Housing and communal services	446,627	148,005	114,640
Culture, sports, tourism and information media	257,779	228,418	230,065
Fuel and energy complex and subsoil assets use	167,876	33,937	24,475
Agriculture, forestry, water and fish industries, environmental protection	313,573	263,331	211,092
Industry and construction	20,359	15,257	14,323
Transport and communications	858,088	454,021	440,665
Other expenditure	1,040,635	601,583	951,374
Debt service	2,022,608	2,449,876	3,524,114
Transfers	5,265,026	5,774,300	5,774,300
Deficit	**(3,534,767)**	**(3,672,837)**	**(3,969,587)**

Source: 2024 Budget Law

Note:

(1) Includes transfers from the National Fund and transfers from local budgets. See "*—National Fund*".

The 2024 Budget Law provides for a fiscal deficit in the 2024 Republican Budget of KZT3,534 billion representing 2.6 per cent. of the projected nominal GDP for 2024. There was a slight increase in the fiscal deficit in the 2024 Republican Budget as compared to the 2023 Republican Budget. According to the 2024 Budget Law, a transfer of KZT5,959 billion from the National Fund to the Republican Budget has been approved for 2024, of which KZT2,000 billion is a guaranteed transfer and KZT1,600 billion is a targeted transfer. The 2024-2028 Forecast of the country's socio-economic development reflects an assumed world oil price in 2024, 2025 and 2026 of U.S.$80 per barrel, significantly below budgeted amounts of U.S.$55 per barrel in the 2021-2023 State Budget.

The actual tax receipts of the Republican Budget in July 2024 reached KZT881.0 billion, or 96.2 of the target of KZT916.1 billion with the KZT35.1 billion billion shortfall largely due to the VAT refunds of KZT95.5 billion.

In January 2024, the price of Brent crude oil amounted to U.S.$79.15 per barrel, rising to U.S.$81.72 per barrel in February and U.S.$84.67 per barrel in March. The average price for the first three months of 2024 was U.S.$81.76 per barrel as compared to U.S.$82.06 per barrel in the first three months of 2023. IFI consensus forecasts project Brent crude oil price at U.S.$83.7 per barrel in 2024 and U.S.$80.2 per barrel in 2025. The IMF forecasts U.S.$78.6 per barrel in 2024 and U.S.$73.7 per barrel in 2025, while the World Bank projects U.S.$81 per barrel in 2024 and U.S.$78 per barrel in 2025.

The Republican Budget expenditures are projected in absolute terms at KZT23,000.0 billion in 2025, KZT23,167.4 billion in 2026 and KZT24,565.2 billion in 2027. Over the medium term, expenditures will average 13.7 per cent. of GDP. The budget deficit is expected to be 2.3 per cent. of GDP in 2025, decreasing to 2.2 per cent. of GDP in 2026 and 1.9 per cent. of GDP in 2027.

The level of non-oil deficit is projected to decrease from 5.7 per cent. of GDP in 2025 to 3.9 per cent. of GDP in 2027. State Budget revenues and expenditures (excluding transfers) for 2025 are projected at KZT23,517.1 billion, a 7.8 per cent. increase as compared to the 2024 plan.

State Budget Performance

From 1995 until 2020, the State Budget had an average deficit of approximately 2.0 per cent. of GDP. The largest State Budget surplus to have been achieved to date was a surplus of 2.8 per cent. of GDP in 2006 and the largest State Budget deficit to have been incurred to date was a deficit of 4.0 per cent. of GDP in each of 1995 and 2020.

In 2019, the State Budget had fiscal deficit of KZT1,285.3 billion, or 1.9 per cent. of GDP. Actual State Budget revenues in 2019 amounted to 18.6 per cent. of GDP, as compared to the budgeted amount of 18.4 per cent. of GDP, while actual total expenditure amounted to 20.7 per cent. of GDP, as compared to the budgeted amount of 20.7 per cent. of GDP. Budgeted receipts were KZT12,771.9 billion, whereas actual receipts were KZT12,895.2 billion. The major expenditures in 2019 were social assistance and social security expenses (24.5 per cent.), education (16.4 per cent.) and healthcare (9.1 per cent.).

In 2020, the State Budget had a fiscal deficit of KZT2,806.2 billion, or 4 per cent. of GDP. Actual State Budget revenues in 2020 amounted to 20.5 per cent. of GDP, as compared to the budgeted amount of 20.2 per cent. of GDP, while actual total expenditure amounted to 24.7 per cent. of GDP, as compared to the budgeted amount of 25.1 per cent. of GDP. Budgeted receipts were KZT14,387.7 billion, whereas actual receipts were KZT14,649.6 billion. The major expenditures in 2020 were social assistance and social security expenses (21.6 per cent.), education (18 per cent.) and healthcare (11.2 per cent.).

In 2021, the State Budget had a fiscal deficit of KZT2,534.8 billion, or 3.0 per cent. of GDP. Actual State Budget revenues in 2021 amounted to 18.8 per cent. of GDP, as compared to the budgeted amount of 16.4 per cent. of GDP, while actual total expenditure amounted to 21.3 per cent. of GDP, as compared to the budgeted amount of 21.5 per cent. of GDP.

In 2022, the State Budget had a fiscal deficit of KZT2,169.1 billion, or 3.6 per cent. of GDP. Actual State Budget revenues in 2022 amounted to KZT2,0248.1 billion or 30.9 per cent. of GDP, as compared to the budgeted amount of 24.5 per cent. of GDP, while actual total expenditure amounted to 32.8 per cent. of GDP, as compared to the budgeted amount of 32.1 per cent. of GDP.

In 2023, the State Budget had a fiscal deficit of KZT2,811.1 billion, or 3.7 per cent. of GDP. Actual State Budget revenues in 2023 amounted to KZT24,917.2 or 32.9 per cent. of GDP, as compared to the budgeted amount of 29.5 per cent. of GDP, while actual total expenditure amounted to 35.4 per cent. of GDP, as compared to the budgeted amount 34.5 per cent. of GDP.

In 2024, the State Budget deficit is expected to amount to KZT3,598.8 billion, or 2.7 per cent. of GDP. Actual State Budget revenues in 2024 amounted to 16.2 per cent. of GDP, while actual total expenditure amounted to 21.6 per cent. of GDP. As at 1 July 2024, the actual State Budget revenues amounted to KZT12,344.4 billion, while the actual total expenditure amounted to KZT966 billion, with non-oil deficit amounting to KZT4,328.7 billion.

State Budget Revenues

The following table sets forth information regarding State Budget revenues and receipts (income method) for the years presented.

	Years ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023[1]**
	(KZT millions, unless otherwise indicated)				
Tax revenue, *of which:*	**9,216,474**	**8,561,203**	**10,724,319.4**	**14,843,311.0**	**18,912,204.5**
Corporate income taxes	1,974,763	1,562,091	2,095,759.6	2,920,802.7	3, 889,594.5
VAT, *of which:*	2,693,127	2,532,524	2,807,690.8	4,226,358.8	5,674,110.6
Domestic VAT	1,354,939	1,206,708	1,096,717.5	1,774,607.6	2,850,405.7
Import VAT	1,338,188	1,325,816	1,710,973.3	2,451,751.2	2,823,704.8
Excise taxes	343,409	432,653	468,482.8	757,266.8	840,215.7
Natural resource extraction tax	365,225	333,013	449,863.3	548,226.3	715,540.1
Other taxes	3,839,950	3,700,921	209.8	1,508.2	2,277.9
Non-tax revenue	**354,463**	**1,063,286**	**414,431.0**	**584,848.1**	**1,822,932.9**
Proceeds from sales of fixed assets	**117,542**	**126,702**	**208,727.6**	**239,941.5**	**182,108.7**
Transfer receipts[1]	**3,070,000.0**	**4,770,000.0**	**4,499,953.1**	**4,580,000.0**	**4,000,000.0**
Total revenue	**12,758,479**	**14,521,191**	**15,847,431.1**	**20,248,100.5**	**24,917,246.1**
Repayments of budget loans	130,067.3	124,815.5	184,034.5	149,753.7	245,943.6
Receipts from sales of financial assets	6,692.6	3,628.2	2,697.6	1,187.6	1,460.4
Total receipts	**12,895,239**	**14,649,635**	**16,034,163**	**20,399,041**	**25,164,650**
GDP (KZT billions)	**69,532.6**	**70,649.0**	**83,951.6**	**103,765.5**	**120,561.1**

Source: Ministry of Finance

Notes:

(1) Includes transfers from the National Fund. See "*—National Fund*".
(2) Preliminary data.

The following table sets forth information regarding State Budget revenues and receipts, as a percentage of total GDP for the years presented.

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023[1]**
	(as a % of GDP, unless otherwise indicated))				
Tax revenue	**13.3**	**12.1**	**12.8**	**14.3**	**15.7**
of which:					
Corporate income taxes	2.8	2.2	2.5	2.8	3.2
VAT, *of which:*	3.9	3.6	3.3	4.1	4.7
Domestic VAT	1.9	1.7	1.3	1.7	2.4
Import VAT	1.9	1.9	2.0	2.4	2.3
Excise taxes	0.5	0.6	0.6	0.7	0.7
Natural resource extraction tax	0.5	0.5	0.5	0.5	0.6
Other taxes	5.5	5.2	0.0	0.0	0.0
Non-tax revenue	**0.5**	**1.5**	**0.5**	**0.6**	**1.5**
Proceeds from sales of fixed assets	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**

Transfer receipts[(1)]	**4.4**	**6.7**	**5.3**	**4.4**	**3.3**
Total revenue	**18.3**	**20.6**	**18.9**	**19.5**	**20.7**
Repayments of budget loans	0.18	0.17	0.21	0.14	0.20
Receipts from sales of financial assets	0.009	0.005	0.003	0.001	0.0011
Total receipts	18.5	20.7	19.0	19.6	20.8
GDP (KZT billions)	**69,532.6**	**70,649.0**	**83,951.6**	**103,765.5**	**120,561.1**

Source: Ministry of Finance

Notes:
(1) Includes transfers from the National Fund. See "*—National Fund*".
(2) Preliminary data.

Sources of State Budget 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 25 December 2017 and came into force as at 1 January 2018. 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 Republican Budget, with few exceptions. The following are the principal sources of tax revenue to the State Budget:

- *Corporate income tax*. Corporate income tax accounted for 21.4 per cent., 18.2 per cent., 19.5 per cent., 19.7 per cent. and 20.6 per cent. of tax revenue in the State Budget in 2019, 2020, 2021, 2022 and 2023, respectively. The corporate income tax rate is 20 per cent., with certain exceptions, including a reduced rate of 10 per cent. on the production, processing and sale of agricultural products. Business-related expenses and charitable contributions 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 per cent. to 40 per cent. 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 KZT948 million).

- *VAT*. VAT is also a major source of tax-generated State Budget revenue, accounting for 29.2 per cent., 29.6 per cent., 26.2 per cent., 28.5 per cent. and 30.0 per cent. of tax revenue in 2019, 2020, 2021, 2022 and 2023, respectively. All VAT payments for domestically-produced and imported goods and services are transferred to the State Budget. The generally applicable VAT rate is 12 per cent., 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 KZT87.51 million; otherwise, such registration is mandatory. Exports of goods and certain other transactions are subject to a 0 per cent. 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.

- *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 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 4.0 per cent., 3.9 per cent., 4.2 per cent., 3.7 per cent. and 3.8 per cent. of tax revenue to the State Budget in 2019, 2020, 2021, 2022 and 2023, respectively. Natural resource extraction tax rates for crude oil and gas condensate range from 5.0 per cent. to 18.0 per cent. 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 per cent.). 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 16.9 per cent., 10.8 per cent., 13.8 per cent., 13.7 per cent. and 11.7 per cent. of total tax revenue in 2019, 2020, 2021, 2022 and 2023, respectively. From 1 March 2016, Kazakhstan linked the rate of export customs duty for oil to the world oil price. Export customs duty is charged at a rate set by a scale which is linked to the level of the world oil price, with zero rate export customs duty applying if the world oil price is below U.S.$25 per barrel. Accordingly, the higher the world oil prices, the higher the export customs duty rate. 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 per cent. Rent export tax rates for crude oil and gas condensate range from 0 per cent. to 32 per cent. depending on the volume. See "*—National Fund*".

  - *Personal income tax*. Subject to limited exceptions, Kazakhstan imposes a flat individual income tax rate of 10 per cent. Certain types of farming income up to 24 times the minimum wage is exempt from individual income tax. Dividends received by individuals are taxed at 5 per cent.

  - *Social tax*. Social tax is payable by the employer at the rate of 9.5 per cent. (a different rate applies to individual entrepreneurs and individual professionals and certain types of agricultural producers).

  - *Property tax.* Property tax for legal entities and individual entrepreneurs is calculated at a rate of 1.5 per cent. (subject to certain exceptions) of the average book value of taxable items as determined by the accounting data. Exceptions are granted to, among others, certain types of agricultural producers.

  - *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.

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.

Receipts from oil sector organisations amounted to KZT6,409.9 billion in 2023 and KZT2,781.1 in the six months ended 30 June 2024.

Transfer Receipts

State Budget revenues include transfers from the National Fund. See "*—National Fund*".

State Budget Revenue Performance

In 2019, State Budget revenues amounted to KZT12,578 billion, or 18.3 per cent. of GDP. 2019 State Budget revenues were 18.0 per cent. higher than State Budget revenues in 2018 (KZT10,808.6 billion). In 2019, State Budget tax revenues increased by 16.7 per cent. in absolute terms, as compared to 2018. Transfer receipts amounted to KZT3,070 billion, or 4.4 per cent. of GDP, and were attributable to the guaranteed transfer from the National Fund to the State Budget.

In 2020, State Budget revenues amounted to KZT14,226.4 billion, or 20.4 per cent. of GDP. 2020 State Budget revenues were 11.5 per cent. higher than State Budget revenues in 2019 (KZT12,758 billion). In 2020, State Budget tax revenues decreased by 0.6 per cent. in absolute terms, as compared to 2019.Transfer receipts amounted to KZT4,770 billion, or 6.83 per cent. of GDP, and were attributable to the guaranteed transfer from the National Fund to the State Budget. In 2020, Kazakhstan made two clarifications and seven adjustments to the Republican Budget, adopted two resolutions on the implementation and held 34 meetings of the Republican Budget Commission. The Republican Budget was revisited in April 2020 with the expenditures redirected to combat the pandemic, support citizens and stimulate the economy amid falling oil prices. As part of these measures, KZT296.0 billion in expenditures were optimised. For 2020, the receipts amounted to KZT12 trillion, the expenditures amounted to KZT14.5 trillion and the budget deficit amounted to 3.5 per cent. of GDP.

In 2021, State Budget revenues amounted to KZT15,847 billion, which was 14.5 per cent. higher than the originally budgeted target of KZT13,834 billion. In 2021, State Budget tax revenues amounted to KZT10,724 billion, and non-tax revenues amounted to KZT414.4 billion. Transfer receipts from the National Fund amounted to KZT4,499.9 billion.

In 2022, State Budget revenues amounted to KZT20,248 billion, which was 25.7 per cent. higher than the originally budgeted target of KZT16,101 billion. State Budget tax revenues amounted to KZT14,843 billion, and non-tax revenues amounted to KZT584.8 billion. Transfer receipts from the National Fund amounted to KZT4,580.0 billion.

In 2023, State Budget revenues amounted to KZT24,917 billion, which was 11.8 per cent. higher than the originally budgeted target of KZT22,286 billion. State Budget tax revenues amounted to KZT18,912 billion, and non-tax revenues amounted to KZT1,822 billion. Transfer receipts from the National Fund amounted to KZT4,000.0 billion.

As at 1 June 2024, State Budget revenues amounted to KZT10,687 billion, compared with the originally budgeted amount of KZT25,958 billion. State Budget tax revenues amounted to KZT7,712 billion, and non-tax revenues amounted to KZT439.3 billion. Transfer receipts from the National Fund amounted to KZT2,450.0 billion. For the six months ended 30 June 2024, the State Budget revenue execution amounted to KZT10,687 billion, or 42 per cent. of the approved budget.

The Government's proceeds from the sale of fixed assets, which are treated as revenue, were negligible and accounted for 0.2 per cent. of GDP in each of 2019, 2020, 2021, 2022 and 2023, respectively.

As at 1 January 2019, 2020, 2021, 2022, 2023 and 2024, arrears on taxes and other obligatory payments to the State Budget were KZT368.8 billion, KZT312.0 billion, KZT327.6 billion, KZT807.9 billion, KZT923.5 billion and KZT897.2 billion, respectively.

In 2023, the tax authorities collected KZT118.8 billion through enforcement actions. As at 1 July 2024, arrears on taxes and other obligatory payments to the State Budget were KZT800.5 billion, which represented a decrease of

KZT96.7 billion, or 10.8 per cent., as compared to 1 January 2024.

As at 1 July 2024, the arrears on mandatory pension contributions amounted to KZT2.6 billion, which represented a decrease of KZT0.3 billion, or 10 per cent., as compared to KZT2.9 billion as at 1 January 2024.

State Budget Expenditures

The following table sets forth information regarding State Budget expenditure for the periods presented.

	Year ended 31 December					Three months ended 31 March
	2019	2020	2021	2022	2023	2024
	(KZT millions)					
Total expenditure	**14,180,546**	**17,455,785**	**18,568,970**	**22,568,167**	**27,975,751**	**6,288,020**
Debt service	**679,644**	**767,591**	**1,028, 822**	**1,357,552**	**1,865,649**	**723,369**
of which:						
Domestic debt service	458,991	560,036	824,485	1,113,638	1,529,374	627,994
External debt service	220,653	207,555	204,337	243,914	336, 275	95,375
Non-interest expenditure	**13,500,902**	**16,688,193**	**17,540,148**	**21,210,615**	**26,110,102**	**5,564,651**
of which:						
State administration	755 439	884,814	856,525	1,211,941	1,489,260	371,679
Law and order	833,305	1,019,345	1,011,391	1,327,771	1,611,951	303,440
Defence	738,655	671,813	744,707	1,112,807	1,169,572	181,359
Education	2,332,035	3,141,186	3,681,860	4,526,125	5,810,567	1,249,268
Health care	1,291,789	1,955,759	2,259,347	2,111,812	2,503,068	650,524
Social assistance and social security	3,468,622	3,778,328	4,030,391	4,495,990	5,312,782	1,471,126
Housing and communal services	955,773	1,456,799	1,293,986	1,383,450	1,957,788	188,066
Culture, sports, tourism and information media	456,201	500,300	543,460	692,769	878,172	193,276
Fuel and energy complex and subsoil assets use	151,418	164,911	160,363	225,518	343,550	45,790
Agriculture, forestry, water and fish industries, environmental protection	791,064	850,825	864,710	1,068,155	1,374,538	340,978
Industry and construction	152,566	240,051	141,067	527,074	275,451	12,191
Transport and communications	949,828	1,131,634	1,051,942	1,380,603	1,801,442	263,355
Other expenditure[(1)]	621,784	892,429	900,396	1,006,177	1,581,961	293,597
Transfers	2,422	-	-	140,421	-	-

Source: Ministry of Finance

Note:

(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 presented.

