Growth momentum is expected to pick up in 2017 driven by higher oil prices and increase oil production.

- GDP growth was at **1.0% in 2016**, above official target of 0.5% and in line with our in-house GDP growth projection of 0.8%-1.0%.
- Growth last year was supported mainly by public spending on large infrastructure projects and the start of oil production on the Kashagan oilfield.

- Economic growth is expected to pick up momentum to **2.5% in 2017**, driven by higher oil prices, increase oil production, continued infrastructure spending and improved economic performance in key trading partners.
- China’s investment under the One Belt One Road project will also lead to steady improvement in infrastructure and cross border connectivity, contributing to increased economic activities in Kazakhstan.

**Source:** National Bank of Kazakhstan, Ministry of National Economy, International Monetary Fund, Bloomberg, Samruk-Kazyna
USD-KZT exchange rate strengthens, underpinned by relatively stable global and domestic developments

- **USD-KZT exchange rate stabilized since March 2016**, closing at 333.29 on 30 December 2016. In 2016, the tenge gained by 2.0% and averaged at 341.9/USD.
- In 2017, tenge is expected to hover at **320-340**, supported by positive GDP growth and recovery in global oil prices.
- **USD-KZT vs. Brent Price**

- **KZT vs. FX Retail Deposits, KZT bln**
  - The demand for tenge deposits rose as the local currency stabilizes

- **FCY deposits**
- **KZT deposits**

- Tenge retail deposits grew by 108.3% in 2016, while FX retail deposits fell by 9.4%, reflecting improved market confidence on the local currency.
- Rebound in tenge deposits were supported by recovery in global oil prices (and stabilization of the tenge) and the changes in interest rate in favor of local currency deposits.
- Subsequently, domestic money market experiences structural **liquidity surplus** condition, at KZT 1.96tln as at 30 December 2016.

Source: National Bank of Kazakhstan, Bloomberg, Samruk-Kazyna
Fiscal position and international reserves are strong to support fiscal stimulus programs

- On the back of increased government spending, budget deficit is estimated at 7.6% of GDP in 2017. Gradual economic recovery will see deficit easing to 2.9% of GDP by 2019.
- Despite falling oil revenues and the overall economic slowdown, Kazakhstan's fiscal position stood strong to support fiscal stimulus programs.

- Resources of the National Oil Fund allow the government to execute massive infrastructure projects.
- Kazakhstan's total international reserves stood at USD90.75bln as at end-2016 (reserves at NBK USD29.53bln, National Fund assets USD61.22bln).

Source: National Bank of Kazakhstan, Ministry of National Economy, Samruk-Kazyna
Foreign companies investing strongly in Kazakhstan, FDI amounted to ~USD237bln as at 9M16

- Kazakhstan attracted **USD236.91bln of gross foreign investments** since independence, leading other CIS countries.
- The Netherlands remain the largest investor in Kazakhstan, trailed by the US, Switzerland, China and France.
- On sector distribution, almost 37% of FDI inflows were injected to professional scientific and technical activities sector (geological & exploration), 26% to mining & quarrying sector, 12% to manufacturing, and 9% to trade.

Source: National Bank of Kazakhstan, Samruk-Kazyna
Oil and gas industry contributes to 17% of GDP and 58% of total exports

Since 1991, Kazakhstan more than tripled its oil output to 572 mln barrels (78 mln tons) per year in 2016, driven by Tengiz and Karachaganak. Kazakhstan ranked 17th in oil production worldwide.

Oil production was lower in 2015-2016 in response to lower oil prices, natural decline in some mature fields and decrease of drilling activity given maintenance works at some fields.

In February 2017, oil output stood at 48 mln barrels, 4.5% higher YoY and 5.4% lower than in November 2016.

The largest importers of Kazakh oil and oil products are Italy (38%), Netherlands (12%), France (8%). China accounts for 5% of oil exports.

The increase of oil production at Kashagan and Tengiz would boost Kazakhstan’s total output and could potentially push Kazakhstan into the top 10 global oil exporters ranking.

