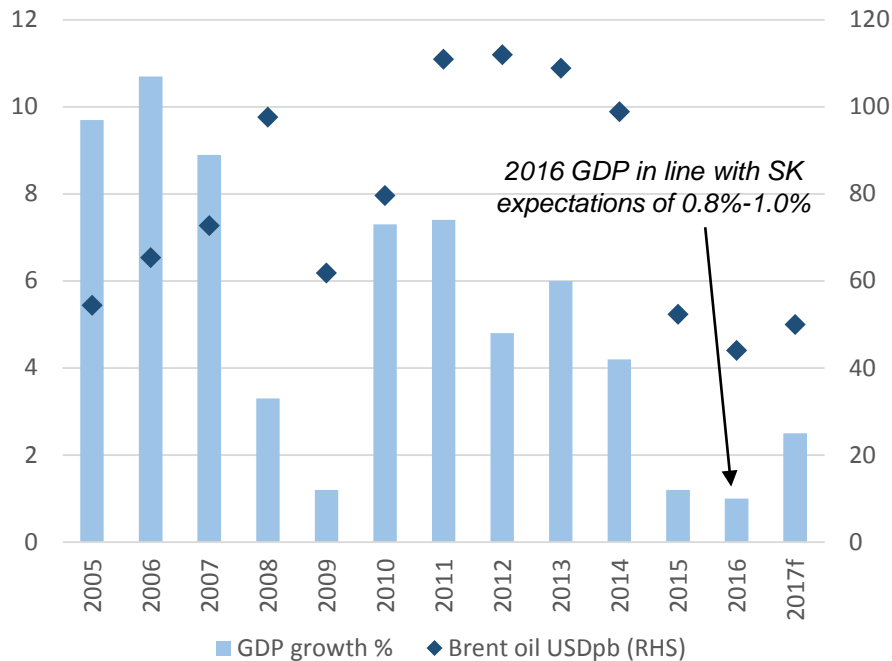


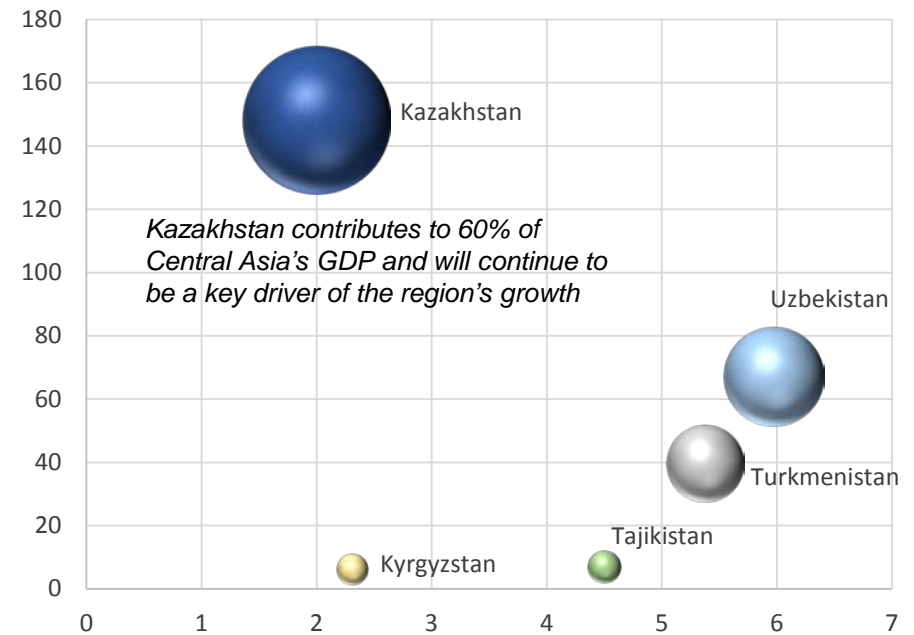
Kazakhstan: Economic & Sector Dynamics 2017