	Year ended 31 December					Three months ended 31 March
	2019	2020	2021	2022	2023	2024[(2)]
	(% of GDP, unless otherwise indicated)					
Total expenditure	**20.4**	**24.7**	**22.1**	**34.5**	**37.0**	**24.5**
Debt service, *of which:*	1.0	1.1	1.2	2.1	2.5	2.8
Domestic debt service	0.7	0.7	1.0	1.7	2.0	2,4
External debt service	0,3	0,3	0.2	0.4	0.5	0,4
Non-interest expenditure, *of which:*	**19.4**	**23.6**	**20.9**	**32.4**	**34.6**	**21,7**
State administration	1.1	1.3	1.0	1.9	2.0	1.4

Law and order	1.2	1.4	1.2	2.0	2.1	1.2
Defence	1.1	1.0	0.9	1.7	1.5	0.7
Education	3.4	4.4	4.4	6.9	7.7	4.7
Health care	1.9	2.8	2.7	3.2	3.3	2.5
Social assistance and social security	5.0	5.3	4.8	6.9	7.0	5.7
Housing and communal services	1.4	2.1	1.5	2.1	2.6	0.7
Culture, sports, tourism and information media	0.7	0.7	0.6	1.1	1.2	0.3
Fuel and energy complex and subsoil assets use	0.2	0.2	0.2	0.3	0.5	0.2
Agriculture, forestry, water and fish industries, environmental protection	1.1	1.2	1.0	1.6	1.8	1.3
Industry and construction	0.2	0.3	0.2	0.8	0.4	0.05
Transport and communications	1.4	1.6	1.3	2.1	2.4	1.0
Other expenditure[(1)]	0.9	1.3	1.1	1.5	2.1	1.1
Transfers	0.0	0.0	0.0	0.2	0.0	0.0
GDP (KZT billions)	**69,532.6**	**70,714.1**	**83,951.6**	**65,487.8**	**75,546.8**	**25,666.4**

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.
(2) Preliminary data.

Total State Budget expenditure was KZT11,757.7 billion in 2019, KZT17,455.8 billion in 2020, KZT18,868.9 billion in 2021, KZT22,568.2 billion in 2022 and KZT27,978.8 billion in 2023.

Social assistance and social security and education are the largest items of expenditure in the State Budget for the period from 2019 to 2023. Social security and social assistance accounted for 24.5 per cent., 21.6 per cent., 21.7 per cent., 19.9 per cent. and 19.0 per cent. of total expenditures in 2019, 2020, 2021, 2022 and 2023, respectively. Education accounted for 16.4 per cent., 18.0 per cent., 19.8 per cent., 20.1 per cent. and 20.8 per cent. of total expenditures in 2019, 2020, 2021, 2022 and 2023, respectively.

Total State Budget expenditure in 2019 increased by 20.6 per cent. as compared to 2018. The expenditure categories which were subject to the largest increases as compared to 2018 were industry and construction (211.2 per cent.), defence (36.3 per cent.), social security and social aid (25.9 per cent.), and housing and communal services (20.1 per cent.).

Total State Budget expenditure in 2020 increased by 23.1 per cent. as compared to 2019. The expenditure categories which were subject to the largest increases as compared to 2019 were industry and construction (57.3 per cent.), housing and communal services (52.4 per cent.), healthcare (51.4 per cent.) and education (34.7 per cent.).

Total State Budget expenditure in 2021 increased by 6.4 per cent. as compared to 2020. The expenditure categories which were subject to the largest increases as compared to 2020 were education (17.2 per cent.), healthcare (15.5 per cent.) and social security and social aid (6.7 per cent.).

Total State Budget expenditure in 2022 increased by 21.5 per cent. as compared to 2021. The expenditure categories which were subject to the largest increases as compared to 2021 were industry and construction (73.6 per cent.), defence (49.4 per cent.), fuel and energy complex and subsoil use (40.6 per cent.) and education (22.9 per cent.).

Total State Budget expenditure in 2023 increased by 24.0 per cent. as compared to 2022. The expenditure categories which were subject to the largest increases as compared to 2022 were fuel and energy complex (52.3 per cent.), housing and communal services (41.5 per cent.), transport and communications (30.5 per cent.) and education (28.4 per cent.).

The share of non-interest expenses in the State Budget expenditures decreased from 95.2 per cent. of total expenditures in 2019 to 93.3 per cent. in 2023 due to an increase in debt servicing costs. Debt service (including

payments on discounts and interest on public debt) was 1.0 per cent. of GDP in 2019 and 2.5 per cent. of GDP in 2023.

In 2023, the volume of general transfers from the Republican Budget to local governments amounted to KZT1,944.0 billion, or 8.7 per cent. of total expenditures of the Republican Budget.

State Budget Deficit Financing

The State Budget deficit is financed by Government borrowing. See "*Public Debt—Debt Management Policy*". 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.

	2019	2020	2021	2022	2023[1]
			(% of GDP)		
State Budget deficit	(3.09)	(3.01)	(2.30)	(2.62)	(2.62)
Net external borrowing	(0.11)	1.15	(0.14)	(0.34)	0.19
Net domestic borrowing	3.49	1.79	2.51	2.77	(2.43)

Source: Ministry of Finance

Note:

(1) Preliminary data.

The Government intends to seek State Budget financing in 2024 of KZT6,551.3 billion from domestic and external borrowings.

State-Local Fiscal Relationship

The Kazakhstan budget system includes the Republican Budget and local budgets, which consist of all regional budgets, the budgets of the "cities of Republican status" (Astana, Almaty and Shymkent) and district budgets (budgets of the cities of regional significance).

Local budgets that 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 operations 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 Republican Budget and all local budgets, after elimination of interbudgetary transactions. The allocation of all revenues received by the Government, among the Republican 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. First, the allocation of revenues is carried out on the basis of a table of allocation of budget revenues (covering the Republican Budget and local budgets) approved by the Ministry of the National Economy and then, on a local level, the allocation of revenues is 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 Republican 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 Republican 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 Republican 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 that 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 Republican 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 except for 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 Republican 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 (except for 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 Republican 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 into two portfolios: a savings portfolio (fixed income portfolios and an equity portfolio, a gold portfolio, a portfolio of alternative investments) and a stabilising portfolio.

Assets of the National Fund

As at 1 July 2024, the net assets of the National Fund (net of accounts payable in Tenge) amounted to KZT29.85 trillion. The net assets consist of foreign currency reserve assets held in the Government's account with the NBK.

As at 31 May 2024, based on preliminary data, the total market value of assets of the National Fund was equal to U.S.$66.98 billion, including a U.S.$60.96 billion (91.0 per cent.) currency portfolio, after deduction of U.S.$0.66 billion liabilities under the "National Fund for Children" programme, a U.S.$5.92 billion (8.84 per cent.) portfolio of bonds denominated in Tenge and U.S.$0.1 billion (0.15 per cent.) in a bank account denominated in Tenge. As at 1 July 2024,the assets of the National Fund amounted to KZT29.8 billion, or 57.5 per cent. of GDP. During 2021-2023, assets have consisted of reserve assets in foreign currency held in the Government's account with the NBK. As at the same date, the market value of assets in the saving portfolio of the National Fund amounted to U.S.$53.71 billion, or 87.15 per cent. of the market value of the saving and stabilisation portfolios combined, while the market value of assets in the stabilisation portfolio of the National Fund amounted to U.S.$7.92 billion, or 12.85 per cent. of the combined market value of the two portfolios.

The savings function of the National Fund is guaranteed by its minimum required balance equal to 30.0 per cent. of the projected GDP for the corresponding budget year: in 2021 – U.S.$59.4 billion, of which U.S.$55.3 billion are foreign currency assets, in 2022 – U.S.$57.9 and U.S.$55.7 billion, respectively, in 2023 – U.S.$65.7 billion and U.S.$60 billion, respectively. The Government has set an ambitious goal to increase the assets of the National Fund to U.S.$100 billion by 2030.

Funding and Utilisation of the National Fund

The following table sets out information on the funding and utilisation of the National Fund for the years presented.

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
			(KZT millions)		
Opening balance as at 1 January	**2,606,2038.1**	**27,469,965.3**	**28,213,487.4**	**28,015,718.1**	**26,774,885.7**
Revenues including investment income	**4,491,914.5**	**5,528,656.6**	**4,321,199.4**	**6,588,967.3**	**6,409,814.8**
of which:					
Investment income	1,608,480.4	4,105,388.7	1,667,028.6	(826,513.5)	1,819,743.5
Corporate income taxes	1,242,162.3	42,775.7	969,102.9	2,266,198.2	1,532,974.1
Excess profit tax	109,637.9	95,521.6	32,861.6	99,976.8	57,524.8
Bonuses	71,53.7	2,683.6	2,261.4	7,847.6	15,959.8
Natural resources extraction tax/royalty	339,530.1	265,166.9	351,187.9	1,582,031.5	1,282,494.7
Rent export tax	431,167.6	160,310.5	399,745.4	751,053.0	452,026.7
Revenues under production sharing agreements	644,077.4	422,475.7	791,061.3	1,477,397.2	1,035,543.3
Additional subsoil user payment	624,77.7	25,053.4	58,926.2	213,862.1	180,894.1
Administrative fines, penalties, sanctions	7,418.1	-8,763.5	1,699.6	521.1	3,202.1
Other fines, penalties, sanctions, collections	11,564.9	1,734.4	2,598.3	2,711.9	3,417.1
Money from subsoil users under claims	3,002.9	6,275.0	3,383.5	656.7	1,536.3
Other non-tax revenues	0.5	1.7	4.1	195.5	308.6
Revenues from privatization of state assets	16,928.3	2,114.4	10,180.9	4,711.7	1,236.1
Revenues from sale of agricultural land plots	222.5	275.7	224.7	99.4	53.3
Return of the targeted transfer from the Republican Budget	319.6	0	0	110,121.9	0
Other receipts and income	5,822.5	20,622.9	20,330.3	40,398.4	22,900.0
Utilisation	**308,398.3**	**4,785,134.4**	**4,518,968.7**	**4,601,663.2**	**4,069,933.8**
of which:					
Guaranteed transfers	2,700,000.0	4,770,000.0	2,669,700.9	4,030,000.0	2,200,000.0
Targeted transfers	370,000.0	0	1,830,252.2	550,000.0	1,800,000.0
Costs of audit administration and management of the National Fund	13,987.3	15,134.5	19,015.6	21,663.2	69,933.8
Closing balances at period end	**27,469,965.3**	**28,213,487.4**	**28,015,718.1**	**26,774,885.7**	**29,854,109.9**

Source: Ministry of Finance

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 Republican Budget; for making targeted transfers to the Republican 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 Republican 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 Republican Budget from the National Fund for funding the implementation of development programmes. The saving function of the National Fund is guaranteed by its minimum required balance, being equal to 30 per cent. 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 2023 Budget Law, a total of KZT2,200.0 billion was transferred from the National Fund to the Republican Budget in 2023 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. According to the 2023 Budget Law, a transfer of KZT3,600.0 billion from the National Fund to the Republican Budget has been approved for 2024, of which KZT2,000.0 billion is a guaranteed transfer and KZT1,600.0 billion is a targeted transfer.

State Social Insurance Fund

The State Social Insurance Fund (the "**SSIF**") is an extrabudgetary fund that was established in 2004. The SSIF is funded by mandatory social insurance contributions, penalties for late and/or incomplete payment of social contributions, and investment income. 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. 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, the NBK and local executive authorities, as well as 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 as at the end of such year. The limit on public debt (including domestic and external debt, but not including debt of the NBK) as at 31 December 2020, 2021, 2022, 2023 and 2024 was set at KZT15,500 billion, KZT18,260 billion, KZT21,495 billion, KZT25,209 billion and KZT28,744 billion, respectively. The limits on the issuance of new Government guarantees were set at KZT900 billion for each of 2020 and 2021, and KZT1,000 billion for each of 2022, 2023 and 2024.

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 meeting their fund raising targets. The primary reason for the incurrence of debt by the Government is to finance the deficit of the Republican Budget. In addition, 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 areas 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 Republican Budget. The monitoring of the profitability of Government Bonds is carried out as part of the Government's domestic debt management. When increased liquidity is required, repeated auctions are conducted as part of the Government Bonds strategy, which helps to increase the number of Government Bonds in circulation and promotes a reduction in the number of issues of Government Bonds. With respect to access to international capital markets, previous issues of Eurobonds by Kazakhstan have established benchmarks, which have helped Kazakhstan banks and corporate issuers to 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, and was updated in 2018. 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 1 January 2024, Kazakhstan's total public debt (save for the debt owed by the local executive authorities to the Government) (including guarantees and sureties provided by the Government) was U.S.$63,028 million, or 22.8 per cent. of GDP, as compared to 24.4 per cent., 26.2 per cent., 29.2 per cent. and 23.7 per cent. as at 1 January 2023, 1 January 2022, 1 January 2021 and 1 January 2020, respectively. Public debt as at 1 January 2024 included direct State borrowing by the Government of U.S.$54,810 million, by the NBK of U.S.$2,640 million and by local executive authorities of U.S.$2,312 million (save for the debt owed by the local executive authorities to the Government), as well as Government guaranteed borrowings in the amount of U.S.$3,216 million and sureties provided by the Government in the amount of U.S.$50 million. Total public debt does not include borrowings by or guarantees issued by State-owned companies.

Public External Debt

As at 1 April 2024 the total outstanding public external debt of Kazakhstan, including direct Government external debt ("**General Government External Debt**") and external debt guaranteed by the Government, amounted to approximately U.S.$18.3 billion, which is approximately 31.0 per cent. of Kazakhstan's total public debt. As at 31 December 2023, 69.0 per cent. of the General Government External Debt, and 81.0 per cent. of Government guaranteed external debt, was denominated in U.S. dollars, with the remainder denominated in euro, Japanese yen, Russian roubl and other currencies (such as Pound sterling, Swiss franc, Dirham, Won, Canadian dollar, Chinese yuan and Belarusian ruble). 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 Notes issued under the Programme, will also be used to finance the State Budget deficit.

As at 31 December 2023, Kazakhstan's public external debt (including debt guaranteed by the Government) was U.S.$18.3 billion, or 7.0 per cent. of GDP, as compared to U.S.$19.3 billion, or 8.6 per cent. of GDP, as at 31 December 2022; U.S.$19.4 billion, or 10.0 per cent. of GDP, as at 31 December 2021; U.S.$18.0 billion, or 10.7 per cent. of GDP, as at 31 December 2020 and U.S.$16.8 billion, or 9.2 per cent. of GDP as at 31 December 2019.

The following table sets forth information with respect to external debt as at the dates presented.

Public External Debt of Kazakhstan

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(U.S.$ millions, except percentages)				
General Government External Debt	15,233	16,394	17,141	16,954	15,577
External debt guaranteed by the Government	1,564	1,636	2,260	2,364	2,769
Total public external debt	**16,787**	**18,030**	**19,401**	**19,318**	**18,347**
Total public external debt as a percentage of GDP (%)	9.2	10.7	10.0	8.6	7.0

Source: Ministry of Finance

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 presented.

Public External Debt of Kazakhstan by Creditor[(1)]

	As at 31 December					Six months ended 30 June
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
	(U.S.$ millions)					
Total General Government External Debt	**15,233**	**16,394**	**17,142**	**16,954**	**15,577**	**15,141**
of which:						
Multilateral creditors	5,633	6,019	6,455	6,416	5,980	5,589
World Bank	3,687	3,514	3,376	3,549	3,368	3,288
Other	1,946	2,505	3,079	2,868	2,613	2,301
Official creditors	437	439	431	382	378	355
Commercial creditors	9,164	9,936	10,255	10,156	9,219	9,197
Total external debt guaranteed by the Government	**1,564**	**1,636**	**1,898**	**2,364**	**2,770**	**2,914**
of which:						
Multilateral creditors, *of which:*	377	240	321	452	655	727
World Bank	115	99	87	27	15	13
Other	262	141	234	425	641	714
Official creditors	1,187	1,396	1,576	1,912	2,114	2,186

Source: Ministry of Finance

Note:
(1) Foreign currency values of outstanding external debt have been converted into U.S. dollars at the relevant market exchange rates prevailing at the end of the indicated period.

In September 2019, Kazakhstan issued sovereign euro-denominated bonds in the total amount of EUR1.15 billion. Kazakhstan's public external debt increased to U.S.$15.2 billion as at 31 December 2019, U.S.$16.4 billion as at 31 December 2020, U.S.$17.1 billion as at 31 December 2021, U.S.$16.9 billion as at 31 December 2022 and U.S.$15.6 billion as at 31 December 2023. Proceeds of the borrowings were used primarily for implementation of major investment projects as well as to fund increased social costs. General Government External Debt from 31 December 2019 to 31 December 2020 increased by U.S.$1.16 billion, due to the issuance of sovereign bonds denominated in Russian Roubles in an aggregate amount of RUB40 billion in 2020 and due to an increase in external debt to multilateral creditors. Over the same period, Government guaranteed external debt increased by U.S.$0.07 billion, due to an increase in guarantees of debt to official creditors which was offset in part by a decrease in guarantees of debt to multilateral creditors.

External Debt Service

The following table sets forth historical long-term General Government External Debt and Government guaranteed external debt service payments for the years presented.

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
			(U.S.$ millions)		
Principal repayments	1,435.2	1,072.4	458.6	553.5	1,553.6
Interest payments and charges	640.5	538.5	523.5	600.2	855.2
Total[(1)]	**2,075.7**	**1,610.9**	**982.1**	**1,153.7**	**2,408.8**

Source: Ministry of Finance

Note:

(1) Interest payments and principal repayments of Government guaranteed debt are made from the State Budget and own funds of borrowers.

As at 1 July 2024, the Republican Budget revenue amounted to KZT8,675.8 billion, while the cost of debt servicing was KZT1,822.6 billion.

The service of the Government's external public debt accounted for 0.3 per cent. of GDP in each of 2019, 2020, 2021, 2022 and 2023.

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.

The following table sets forth a projection of the Government's contractual public external debt service from 2024 to 2033, with respect to principal and interest payable on all external debt outstanding as at 31 December 2023, on the basis of the exchange rates and interest rates as at 31 December 2023. This table does not reflect external debt service (i) on any borrowings by or on behalf of the Government since 1 January 2024, (ii) on any new drawdowns on existing borrowings by or on behalf of the Government from 1 January 2024 to 31 December 2033 or (iii) on any Notes being issued as drawdowns under the Programme following the date of this Base Offering Memorandum.

Public External Debt Service Projections

	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
					(U.S.$ millions)					
Principal repayments	2,456	3,318	1,398	799	1,435	724	736	669	385	330
Interest payments and charges	796	653	492	447	398	340	298	246	214	193

Total	**3,252**	**3,971**	**1,890**	**1,246**	**1,833**	**1,064**	**1,034**	**915**	**599**	**523**

Source: Ministry of Finance

Domestic Public Debt

Domestic public debt consists primarily of short-term notes issued by the NBK ("**NBK notes**") and Government securities, some of which are denominated in U.S. dollars but are payable in Tenge. See "*Monetary and Financial System—Capital Markets—Government Securities*". The following table sets forth the domestic public debt of Kazakhstan as at the dates presented in millions of U.S. dollars.

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(U.S.$ millions, except percentages)				
NBK notes	8,968	6,958	4,871	4,834	2,640
Government Bonds	18,483	23,201	26,248	30,617	39,234
Local executive authorities	568	2,513	2,648	2,319	2,312
Internal Government guarantees[(1)]	452	449	457	454	446
Total domestic debt	**28,471**	**33,121**	**34,224**	**38,224**	**44,632**
Total domestic debt as a percentage of GDP (%)	15.6	19.7	17.6	17.0	17.0

Source: Ministry of Finance

Notes: (1) Does not include internal sureties granted by the Government, the aggregate outstanding amount of which was U.S.$63,028 million as at 1 January 2024.

The Ministry of Finance issues Government Bonds with maturities ranging from one year to 30 years and having both fixed and index-linked coupon rates. As at 31 December 2023, long-term Government Bonds accounted for 52.0 per cent. of the total Government Bonds in circulation until maturity, 37.0 per cent. were medium-term Government Bonds, and 11.0 per cent. were short-term Government Bonds. Government bonds with a floating rate made up 9.4 per cent. of the total Government Bonds in circulation. The main holders of Government Bonds were the UAPF, banks, and other securities market participants, holding 47.5 per cent., 20.5 per cent. and 32.0 per cent., respectively, of all Government Bonds in circulation as at 31 December 2023.