Source: Statistics Committee, Kazenergy, IHS Energy
Kazakhstan ranks 11th globally in the amount of proven oil reserves

**Kazakhstan Key Oil & Gas Projects**

<table>
<thead>
<tr>
<th>Tengiz</th>
<th>Karachaganak</th>
<th>Kashagan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chevron 50.0%</td>
<td>BG Group 29.3%</td>
<td>Shell 16.8%</td>
</tr>
<tr>
<td>ExxonMobil 25.0%</td>
<td>Eni SpA 29.3%</td>
<td>ExxonMobil 16.8%</td>
</tr>
<tr>
<td>NC KMG 20.0%</td>
<td>Chevron 18.0%</td>
<td>Eni SpA 16.8%</td>
</tr>
<tr>
<td>LUKArco 5.0%</td>
<td>Lukoil 13.5%</td>
<td>Samruk-Kazyna 8.4%</td>
</tr>
<tr>
<td>NC KMG 10.0%</td>
<td>NC KMG 8.4%</td>
<td>Total 16.8%</td>
</tr>
<tr>
<td>Inpex 7.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CNPC 8.3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Oil Reserves by Operator**

- **Recoverable oil reserves, bln bbls**: 6-9
- **Recoverable oil and condensate reserves, bln bbls**: 8-9
- **Recoverable oil reserves, bln bbls**: 9-13
- **Natural gas reserves, tcm**: 1.35

- Tengiz and Karachaganak produce almost 52% of Kazakhstan’s oil output, while **Kashagan has resumed oil production in 4Q16**. Their production share combined is anticipated to exceed **75% of the country’s total oil output by 2025**.

- Kashagan output is expected to be up to 62.8 mln barrels (8.6 mln tons) in 2017; Tengiz field is expected to produce 202 mln barrels (27.5 mln tons) in 2017; Karachaganak field output to be 86.5 mln barrels (11.8 mln tons) in 2017.

- The future oil output growth will come from Tengiz field, where oil production is expected to rise by about 88 mln barrels (12 mln tons) to 285.9 mln barrels (39 mln tons), attributable to its Future Growth Project and from a ramp up of Kashagan oil output.

Source: Statistics Committee, Kazenergy, National Energy Report 2015, Company’s data
Mining industry contributes to 7% of Kazakhstan’s GDP

Kazakhstan’s Major Mineral Reserves

<table>
<thead>
<tr>
<th>Mineral</th>
<th>Reserves, 000 tons</th>
<th>% of global</th>
<th>World ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron ore</td>
<td>2,500,000</td>
<td>1.5%</td>
<td>11</td>
</tr>
<tr>
<td>Uranium</td>
<td>373</td>
<td>8.1%</td>
<td>4</td>
</tr>
<tr>
<td>Zinc</td>
<td>11,000</td>
<td>5.0%</td>
<td>6</td>
</tr>
<tr>
<td>Lead</td>
<td>2,000</td>
<td>2.3%</td>
<td>8</td>
</tr>
<tr>
<td>Silver</td>
<td>53</td>
<td>9.3%</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Statistics Committee, USGS mineral commodity report in 2016, Kazgeology, Samruk-Kazyna

- Kazakhstan has 8.1% of the world reserves of uranium, 5.0% of zinc, 1.5% of iron ore, 2.3% of lead and 9.3% silver.

- Kazakhstan also produces and exports significant quantities of zinc in concentrate and ores (325,000 tons in 2016), lead (134,000 tons in 2016), iron ore (35,400 tons in 2016) and silver (1,200 tons in 2016).
Kazakhstan has been a leading uranium producer since 2009

- Since 2009, Kazakhstan has been a leading uranium producer in the world and is expected to be a dominant producer up to 2020. In 2015, its share in global uranium production from mines was at 39%.

- The country is expected to produce about 22,000 tons of uranium in 2017 vs. 24,000 tons in 2016.

- All of the produced uranium is exported, primarily under long-term contracts, as Kazakhstan does not presently possess nuclear power generation capacity.

- The country is expanding exports as rapidly as it can grow production. China is the largest importer of Kazakhstan’s uranium and accounts for over half of total exports (52%).