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

GDP Growth vs. Brent Price



2017 GDP Growth Forecasts (%) vs. Value (USD bln)

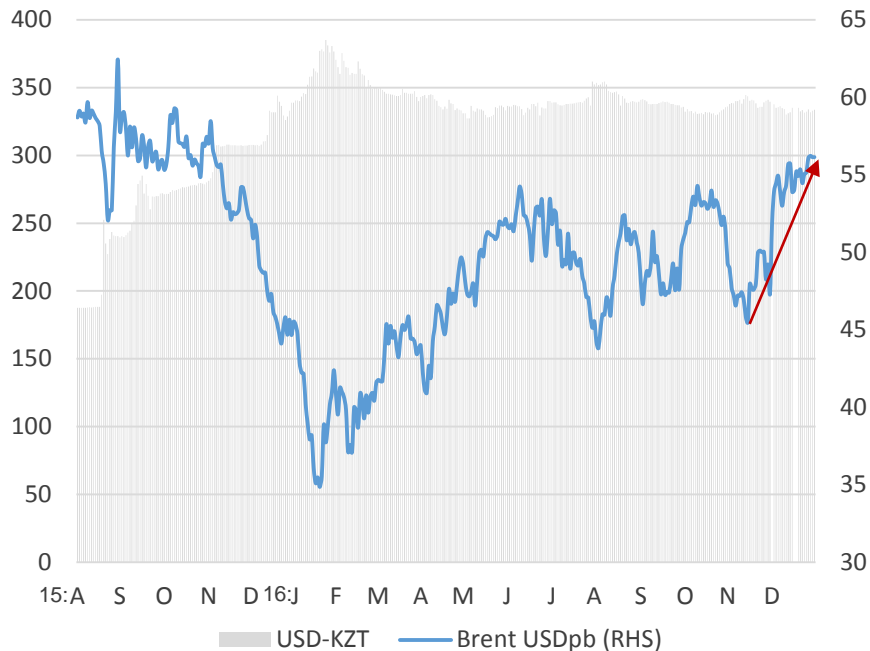


- GDP growth was at **1.0% in 2016**, above official target of 0.5% and in line with our in-house GDP growth projection of 0.8%-1.0%.
- Growth last year was supported mainly by public spending on large infrastructure projects and the start of oil production on the Kashagan oilfield.

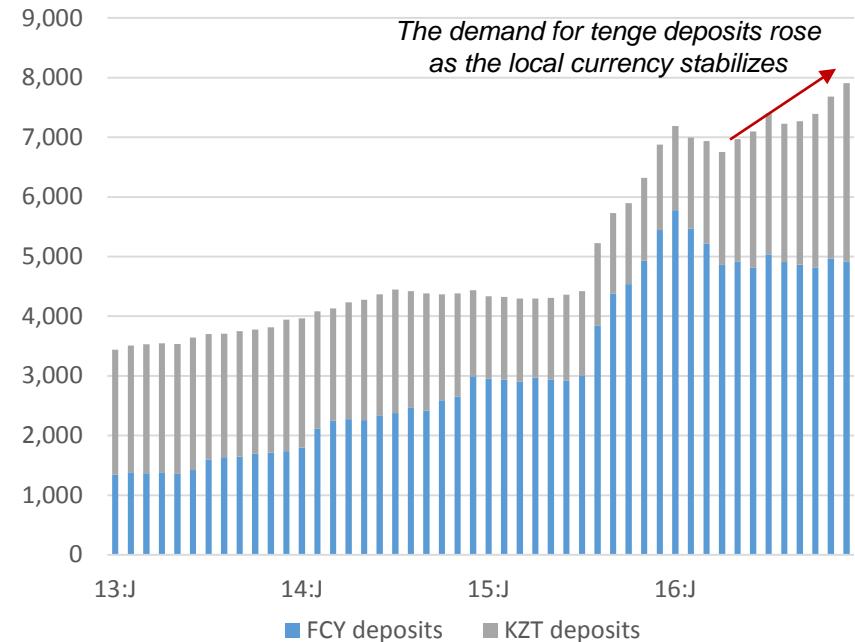
- Economic growth is expected to pick up momentum to **2.5% in 2017**, driven by higher oil prices, increase oil production, continued infrastructure spending and improved economic performance in key trading partners.
- China's investment under the One Belt One Road project will also lead to steady improvement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