The relatively high volume of NBK notes issued is attributable to a liquidity surplus in the banking system as well as the demand for short-term notes of the NBK from foreign investors due to their relatively high interest rates. In liquidity surplus conditions the NBK withdraws excess liquidity in order to prevent pressure on inflation. The main volume of liquidity is absorbed through the placement of short-term NBK notes. As at 1 May 2024, there were U.S.$955.13 million of NBK notes outstanding. Starting from the fourth quarter of 2023, the number of issued notes was gradually reduced, leading to a decrease in their circulation to KZT1.2 trillion by the end of the year. Against this backdrop, the share of deposit auctions increased, with volumes reaching KZT2.5 trillion by the end of December 2023 (a 2.6-fold increase over 2023). Liquidity withdrawal at the end of 2023 was predominantly carried out through deposit auctions, deposits and standing facility operations. As at 1 May 2024, there were U.S.$8.2 billion volume of deposit auction outstanding.

Government Domestic Debt Service

The service of the Government's domestic public debt accounted for 0.7 per cent., 0.8 per cent., 0.9 per cent., 1.0 per cent. and 1.2 per cent. of GDP for 2019, 2020, 2021, 2022 and 2023, respectively.

In light of the contemplated deficit of the Republican Budget, it is expected that public debt is expected to gradually increase from KZT37,218.1 billion (24.5 per cent. of GDP) in 2025 to KZT52,725.9 billion (21.7 per cent. of GDP) in 2029. Public debt is forecasted to remain below 50.0 per cent. of GDP set by the Treaty on the Eurasian Economic Union.

Government debt is projected to increase from KZT32,228.7 billion (21.2 per cent. of GDP) in 2025 to KZT47,736.5 billion (19.7 per cent. of GDP) in 2029. To mitigate currency risks, the domestic borrowing will be prioritised, with access to external loan capital markets as needed.

Government Domestic Public Debt Policy

The Ministry of Finance takes into account the following factors when considering its policy regarding the planning and issuing of domestic 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 operations 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 domestic public debt policy.

Other Public Sector Domestic Debt

Kazakhstan's domestic 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 December 2023 is estimated to have been KZT1,051 billion, or 0.9 per cent. of GDP.

Relations with International Financial Institutions

Kazakhstan actively cooperates 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 programmes funded through the raising of financial and technical aid. Kazakhstan is a member of the IMF, the IBRD, the IFC, the IDA, the MIGA,, the EBRD, the ADB and the IDB.

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 this arrangement in 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 the IBRD and the IDA in July 1992 and a member of the IFC 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

As at 30 June 2024, the portfolio of the IBRD in Kazakhstan included 11 projects with a total value of U.S.$4.1 billion, of which U.S.$2.7 billon had been disbursed as at that date. Approximately 80.0 per cent. of the IBRD's current portfolio is concentrated in road development projects. Other projects focus on the development of certain sectors including education, healthcare, irrigation, development of SMEs and the public sector. During the period from 2019 to 2024, the IBRD provided two loans to Kazakhstan. Kazakhstan's public external debt to the IBRD as at 31 December 2019, 2020, 2021, 2023 and 30 June 2024 was U.S.$13.9 billion, U.S.$13.7 billion, U.S.$14.7 billion, U.S.$15.2 billion, U.S.$16.4 billion and 3.2 billion, respectively.

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.$1.4 billion, including mobilization from partners of nearly U.S.$300 million in private enterprises in Kazakhstan to support more than 57private sector projects across various industries, including agribusiness, financial services, infrastructure, manufacturing and oil and gas.

The IFC promotes the development of the private sector through investments and advisory services that foster the diversification and competitiveness of the economy. IFC's strategy in Kazakhstan is focused on strengthening the financial sector, improving access to infrastructure and promoting the development of small and medium enterprises, particularly in the agribusiness, manufacturing, and service sectors.

As at 30 June 2024, Kazakhstan had no outstanding external public sector debt to the IFC.

EBRD

Kazakhstan has been a member of EBRD since 1992. The EBRD signed a total of 327 projects in Kazakhstan with a cumulative investment value of EUR10.364 billion since initiating operations in Kazakhstan in 1991. Of the total EBRD portfolio as at 31 July 2024 in the amount of EUR 2.919 billion (which includes undisbursed commitments), 8.0 per cent. is allocated to projects involving financial institutions and 71.0 per cent. is allocated to the so-called the sustainable infrastructure sector that consists of municipal infrastructure projects and projects in the energy and natural resources sectors.

Outside of the oil and gas sector, the EBRD is the largest investor 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.

As of 1 July 2024, Kazakhstan's public external debt to the EBRD was U.S.$91 million.

ADB

Kazakhstan has been a member of the ADB since 1994. From 1994 to May 2024, ADB committed approximately U.S.$7 billion in sovereign loans, non-sovereign loans and guarantees in support of Kazakhstan's development. As of 31 December 2023, cumulative sovereign and non-sovereign loan and grant disbursements to Kazakhstan amount toU.S.$5.58 billion.

Following the global financial crisis in 2007-2008, the Government of Kazakhstan requested access to concessional resources to support its programmes. ADB provided a countercyclical loan of U.S.$500 million. In 2015, ADB disbursed another countercyclical loan of U.S.$1 billion to help Kazakhstan respond to a steep decline in oil prices and the economic slowdown in its major trade partners, including the Russian Federation, EU member countries and the People's Republic of China. The loan has helped the Government modernise infrastructure and foster job creation, deliver social services, support low-income households and develop the private sector. In 2018, ADB provided a local currency loan equivalent to U.S.$120 million to Samruk-Energy, Kazakhstan's largest power generation company, to support its overall business restructuring and transformation

plan. In 2020, ABD provided a U.S.$1 billion assistance package to Kazakhstan to help address the consequences of the COVID-19 pandemic. Currently, a country strategy of the ADB Partnership for Kazakhstan for 2023-2027 is in force. This latest country partnership aims to provide support to accelerate resilient and sustainable growth for all by focusing on three pillars: (i) addressing climate change impacts and supporting decarbonisation, (ii) promoting inclusive economic growth and (iii) strengthening governance and developing capacity. Crosscutting themes include supporting private sector development, promoting gender equality and strengthening and diversifying regional cooperation and integration.

Kazakhstan's public external debt to the ADB as at July 2024 was approximately U.S.$1.674 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 programme. To date, the JICA has provided Kazakhstan with loans totalling U.S.$1.04 billion. Loan proceeds have been 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 30 June 2024 was U.S.$254.9 million.

Debt Ratings

On 17 May 2024, Fitch Ratings agency confirmed Kazakhstan's sovereign credit rating at the level of "BBB" (outlook stable). On 1 March 2024, S&P confirmed Kazakhstan's sovereign credit rating at "BBB-" (outlook stable). On 27 October 2023, Moody's confirmed Kazakhstan's sovereign credit rating at "Baa2" and upgraded Kazakhstan's outlook on the rating from stable to positive.

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.

MONETARY AND FINANCIAL SYSTEM

National Bank of Kazakhstan

The NBK 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 Governor of the NBK (upon consent by the Senate), to appoint (for a term of up to six years) and dismiss the Deputy Governor of the NBK 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 Timur Suleimenov was appointed as Governor of the NBK in September 2023 for a fixed term of six years.

The primary goal of the NBK is to ensure price stability in Kazakhstan. To accomplish this goal, the NBK develops and implements Kazakhstan's monetary policy; ensures the functionality of the payment systems; implements currency regulation and currency controls; promotes the stability of the financial system; and carries out statistics activities in the areas of the monetary system and external sector. The implementation of monetary policy involves managing bank liquidity to influence money market rates and align them with the NBK's base rate, which is the main instrument of monetary policy. The base rate determines the cost of resources in the economy and serves as a benchmark for market rates. Thus, the system of monetary policy instruments allows the NBK to regulate liquidity and money market interest rates, influence banks' lending activity, and impact the volume of money supply in circulation. To strengthen the role of the base rate, the NBK has taken measures to enshrine its status in the legislation of Kazakhstan. The NBK conducts liquidity withdrawal and provision operations, which are divided into open market operations and standing facilities. Open market operations are conducted in the form of auctions at the initiative of the NBK, while standing facilities are permanent mechanisms that second-tier banks can resort to if necessary, i.e., on their initiative, but at "penalty" rates.The principal governing bodies of the NBK are the Executive Board, the Monetary Policy Committee 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, four other representatives of the NBK, one representative of the President of Kazakhstan, two representatives of the Government of Kazakhstan and one representative of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (the "**ARDFM**"). The Monetary Policy Committee of the NBK was established in 2021, with the main objective of making strategic decisions in the field of monetary policy, including setting the base rate and its band.

Pursuant to the Social Code, the NBK manages the UAPF, on the basis of a trust management agreement between the NBK and the UAPF. See "*The Economy of Kazakhstan—Pensions and Pension Reform*".

Monetary Policy

The NBK is responsible for implementing monetary policy. Since August 2015, the NBK has been implementing monetary policy in accordance with the principles of inflation targeting, according to which the emphasis is placed on the interest rate policy under the free-floating exchange rate. The previous policy aimed at maintaining a stable exchange rate led to imbalances in the economy in the face of the negative impact of external shocks. In September 2015, the National Bank began the practice of setting the base rate as the main monetary policy tool.

Since 2019, monetary policy has been implemented in accordance with inflation targeting principles. In accordance with the Agreement on Coordination of Macroeconomic Policy Measures for 2019 between the Government and the NBK, the inflation target was set within the band of 4.0 per cent. to 6.0 per cent. through the end of 2021. The inflation rate for 2019 and 2020 was 5.4 per cent. and 7.5 per cent., respectively. In 2021 the NBK adopted a monetary policy strategy covering the period until 2030, which identifies a number of prerequisites and supporting policies needed for full-fledged inflation targeting. The obstacles to be overcome are similar to those found in other economies at a similar stage of development. In accordance with the strategy, the medium term inflation target is set at about 5.0 per cent. The strategy covers the period from 2026 to 2028.

In the first half of 2021, amidst the COVID-19 pandemic and some inflation stabilisation, the NBK continued its stimulative monetary policy from 2020, maintaining the base rate at 9.0 per cent. through four decisions from January to June. However, inflationary pressure grew due to rising global food prices and increased inflation in

Kazakhstan's main trade partners. The improving epidemiological situation positively impacted the domestic economy, boosting consumer demand, but rising inflation expectations added pressure on prices. Consequently, by the end of June 2021, annual inflation accelerated to 7.9 per cent. from 7.2 per cent. in May 2021. In response, the NBK shifted to a disinflationary policy, raising the base rate to 9.25 per cent. on 27 July 2021. On 7 September 2021, the Government and the NBK approved a Comprehensive Anti-Inflationary Measures for 2021-2024, focusing on non-monetary inflation factors. The base rate was further increased to 9.5 per cent. on 14 September 2021 and to 9.75 per cent. on 26 October 2021. By the end of 2021, the base rate had risen by 75 basis points to 9.75 per cent.

Due to continued inflation risk and instability at the end of 2021, the NBK tightened monetary policy further in early 2022. On 24 February 2022, in response to the Russia-Ukraine conflict, the base rate was raised by 325 basis points to 13.5 per cent. to ensure macroeconomic stability and protect the Tenge. This prompted an increase in cap rates on retail deposits and the introduction of the Tenge Deposit Protection Programme, offering a 10.0 per cent. compensation for deposits held for 12 months. By mid-2022, external pressures (logistics costs, inflation in trade partners, Tenge depreciation) and internal factors (inflation expectations and fiscal stimulus) accelerated annual inflation. To stabilise inflation, the base rate was raised to 14.5 per cent. on 25 July 2022 and then to 16.0 per cent. on 26 October 2022, reaching an overall increase of 700 basis points to 16.75 per cent. by the end of 2022.

In the first half of 2023, the NBK maintained a disinflationary policy, keeping the base rate at 16.75 per cent. Inflation peaked at 21.3 per cent. in February 2023 but began to decline gradually due to monetary policy and Government measures. In August 2023, the NBK started easing the base rate, reducing it by 25 basis points to 16.5 per cent., then to 16.0 per cent. in October 2023, and further to 15.75 per cent. in November 2023, aided by decreasing inflation and favourable external conditions. By the end of 2023, annual inflation had decreased to 9.8 per cent.

By the end of 2023, the annual inflation rate reached single digits. On 19 January 2024, the NBK decided to reduce the base rate to 15.25 per cent. External inflation processes continue to develop favourably against the background of declining world food prices and restrained policies of central banks. Domestically, inflation pressures remain due to robust domestic demand supported by fiscal stimulus and elevated and volatile inflation expectations.

On 23 February 2024, the Monetary Policy Committee decided to reduce the base rate by 50 basis points to 14.75 per cent. per annum. The decline in world food prices continued, making a positive impact on the external inflationary background. Inflationary pressures remained in the domestic economy due to robust domestic demand and unanchored inflation expectations.

Annual inflation continued to decline in February and March, but at a slower pace. Inflation expectations decreased slightly, but remained at a fairly high level. The external inflationary background continued to develop neutrally while the downward trend in grain prices on world markets continued. Inflationary pressures remained in the domestic economy due to robust domestic demand and unanchored inflation expectations. Given these conditions, on 12 April 2024, the Monetary Policy Committee decided to keep the base rate unchanged at 14.75 per cent.

On 31 May 2024, the Monetary Policy Committee reduced the base rate by 25 basis points and set it at 14.5 per cent. Inflation in April of 2024 decreased in accordance with forecasts. There has been a slowdown in the persistent part of inflation. Inflation expectations of the population, contrary to the general price dynamics, showed an increase against the backdrop of floods and the ongoing reform of housing and communal services. The external inflationary background is assessed as neutral, reflecting the impact of the contractionary policies of central banks and price dynamics in world food markets. Pro-inflationary pressure within the economy is supported by ongoing fiscal stimulus, housing and communal services reform, and stable domestic demand.

In decision-making regarding monetary policy, the NBK performs risk assessments, both for existing and future inflation and monitors the dynamics of a broad range of external and internal factors. If there is an increase in risks of unfavourable shocks, which may translate into significant deviation of forecasted inflation from the target, the NBK is able to implement a tighter monetary policy.

The exchange rate continues to be determined by free-floating principles. However, in light of the specific structure of the economy, including a high dependence on imports and insufficiently developed financial markets, the NBK has retained the right to intervene in the foreign exchange market in order to prevent sharp destabilising changes in the exchange rate (including those caused by the impact of non-fundamental factors), while not distorting the formation of a general market trend. Such NBK interventions are not viewed as inconsistent with the principles of the inflation targeting regime.

Instruments of Monetary Policy

Currently, the NBK implements monetary policy through open market operations (such as issuances of NBK notes and deposit auctions) and standing facilities (such as repos and currency swaps on the KASE and overnight deposits). The 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.

The money supply in Kazakhstan for the period from 2019 to 2023 increased by almost 80.0 per cent. (1.8 times) from KZT21.3 trillion to KZT38.3 trillion. The main drivers of the growth of the money supply during the period under review were the growth of lending to the economy, the issuance of government securities, and the requirements of the NBK to non-bank financial organisations.

After a relatively weak growth of the banks' loan portfolio at the end of 2018 at the level of 3.0 per cent., in 2019, the total loan portfolio showed moderate growth at 5.9 per cent. The growth was mainly due to an increase in the portfolio of individuals, while loans to legal entities showed negative dynamics. In 2020, the development of the financial sector was affected by the spread of the COVID-19 and the introduction of quarantine measures. Long-term restrictive measures have led to a weakening of the solvency of economic entities, exacerbating the systemic problem of a lack of quality borrowers in the economy. The growth of loans was supported by various government programmes (continuation of the implementation of the "Economics of Simple Things" programme, support for entrepreneurship through JSC DAMU, preferential mortgage lending programme, including "7-20-25", for the development of agribusiness, etc.). As a result, the loan portfolio growth in 2020 amounted to 5.5 per cent. In 2021, the lending activity of financial organisations showed a recovery after a slowdown in the post-pandemic period against the backdrop of increased business activity, a decrease in the minimum adequacy threshold for withdrawing funds from the UAPF, the implementation of anti-crisis programmes, and growing demand from business entities. Technological improvements in banking instruments have simplified the process of obtaining loans. As a result, the loan portfolio grew over the year to record levels since 2008 – 26.5 per cent. in December 2021 (year-to-year growth rate). As a result of the escalation of the Russia-Ukraine conflict in February 2022, the presence of subsidiary Russian banks in Kazakhstan has decreased. In the face of external and internal inflation shocks, monetary conditions were tightened. In addition, similar to the measures taken during the COVID-19 pandemic, borrowers were given the opportunity to defer loan payments. The main borrowers of banks in 2022 were the population amid an increase in consumer and mortgage loans. The annual growth in loans to individuals over the year was almost three times higher than the corresponding increase in the loan portfolio to legal entities. At the end of 2022, bank loans increased by 23.3 per cent. In 2023 and the first half of 2024, lending to the economy is in the positive zone due to maintaining high growth rates of loans to the population and accelerating the growth of loans to business. Loans to the population continue to be the main driver of overall lending growth, mainly due to consumer lending, which is accelerating due to the widespread use of instalments. At the same time, there is a slowdown in the growth rate of mortgages against the backdrop of a decline in preferential mortgage lending. Business loans also show growth mainly due to small businesses. At the end of 2023, the loan portfolio of banks grew by 22.4 per cent.

The following table sets out information on the monetary policy instruments used by the NBK.

Monetary Policy Instruments

Purpose	Type of Instrument	Instrument	Collateral	Frequency	Provision / withdrawal duration
Liquidity provision	Standing facilities	KASE currency swap	U.S. dollars	Upon request from commercial banks	1 day
		KASE reverse repo	Government bonds	Upon request from commercial banks	1 day
	Open market operations	NBK auction for the purchase of securities with the reverse sale	Lombard list	As needed	7 days
Liquidity withdrawal		NBK notes auction	-	In accordance with the schedule of issuance of notes	28, 91 and 182 days
		NBK deposit auction	-	Daily	7 days
	Standing facilities	KASE currency swap	U.S. dollars	Upon request from commercial banks	1 day
		KASE direct repo	Government bonds	Upon request from commercial banks	1 day
		NBK deposits	no collateral	Upon request from commercial banks	1 day

Starting from 18 February 2019, 7-day short-term notes have been replaced with deposit auctions with the same maturity, following a review by the NBK of the effectiveness of its monetary policy instruments as a result of which the NBK concluded that its short-term notes do not immobilise liquidity to the full extent since they tend to convert into cash quickly because they are highly-liquid financial instruments. In contrast with notes, deposits cannot be used as collateral, so use of deposits enables the NBK to tie up excess liquidity and to improve the efficiency of the interest channel of the transmission mechanism. Short-term notes with maturities of one, three and six months continue to be issued. Seven-day deposits for standing facilities are no longer accepted, whereas one-day deposits continue to be attracted.

In 2020, the Ministry of Finance began issuing Government Bonds with maturities between one and three years, and the NBK has limited the issue of NBK notes to encourage the flow of funds into Government Bonds. As a result, the share of market participants in primary auctions of Government Bonds increased.

In 2021, as part of its monetary policy, the NBK continued using open market instruments to withdraw liquidity. Over the year, 72 auctions were held to issue short-term notes with maturities ranging from one to six months. Despite a decrease in the outstanding amount of notes by KZT825 billion to KZT2,102.5 billion, short term notes remained the dominant instrument. The share of 6-month notes significantly decreased to 24.0 per cent., while the share of one-month notes increased to 44.2 per cent. Additionally, liquidity was withdrawn through deposit auctions and standing facilities operations. In 2021, the NBK conducted 245 deposit auctions, with the open position reaching KZT1,116.9 billion by the end of December 2021. Standing facilities operations included deposit transactions in the OTC market and repo and FX swaps on the KASE.

In 2022, the NBK held 53 auctions for short-term notes with maturities from one to six months. Since April 2022, the issuance of 182-day notes was discontinued, and 91-day notes were limited to KZT100 billion, ceasing entirely in July 2022. In the last quarter of 2022, the frequency of note issuance was reduced from weekly to

biweekly to improve monetary policy transmission and stimulate demand for Government Bonds. Despite these changes, short-term notes remained the main instrument, with their volume in circulation increasing by KZT134 billion to KZT2,236.3 billion, averaging KZT1,677.7 billion for the year.