Source: Statistics Committee, USGS mineral commodity report in 2016, Kazgeology, WNA, Samruk-Kazyna
Kazakhstan continues to invest in infrastructure to support economic growth and improve transit potential

The Belt & Road Initiative: Six Economic Corridors Spanning Across Asia, Europe & Africa

Nurly Zhol

- **USD9bln domestic stimulus plan** to develop and modernize roads, railways, ports, IT infrastructure, and education and civil services in Kazakhstan over 2014-2019.
- Multiplier effect from the infrastructure spending include contribution to GDP of **1.18% in 2017 and up to 4.1% in 2019**. The program is expected to create **405,000 new jobs** over the course of implementation.

One Belt One Road

- In 2016, China’s investments into 49 countries along the OBOR initiative amounted to **USD14.5bln**.
- Kazakhstan will play a key role in OBOR success, with transit traffic and trade turnover expected to grow in the medium to longer-term.

EXPO 2017

- The government plans to implement at least 100 energy efficiency projects with total investments of **KZT20bln** before the start of Expo 2017.
- Expo projects to-date have created more than 5,000 jobs. Domestic businesses and enterprises supplying products for Expo have employed approx. **30,000 workers**.

Source: Kazakhstan Institute for Strategic Studies, official sources, companies, Samruk-Kazyna
Inflation is expected to ease significantly in 2017 as base effect diminishes

• 2016 CPI trends reflect devaluation of the tenge, which saw inflation rising from 3.8% in August 2015 to 17.7% in July 2016. CPI eased to 8.5% as at December 2016, in line with expectations.

• Purchasing power of the consumers are partly cushioned by a 30% nominal increase in public sector salaries in 2016.

• We expect inflation to hover at 6%-8% in 2017 (2016: 14.7% average), as the impact of tenge devaluation diminishes.

• Reflecting this confidence, the regulator cut the Base Rate from 17% to 12% last year, to boost consumption, business spending and the general economic activities. As to today, the Base Rate stands at 11% with monetary policy expected to be supportive of growth.

Source: National Bank of Kazakhstan, Samruk-Kazyna
Higher oil prices will support export revenues, while a relatively weak tenge supports export volumes

- Total exports stood at USD37.2bln in 2016, with the rate of decline slowing to 19.9% YoY vs. -42.1% YoY in 2015.
- Meanwhile, total imports were at USD27.80bln in 2016, contracted by 17.8% YoY vs. -23.2 YoY in 2015.
- Current account deficit was at USD8.17bln or 6.9% of GDP in 2016 (2015: -USD5.46ln).

Source: National Bank of Kazakhstan, Samruk-Kazyna

- For 2017, total trade turnover is projected to improve by approximately 19.5% YoY to USD77.75bln i.e. exports +21.0% YoY and imports +17.6% YoY.
- As such, current account balance is expected to improve further to –USD5.91bln or -3.9% of GDP in 2017.
Kazakhstan is building an investor-centric environment to accelerate its drive in attracting foreign investments