USD-KZT exchange rate strengthens, underpinned by relatively stable global and domestic developments

USD-KZT vs. Brent Price



KZT vs. FX Retail Deposits, KZT bln

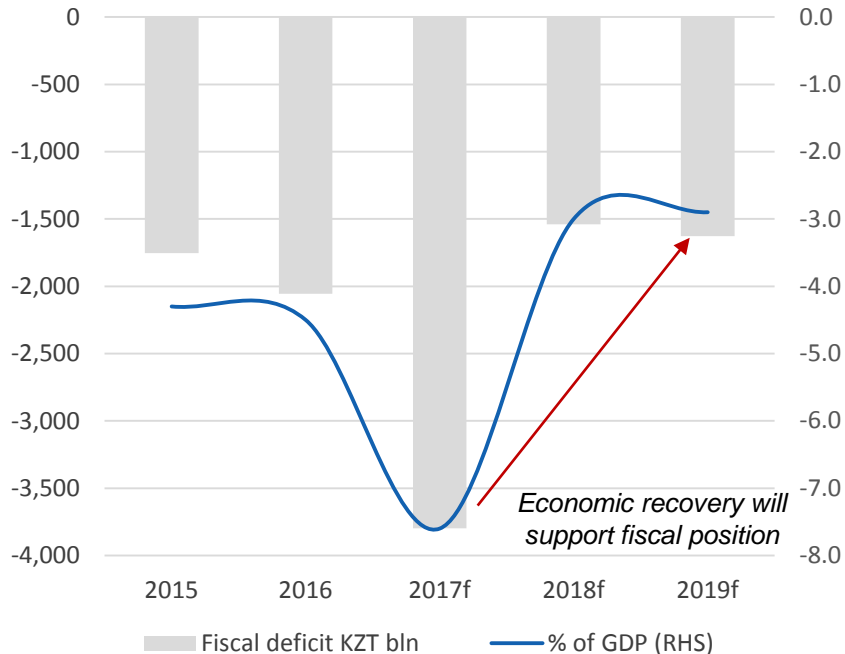


- **USD-KZT exchange rate stabilized since March 2016**, closing at 333.29 on 30 December 2016. In 2016, the tenge gained by 2.0% and averaged at 341.9/USD.
- In **2017**, tenge is expected to hover at **320-340**, supported by positive GDP growth and recovery in global oil prices.

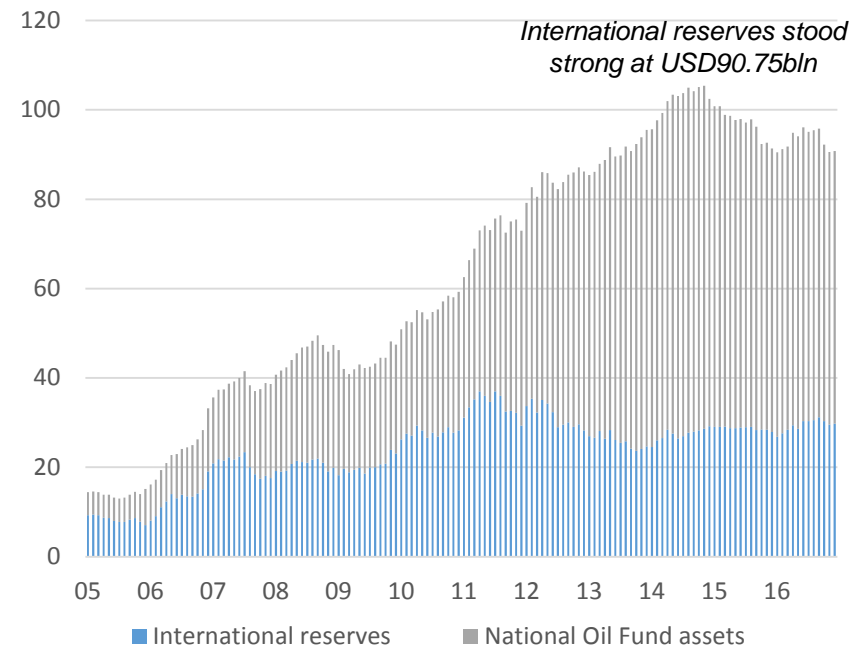
- Tenge retail deposits grew by 108.3% in 2016, while FX retail deposits fell by 9.4%, reflecting improved market confidence on the local currency.
- Rebound in tenge deposits were supported by recovery in global oil prices (and stabilization of the tenge) and the changes in interest rate in favor of local currency deposits.
- Subsequently, domestic money market experiences structural **liquidity surplus** condition, at KZT1.96tln as at 30 December 2016.