In 2023, the NBK primarily absorbed liquidity through issuing short-term notes, conducting 26 auctions for placements with maturities of up to one month. The average volume of notes in circulation was around KZT2.5 trillion. From the fourth quarter of 2023, the issuance of notes was gradually reduced, decreasing their volume in circulation to KZT1.2 trillion by the end of 2023. Consequently, the share of deposit auctions increased, with volumes reaching KZT2.5 trillion by the end of December 2023, a 2.6-fold increase over the year. Liquidity withdrawal by the end of 2023 was mainly through deposit auctions, deposits and standing facilities operations, including over-the-counter deposit transactions and repo and currency swap operations on KASE.

The NBK's main tool of monetary policy is setting the base rate, which is used to regulate nominal interbank interest rates. By determining the level of the base rate, the NBK determines the target rate of the interbank short-term loans interest rate to ensure price stability in the medium term. The following table sets out the values of the base rate set on the dates presented.

Date of setting of rate(s)	Rate (%)	Corridor of rate (%)		Date of setting of rate(s)	Rate (%)	Corridor of rate (%)
15.01.2019	9.25	8.25-10.25		26.10.2021	9.75	8.75-10.75
05.03.2019	9.25	8.25-10.25		07.12.2021	9.75	8.75-10.75
16.04.2019	9.0	8.00-10.00		25.01.2022	10.25	9.25-11.25
04.06.2019	9.0	8.00-10.00		24.02.2022	13.50	12.50-14.50
16.07.2019	9.0	8.00-10.00		10.03.2022	13.50	12.50-14.50
10.09.2019	9.25	8.25-10.25		26.04.2022	14.00	13.00-15.00
29.10.2019	9.25	8.25-10.25		07.06.2022	14.00	13.00-15.00
10.12.2019	9.25	8.25-10.25		26.07.2022	14.50	13.50-15.50
04.02.2020	9.25	8.25-10.25		06.09.2022	14.50	13.50-15.50
10.03.2020	12.0	10.50-13.50		27.10.2022	16.00	15.00-17.00
17.03.2020	12.0	10.50-13.50		06.12.2022	16.75	15.75-17.75
06.04.2020	9.5	7.50-11.50		16.01.2023	16.75	15.75-17.75
28.04.2020	9.5	7.50-11.50		27.02.2023	16.75	15.75-17.75
09.06.2020	9.5	7.50-11.50		10.04.2023	16.75	15.75-17.75
21.07.2020	9.0	7.50-10.50		29.05.2023	16.75	15.75-17.75
08.09.2020	9.0	7.50-10.50		10.07.2023	16.75	15.75-17.75
27.10.2020	9.0	7.50-10.50		28.08.2023	16.50	15.50-17.50
15.12.2020	9.0	8.00-10.00		09.10.2023	16.00	15.00-17.00
26.01.2021	9.0	8.00-10.00		27.11.2023	15.75	14.75-16.75
10.03.2021	9.0	8.00-10.00		22.01.2024	15.25	14.25-16.25
27.04.2021	9.0	8.00-10.00		26.02.2024	14.75	13.75-15.75
08.06.2021	9.0	8.00-10.00		15.04.2024	14.75	13.75-15.75
27.07.2021	9.25	8.25-10.25		03.06.2024	14.50	13.50-15.50
14.09.2021	9.50	8.50-10.50				

Source: NBK

Minimum reserve requirements remain an additional tool for regulating liquidity of banks and interest rates on the money market. Minimum reserve requirements affect the reserve assets of banks and consequently affect the borrowing policies of banks. In July 2019, the NBK changed the rules on minimum reserve requirements for banks in Kazakhstan. The changes aimed to encourage banks to raise Tenge-denominated financing. From 16 July 2019, minimum reserve requirements are set on the basis of currency and term of liabilities. Instead of the previous eight separate categories of reserve requirements, there are currently just four categories:

- for short-term and long-term liabilities in national currency: 2.0 per cent. and 0.0 per cent., respectively; and
- for short-term and long-term liabilities in foreign currency: 3.0 per cent. and 1.0 per cent., respectively.

In 2020, the minimum reserve requirements were extended to apply to branches of non-resident banks.

In addition, the NBK introduced a limit on the use of cash as a reserve asset in the amount of not more than 50.0 per cent. of the minimum reserve requirements (there were no limits on the use of cash previously). The remaining reserve assets have to consist of balances on correspondent accounts of banks in the NBK. The average weighted bank loan rate in 2019, 2020, 2021, 2022 and 2023 was 13.8 per cent., 13.2 per cent. 14.1 per cent., 15.9 per cent. and 18.2 per cent., respectively. The weighted average rate for all bank loans extended in 2019 to 2023 inclusive was 15.5 per cent.

Money Supply

The following table sets forth information concerning Kazakhstan's money supply as at the dates presented.

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
			(KZT billions)		
Net foreign assets	36,637	41,091	40,426	43,087	44,267
Net domestic assets	(11,168)	(12,674)	(5,349)	(4,359)	(355)
Domestic credit	22,193	25,217	31,922	35,263	42,943
Net claims on central Government	1,825	1,952	3,392	2,461	4,365
Net claims on other government	0	0	14	13	13
Credit to the private sector[1]	13,543	15,569	17,636	18,535	20,227
Other claims on the economy[2]	6,825	7,696	10,880	14,254	18,338
Other items, net	(13,157)	(16,222)	(17,298)	(18,146)	(21,491)
Broad money (M3)	21,322	24,918	30,099	34,296	38,302
Currency in circulation (M0)	2,301	2,828	2,998	3,361	3,640
Total deposits	19,022	22,090	27,102	30,935	34,662
Domestic currency deposits	10,821	13,856	17,338	21,150	26,604
Foreign currency deposits	8,201	8,234	9,764	9,785	8,057
Non-liquid liabilities	—	—	—	—	—
Monetary base (broad definition)[3]	6,893	9,778	10,958	11,874	11,540
Money supply (M2) (national definition)[4]	16,054	19,135	23,750	28,025	32,747
	4.3	3.7	3.5	3.7	3.7

Source: NBK

Notes:

(1) Includes claims on other financial corporations, public and other nonfinancial corporations, non-profit institutions.
(2) Includes claims on households.
(3) 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.
(4) 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.
(5) Includes Depository organisations deposits.

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 2019 to 31 December 2020, the monetary base expanded by 41.8 per cent., money supply (M3) increased by 16.9 per cent. and the volume of cash in circulation increased by 22.9 per cent. The main contribution to the money supply growth was growth in the NBK's gold and the NBK's transferable deposits in net foreign assets. A contribution was also made by claims on households and claims on non-bank financial institutions.

From 31 December 2020 to 31 December 2021, the monetary base expanded by 12.1 per cent., money supply (M3) increased by 20.8 per cent. and the volume of cash in circulation increased by 6.0 per cent. The main contribution to the money supply growth was retail lending and growing claims on the Government from the banking sector, primarily because of the volumes of government securities in the banking system portfolio.

From 31 December 2021 to 31 December 2022, the monetary base expanded by 8.4 per cent., money supply (M3) increased by 13.9 per cent. and the volume of cash in circulation increased by 12.1 per cent. The main contribution

to the growth of the money supply was made by the growth of credit of legal entities and individuals, primarily consumer and mortgage.

From 31 December 2022 to 31 December 2023, the monetary base contracted by 2.8 per cent., money supply (M3) increased by 11.7 per cent. and the volume of cash in circulation increased by 8.3 per cent. The main contribution to the money supply growth was made by the growth of the credit and fiscal channel.

From 31 December 2018 to 31 December 2019, the monetary base expanded by 3.6 per cent., money supply (M3) increased by 2.4 per cent. and the volume of cash in circulation increased by 1.8 per cent. The main contribution to the growth of money supply was made by the domestic assets as a result of growth in claims on the government and the economy.

From 31 December 2019 to 31 December 2020, the monetary base expanded by 41.8 per cent., money supply (M3) increased by 16.9 per cent. and the volume of cash in circulation increased by 22.9 per cent. The main contribution to the money supply growth was growth in the NBK's gold and the NBK's transferable deposits in net foreign assets. A contribution was also made by claims on households and claims on non-bank financial institutions.

From 31 December 2020 to 31 December 2021, the monetary base expanded by 12.1 per cent., money supply (M3) increased by 20.8 per cent. and the volume of cash in circulation increased by 6.0 per cent. The main contribution to the money supply growth was retail lending and growing claims on the Government from the banking sector, primarily because of the volumes of Government Bonds in the banking system portfolio.

From 31 December 2021 to 31 December 2022, the monetary base expanded by 8.4 per cent., money supply (M3) increased by 13.9 per cent. and the volume of cash in circulation increased by 12.1 per cent. The main contribution to the growth of the money supply was made by the growth of credit of legal entities and individuals, primarily consumer and mortgage lending.

From 31 December 2022 to 31 December 2023, the monetary base contracted by 2.8 per cent., money supply (M3) increased by 11.7 per cent. and the volume of cash in circulation increased by 8.3 per cent. The main contribution to the money supply growth was made by the growth of the credit and fiscal channel.

Inflation

In 2019, the NBK decreased its target inflation corridor to 4.0 to 6.0 per cent. The inflation target in 2020-2022 was set between 4.0 and 6.0 per cent. Previous interval values were in the range of 4.0 and 5.0 per cent. for 2023-2024 and 3.0 and 4.0 per cent. starting from 2025. The monetary policy target from 2023 is to maintain annual inflation near 5.0 per cent. in the medium term.

The following table sets forth the rates of consumer price inflation and producer price inflation for the periods presented.

	Year ended 31 December					Three months ended 31 March
	2019	2020	2021	2022	2023	2024
Inflation, consumer prices (annual %, end of period)	5.4	7.5	8.4	20.3	9.8	8.5
Inflation, consumer prices (annual %, period average)	5.3	6.8	8.0	15.0	14.5	9.0
Inflation, producer prices (annual %, end of period)	1.4	(4.2)	46.1	9.4	2.0	1.4
Inflation, producer prices (annual %, period average)	5.1	(8.0)	32.5	27.1	(2.1)	4.0

Source: NSB

In 2019, the annual inflation rate was 5.4 per cent., which was in line with the NBK's target of 4.0 per cent. to 6.0 per cent. The slight increase in inflation in 2019 as compared to 2018 was principally due to an increase in food prices (by 9.6 per cent.), specifically, prices of meat and meat products (by 13.2 per cent.) and bread and

bakery and cereals (by 16.1 per cent.). In 2019, prices of non-food products increased by 5.0 per cent. and prices of regulated services by 0.7 per cent. In 2019, the rate of inflation (producer prices) slowed to 1.4 per cent., mainly driven by a 9.9 per cent. decrease in of the world oil prices and a 3.0 per cent. decrease in world metal prices as well as a 4.0 per cent. decrease in tariffs on electricity, gas, hot water and other industrial services.

In 2020, the annual inflation rate was 7.5 per cent., which was significantly above the NBK's target of 4.0 per cent. to 6.0 per cent. The main driver of the inflation was an increase in prices for food products by 11.3 per cent. year-on-year, which was in turn due to increased demand for certain goods and limited supply as a result of disruption of supply chains of raw materials and products under the state of emergency and quarantine measures as a result of COVID-19. Additional inflationary pressure was exerted by the increase of world prices for certain food products. At the same time, weak consumer demand had a restraining effect on inflationary processes in 2020. The dynamics of the non-food and service components of inflation despite the depreciation of the Tenge remained relatively stable amid suppressed consumer demand caused by the decrease in real income, as well as compliance with quarantine measures and restrictions on the operation of shopping centres. In 2020, producer prices decreased by 4.2 per cent. mainly due to a 22.5 per cent. decrease in oil and gas prices, which was in turn a result of the COVID-19 pandemic. The average annual price of Brent crude oil in 2020 decreased by 35.1 per cent. as compared to 2019.

In 2021, the annual inflation rate was 8.4 per cent., exceeding the target range of 4.0 per cent. to 6.0 per cent. Food inflation played a significant role, with a rate of 9.9 per cent., driven by high global food prices, reduced domestic crops, and persistent high prices for cereals. By the end of 2021, the rate of price growth in the manufacturing industry for domestically sold products slowed down. However, producer prices for meat, dairy, flour-grinding, and cereal products increased, driven by factors such as low grain harvests, high fuel and lubricant prices and elevated costs for feed crops. Non-food inflation reached 8.5 per cent., mainly due to the surge in prices for fuel and lubricants, which saw an increase of 23.2 per cent. due to rising producer prices for gasoline and diesel. Inflation in paid services was 6.5 per cent., largely influenced by regulated services, particularly electricity.

In 2022, the annual inflation rate was 20.3 per cent., significantly exceeding the target range of 4.0 per cent. to 6.0 per cent. Food prices made the largest contribution to the acceleration of headline inflation, with an annual growth rate of 25.3 per cent. This was driven by the depreciation of the Tenge, changes in supply chains, and a substantial increase in global food prices. Non-food prices accelerated significantly, with an annual increase of 19.4 per cent. This was due to supply chain disruptions, the depreciation of the Tenge, and increased demand for non-food goods from Russian immigrants who moved to Kazakhstan since the start of the Russia-Ukraine conflict. Prices for paid services rose by 14.1 per cent., primarily due to higher housing rents. The influx of Russian immigrants led to increased demand for rental properties, driving up prices. Housing rents saw an annual increase of 39.8 per cent.

In 2023, the annual inflation rate was 9.8 per cent., which was above the newly established target of 5.0 per cent. The slowdown in inflation compared to 2022 occurred due to the expiry of the high base effect of 2022, lower world food prices, weakening global inflationary pressure as well as the monetary policy pursued. The annual growth rate for food prices was 8.5 per cent. Non-food prices increased by 9.1 per cent. year-on-year. The slowdown in non-food inflation as compared to 2022 was facilitated by a stable nominal exchange rate and the high base effect of 2022. Service prices rose by 12.4 per cent., primarily due to the "Tariff in Exchange for Investment" programme aimed at updating the infrastructure. The annual growth rate for regulated services was 20.1 per cent., driven by increased tariffs for regulated utilities.

The trend of slowing inflation continued, allowing for a further reduction of the base rate by 125 basis points to 14.50 per cent. in the six months ended 30 June 2024. As at May 2024, inflation stood at 8.5 per cent. (as compared to 8.7 per cent. in April 2024). It is expected that by the end of 2024, there will be a gradual slowdown in food price growth thanks to lower producer prices for food and agricultural products, as well as low growth rates of import prices for both food and non-food items. Current monetary and credit conditions and the level of the base rate will contribute to stabilising inflation and gradually reducing it to 7.5-9.5 per cent. in 2024. However, the ongoing programme of updating communal networks "Tariff in Exchange for Investments" will continue to exert inflationary pressure. According to the NBK, inflation in 2024 is expected to be 7.5-9.5 per cent.

In 2023, the monthly inflation rate amounted to 1.0 per cent. in January, 1.3 per cent. in February, 0.9 per cent. in March, 0.9 per cent. in April, 0.5 per cent. in May, 0.5 per cent. in June, 0.5 per cent. in July, 0.7 per cent. in August, 0.5 per cent. in September, 0.7 per cent. in October, 1.0 per cent. in November and 0.7 per cent. in December, each as compared to the previous month.

In 2024, the monthly inflation rate amounted to 0.8 per cent. in January, 1.1 per cent. in February, 0.7 per cent. in March, 0.6 per cent. in April, 0.4 per cent. in May, 0.4 per cent. in June and 0.7 per cent. in July, each as compared to the previous month.

International Reserves

The following table sets out the international reserves of Kazakhstan and the foreign currency reserve assets of the National Fund as at the dates presented.

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(U.S.$ billions, except percentages)				
Official international reserves (excluding gold) *of which:*	10.1	12.1	10.9	14.6	16.4
Special drawing rights holdings	*0.8*	*0.8*	*2.4*	*2.2*	*2.3*
Foreign exchange	*9.3*	*11.3*	*8.5*	*12.4*	*14.1*
Official gold reserves(1)	18.9	23.6	23.5	20.5	19.5
Total official international reserves (including gold)	29.0	35.6	34.4	35.1	35.9
National Fund foreign currency reserve assets	61.8	58.7	55.3	55.7	60.0
Total official international reserves and National Fund foreign currency reserve assets	90.7	94.4	89.7	90.8	96.0
Total official international reserves and National Fund foreign currency reserve assets (% of GDP)	49.4	53.8	44.3	39.2	35.8

Source: NBK

Note:
(1) Includes refined gold held by the NBK and other deposits of gold.
(2) Includes International Reserves and foreign currency assets of the National Fund of Republic of Kazakhstan.

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 2019, Kazakhstan's total international reserves including gold and the National Fund's foreign currency reserves, were U.S.$90.7 billion (of which assets of the National Fund amounted to U.S.$61.8 billion, an increase of 6.5 per cent., as compared to 31 December 2018. Official international reserves represented 6.6 months of import coverage and, together with National Fund foreign currency reserves, represented more than 20.4 months of import coverage.

As at 31 December 2020, Kazakhstan's total international reserves including gold and the National Fund's foreign currency reserves, were U.S.$94.4 billion (of which assets of the National Fund amounted to U.S.$58.7 billion, an increase of 4.1 per cent., as compared to 31 December 2019. Official international reserves represented 9.2 months of import coverage and, together with National Fund foreign currency reserves, represented more than 23.7 months of import coverage.

As at 31 December 2021, Kazakhstan's total international reserves including gold and the National Fund's foreign currency reserves, were U.S.$89.7 billion (of which assets of the National Fund amounted to U.S.$55.3 billion, a decrease of 5.0 per cent. as compared to 31 December 2020). Official international reserves represented 8.3 months of import coverage and, together with National Fund foreign currency reserves, represented more than 21.1 months of import coverage.

As at 31 December 2022, Kazakhstan's total international reserves including gold and the National Fund's foreign currency reserves, were U.S.$90.8 billion (of which assets of the National Fund amounted to U.S.$55.7 billion,

an increase of 1.24 per cent. as compared to 31 December 2021). Official international reserves represented 7.0 months of import coverage and, together with National Fund foreign currency reserves, represented more than 17.7 months of import coverage.

As at 31 December 2023, Kazakhstan's total international reserves including gold and the National Fund's foreign currency reserves, were U.S.$96.0 billion (of which assets of the National Fund amounted to U.S.$60.0 billion, an increase of 5.7 per cent. as compared to 31 December 2022). Official international reserves represented 6.0 months of import coverage and, together with National Fund foreign currency reserves, represented more than 15.6 months of import coverage.

As at 31 May 2024, Kazakhstan's total international reserves including gold and the National Fund's foreign currency reserves, were U.S.$100.7 billion, with the foreign currency reserves totalling U.S.$39.8 billion. This comprises U.S.$16.8 billion in assets held in freely convertible currencies and U.S.$23.0 billion in gold. The primary method of replenishing these reserves is the state's exercise of its priority right to purchase refined gold. The structure of gold and foreign exchange assets ("**GFXA**") includes foreign exchange assets and a gold portfolio, which as at May 2024 amounts to U.S.$23.0 billion or 57.5 per cent. of the share of gold reserves. The purpose of the gold portfolio is to protect against a possible decrease in the attractiveness of foreign exchange assets in international financial markets. The currency part of the GFXA includes portfolios aimed at ensuring the profitability of assets in the short, medium and long term, as well as for the diversification of GFXA: investment, strategic, emerging markets and alternative instruments. Also, the foreign exchange part of the GFXA includes a liquidity portfolio designed to maintain a high level of liquidity and safety, meet short-term demand for foreign currency and service external government debt. In accordance with the Investment Strategy for managing GFXA, the minimum volume of the liquidity portfolio is at least U.S.$1.0 billion, taking into account short-term liabilities, as well as at least the volume of payments for servicing external public debt for the next 6 months. Additionally, the total volume of the liquidity portfolio, the investment portfolio and the external gold within gold portfolio is at least 2/3 of the total share of GFXA, excluding the internal gold within gold portfolio. There are no expected changes in relation to the current foreign policy of the GFXA.