<table>
<thead>
<tr>
<th>Country</th>
<th>Doing Business</th>
<th>Starting a Business</th>
<th>Construction Permits</th>
<th>Getting Electricity</th>
<th>Getting Property</th>
<th>Getting Credit</th>
<th>Protecting Investors</th>
<th>Paying Taxes</th>
<th>Trading Across Borders</th>
<th>Enforcing Contracts</th>
<th>Resolving Insolvency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>9</td>
<td>15</td>
<td>25</td>
<td>6</td>
<td>10</td>
<td>75</td>
<td>19</td>
<td>28</td>
<td>18</td>
<td>22</td>
<td>19</td>
</tr>
<tr>
<td>Germany</td>
<td>17</td>
<td>114</td>
<td>12</td>
<td>5</td>
<td>79</td>
<td>32</td>
<td>53</td>
<td>48</td>
<td>38</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>France</td>
<td>29</td>
<td>27</td>
<td>20</td>
<td>25</td>
<td>100</td>
<td>82</td>
<td>32</td>
<td>63</td>
<td>1</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td>Spain</td>
<td>32</td>
<td>85</td>
<td>113</td>
<td>78</td>
<td>50</td>
<td>62</td>
<td>32</td>
<td>37</td>
<td>1</td>
<td>29</td>
<td>18</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>35</td>
<td>45</td>
<td>22</td>
<td>75</td>
<td>18</td>
<td>75</td>
<td>3</td>
<td>60</td>
<td>119</td>
<td>9</td>
<td>37</td>
</tr>
<tr>
<td>Russia</td>
<td>40</td>
<td>26</td>
<td>115</td>
<td>30</td>
<td>9</td>
<td>44</td>
<td>53</td>
<td>45</td>
<td>140</td>
<td>12</td>
<td>51</td>
</tr>
<tr>
<td>Belgium</td>
<td>42</td>
<td>17</td>
<td>44</td>
<td>60</td>
<td>131</td>
<td>101</td>
<td>63</td>
<td>66</td>
<td>1</td>
<td>52</td>
<td>10</td>
</tr>
<tr>
<td>Thailand</td>
<td>46</td>
<td>78</td>
<td>42</td>
<td>37</td>
<td>68</td>
<td>82</td>
<td>27</td>
<td>109</td>
<td>56</td>
<td>51</td>
<td>23</td>
</tr>
<tr>
<td>Italy</td>
<td>50</td>
<td>63</td>
<td>86</td>
<td>51</td>
<td>24</td>
<td>101</td>
<td>42</td>
<td>126</td>
<td>1</td>
<td>108</td>
<td>25</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>65</td>
<td>5</td>
<td>127</td>
<td>105</td>
<td>22</td>
<td>118</td>
<td>32</td>
<td>40</td>
<td>83</td>
<td>44</td>
<td>86</td>
</tr>
<tr>
<td>Turkey</td>
<td>69</td>
<td>79</td>
<td>102</td>
<td>58</td>
<td>54</td>
<td>82</td>
<td>22</td>
<td>128</td>
<td>70</td>
<td>33</td>
<td>126</td>
</tr>
<tr>
<td>China</td>
<td>78</td>
<td>127</td>
<td>177</td>
<td>97</td>
<td>42</td>
<td>62</td>
<td>123</td>
<td>131</td>
<td>96</td>
<td>5</td>
<td>53</td>
</tr>
<tr>
<td>Vietnam</td>
<td>82</td>
<td>121</td>
<td>24</td>
<td>96</td>
<td>59</td>
<td>32</td>
<td>87</td>
<td>167</td>
<td>93</td>
<td>69</td>
<td>125</td>
</tr>
<tr>
<td>Philippines</td>
<td>99</td>
<td>171</td>
<td>85</td>
<td>22</td>
<td>112</td>
<td>118</td>
<td>137</td>
<td>115</td>
<td>95</td>
<td>136</td>
<td>56</td>
</tr>
<tr>
<td>India</td>
<td>130</td>
<td>155</td>
<td>185</td>
<td>26</td>
<td>138</td>
<td>44</td>
<td>13</td>
<td>172</td>
<td>143</td>
<td>172</td>
<td>136</td>
</tr>
</tbody>
</table>

- Initiatives undertaken by the Government have been **investor-centric and business friendly** to create a more dynamic business environment and enhance the country’s competitiveness as a preferred investment destination.
- The World Bank ranks Kazakhstan in the **1st place** in terms of ease of doing business in Central Asia, **5th place within Europe and Central Asia**, and **35th place globally**.

Source: World Bank’s Doing Business 2017
Kazakhstan is among the top 40% of countries in the world considered most politically stable