Fiscal position and international reserves are strong to support fiscal stimulus programs

Fiscal Position, KZT bln



International Reserves, USD bln

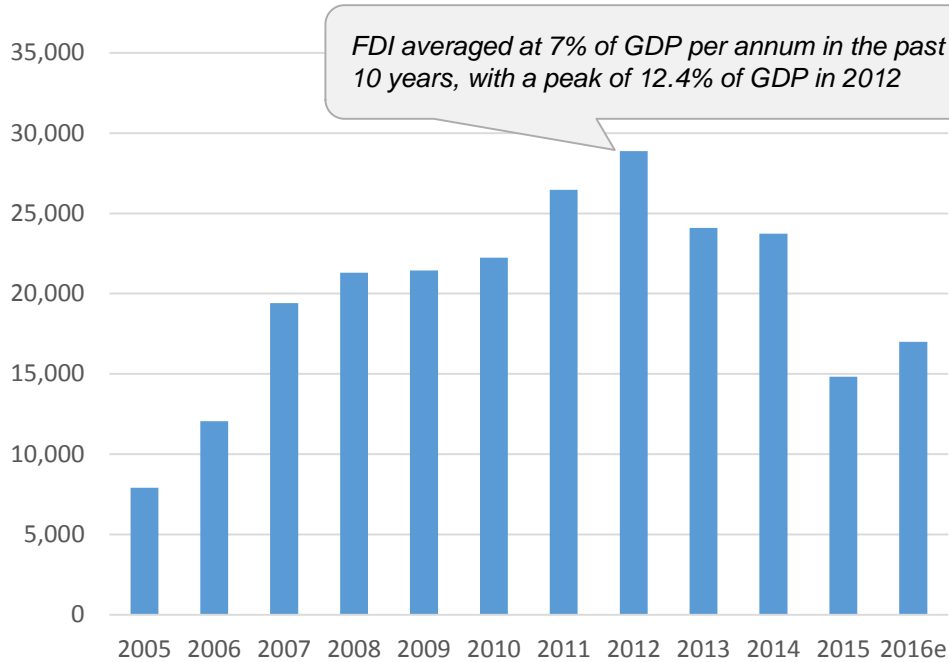


- On the back of increased government spending, budget deficit is estimated at 7.6% of GDP in 2017. Gradual economic recovery will see deficit easing to **2.9% of GDP by 2019**.
- Despite falling oil revenues and the overall economic slowdown, **Kazakhstan's fiscal position stood strong to support fiscal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