Kazakhstan is a net creditor from a global perspective.

Interest Rates

The following table sets out key interest rates and related data for the periods indicated.

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(Annual average, %)				
NBK refinancing rate (%, period-end)	9.0	9.0	9.75]	16.75	15.75
Tenge deposit rates					
Deposits of legal entities (KZT)	7.2	7.3	7.3	12.2	14.5
Deposits of legal entities (hard currency)	1.0	0.6	0.4	0.6	1.9
Deposits of individuals (KZT)	9.2	9.5	8.5	11.5	13.8
Deposits of individuals (hard currency)	1.2	1.1	1.0	0.8	0.9
Demand deposits (KZT and hard currency)	0.5	0.9	0.6	0.2	1.3
Time deposits (KZT and hard currency)	6.8	7.0	6.9	11.5	13.5
Tenge lending rates					
Loans to legal entities (KZT)	12.0	11.8	11.7	15.9	19.0
Loans to legal entities (hard currency)	5.0	4.6	4.4	4.9	6.6
Loans to individuals (KZT)	18.0	16.9	17.6	17.2	19.1
Loans to individuals (hard currency)	8.9	14.4	14.1	5.8	3.9
Consumer Price Index inflation					

Source: NBK

Exchange Rates

The currency of Kazakhstan is the Tenge, which was introduced in November 1993.

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 was maintained within a narrow range against the U.S. dollar.

In February 2009, a trading band of KZT150: U.S.$1.00 +/- 3.0 per cent. was established. In February 2010, the trading band was widened and set at an asymmetric KZT150: U.S.$1.00 +10.0/-15.0 per cent. 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. The existence of the currency exchange rate band in 2010 did not have a significant effect on the exchange rate. At the end of February 2011, the NBK switched to a managed floating exchange rate regime for the Tenge, officially abolished the trading band, and the formal exchange rate arrangement was changed from a pegged exchange rate within horizontal bands to a managed floating exchange rate regime. The new regime generally allowed 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 was determined on the basis of foreign exchange auctions that were held daily. Auctions were held for U.S. dollars and official rates were quoted for over 30 currencies on the basis of cross- rates. 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 per cent. year-on-year in 2012 as compared to 2011. In July 2013, the NBK reaffirmed its commitment to its exchange-rate policy of a managed float of the Tenge and, from September 2013, started to publish the value of a multi-currency basket, including U.S. dollars, euro and Russian Roubles.

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 NBK effectively devalued the Tenge against the U.S. Dollar by 18.9 per cent. by announcing that it will set an exchange rate band of the Tenge versus the U.S. dollar with a new rate of KZT185: U.S.$1.00 plus/minus 3 Tenge (the official exchange rate was KZT155.56: U.S.$1.00 on 11 February 2014 prior to that announcement). In addition to the above factors, 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 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. In September 2014, the NBK re-established the trading band at KZT170-188: U.S.$1.00.

The Tenge depreciated relative to the U.S. dollar by 10.4 per cent. in 2020 primarily due to a sharp fall in oil prices caused by the COVID-19 pandemic. The pressure on the Tenge was highest in March 2020 following a failed attempt by oil-producing countries to reach a deal regarding a cut to crude oil production, with the exchange rate reaching KZT448.50 per U.S.$1.00. After the announcement of the crude oil deal in April 2020, oil prices and the Tenge moved into a phase of gradual recovery.

In 2022, the Tenge exchange rate fluctuated within a wide range from KZT414.79 to KZT512.17 per U.S.$1, depreciating by 7.1 per cent. at the year-end to KZT462.66 per U.S.$1. The Tenge exchange rate was influenced by geopolitical tensions, volatility in oil prices, and the disinflationary policies pursued by central banks of developed countries. Internally, the Tenge dynamics were affected by growing demand during periods of high uncertainty. At the same time, several factors supported the Tenge: greater attractiveness of Tenge assets due to the increase in the base rate, the Tenge deposit protection programme; sales of foreign exchange proceeds by quasi-public sector entities; the NBK's operations to convert the National Fund assets; and the NBK's interventions at the beginning of the year to prevent destabilisation of the FX market.

In 2023, the Tenge exchange rate ranged from KZT431.06 to KZT482.24 tenge per U.S.$1, strengthening by 1.7 per cent. to KZT454.69 per U.S.$1 by the end of the year. The Tenge exchange rate was shaped by the volatility of oil prices, the disinflationary policies implemented by central banks of developed countries and market

participants' expectations regarding monetary policy. Internal determinants that contributed to the strengthening of the Tenge included the monetary policy conducted by the NBK, the high interest rate differential between Tenge and foreign currency deposits, the inflow of funds from foreign investors into the Government Bonds market, the sale of foreign currency proceeds by quasi-state entities (from January to August), as well as the NBK's operations in converting the assets of the National Fund.

In the first quarter of 2024, the tenge exchange rate appreciated by 1.7 per cent. year-to-date to KZT446.77 per U.S.$. During this period, the NBK executed sales from the National Fund, fulfilling transfers to the Republican Budget within the pre-announced volumes, amounting to a total of U.S.$2.4 billion in sales for the first quarter of 2024. Support for the Tenge was provided by sales of foreign currency from the National Fund, a decreasing level of dollarisation of deposits and an increase in investments by non-residents in Government Bonds.

On 31 March 2024, the official KZT/U.S.$ exchange rate quoted on the KASE, as reported by the NBK, was KZT446.78: U.S.$1.00. On 30 April 2024, the official KZT/U.S.$ exchange rate quoted on the KASE, as reported by the NBK, was KZT 441.44: U.S.$1.00. On 31 May 2024, the official KZT/U.S.$ exchange rate quoted on the KASE, as reported by the NBK, was KZT444.79: U.S.$1.00. On 30 June 2024, the official KZT/U.S.$ exchange rate quoted on the KASE, as reported by the NBK, was KZT 471.46: U.S.$1.00. On 31 July 2024, the official KZT/U.S.$ exchange rate quoted on the KASE, as reported by the NBK, was KZT 475.37: U.S.$1.00. See "*Exchange Rates*" for information on the Tenge/U.S. dollar exchange rates reported by the NBK.

The exchange system in Kazakhstan 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.

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 commercial banks comprising the second tier (with the exception of DBK, which as a state development bank has a special status and belongs to neither tier). All credit institutions in Kazakhstan are required to be licensed and regulated by the regulator, which is currently the ARDFM. According to data published by the ARDFM, as at 31 May 2024, there were 21 commercial banks in Kazakhstan (excluding DBK and the NBK), among which 11 were banks with foreign participation (including eight subsidiaries of foreign banks), and two of which were 100.0 per cent. state-owned banks.

The Kazakhstan banking sector is highly concentrated. As at 31 May 2024, the five largest banks in the second tier accounted for 67.0 per cent. of total assets, 74.1 per cent. of total loans and 71.2 per cent. of total deposits of the banking sector.

The Kazakhstan banking sector has experienced consolidation in the last decade. In particular, in July 2014, JSC BTA Bank ("**BTA Bank**") was acquired by JSC Kazkommertsbank ("**KKB**"). In May 2014, Samruk-Kazyna and Mr. Bulat Utemuratov completed a transaction for the sale and purchase of 79.88 per cent. of ordinary shares in JSC Temirbank ("**Temirbank**"), as well as 16.0 per cent. of ordinary and preference shares in JSC Alliance Bank ("**Alliance Bank**"). The restructuring of the obligations of Alliance Bank was completed at the end of 2014. A decision was made to reorganise Alliance Bank by merging it with JSC "ForteBank" (JSC ABC Bank) and Temirbank, and renaming it JSC "ForteBank" ("**ForteBank**") effective from 1 January 2015.

In 2014, Samruk-Kazyna sold a 97.26 per cent. of shares in BTA Bank to KKB (46.5 per cent.) and Mr K. Rakishev (46.5 per cent.) and placed its remaining shares (4.26 per cent.) in trust under the control of KKB. Later that year, BTA Bank and KKB merged. In 2015, KKB acquired BTA Bank and converted BTA Bank into a distressed asset management company.

In July 2018, JSC Halyk Savings Bank of Kazakhstan ("**Halyk Bank**"), the largest bank in Kazakhstan, completed the assumption of all property, rights and obligations of KKB as a result of a merger of KKB with Halyk Bank.

As at 1 April 2024, Samruk-Kazyna did not own any shares in banks, with the exception of a 0.000003 per cent. interest in the share capital of Halyk Bank.

Furthermore, on 30 June 2017, the NBK adopted a programme for improving the banking sector's financial health (the "**2017 Programme**") aimed at enhancing the banking sector with the active involvement of funds from bank shareholders to reduce the level of NPLs and create conditions for further growth in lending to the economy. On 18 October 2017, the NBK reported that ATF Bank ("**ATF Bank**"), Eurasian Bank, Tsesnabank, Bank CentreCredit and RBK Bank were approved as eligible participants of the 2017 Programme. In 2020, JSC Nurbank took part in the 2017 Programme. The work carried out within the framework of the 2017 Programme allowed banks that received funding to increase the volume of new lending to the economy, amounting to KZT7,697 billion from the start of the 2017 Programme to 1 January 2024.

The regulator revoked the banking license of Delta Bank in November 2017, as well as the banking licenses of Qazaq Banki and Eximbank in August 2018, and Astana Bank in September 2018.

In February 2019, 99.5 per cent. of JSC Tsesnabank's shares were acquired by brokerage company "First Heartland Securities" JSC. The bank was subsequently re-branded as Jusan Bank and merged with First Heartland Bank. In November 2020, Jusan Bank acquired a 99.76 per cent. of shares in ATF Bank.

Pursuant to Resolution No. 66 of the Management Board of ARDFM dated 28 May 2021, Jusan Bank merged with JSC ATF Bank, a Subsidiary Bank of Joint Stock Company First Heartland Jusan Bank.

As at 6 September 2021, the balance sheets of Jusan Bank and ATF Bank were merged, and all rights and obligations of ATF Bank were transferred to Jusan Bank. As at 5 October 2021, the ATF Bank's banking license has been terminated.

In May 2019, the shareholders of Tengri Bank, AsiaCredit Bank and Capital Bank Kazakhstan announced a potential merger of these banks. However, in February 2020, Tengri Bank withdrew from the potential merger, and the ARDFM revoked the banking license of Tengri Bank in September 2020 and the bank is currently in the process of compulsory liquidation. ARDFM revoked the banking licenses of AsiaCredit Bank in February 2021 and Capital Bank Kazakhstan in June 2021.

In December 2020, JSC Freedom Bank acquired 100.0 per cent. of shares in Kassa Nova Bank, a subsidiary of ForteBank.

In May 2021, the National Bank of underwent voluntary liquidation.

The situation in the banking sector in 2022 was impacted by global geopolitical developments, including restrictions on Russian subsidiary banks operating in Kazakhstan.

In May 2022, Bank CentreCredit ("**BCC**") acquired 100.0 per cent. of shares in Alfa Bank, after which Alfa Bank was rebranded as "Eco Center Bank". In September 2022, Bank CentreCredit merged with Eco Center Bank.

On 1 September 2022, Sberbank of Kazakhstan was acquired by Baiterek Holding, after which it was rebranded as Bereke Bank.

The ARDFM expects to continue to increase and enhance the competitiveness of the banking sector, the aim being to develop a group of strong banks with desired robust level of capital reserves.

As of 2022, 22 banks operate in Kazakhstan (10 of which are foreign): the National Bank of the Republic of Kazakhstan; "Al-Hilal" Islamic Bank", JSC; "Altyn Bank", JSC (Subsidiary Bank of China Citic Bank Corporation Limited); "Bank CenterCredit", JSC; "Bank RBK" Bank", JSC; "Bereke Bank", JSC; "Citibank Kazakhstan", JSC; "Eurasian Bank", JSC; "First Heartland Jusan Bank", JSC; "ForteBank", JSC; "Freedom Bank Kazakhstan", JSC; "Halyk Bank of Kazakhstan", JSC; "Home Credit Bank" Joint Stock Company; "Industrial and Commercial Bank of China in Almaty", JSC; "Islamic bank "Zaman-Bank", JSC; "Kaspi Bank", JSC; "Nurbank", JSC; "Otbasy bank" House Construction Savings Bank of Kazakhstan", JSC; "Shinhan Bank Kazakhstan", JSC;

AB "KAZAKHSTAN-ZIRAAT INTERNATIONAL BANK", JSC; Subsidiary Bank "Bank of China in Kazakhstan", JSC; Subsidiary JSC "Bank VTB (Kazakhstan)".

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.

Prior to December 2020, foreign banks were prohibited from opening branches in Kazakhstan, and foreign banks were required to set up a local entity (i.e., subsidiary or joint venture company that was a Kazakhstan joint stock company) and obtain a regular local banking license to operate in Kazakhstan. In December 2020, Kazakhstan law was amended to widen access to the local financial market for foreign banks. Foreign banks are now able to provide a full range of banking services in Kazakhstan through their Kazakhstan branch offices by submitting simplified applications. The scope of the license to be issued by the ARDFM to a branch office of a foreign bank under the simplified applications must correspond to the scope of the license that the foreign bank holds in its home jurisdiction. Branch offices of foreign banks are subject to Kazakhstan regulatory requirements including, amongst others, the relevant local capital requirements and other requirements related to risk management, internal controls system and corporate governance.

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., Société Générale and UBS AG. In addition, as at 1 February 2024, there were 11 banks operating in Kazakhstan with foreign shareholders, including Citibank Kazakhstan and VTB Bank 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 31 May 2024, the total assets of VTB Bank Kazakhstan represented KZT0.2 trillion or 0.4 per cent. of the total assets of the Kazakhstan banking sector.

On 1 September 2023, President Tokayev expressed the view that three reliable foreign banks should be attracted to Kazakhstan to increase competition in the banking sector. Kazakhstan is currently developing legislative amendments to liberalise the procedure for foreign banks to open their subsidiaries or branches in the country.

In terms of recent developments, Baiterek Holding signed a sale and purchase agreement for 100.0 per cent. of shares in Bereke Bank. Lesha Bank operates in accordance with Shariah standards on the Qatar Financial Centre Regulatory Authority (QFCRA) and its shares are listed on the Qatar Stock Exchange. Furthermore, Microfinance Organisation "BNK Finance Kazakhstan", wholly owned by South Korean company BNK Capital is being transformed into a second-tier bank, with the consent for conversion into a bank issued by ARDFM on 12 June 2024.

Banking Sector Supervision and Regulation

Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (ARDFM)

With effect 1 January 2020, a new independent regulatory body, the ARDFM was established through a reorganisation of the NBK and took over the functions of regulation and development of the financial sector (banks, participants in the insurance market, securities market, microfinance and mortgage organisations, credit partnerships, pawn shops, online creditors, collection agencies and credit bureaus), including control and supervision, resolution procedures, liquidation of financial organisations and cybersecurity of the financial sector. Prior to 2004, these functions were carried out by the NBK. From 2004 until April 2011, the regulatory function was carried out by 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 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 were then performed by the NBK.

The ARDFM is responsible for the licensing and supervision of financial institutions, supervision and development of the financial market, as well as consumer rights protection, while the NBK focuses on monetary and currency control policies as well as inflation control. The NBK has retained the functions related to collection and processing of financial reports of organisations in the financial sector, control and/or supervision and resolution procedures with respect to payment organisations, non-banking foreign exchange offices and collection organisations. The ARDFM is responsible for most of the supervisory and regulatory functions in the Kazakhstan financial sector. The ARDFM 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 ARDFM grants licences to financial institutions, monitors the activities of such institutions, applies necessary sanctions and participates in the liquidation of financial institutions.

The ARDFM is a state institution accountable to the President. The President has the power, amongst other things, to appoint and remove the Chairman of the ARDFM and, upon proposal of the Chairman of the ARDFM, the ARDFM's Deputy Chairman.

While 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 ARDFM. 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 ARDFM.

To enhance financial stability, the NBK and the ARDFM coordinate their activities and have mutual representation in their governing bodies. They also share key information related to the financial markets with each other. A unified database of statistical and regulatory information has been created with equal access from the NBK and the ARDFM.

Banking Sector Reforms

The Government, the NBK, the FMSA, the FMSC and, subsequently, the ARDFM 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 began 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 Basel III recommendations and since 2017 the capital adequacy requirements meet or exceed Basel III recommendations. Minimum reserve requirements are one of the traditional monetary policy tools. Second-tier banks in Kazakhstan fulfil the minimum reserve requirements based on the principle of averaging. The calculation period of the minimum reserve requirements and the maintenance period of reserve assets are 28 calendar days and they follow each other directly. During the calculation period of the minimum reserve requirements, the amount of liabilities is counted, which, during the maintenance of reserve assets, banks must keep in national currency in cash in vault and on correspondent

accounts at the NBK. At the same time, the structure of reserve assets is limited, and minimum reserve requirements is met by the sum of cash in vaults up to 50.0 per cent. of the average size of minimum reserve requirements and the balances on the correspondent accounts at the NBK in domestic currency. Currently, the liabilities assumed for the minimum reserve requirements are divided by maturity and currency and consist of four types of liabilities with the following ratio:

- short–term liabilities in national currency – 2.0 per cent.;
- long–term liabilities in national currency – 0.0 per cent.;
- short–term liabilities in foreign currency – 3.0 per cent.; and
- long–term liabilities in foreign currency – 1.0 per cent.

In 2018, considerable legislative changes were introduced into banking regulations in connection with the adoption by the NBK of the Programme for the Improvement of Financial Stability of the Banking Sector, aimed at improving financial stability by means of raising requirements on operational control and risk-oriented supervision. These changes established enhanced supervision measures in relation to banks' net capital, corporate governance, internal risk management system, quality of assets, liquidity and liabilities structure. The changes also stipulated additional grounds for supervision and criminal liability for management of banks. The regulator (now the ARDFM) is now authorised to use its "justified judgement" in respect of the banks' transactions with their affiliates and certain other areas of regulation.

On 1 January 2019, the NBK introduced risk-focused supervision of the banking sector. During the risk-focused supervisory process, the regulator reviews and analyses the activities of a financial institution and considers whether such activities are compliant with statutory requirements, as well as analyses the business model of the financial institution. The regulator further assesses corporate governance, capital adequacy and levels of liquidity of financial institutions. Risk-focused supervision also includes the concept of reasoned judgment. The ARDFM, as regulator, is now authorised, among other things, to identify, based on its reasoned judgment: (i) top managers of banks of other persons that have "special relations" with such banks; and (ii) loans and other financing that was provided by a bank on favourable terms. The ARDFM is further authorized, based on its reasoned judgment, to: (x) assess sufficiency of reserves; (y) identify and assess risks that a bank is exposed to; and (z) identify violations of statutory requirements committed by a bank.

On 1 August 2019, the NBK initiated an independent asset quality review ("**AQR**") of the 14 largest banks in the country, which collectively accounted for approximately 87.0 per cent. of banking sector assets. This asset quality review helped to determine the need for capital for participating banks, assess the quality of their loan portfolios and analyse their lending practices. The asset quality review was completed in December 2019. Based on the results of the review, in April 2020 the ARDFM agreed on corrective action plans for all 14 banks aimed at significantly transforming the banks' key business processes over a three-year period in accordance with best international practices to ensure long term sustainable development of the banking sector.

In 2023, banks completed the implementation of Corrective Action Plans based on the results of the AQR, with AQR member banks implementing over 23,000 actions or 100.0 per cent. of the total number of planned AQR actions.

In 2019, the ARDFM introduced the AQR toolkit into its ongoing supervisory practice. Since 2022, the ARDFM has been conducting regular AQRs in the banking system. The results of an AQR are the starting point for conducting supervisory stress testing ("**SST**").

The 2022 AQR and SST scope included 10 banks, which accounted for 71.0 per cent. of assets and 72.0 per cent. of the loan portfolio of the entire banking sector. The discrepancies in the actual and estimated level of provision coverage based on AQR results amounted to 2.1 percentage points. As a result, the overall level of capital adequacy for 10 banks was reduced by 1.7 percentage points. from 17.6 per cent. to 15.9 per cent., which is significantly higher than the regulatory minimum level of 7.5 per cent.