<table>
<thead>
<tr>
<th>Country</th>
<th>FC rating</th>
<th>Economic</th>
<th>External</th>
<th>Fiscal/budget</th>
<th>Fiscal/debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Kazakhstan</td>
<td>BBB-/Negative/A-3</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Strong</td>
<td>Strong</td>
</tr>
<tr>
<td>2 Kyrgyzstan</td>
<td>B/Stable/B</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
<td>Neutral</td>
</tr>
<tr>
<td>3 Azerbaijan</td>
<td>BB+/Negative/B</td>
<td>Weak</td>
<td>Strong</td>
<td>Strong</td>
<td>Strong</td>
</tr>
<tr>
<td>4 Belarus</td>
<td>B-/Stable/B</td>
<td>Weak</td>
<td>Weak</td>
<td>Neutral</td>
<td>Weak</td>
</tr>
<tr>
<td>5 Bulgaria</td>
<td>BB+/Stable/B</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Strong</td>
<td>Strong</td>
</tr>
<tr>
<td>6 Croatia</td>
<td>BB/Stable/B</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Weak</td>
</tr>
<tr>
<td>7 Cyprus</td>
<td>BB+/Stable/B</td>
<td>Neutral</td>
<td>Weak</td>
<td>Strong</td>
<td>Weak</td>
</tr>
<tr>
<td>8 Georgia</td>
<td>BB-/Stable/B</td>
<td>Weak</td>
<td>Weak</td>
<td>Neutral</td>
<td>Strong</td>
</tr>
<tr>
<td>9 Latvia</td>
<td>A-/Stable/A-2</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Strong</td>
<td>Strong</td>
</tr>
<tr>
<td>10 Lithuania</td>
<td>A-/Stable/A-2</td>
<td>Neutral</td>
<td>Strong</td>
<td>Strong</td>
<td>Strong</td>
</tr>
<tr>
<td>11 Macedonia</td>
<td>BB-/Stable/B</td>
<td>Weak</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Strong</td>
</tr>
<tr>
<td>12 Romania</td>
<td>BBB-/Stable/A-3</td>
<td>Neutral</td>
<td>Strong</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td>13 Russia</td>
<td>BB+/Positive/B</td>
<td>Weak</td>
<td>Strong</td>
<td>Neutral</td>
<td>Strong</td>
</tr>
<tr>
<td>14 Turkey</td>
<td>BB/Negative/B</td>
<td>Neutral</td>
<td>Weak</td>
<td>Strong</td>
<td>Strong</td>
</tr>
</tbody>
</table>

- The World Bank ranks Kazakhstan among the top 40% of countries in the world that are considered the most **politically stable**.
- Constitutional changes approved by Parliament in 2007 removed all term limits on President Nazarbayev, paving way for him to remain in office for life. The next presidential election is scheduled for 2020.
- Kazakhstan aims to join the club of top 30 global economies by 2050, with ambitious reforms announced under the Kazakhstan 2050 Strategy.
- The Government has proceeded to create a more dynamic business environment to enhance the country’s competitiveness as a preferred investment destination.

Source: Standard & Poor’s, Economic Intelligence Unit
Kazakhstan has political stability and business-centric environment for emerging countries

Increasing Government Effectiveness
According to the World Bank’s report, KZ is among the top 40% of countries in the world that are considered the most politically stable.

Investor and Business-Centric Environment
KZ achieved its goal of entering the top 50 most competitive countries in 2013, and has maintained its position in the 2014-2015 World Economic Forum Global Competitiveness Report.

Multi-religious Country with Relatively Youthful Demographics
Significant proportion of middle-income working population with modest spending power. Young demographics.

USD-KZT stabilized

High Inflation but Inflationary Pressures Expected to Ease
Despite relatively tight monetary policy stance, inflation is at record highs, however pressures are expected to have eased in 4Q16 & into 2017.

Investment-Grade Country
In 2002, KZ became the first sovereign among CIS countries to receive an investment-grade credit rating from S&P. KZ is rated by all three international rating agencies.

Gradual Recovery with Modest Growth in the Long-run
Modest recovery in commodity prices & external demand, however KZ is expected to increase its focus on spurring domestic demand and investment growth (infrastructure & public spending).

Modest FDI in the short-term with robust upward potential
As at 9M16, KZ attracted ~USD237bln in gross foreign investments since its independence in 1991, leading other CIS countries.
Kazakhstan & Samruk-Kazyna’s value proposition to investors

60%
Being the largest and strongest economy in Central Asia, Kazakhstan contributes to 60% of the region’s GDP.

40%
According to the World Bank’s report, Kazakhstan is among the top 40% of countries in the world that are considered the most politically stable.

As at September 2016, Kazakhstan attracted ~USD237bn in gross foreign investments since its independence in 1991, leading other CIS countries.

Kazakhstan achieved its goal of entering the top 50 most competitive countries in 2013, and has maintained its position in the 2014-2015 World Economic Forum Global Competitiveness Report.

In 2002, the country became the first sovereign among CIS countries to receive an investment-grade credit rating from S&P (BBB-).

Source: National Bank of Kazakhstan, World Bank, rating agencies
Thank You