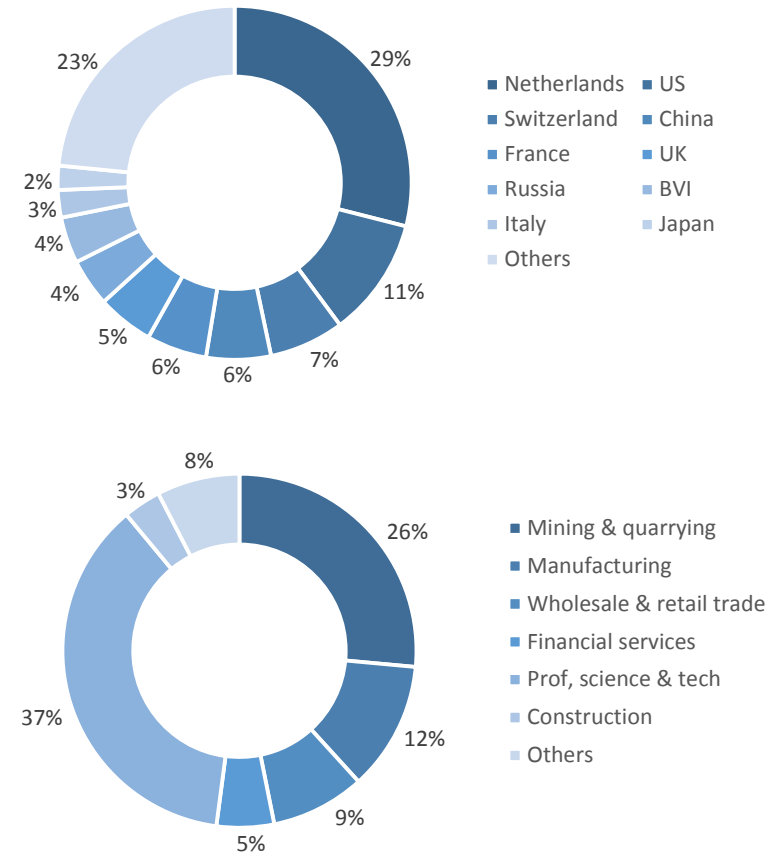
Foreign companies investing strongly in Kazakhstan, FDI amounted to ~USD237bln as at 9M16

Gross FDI Inflows, USD mln



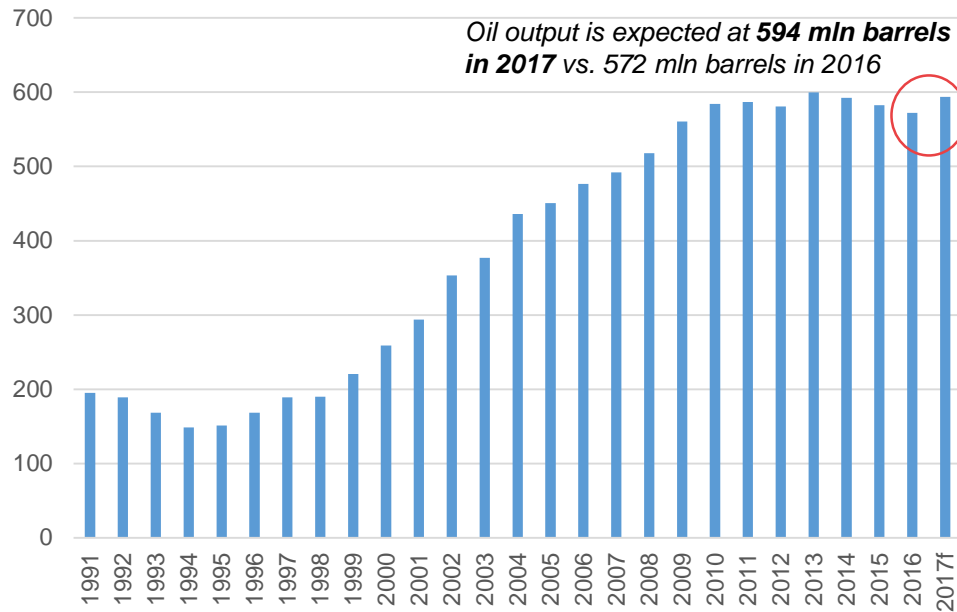
- Kazakhstan attracted **USD236.91bln of gross foreign investments** since independence, leading other CIS countries.
- The Netherlands remain the largest investor in Kazakhstan, trailed by the US, Switzerland, China and France.
- On sector distribution, almost 37% of FDI inflows were injected to professional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