In 2023, 11 banks were included in the scope of the regular AQR and SST, which accounted for 84.0 per cent. of the assets and 85.0 per cent. of the loan portfolio of the banking sector as of the beginning of 2023. According to the 2023 AQR estimate, the share of NPLs decreased by 1.3 percentage points compared to the 2022 estimate.

The required level of provision coverage remained at the 2022 assessment level. The difference in provision coverage between bank estimates and the 2023 AQR estimate amounted to 2.2 percentage points. As a result, the overall level of capital adequacy for 11 banks was reduced by 1.6 percentage points. from 16.7 per cent. to 15.1 per cent., which is significantly higher than the minimum level of 7.5 per cent.

In 2024, the ARDFM intends to apply a supervisory capital surcharge based on the results of the supervisory review and evaluation process ("**SREP**"), regular AQR and SST.

Capital Adequacy

The ARDFM 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. Since 1 July 2011, the minimum capital requirements for banks have been KZT10 billion. The minimum capital requirement for residential construction savings banks is currently KZT4 billion.

The ARDFM is currently continuing with implementation of Basel III standards, which were adopted in December 2010. The implementation of Basel III has been postponed on several occasions in line with the extended implementation of the Third Basel Accord. In September 2017, the NBK adopted amended prudential requirements, which, in line with Basel III, differ for banks that fall within the definition of systematically-important banks and banks which do not have such status. The amended requirements introduced two additional capital buffers: a "capital conservation buffer" and a "systematic buffer". Systematically-important banks are required to maintain k1 of 9.5 per cent., k1-2 of 10.5 per cent. and k2 of 12 per cent. taking into account the "capital conservation buffer" and "systematic buffer". Banks which are not considered systematically-important are required to maintain k1 of 7.5 per cent., k1-2 of 8.5 per cent. and k2 of 10 per cent. taking into account the "capital conservation buffer" and "systematic buffer".

To mitigate the cyclical effects on the economy, a "countercyclical buffer" has been introduced, ranging from 0.0 to 3.0 per cent. of the aggregate of risk-weighted assets, contingent and possible liabilities.

As part of the development of risk-based supervision, several new measures were introduced in December 2023:

1) supervisory surcharge based on SREP results, ranging from 0.0 to 3.0 per cent. of the risk-weighted assets, contingent and possible liabilities;
2) supervisory surcharge based on SREP and regular AQR results, ranging from 0.0 to 6.0 per cent. of the risk-weighted assets, contingent and possible liabilities; and
3) buffer based on SST, ranging from 0.0 to 3.0 per cent. of the risk-weighted assets, contingent and possible liabilities.

Each of the supervisory surcharges based on SREP results and the combination of SREP and regular AQR results and the buffer based on SST is reviewed and set annually and remains in effect until a new amount is established.

The ARDFM has set the liquidity coverage and net stable funding ratios at 0.9 until 31 December 2025.

Deposit Insurance

In December 1999, a self-funded domestic deposit insurance scheme was established and, as at 1 November 2017, 30 banks were covered by the scheme. The insurance coverage is presently limited to personal deposits in any currency and current accounts up to a maximum amount per customer of KZT15 million for Tenge-denominated saving deposits, KZT10 million for Tenge-denominated deposits (other than saving) and KZT5 million for deposits denominated in foreign currencies. Only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals.

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 required 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 their transactions. 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.

Effects of the 2008-2009 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 Sector Supervision and Regulation*".

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 banking sector regulator, 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 10.0 per cent. 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 30.0 per cent. 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.

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 100.0 per cent. 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 in which 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 Offering Memorandum, the Restructuring Law has been applied in the restructurings of Alliance Bank, BTA Bank (as referred to above) and Temirbank.

To address the poor quality of the loan portfolios of banks in Kazakhstan, the NBK introduced a set of special policy measures, including the establishment of FPL in 2012. In October 2014, the President adopted a decree providing for the transfer of KZT250 billion from the National Fund to the State Budget in order to capitalise the FPL. In 2017, the Government contributed KZT2,093 billion to FPL. FPL, which, until 2017, was fully owned by the NBK and, since 2017, is owned by the Government, 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 FPL, 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 may not exceed 15.0 per cent. From January 2016, a new prudential regulation was introduced, setting the threshold governing the level of NPLs to 10.0 per cent.

The Government has also taken a number of other steps to support the Kazakhstan banking sector, including significant capital injections. The Government's accumulated capital injections into the Kazakhstan banking sector are estimated to have been the equivalent of 6.4 per cent. 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 per cent. and 2.2 per cent. of 2009 GDP, respectively, were made.

Response to COVID-19 Pandemic

In response to the outbreak of the COVID-19 pandemic, the Government encouraged Kazakhstan banks to introduce "repayment holidays" to citizens and SMEs affected by lockdowns for a period of 90 days from 16 March 2020 to 15 June 2020. According to the ARDFM, banks had deferred loan payments for 41.5 per cent. of SMEs and 34 per cent. of individual borrowers as of June 2020. This measure was reintroduced for SMEs for an additional 60 days from 3 August 2020 to 1 October 2020. Credit repayment holidays were accompanied by regulatory relaxations for Kazakhstan banks introduced for a six-month period to 1 October 2020.

Performance of the Banking Sector

Global financial instability, market dislocation and, most recently, the COVID-19 pandemic have adversely affected the Kazakhstan banking sector, resulting in asset quality deterioration and reduced funding sources for Kazakhstan banks.

The Kazakhstan banking sector has remained profitable to date during the COVID-19 pandemic. Net income after tax for the banking sector amounted to KZT726.1 billion for 2020, KZT790.9 billion for 2019, KZT642.4 billion for 2018 and KZT397.6 billion for 2016. For 2017, the net loss after tax of the banking sector amounted to KZT62.3 billion. Despite the improvement in profitability over the past several years, the margins of banks are currently under pressure as funding costs have increased.

As at 1 March 2021, the total balance sheet capital of commercial banks was KZT4,078 billion, as compared to KZT3,789 billion and KZT2,992 billion as at 1 March 2020 and 1 March 2019, respectively. The total assets

(including reserves) of commercial banks increased to KZT31,995.4 billion as at 1 March 2021 from KZT26,730.5 billion as at 1 March 2020, which, in turn, increased from approximately KZT24,578.0 billion as at 1 March 2019. Aggregate liabilities were approximately KZT27,917.0 billion as at 1 March 2021, as compared to KZT22,941.7 billion and KZT21,586.1 billion as at 1 March 2020 and 1 March 2019, respectively. Liquid assets accounted for 42.4 per cent. of total assets in the Kazakhstan banking sector as at 1 March 2021, as compared to 34.9 per cent. as at 1 March 2020. NPLs as a percentage of the total loans in the banking sector decreased from 8.4 per cent. as at 1 March 2020 to 7.0 per cent. as at 1 March 2021.

As at 1 January 2022, the total balance sheet capital of commercial banks was KZT5,308.0 billion as compared to KZT 4,821.0 and KZT4,524.0 billion as at 1 January 2021 and 1 January 2020, respectively. The total assets (including reserves) of commercial banks increased to KZT 37,622.0 billion as at 1 January 2022 from KZT31,171.7 billion as at 1 January 2021, which, in turn, increased from approximately KZT26,814.0 billion as at 1 January 2020. Aggregate liabilities were approximately KZT33,087.1 billion as at 1 January 2022, as compared to KZT27,217.0 billion and KZT23,165.0 billion as at 1 January 2021 and 1 January 2020, respectively. Liquid assets accounted for 31.1 per cent. of total assets in the Kazakhstan banking sector as at 1 January 2022, as compared to 40.6 per cent. as at 1 January 2021. NPLs as a percentage of the total loans in the banking sector increased from 6.9 per cent. as at 1 January 2021 to 3.3 per cent. as at 1 January 2022.

As at 1 January 2023, the total balance sheet capital of commercial banks was KZT5,227.7 billion, as compared to KZT5.308.0 billion and KZT4,078.0 billion as at 1 January 2022 and 1 January 2021, respectively. The total assets (including reserves) of commercial banks increased to KZT44,562.3 billion as at 1 January 2023 from KZT37,622 billion as at 1 January 2022, which, in turn, increased from approximately KZT31,171.7 billion as at 1 January 2021. Aggregate liabilities were approximately KZT39,334.6 billion as at 1 January 2023, as compared to KZT33,087.1 billion and KZT27,217.2 billion as at 1 January 2022 and 1 January 2021, respectively. Liquid assets accounted for 30.2 per cent. of total assets in the Kazakhstan banking sector as at 1 January 2023, as compared to 31.1 per cent. as at 1 January 2022. NPLs as a percentage of the total loans in the banking sector increased from 3.3 per cent. as at 1 January 2022 to 3.4 per cent. as at 1 January 2023.

As at 1 January 2024, the total capital of commercial banks was KZT7,492.7 billion, as compared to KZT5,934.4 billion and KZT5,308.0 billion as at 1 January 2023 and 1 January 2022, respectively. The total assets (including reserves) of commercial banks increased to KZT51,439.9 billion as at 1 January 2024 from KZT44,562.3 billion as at 1 January 2023, which, in turn, increased from approximately KZT37,622.0 billion as at 1 January 2022. Aggregate liabilities were approximately KZT44,579.5 billion as at 1 January 2024, as compared to KZT39,334.6 billion and KZT33,087.1 billion as at 1 January 2023 and 1 January 2022, respectively. Liquid assets accounted for 29.3 per cent. of total assets in the Kazakhstan banking sector as at 1 January 2024, as compared to 30.2 per cent. as at 1 January 2023. NPLs as a percentage of the total loans in the banking sector decreased from 3.4 per cent. as at 1 January 2023 to 2.9 per cent. as at 1 January 2024. NPLs as a percentage of the total loans in the banking sector as at 1 July 2024 amounted to 3.1 per cent.

In November 2020, Fitch revised its outlooks on the credit ratings assigned to Halyk Bank, Halyk Finance, Alfa Bank Kazakhstan and ForteBank to stable from negative. The long-term issuer default ratings were affirmed by Fitch at BB+ for Halyk Bank and Halyk Finance, BB- for Alfa Bank Kazakhstan, and B for ForteBank. Fitch also affirmed the ratings assigned to Sberbank Kazakhstan at BBB- with a stable outlook. The revision of the outlooks and affirmation of ratings on Halyk Bank, Alfa Bank Kazakhstan and ForteBank were due to Fitch's view that "the banks' strong pre-impairment profitability and substantial capital buffers will be sufficient to mitigate the ongoing pressure on their asset quality, stemming from the economic recession, lower oil prices, and negative implications from the spread of COVID-19 on the broader economy".

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 presented.

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(KZT billions, except percentages)				
Total assets, *of which:*	**26,785.9**	**31,171.7**	**37,622.0**	**44,562.3**	**51,439.9**

Correspondent accounts	2,411.4	2,461.8	2,996.1	4,001.5	2,997.1
Deposits with NBK	1,416.0	4,222.8	3,942.5	4,470.6	4,344.6
Deposits in other banks	1,028.9	550.0	550.0	666.3	1,080.0
Loans to customers	12,264.9	13,123.5	17,598.4	21,996.6	27,163.5
Accumulated interest income	791.2	832.5	766.3	826.0	1,004.9
Other assets	8,873.5	9,981.1	11,768.7	12,601.3	14,849.8
Total liabilities, *of which:*	**23,161.5**	**27,217.2**	**33,087.1**	**39,334.6**	**44,579.6**
Amounts due to other banks	654.2	544.3	532.6	742.6	521.9
Customer deposits	18,096.1	21,602.8	26,083.7	31,689.4	35,457.4
Issued securities	1,798.1	1,758.1	1,612.8	1,604.0	2,195.9
Other liabilities	2,610.2	3,312.0	4,858.0	5,298.6	6,404.4
Total capital	**3,627.4**	**3,954.5**	**4,534.9**	**5,227.7**	**6,860.3**
Total liabilities and capital	**26,785.9**	**31,171.7**	**37,622.0**	**44,562.3**	**51,439.9**
Total capital adequacy ratio	24.3%	27.0%	21.7%	21.7%	21.5%
Tier 1 capital adequacy ratio	19.2%	21.3%	19.3%	18.6%	19.2%
Total deposits/total liabilities	77.6%	79.2%	78.8%	80.6%	79.5%
Provisions/total loans	13.5%	11.6%	7.0%	6.8%	5.7%
Foreign currency loans/total loans	16.6%	13.0%	10.3%	8.1%	7.7%
Foreign currency deposits/total deposits	41.8%	38.7%	34.7%	34.0%	26.8%
Interest margin	5.2%	4.9%	5.1%	5.8%	6.3%
Interest rate spread	3.9%	3.6%	4.0%	4.5%	4.7%
NPL ratio (90-day basis as a % of loan portfolio)	8.1%	6.8%	3.3%	3.4%	2.9%

Source: ARDFM, NBK

The following table sets out aggregate total loans and total foreign currency loans of the Kazakhstan banking sector as at the dates presented.

	KZT Loans	Foreign Currency Loans	Total Loans
As at		*(KZT millions)*	
31 March 2019	10,012,291	2,460,910	12,473,201
30 June 2019	10,593,172	2,313,661	12,906,832
30 September 2019	11,047,060	2,347,902	13,394,962
31 December 2019	11,560,763	2,304,127	13,864,890
31 March 2020	11,816,129	2,489,339	14,305,467
30 June 2020	11,742,471	2,184,621	13,927,092
30 September 2020	12,158,074	2,187,419	14,345,494
31 December 2020	12,726,647	1,896,418	14,623,065
31 March 2021	12,983,218	1,809,436	14,792,653
30 June 2021	13,792,746	1,928,775	15,721,521
30 September 2021	15,029,527	1,934,427	16,963,954
31 December 2021	16,588,156	1,909,497	18,497,653
31 March 2022	17,358,032	1,867,455	19,225,488
30 June 2022	18,245,935	1,804,868	20,050,803
30 September 2022	19,332,239	1,768,959	21,101,198
31 December 2022	20,960,772	1,851,110	22,811,882
31 March 2023	21,466,796	1,689,269	23,156,065
30 June 2023	22,710,133	1,692,024	24,402,157
30 September 2023	24,128,816	1,762,735	25,891,552
31 December 2023	25,779,419	2,153,475	27,932,894
31 March 2024	26,487,645	2,203,836	28,691,481

Source: ARDFM, NBK

The following table sets out certain information, as at the dates presented, in respect of the five banks that as at 31 December 2023 were the five largest banks in Kazakhstan based on total assets.

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(KZT billions, except ratios)				
Halyk Bank					
Tier 1 capital ratio (%)	21.3	23.7	19.6	18.5	19.1
Total capital adequacy ratio (%)	23.1	25.1	20.4	18.9	19.3
Total assets	8,841	9,972	11,632	13,863	14,943
NPL ratio (%)	7.3	3.8	2.3	1.8	2.1
Total deposits/total liabilities (%)	84.7	85.7	83.3	86.3	85.2
Kaspi Bank					
Tier 1 capital ratio (%)	11.4	11.3	11.5	12.2	12.6
Total capital adequacy ratio (%)	14.5	14.3	12.9	13.1	13.0
Total assets	2,172	2,809	3,602	5,087	6,689
NPL ratio (%)	7.1	6.7	3.9	5.2	4.7
Total deposits/total liabilities (%)	84.8	88.0	88.3	92.1	93.9
Bank CentreCredit					
Tier 1 capital ratio (%)	10.0	11.5	12.8	14.0	15.4
Total capital adequacy ratio (%)	17.4	19.1	19.8	17.9	18.1
Total assets	1,460	1,849	2,070	4,347	5,261
NPL ratio (%)	6.3	6.3	5.1	2.6	1.8
Total deposits/total liabilities (%)	69.7	68.3	70.1	78.7	81.7
Otbasy Bank					
Tier 1 capital ratio (%)	39.8	36.7	34.6	28.7	34.8
Total capital adequacy ratio (%)	39.8	36.7	34.6	28.7	34.8
Total assets	1,353	1,708	2,804	3,440	3,996
NPL ratio (%)	0.1	0.2	0.1	0.1	0.1
Total deposits/total liabilities (%)	81.3	77.0	78.3	77.3	78.3
ForteBank					
Tier 1 capital ratio (%)	17.0	21.0	23.1	19.6	20.8
Total capital adequacy ratio (%)	18.3	22.3	24.3	20.2	21.2
Total assets	2,196	2,160	2,483	2,914	3,444
NPL ratio (%)	6.0	7.2	4.9	4.5	3.5
Total deposits/total liabilities (%)	63.6	74.9	79.3	79.2	76.3
Five Largest Banks Total					
NPL ratio (%)	6.2	4.3	2.7	2.4	2.4
Total deposits/total liabilities (%)	80.0	82.0	81.7	84.4	84.7

Source: ARDFM, NBK

Total assets of the banking sector were KZT52,409 billion as at 1 May 2024, as compared to KZT51,440 billion as at 31 December 2023, KZT44,562 billion as at 1 January 2023, KZT37,622 billion as at 1 January 2022, KZT31,172 billion as at 1 January 2021 and KZT26,786 billion as at 1 January 2020.

As at 1 May 2024, the aggregate loan portfolio of legal entities in the banking sector in Kazakhstan was comprised of 35.5 per cent. loans to corporate borrowers, 15.5 per cent. loans to individual borrowers and 49.0 per cent. loans to (domestic) SMEs.

As at 1 May 2024, JSC "First Heartland Jusan Bank", VTB Bank Kazakhstan and JSC "Nurbank" had the highest amount of NPLs, accounting for 8.7 per cent., 8.2 per cent. and 6.2 per cent. of the NPLs of the entire banking sector, respectively.

Total liabilities of the banking sector were KZT45,029.8 billion as at 1 May 2024, as compared to KZT44,579.6 billion as at 1 January 2024, KZT39,334.6 billion as at 1 January 2023, KZT33,087.1 billion as at 1 January 2022, KZT27,217.2 billion as at 1 January 2021 and KZT23,161.5 billion as at 1 January 2020. Following the devaluation of the Tenge in February 2014, there was an outflow of retail deposits from the banking sector of approximately KZT250 billion, which was addressed by various measures taken by the affected banks and the NBK. Approximately 40.0 per cent. of the deposits that had been withdrawn at such time were returned to the banking sector within two months. There have been no deposit outflows on a similar scale since that time.

The total capital of commercial banks in Kazakhstan increased to KZT 7,379.5 billion as at 1 May 2024, as compared to KZT6,860.3 billion as at 1 January 2024, KZT5,227.7 billion as at 1 January 2023, KZT4,534.9 billion as at 1 January 2022, KZT3,954.5 billion as at 1 January 2021 and KZT3,627.4 billion as at 1 January 2020. The total capital adequacy ratio of commercial banks in Kazakhstan was 20.9 per cent. as at 1 May 2024 as compared to 21.5 per cent. as at 1 January 2024, 21.7 per cent. as at 1 January 2023, 21.7 per cent. as at 1 January 2022, 27.0 per cent. as at 1 January 2021 and 24.3 per cent. as at 1 January 2020.

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 years or periods indicated:

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(KZT billions, except ratios)				
Interest income	2,219.1	2,455.0	2,967.2	4,033.1	5,746.9
Interest expense	1,066.2	1,207.1	1,424.9	1,953.5	3,018.5
Net interest income	**1,153.0**	**1,247.8**	**1,542.2**	**2,079.7**	**2,728.5**
Non-interest income	19,442.0	36,983.5	27,757.9	112,449.4	66,386.9
Non-interest expense	19,643.4	37,313.1	27,811.5	112,801.8	66,608
Net non-interest income/(expense)	**(201.4)**	**(329.6)**	**(53.6)**	**(352.3)**	**(221.1)**
Pre-tax profit/(loss)	951.5	918.2	1,488.6	1,727.3	2,507.4
Income tax expense	160.6	192.1	199.3	260.8	324.3
Net income/(loss) after income tax	**790.9**	**726.1**	**1,289.3**	**1,466.5**	**2,183.1**
Key ratios					
Return on assets (%)[(1)]	3.19	2.3	3.9	3.7	4.7
Return on total capital (%)[(2)]	25.1	17.6	30.6	30.4	36.7
Net interest margin (%)	5.2	4.9	5.06	5.75	6.35

Source: ARDFM, NBK

Notes:

(1) Excluding restructured banks (BTA Bank, Alliance Bank and Temirbank).
(2) Net income/(loss) after income tax for the period divided by total assets at period end.

De-dollarisation of the economy

Since transitioning to an inflation targeting regime and a freely floating exchange rate for the Tenge in 2015, despite certain periods of macroeconomic and political instability (such as in 2020 during the onset of the COVID-19 pandemic, as well as during the expansion of the Russia-Ukraine conflict in 2022), the NBK has managed to reduce the level of dollarisation from a peak of 70.0 per cent. in January 2016 to historically low levels.

As at 1 June 2024, the dollarisation of deposits is near a 26-year low, decreasing by 5.9 percentage points annually to 22.5 per cent. Dollarisation of retail deposits reached a 26-year low at 20.4 per cent, and corporate deposits dollarisation stood at 25.1 per cent. The downward trend in dollarisation was influenced by the following factors. Firstly, high interest rates on tenge deposits amidst a moderately tight monetary policy. The increase in Tenge deposits is linked to higher rates on tenge deposits, and the corresponding increased differential between deposit rates in different currencies. Secondly, changes in the deposit guarantee system also supported the trend of de-dollarisation. The maximum amount of deposit insurance coverage for savings deposits in tenge increased from KZT15 million to KZT20 million in January 2022. As a result, the maximum guarantee amounts were set at

KZT10-20 million for deposits, and KZT5.0 million for foreign currency deposits. Thirdly, the exchange rate policy under a floating exchange rate regime and two-way exchange rate volatility.

Foreign Exchange Regulations

In 1996, Kazakhstan accepted the conditions of Article VIII of the IMF Articles of Agreement. The Law "On Foreign Exchange Regulation and Foreign Exchange Control", which was implemented in 1996, defined the list of current currency operations that could be accomplished without restrictions. In particular, 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 need to develop new approaches to liberalisation of the currency exchange regime, which would lead to removal of certain restrictions on conducting currency operations, use 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 foreign exchange regime liberalisation in Kazakhstan, which envisaged step-by-step liberalisation of foreign 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 Foreign Exchange Control Law, further liberalisation of foreign exchange regime was implemented in June 2005. As a result, by 2007, legislative restrictions on the convertibility of the Tenge on current and capital operations were removed and conditions for transition to full convertibility of the Tenge were created. In 2018, new Law "On Foreign Exchange Regulation and Foreign Exchange Control" was introduced. The principal changes in the new law were the acknowledgement of branches of foreign non-financial organisations engaged in business activities in Kazakhstan through permanent offices (except those on the specifically established list of non-residents, who have contracts with the Government of Kazakhstan entered into prior to 1 July 2019) as residents of Kazakhstan; clarification of rules for foreign currency circulation in Kazakhstan; assignment of contract identification procedure instead of registration and notification regimes; definition of foreign exchange domestic market; identification of foreign exchange transactions potentially aimed at transferring funds out of Kazakhstan and optimisation of the reports collection from banks on foreign exchange transactions (notification of foreign exchange transactions).

The present foreign exchange regime of Kazakhstan does not contain limitations on capital movement or on commercial activities in the country. Currently, the goal of foreign exchange regulation in Kazakhstan is to support the Government policy of accomplishing sustainable economic growth and ensuring economic security of the country. Specifically, the main objective of foreign exchange regulation is maintenance of a database on currency operations and capital flows. From 1 July 2019, there is a single procedure for accounting of contracts on capital movements and accounts in foreign banks. When making a payment and/or transferring money under a contract, to which the requirement of obtaining an account number applies, or using an account in a foreign bank, to which an account number is assigned, an authorised bank (its branch) checks the availability of details in the payment document of contract and its account number. Requirement of assignment of contract identification number applies to contracts for the capital movement transactions, in which residents are involved (except authorised banks and branches (representative offices) of foreign organisations). Information and data on transactions that are subject for financial monitoring are provided by subjects of financial monitoring to the authorised body responsible for financial monitoring.

In order to ensure the supply of currency on the internal currency market, the foreign exchange 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 Foreign Exchange Control Law envisages a mechanism for the timely reaction to a threat to the stability of the balance of payments, the stability of the domestic foreign exchange market and 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 measures providing special procedure for conducting individual currency transactions in the framework of measures to protect the balance of payments, which may

be introduced only by the Government after consultation with the NBK and other competent authorities. To date, Kazakhstan has not applied the measures to protect the balance of payments.

In March 2019, the NBK amended the Rules on Foreign Exchange Operations in Kazakhstan. Pursuant to these amendments, banks in Kazakhstan must notify the NBK about all transactions, in which the transaction amount equals or exceeds U.S.$50,000 for the purpose of building a complete information base for all major foreign exchange transactions and capital flows.

Foreign Exchange Market

The largest share of transactions on the currency spot market occurs at the 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 KZT16.92 trillion in 2023, accounting for approximately 90.12 per cent. of total turnover (including currency swap operations). The second most frequently traded currency is the Russian Rouble, with a trading volume of KZT1,923.2 billion in 2023, which accounted for 84.32 per cent. of total turnover (including currency swap operations).

With regard to exchange rates, the market rates of national currencies reflect the supply and demand for the currency. Since 2019, the exchange rates of countries, including Tenge, have been shaped by volatile oil prices, the disinflationary policy of central banks of developed countries, and an unstable geopolitical situation. In 2023, there was a tendency to strengthen the Tenge. Kazakhstan's foreign exchange market quickly adapted to external shocks and was balanced in terms of supply and demand with a moderate, adequate level of volatility. Further dynamics of exchange rates of national currencies will depend on internal and external factors, however, there is a trend toward weakening disinflationary processes, lower interest rates by central banks and gradual stabilisation of global markets.

Capital Markets

KASE

The principal stock exchange in Kazakhstan, the KASE 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 five major sectors: foreign exchange market, government securities market (including bonds of international finance institutions), equity and corporate bonds market, repo transactions market and derivatives market. Presently, the securities traded on the KASE include NBK notes, corporate securities issued by Kazakhstan entities and municipal bonds. In 2023, the total volume of trades on the KASE was U.S.$903.6 billion. Of this total volume, the foreign exchange market accounted for U.S.$65.4 billion, money market (including currency swap transactions) accounted for U.S.$814.1 billion, trading in government securities accounted for U.S.$17.6 billion, trading in non-government securities accounted for U.S.$6.4 billion and trading in derivatives accounted for U.S.$64.7 million.

In 2022, the Law of Kazakhstan "On the Securities Market" was amended to facilitate derivatives transactions based on a general financial agreement containing standard conditions (ISDA, ICMA, etc.), as well as to apply the concept of "close-out netting". To facilitate derivatives transactions between residents of Kazakhstan, work is currently underway to develop a local standard agreement, modelled after ISDA Master Agreement.

As at 1 July 2024, KASE operated four platforms, i.e. primary (for major companies' securities), alternative (for medium and small enterprises' securities), mixed (for less widespread and specialist securities, such as Islamic securities, units in investment funds, derivatives and government securities) and private placement (for non-governmental bonds). KASE also acts as the organiser of the KASE Startup platform which is an online platform aimed at establishing communications between startup companies and investors operating with the KASE assistance.

KASE gradually introduced central counterparty (CCP) services across all its markets: in 2012 for the derivatives market, in 2018 for the FX market and in 2019-2020 for the stock and money markets. The establishment of

CCP services helps improve credit risk management, enhance market stability and increase attractiveness for foreign investors.

In June 2024, KASE completed the transfer of clearing and settlement activities and CCP functions in all KASE markets to its wholly owned subsidiary, JSC KASE Clearing Centre.

The KASE has implemented 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 provides 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. The 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.

AIFC

On 19 May 2015, the Former President Nazarbayev adopted a decree on the establishment of the AIFC as an important component of country-wide economic and institutional reform playing a key role at enhancing economic growth, as part of the 100 Specific Steps programme. The AIFC was established the following year. The establishment of the AIFC and the related legal framework was aimed at improving conditions for investors including having dealings between participants of the AIFC governed by English law principles, norms and precedents, use of the English language in the AIFC, having the AIFC meet standards of leading world financial centres and the establishment of a court (with participation of common law judges) for settlement of disputes, including investment disputes.

The AIFC is now a full-fledged financial centre with its own legal and regulatory framework. The AIFC operates within a special legal regime based on common law principles, which regulates the legal relationships between AIFC participants and third parties and is aimed at the development of the financial market. The Constitutional Law of the Republic of Kazakhstan "On the Astana International Financial Centre" of 7 December 2015 (the **"AIFC Framework Law"**), lies at the core of the AIFC legal framework. The institutional framework established under the AIFC Framework Law includes the AIFC Management Council, the AIFC Authority, the Astana Financial Services Authority, the AIFC Court and the International Arbitration Centre, the AIX, the Bureau for Continuing Professional Development, the Expat Centre, the FinTech Hub, the Green Finance Centre and AIFC Business Connect.

Under the AIFC Framework Law, AIFC's participants are exempt from corporate income tax on income received in the territory of the AIFC for 50 years until 2066. Profits realised from the capital gain and dividends on the securities in the official list of the AIX are exempt from income tax. The AIFC Framework Law also provides for simplified visa and labour regimes for the AIFC entities and participants.

According to the AIFC's development strategy through 2025, which was approved in July 2020. In accordance with the strategy, the vision of AIFC is to become the leading financial centre in the region that includes Central Asia, the Caucasus, Eurasian Economic Union countries, western China, Mongolia, and Eastern Europe. The mission of the AIFC is in assisting the sustainable and long-term development of the region. The strategic directions for the sustainable development of the AIFC include the development of a circular economy, financial technologies and a "digital financial centre".

AIX

AIX was established in 2017 as part of the AIFC. The AIX's mission is to develop the public equity and debt capital markets in Kazakhstan and the Central Asian region. The AIX's shareholders are the AIFC, the Shanghai Stock Exchange, the Silk Road Fund and Nasdaq, which provides the AIX trading platform. The AIX operates in

the AIFC regulatory environment and is regulated by the Astana Financial Services Authority, an independent regulator established within the AIFC.

The AIX operates through an ecosystem of over 43 trading members, including brokers operating in Kazakhstan, as well as brokers from Europe, China, Russia and Middle East. The AIX's securities market consists of the following segments: Main Board (Equity / Debt); Regional Equity Market Segment; Pre-IPO Listing Segment; Belt and Road Market Segment; and Junior Mining Segment. Securities traded on the AIX include shares, GDRs, Exchange-Traded Funds (ETFs), structured products and debt securities (including corporate bonds, green bonds, social bonds, Sukuk, Exchange-Traded Notes (ETNs), sovereign bonds and Eurobonds).

The AIX operates a central order book market model where bid and offer orders are submitted by members. Automate anonymous matching of submitted bids and offers for admitted securities on the basis of price and time priority results in transactions that are binding on members that have entered the relevant matched orders. The settlement period in relation to securities traded under the AIX rules is T+2, delivery vs payment, BIS model 2 (gross settlement of securities and net settlement of cash). Multi-currency settlement is available in KZT, USD, EUR, GBP, RUB and CNY. In August 2022, Thomas Murray, the global post-trade risk and custody specialists, has completed the second CSD risk assessment of Astana International Exchange Central Securities Depository ("**AIX CSD**") and assigned an overall risk assessment of 'A+', which denotes a 'Low Risk'.

The AIX has become the first exchange in the world to migrate its core trading infrastructure, the Nasdaq matching engine, onto Amazon Web Services (AWS). This transition enables AIX to enhance the performance of its trading services while delivering agility and scalability to its investor community. It also gives the AIX flexibility to launch new products and services faster and more cost-efficiently for its securities market. The AIX has been included in the FTSE Frontier Index Series Ground Rules, meaning that the AIX infrastructure and liquidity pool will now contribute to Kazakhstan's FTSE Frontier Index rating. AIX is a member of the World Federation of Exchanges (WFE) and the Federation of Euro-Asian Stock Exchanges (FEAS).

On 25 January 2019, United Kingdom's HM Revenue & Customs (HMRC) granted AIX with 'recognised stock exchange' status under section 1005 Income Tax Act 2007. This status enables holders of securities listed on AIX to take advantage of certain favourable treatment under the UK tax laws subject to their individual circumstances and conditions applicable under such laws.

On 8 January 2024, the European Securities and Markets Authority (ESMA), which is the EU's financial markets regulator and supervisor, recognised AIX as an eligible third-county trading venue for the purpose of transparency compliance under MiFID II / MiFIR. AIX was included into the positive assessed list of the ESMA's Transparency opinion. Being included in the ESMA's positive assessment list implies that the European investment firms executing trades on AIX are exempt from the mandatory transaction reporting of such trades under MiFIR.

In 2023, the aggregate volume of trades on the secondary market of AIX was U.S.$582 million. Of this, the equities market accounted for U.S.$130 million, the fixed income market accounted for U.S.$450 million and trading in structured products accounted for U.S.$2 million. As at 1 June 2024, 177 securities of 108 various issuers listed, including shares and GDRs, bonds, exchange-traded notes and structured products.

In the five months ended 31 May 2024, the aggregate volume of trades on AIX has already exceeded the volume of trades for the whole of 2023. The AIX CSD has 1.75 million customer accounts (including +167,000 in the five months of 2024).

On 1 September 2023, President Tokayev, in his Address to the people of Kazakhstan, raised the issue of integration of the potential of the AIX and KASE. In early 2024, the NBK, ARDFM and AIFC reached a decision on this issue, with preliminary findings indicating that it does not involve any deprivation or reduction of the existing benefits of the AIX.

Under the Enhanced Settlement Service arrangement between AIX, AIX CSD, and Euroclear, participants of the AIX CSD can settle trades in Euroclearable securities listed on AIX either through a Euroclear account (if they are members of both Euroclear and AIX) or via a custodian account at Euroclear. This service provides cost efficiencies by allowing trades to settle directly in Euroclear's multi-currency environment. To use this service,

market participants must provide Euroclear with a Power of Attorney authorizing AIX CSD to send settlement instructions for their direct or custodian account at Euroclear. AIX CSD participants with direct or custodian accounts at Euroclear Bank can choose to settle their AIX trades directly into their Euroclear account.

Regulation of the Securities Market

Since 1 January 2020, the ARDFM has been responsible for the Kazakhstan state policy on the functioning of the domestic securities market (excluding the AIFC), the development of its infrastructure and the protection of rights and interests of investors. One of its functions is securities market development, regulation, control and supervision. The functions of the ARDFM in this regard include development and drafting of legislative acts, 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 Astana Financial Services Authority (the "**AFSA**") is responsible for regulating and supervising capital markets in the AIFC, including securities market and market participants. In its regulatory and supervisory capacity, the AFSA is independent from the NBK, the ARDFM and other Kazakhstan governmental authorities.

The Financial Institutions Association of Kazakhstan, a self-regulatory organisation that was established in 1999, also plays a role in the regulation of the securities market.

Pension Funds

As at 30 April 2024, the total pension assets in Kazakhstan were KZT18,923 billion. Since March 2014, all pension assets in Kazakhstan have been held by the UAPF. See "*The Economy of Kazakhstan—Pensions and Pension Reform*".

The growing demand from pension funds for quality investments 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 31 December 2023, Kazakhstan's pension assets consisted of Government securities (46.6 per cent.), non-government securities of domestic issuers (15.9 per cent.), foreign government securities (14.8 per cent.), assets under external management (13.3 per cent.), deposits in banks (6.0 per cent.), international financial institutions securities (2.1 per cent.), monetary funds on investment account and other assets (0.8 per cent.), non-government securities of foreign issuers (0.4 per cent.) and NBK notes (0.0 per cent.).

Since January 2021 citizens who have pension savings in the UAPF have been given the opportunity to place a part of their pension savings, that exceeds the minimum threshold of sufficiency, under discretionary management in private investment management companies. Pension savings can be transferred only to those private investment management companies that have a license to manage the investment portfolio and meet the additional requirements established by the ARDFM.

The reform of the Kazakhstan pension system, whereby private pension funds were replaced by the UAPF, is expected to have certain adverse effects on the development of the domestic capital markets in Kazakhstan 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 and on the interbank market. As at 31 December 2023, the outstanding par value of all KZT-denominated government securities was approximately KZT28,650,182,621 (U.S.$63,028,385, based on the 31 December 2023 official exchange rate), of which KZT17,833,984 (U.S.$39,234) were Government Bonds and KZT1,200,000,000 (U.S.$2,639,916 million) were NBK notes. See "*Public Debt—Domestic Public Debt*".

In 2023, NBK notes were issued in an aggregate amount of KZT31,972.7 billion (U.S.$70.1 billion), with maturities of 28 days and 14 days (14 days notes were issued on 25 December 2023). In 2023, KZT-denominated Government Bonds were issued in a total amount of KZT5,458 billion, which included KZT-denominated Government Bonds with maturities of up to 15 years in an aggregate amount of KZT5,433 billion and maturities of over 15 years in an aggregate amount of KZT25 billion.

In July 2018, the NBK, together with the Central Securities Depository JSC and Clearstream, Luxembourg, implemented the possibility of performing settlements of Government Bonds in the Clearstream system, with the aim of simplifying the access of international investors to the local stock market. In 2020, the settlement process within the existing international link with Clearstream, Luxembourg was transformed from "free of payment" to "delivery versus payment", which is expected to have a positive impact on the liquidity of the domestic government securities market.

Since October 2018, in order to ensure more effective liquidity management, the NBK has been placing its short-term notes under the T+2 settlement system. Such system is in line with the international practice and is standard in transactions with securities in the global financial markets.

The NBK is currently working on building an adequate yield curve. For this purpose, the NBK and the Ministry of Finance are working on consolidation of issuance of Government securities on key maturities in order to create benchmark points for the yield curve. Additionally, the NBK, together with the Ministry of Finance, is currently working to bring about the inclusion of Kazakhstan sovereign bonds in international emerging market indices. Active measures are being taken to include Kazakhstan's sovereign bonds in the JP Morgan GBI-EM index. For this purpose, a joint plan of the Government, the NBK and the ARDFM was established. Such inclusion would be expected to increase the recognition of Government bonds of Kazakhstan among the global investment community, attract foreign portfolio investments and contribute to the further development of the local stock market.

Since 2020, Government Bonds denominated in Tenge can be settled in Clearstream, Luxembourg on a DVP basis.

In 2021, Kazakhstan observed historical highs in foreign holdings of Government Securities, with the total outstanding amount exceeding U.S.$2 billion (KZT863.1 billion as at October 2021). There has been an increase in foreign investor interest since January 2023, with non-residents holding about U.S.$1 billion in government securities, or 2.5 per cent. of the total outstanding volume of government debt. 76.0 per cent. of funds are invested in Government Bonds and 24.0 per cent. of funds are invested in NBK notes.

As a result of joint efforts in 2021, J.P. Morgan index team placed Kazakhstan "on the radar." Approximately 37.0 per cent. of recent J.P. Morgan respondents (an increase of 15.0 per cent. as compared to 2022) stated that the Kazakhstan onshore Government Bond market is accessible and attractive from a relative value and macro perspective, making it suitable for future consideration for inclusion in the GBI-EM series. However, investors mentioned that further development of secondary market liquidity and enhancements in market access are expected.

The banks' share in government securities holdings has gradually increased, indicating a resumption of demand from market participants.

Demand at auctions of the Ministry of Finance has exceeded supply on average by 2.5 times since the beginning of the year. In the first quarter of 2023, there was increased demand for primary placements of government securities and a high share of market investors (78.2 per cent.) remained. For fixed government securities with a total announced volume of KZT1,368 billion, KZT1,167 billion were placed at par, with demand exceeding supply by an average of 2.8 times.