Cumulated FDI by Sector & Country



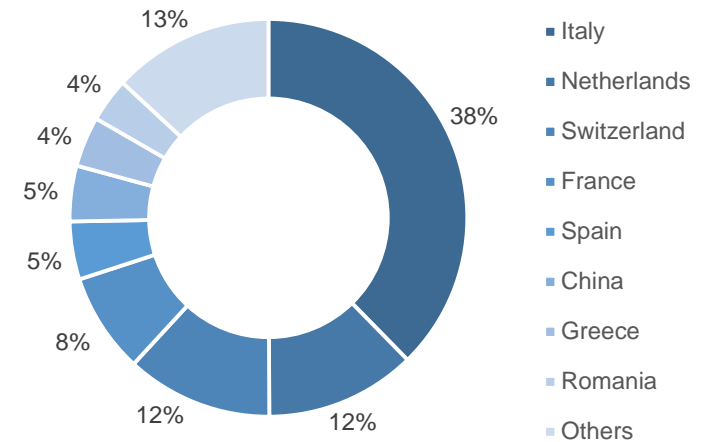
Oil and gas industry contributes to 17% of GDP and 58% of total exports

Oil Production, mln barrels



- 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.

Oil and Oil products Export Markets



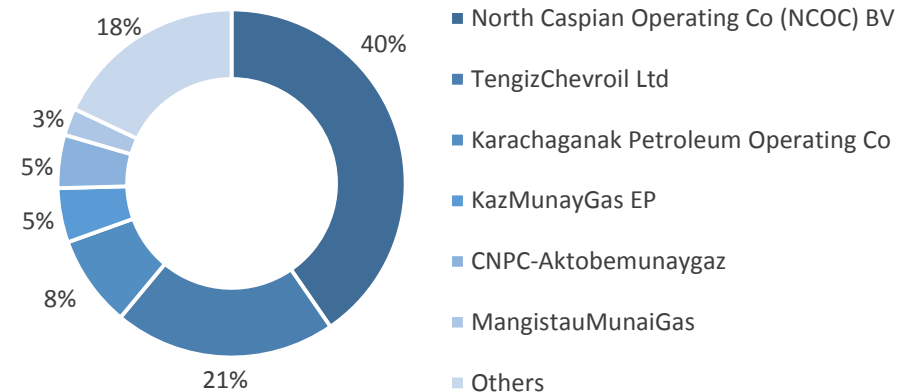
- In February 2017, oil output stood at 48 mln barrels, 4.5% higher YoY and 5.4% lower than in November 2016.
- The **largest importers** of Kazakh oil and oil products are **Italy (38%), Netherlands (12%), France (8%)**. China accounts for 5% of oil exports.
- The increase of oil production at Kashagan and Tengiz would boost Kazakhstan's total output and could potentially push **Kazakhstan into the top 10 global oil exporters ranking.**

Kazakhstan ranks 11th globally in the amount of proven oil reserves

Kazakhstan Key Oil & Gas Projects

Tengiz		Karachaganak		Kashagan	
Chevron	50.0%	BG Group	29.3%	Shell	16.8%
ExxonMobil	25.0%	Eni SpA	29.3%	ExxonMobil	16.8%
NC KMG	20.0%	Chevron	18.0%	Eni SpA	16.8%
LUKArco	5.0%	Lukoil	13.5%	Samruk-Kazyna	8.4%
		NC KMG	10.0%	NC KMG	8.4%
			Total		16.8%
			Inpex		7.6%
			CNPC		8.3%
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		