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 U.S. in reliance on Regulation S will be represented by interests in an Unrestricted Global Note which will be deposited on issue with a Common Depositary for Euroclear and/or Clearstream, Luxembourg and registered in the name of a nominee for a Common Depositary 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, unless otherwise agreed, will be registered in the name of Cede & Co. as nominee for, and deposited with the Custodian for DTC, in respect of interests held though DTC.

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the amended and restated fiscal agency agreement dated 7 October 2024 relating to the Notes (as may be further amended or supplemented from time to time, 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 depositary 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, (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 or (iii) an Event of Default occurs. 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, (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 or (iii) an Event of Default occurs. 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 which is held by or on behalf of DTC, 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

Euroclear and Clearstream, Luxembourg

The Unrestricted Global Note representing Unrestricted Notes of a Series will have an ISIN and a Common Code and will, unless otherwise agreed, be registered in the name of a nominee for, and deposited with a common depositary 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, unless otherwise agreed, will have a CUSIP number 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 Depositary 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 which is held by or on behalf of DTC 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 U.S. 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 l under the Exchange Act, trades in the U.S. secondary market generally are required to settle within one business day (T+1), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the U.S. on the date of pricing or the next succeeding business days until two days prior to the relevant closing date will be required, by virtue of the fact that the Notes initially will settle beyond T+1, 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.

Payment, Settlement And Transfer in the AIX and the AIX CSD

Notes offering will be made through the book-building platform of the trading system of the AIX in accordance with the AIX Market Rules and relevant AIX Market Notice. The payment and settlement will be made through the settlement system of the AIX CSD (as defined below) in accordance with the rules and regulations of the AIX CSD (the "**AIX CSD Rules**"), in particular delivery of the Notes through the system of the AIX CSD and the account of AIX CSD at Euroclear, on or about relevant closing date.

In order to participate in the offering of Notes, take delivery of Notes and trade Notes on the AIX, investors are required to have an account opened with a brokerage company admitted as an AIX Trading Member and an AIX CSD Participant. Notes will be held on behalf of investors in the relevant AIX Trading Member's custodial account at AIX CSD.

The Issuer expects that custodial and depositary links have been established between Euroclear and the AIX CSD, with AIX CSD maintaining an account with Euroclear, to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading.

Initial Settlement

Euroclear and Clearstream, Luxembourg are expected to accept the Notes for settlement in their respective book-entry settlement systems. The Issuer expects that delivery of the Notes will be made through the facilities of Euroclear and Clearstream, Luxembourg on or about the relevant closing date. Except as set forth herein, investors may hold beneficial interests in and transfer the Notes only through Euroclear or Clearstream, Luxembourg and their direct and indirect participants, including AIX CSD. Transfers within Euroclear and Clearstream, Luxembourg and AIX CSD will be in accordance with the usual rules and operating procedures of the relevant system.

The Issuer will not impose any fees in respect of the Notes; however, holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in AIX CSD, Euroclear, Clearstream, Luxembourg.

AIX CSD

AIX CSD holds securities for AIX Trading Members and their clients and facilitates the clearance and settlement of securities transactions between these participants through electronic book entry changes in accounts of such participants. AIX CSD provides, among other things, services for safekeeping, administration, clearance and settlement of traded securities and securities lending and borrowing. AIX CSD has established a direct electronic linkage to Euroclear to facilitate the transfer of securities between AIX CSD and the Euroclear system.

Distributions of coupons and other payments with respect to book entry interests in the Notes held through AIX CSD will be credited to the cash accounts of AIX Trading Members in accordance with the relevant system's rules and procedures.

AIX maintains an account with AIX CSD, which has a direct access to the Euroclear system. Upon settlement of the Notes in accordance with the Notes Terms and Conditions, the AIX CSD will receive the Notes allocated to the AIX Trading Members through the book-build process and transfer the same into the AIX CSD nominee account at Euroclear. Upon receipt, AIX CSD will create the total number of Notes allocated to AIX Trading Members' accounts in AIX CSD and allocate the same to the investor nominee or custodial account of an AIX Trading member as instructed by the AIX Bookrunner.

Trading between AIX CSD Participants

Secondary market sales of book entry interests in the Notes held through AIX CSD to purchasers of book entry interests in the Notes held through the AIX will be conducted in accordance with the rules and operating procedures of AIX and AIX CSD.

Distributions of Coupon

Coupon and other payments with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Common Depositary, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures. This includes holders of book entry interests in Notes at AIX CSD, where the coupon and other payments will be credited to AIX CSD.

Upon receipt, coupons and other payments with respect to book entry interests in the Notes held through AIX CSD will be credited to the cash accounts of the AIX Trading Members nominee or account at AIX CSD in accordance with AIX CSD Rules.

TAXATION

The following is a general description of certain 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 Offering Memorandum and is subject to any change in law that may take effect after such date.

U.S. 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 (generally, held for investment). It does not address any 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 entities, retirement plans, former citizens or lawful permanent residents of the U.S., dealers or traders in securities or currencies, 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, persons required to accelerate the recognition of any item of income with respect to the Notes as a result of such income being recognized on applicable financial statements, investors holding the Notes in connection with a trade or business conducted outside of the United States, or holders 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, state, local, or non-U.S. laws, the Medicare contribution tax or alternative minimum tax consequences of the acquisition, ownership, disposition 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, its legislative history, existing and proposed U.S. Treasury Regulations, U.S. administrative pronouncements and U.S. 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 U.S.; (ii) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the U.S. 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 U.S. 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 U.S. 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 advisers 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 at the time it is received or accrued in accordance with the U.S. Holder's usual method of tax accounting. In addition, interest on the Notes and OID (as defined below), if any, will generally be treated as foreign source income and will generally be treated as "passive category income" for U.S. foreign tax credit 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 Stated 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 accrue interest income on the Note in the foreign currency and translate the amount accrued into U.S. dollars 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), or, at such U.S. Holder's election, (i) 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 such taxable year) or (ii), 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 election 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. Under either method, a U.S. Holder that uses the accrual method of accounting for tax purposes will recognise U.S.-source foreign currency gain or loss (taxable as ordinary income) on the receipt of an interest payment equal to the difference between the U.S. dollar value of such payment, translated at the spot rate on the date the payment is received, and the U.S. dollar value of the interest previously included in income in respect of such payment.

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 Notes issued with OID are 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 Offering Memorandum 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 Short-Term Note (as defined below), 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 per cent. 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, wholesaler or similar persons or organisations acting in such capacity). 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 (with certain exceptions for certain first or final interest payments) 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. The term "weighted average maturity" means the product of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. 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. 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 are made in proportion to the stated principal amount of the Note. Any amount of *de minimis* OID that has been included in income will generally 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 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.

Election to Treat All Interest as OID

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 purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, and unstated interest, as adjusted by any amortisable bond premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the Internal Revenue Service. 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 generally 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 will generally be required to defer deductions for all or 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, the bond premium will be computed in units of foreign currency and the amortisable bond premium will reduce interest income in units of the foreign currency. At the time the 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. A U.S. Holder who elects to amortise bond premium must reduce its tax basis in the Note by the amount of the premium amortised in any year. 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.

Foreign Currency Discount Notes

OID for any accrual period on an Original Issue Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined for any accrual period in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described under "—*Foreign Currency Denominated Stated Interest*" above. Upon receipt of an amount attributable to OID (whether

in connection with a payment of interest or the sale, exchange or retirement of a Note), a U.S. Holder may recognise U.S.-source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Sale, Exchange or Retirement

A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. dollar cost (as defined herein) increased by (A) the amount of any OID included in the U.S. Holder's income with respect to the Note and (B) the amount, if any, of income attributable to de minimis 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 U.S. 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, exchange or retirement of a Note equal to the difference between the amount realised on the sale, exchange or retirement (less any accrued, but unpaid, stated 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, exchange 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 U.S. 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, exchange or retirement. 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 recognised 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.

Multi-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 multi-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 Offering Memorandum.

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 U.S. Treasury Regulations, 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 U.S.

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 U.S. 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 U.S. 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 (or accruals of OID) on the Notes and to proceeds of the sale, exchange, retirement or redemption of Notes made within the U.S. or through certain U.S. paying agents, U.S. intermediaries or U.S.-related brokers, to certain U.S. Holders of Notes (other than an exempt recipient). The payor will be required to backup withhold U.S. tax on such payments (including payments of accrued OID) to a U.S. Holder of a Note, other than an "exempt recipient," if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against such U.S. Holder's U.S. federal income tax liability and may entitle it to a refund, provided the required information is timely furnished to the Internal Revenue Service. 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 U.S. 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 U.S. backup withholding rate under the current law is 24 per cent.

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 Considerations

The following summary of the Kazakhstan tax matters is based on the laws as at the date hereof and is subject to any changes in the laws, or interpretation or application thereof, which could be made with retroactive effect. This summary does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may potentially be subject to specific rules. Investors should consult their own professional advisers with respect to the tax consequences related to

acquisition, holding and disposal of the Notes, including as to their eligibility for any tax exemptions and/or the benefits of any applicable double tax treaty. The Kazakhstan legislation on taxation of financial instruments in general and securities (including debt securities such as the Notes) in particular is not well developed, constantly changing, not adequately tested and/or, in many instances, could be subject to different interpretations (especially with respect to securities admitted to an official list of an exchange, which operates in Kazakhstan).

Income tax and Capital Gains Tax

Payments of principal and interest on Kazakhstan State securities (such as the Notes), including any capital gains derived therefrom are currently exempt from taxation in Kazakhstan and, accordingly, no withholding tax on account of any such taxes apply in Kazakhstan.

From 1 January 2030, being the date certain changes to the Kazakh Tax Code (under the Law dated 12 December 2023 No.45-VIII) are due to take effect, the above exemptions will only apply to individuals resident in Kazakhstan. However, certain other exemptions may apply as described below.

Under the Constitutional Law of the Republic of Kazakhstan dated 7 December 2015 No.438-V "On International Financial Centre "Astana" (the "**AIFC Constitution**"), individuals and legal entities (whether resident or non-resident) will be exempt from income and corporation tax in Kazakhstan on, inter alia,: (i) gains realized on securities, provided such securities were admitted to the official list of the Astana International Exchange on the date on which the gain was realized; and (ii) interest and dividends accrued on securities, provided such securities were admitted to the official list of the Astana International Exchange on the payment date, in each case until 1 January 2066. Accordingly, provided the Notes are admitted to the official list of the Astana International Exchange as of the relevant dates, it is expected that no withholding taxes will apply to the Notes until 1 January 2066.

Certain provisions of the Tax Code conflict with the AIFC Constitution exemptions by imposing additional conditions for the exemptions to apply. However, as at the date of this Base Offering Memorandum, it is unclear how those additional requirements would apply to debt instruments such as the Notes and it is expected that the exemptions set forth under the AIFC Constitution would in any event prevail.

Stamp duty

There are no stamp duty or registration tax or other similar tax payable in Kazakhstan in connection with the entry into any transaction with the Notes.

New Tax Code

A new tax code (in the process of being developed) was scheduled to become effective on 1 January 2025. However, as at the date of this Base Offering Memorandum, it is unclear whether the new tax code will be brought into effect on such date or at all and how the provisions of the new tax code may impact the above analysis. Investors in the Notes should monitor the progress of the new tax code implementation and consult their own tax advisors.

TRANSFER RESTRICTIONS

The Notes are being sold in the U.S. 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 U.S. 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.

The Notes will bear the OID legend as it may be required under the U.S. Treasury Regulations.

1. Restricted Notes

Each prospective purchaser of Notes in reliance on Rule 144A (a "**144A Offeree**"), by accepting delivery of this Base Offering Memorandum, will be deemed to have represented, agreed and acknowledged as follows:

(i) such 144A Offeree acknowledges that this Base Offering Memorandum 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 Offering Memorandum, 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 unauthorised, 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 Offering Memorandum or any documents referred to herein.

Each purchaser of Restricted Notes within the U.S., by accepting delivery of this Base Offering Memorandum, 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 (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 U.S. 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 U.S. 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 U.S.; and (ii) no representation can be made as to the availability 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, 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 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, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, OR (4) 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. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES 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 RESALES 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 RESALE 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 initially 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 Offering Memorandum 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 located outside the U.S. (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 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 acknowledgments, 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 Offering Memorandum.

(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, AS AMENDED (THE "**SECURITIES ACT**"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

SUBSCRIPTION AND SALE

Subject to the terms and conditions contained in the programme agreement dated 7 October 2024 (as amended or supplemented from time to time, the "**Programme Agreement**") between the Issuer and the Arrangers and 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 U.S. initially only to persons who they reasonably believe to be QIBs in reliance on Rule 144A and outside the U.S. 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 U.S. 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 U.S. only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the U.S. 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.

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 Offering Memorandum, any Final Terms and with applicable laws.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

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 Offering Memorandum.

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 Offering Memorandum 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 Offering Memorandum, 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 Offering Memorandum 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 from which they purchase, order, sell or deliver Notes or possess, distribute or publish this Base Offering Memorandum or any Final Terms or any related offering material, in all cases at their own expense.

GENERAL INFORMATION

1. Admission to Trading

Where the Issuer and each relevant Dealer so agree before the Issue Date for the relevant Series, application will be made to admit certain Series of Notes issued under the Programme to the Official List and to trading on the Market. The relevant Final Terms for any Note will indicate whether or not such application has been made.

However, Notes may be issued pursuant to the Programme which will not be admitted to the Official List or admitted to trading on the Market or admitted to listing, trading and/or quotation on any other listing authorities, stock exchanges, regulated markets and/or quotation systems or which will be admitted to listing, trading and/or quotation on any other listing authorities, stock exchanges, regulated markets and/or quotation systems as the Issuer and each relevant Dealer may agree.

The Programme and Tranches of Notes may also be listed and admitted to trading on the AIX.

2. Clearing of the Notes

It is expected that the Notes will be accepted for clearance through Euroclear and Clearstream, Luxembourg, AIX CSD (through Euroclear) 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 update of the Programme was authorised and approved 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. 54 dated 31 January 2024. 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

Other than as disclosed in the "*Risk Factors*", "*The Republic of Kazakhstan*", "*The Economy of Kazakhstan*", "*Balance of Payments and Foreign Trade*", "*Public Finance*", "*Monetary and Financial System*" and "*Public Debt*" sections of the Base Offering Memorandum, 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 or (c) foreign trade and balance of payment figures since 31 December 2023.

5. Litigation and arbitration

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 Offering Memorandum, which may have, or have had in the recent past, significant effects on the financial position of the Issuer.

As at the date of this Base Offering Memorandum, Kazakhstan is a respondent in 14 pending international arbitration proceedings commenced by foreign investors. Kazakhstan is also a party to a number of enforcement and/or asset attachment proceedings outside Kazakhstan arising from the arbitration award

dated 19 December 2013 in *Ascom Group S.A., Anatolie Stati, Gabriel Stati and Terra Raf Trans Traiding Ltd. v. Republic of Kazakhstan (I), SCC Case No. 116/2010*. Kazakhstan is defending its position in all those proceedings and initiated proceedings challenging recognition and enforcement of the award.

The approximately U.S$500 million arbitral award against Kazakhstan was made in December 2013 by a Stockholm-seated arbitral tribunal in a claim brought under the Energy Charter Treaty, in which Moldovan businessman Anatolie Stati, his son Gabriel Stati and two companies owned by them (the "**Stati Claimants**"), alleged a breach of investment treaty standards by Kazakhstan in relation to their investment in certain oil fields and a liquefied petroleum gas plant in Kazakhstan. Kazakhstan has not made payment on the award as it disagreed with the award for a number of reasons. Kazakhstan's application to set aside the award was, however, denied by the courts of the seat of arbitration, Sweden, including the Swedish Supreme Court. The Stati Claimants enforced the arbitral award against assets held by the National Bank of the Republic of Kazakhstan ("**NBK**") in Sweden, following which the Swedish Enforcement Authority seized the NBK's assets worth approximately US$80 million. The NBK in turn filed damages claims against the Stati Claimants in Sweden to enforce attachment orders issued by the courts of Belgium and the Netherlands. As a result, assets seized from the NBK and held by the Swedish Enforcement Authority have not been released to the Stati Claimants.

Kazakhstan has contested the recognition and enforcement of the award in several jurisdictions, including England, the U.S., the Netherlands, Belgium, Luxembourg and Italy, with related proceedings taking place in the B.V.I and Gibraltar.

In two letters of 19 and 22 November 2021, the Statis agreed to lift all the attachments levied in Belgium, but also indicated their intention to lodge an appeal in cassation against the judgment of 16 November 2021. In a letter of 24 November 2021, Bank of New York Mellon (Brussels branch) confirmed that the sums that it held pursuant to a Global Custody Agreement dated 24 December 2001 between BNYM and the National Bank of Kazakhstan were no longer the subject of any attachment. On 31 March 2022, the Statis filed an appeal in cassation against the appeal judgment of 16 November 2021.

Enforcement of the award was affirmed in the U.S. by the District of Columbia Court of Appeal on 19 April 2019 and in Italy by the Supreme Court of Cassation in 2022. Kazakhstan does not believe there are any assets in the U.S. or Italy which the Stati arbitral award can be enforced against.

In England, the claim for recognition and enforcement of the arbitral award was withdrawn by the Stati Claimants in August 2018.

A pre-judgment attachment order was passed in the Netherlands over shares held by the Kazakh sovereign wealth fund Samruk-Kazyna JSC ("Samruk-Kazyna") in favour of the Stati Claimants. Through Samruk-Kazyna, Kazakhstan holds approximately 50.0 per cent. of the shares in KMG Kashagan B.V. ("**Kashagan**") which participates in a consortium that holds a production sharing contract for the Kashagan oilfield. Kashagan manages Kazahstan's share of the oilfield's production. Kazakhstan's share in Kashagan is estimated to be worth U.S.$5.2 billion. On 14 September 2017 a pre-judgment attachment pursuant to the Stati arbitral award was passed in Amsterdam on Samruk-Kazyna's rights to management of its shareholding in Kashagan. On 7 May 2019 the Amsterdam Court of Appeal upheld the attachment. On July 14, 2020 the Court of Appeal of Amsterdam decided to recognise in the Netherlands an arbitral award rendered in 2013 against the Republic of Kazakhstan, while rejecting Stati's claim to enforce the award against Samruk-Kazyna. On December 18, 2020 the Supreme Court quashed the decision of the Amsterdam Court of Appeal from May 7, 2019 to uphold the arrest. On June 14, 2022, the Court of Appeal of The Hague made a decision in respect of cancellation of arrest on the Kashagan shares imposed in September 2017. On August 8, the Stati Claimants filed a cassation appeal against the decision of the Court of Appeal of The Hague dated June 14, 2022. On September 22, 2023 the Supreme Court of the Netherlands rejected the Stati' Claimant's appeal against the decision of the Hague Court of Appeal dated June 14, 2022. The decision of the Supreme Court is final and cannot be appealed.

In July 2024, Kazakhstan, the NBK, the Stati Claimants entered into a framework agreement providing for an amicable and mutually agreeable resolution of the dispute subject to certain conditions.

The Issuer does not consider that any the above proceedings, either individually or collectively, will result in a level of liability which may have a significant effect on the financial position of the Issuer.

6. Documents Available

For so long as any of the Notes are outstanding, copies of the following documents may be inspected during normal business hours at the specified offices of the Fiscal Agent and at the offices of the Ministry of Finance of Kazakhstan at 8 Mangilik Yel Avenue, Entrance 4, Astana 010000, Kazakhstan and are available on the website of the Issuer at https://www.gov.kz/memleket/entities/minfin/documents/1?directions=_261&lang=ru:

(a) the Fiscal Agency Agreement;

(b) the Deed of Covenant; and

(c) this Base Offering Memorandum and any supplements thereto.

7. Third Party Information

The Issuer confirms that where information included in the Base Offering Memorandum 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.

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

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acting upon authorisation of the Government of the Republic of Kazakhstan
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