Oil Reserves by Operator



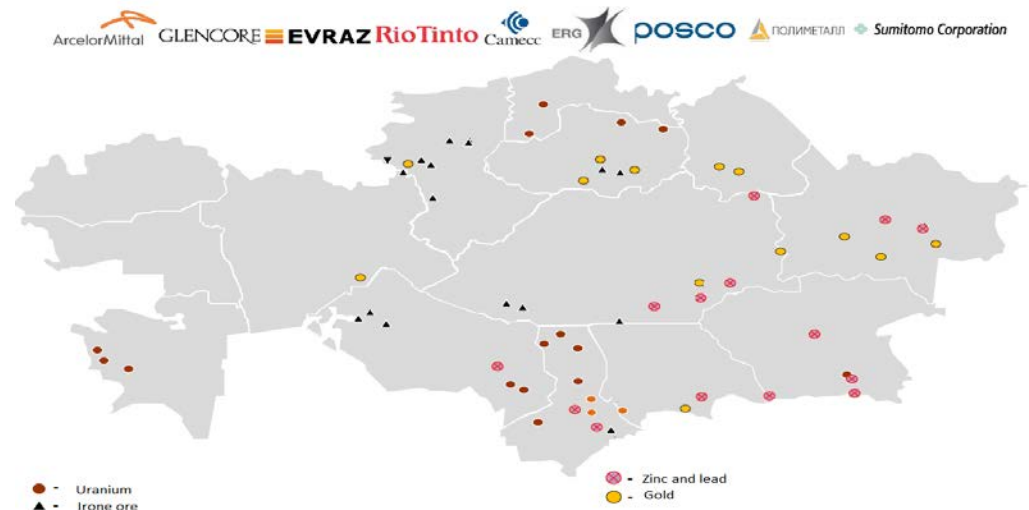
- Tengiz and Karachaganak produce almost 52% of Kazakhstan's oil output, while **Kashagan has resumed oil production in 4Q16**. Their production share combined is anticipated to exceed **75% of the country's total oil output by 2025**.
- Kashagan output is expected to be up to 62.8 mln barrels (8.6 mln 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.

Mining industry contributes to 7% of Kazakhstan's GDP

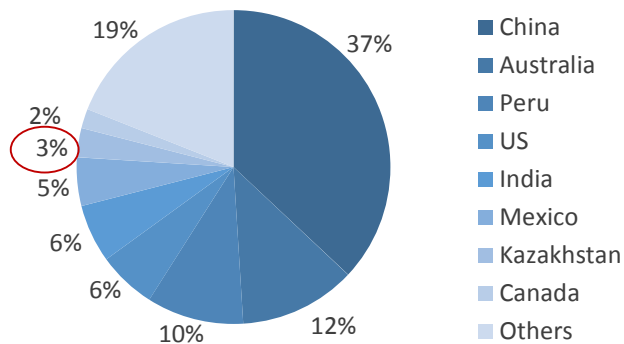
Kazakhstan's Major Mineral Reserves

Mineral	Reserves, 000 tons	% of global	World ranking
Iron ore	2,500,000	1.5%	11
Uranium	373	8.1%	4
Zinc	11,000	5.0%	6
Lead	2,000	2.3%	8
Silver	53	9.3%	6

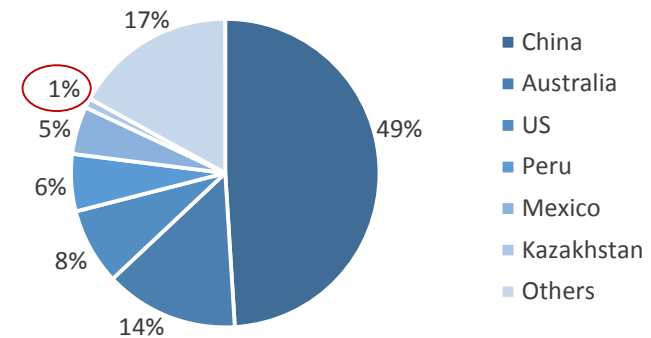
Map of Underground Resources



World Zinc Production by Country



World Lead Production by Country

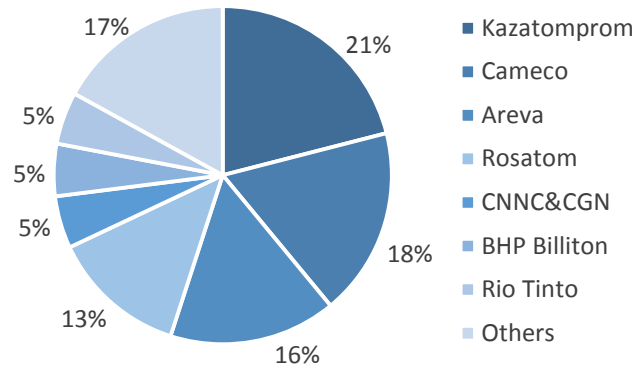


- Kazakhstan has **8.1% of the world reserves of uranium, 5.0% of zinc, 1.5% of iron ore, 2.3% of lead and 9.3% silver.**

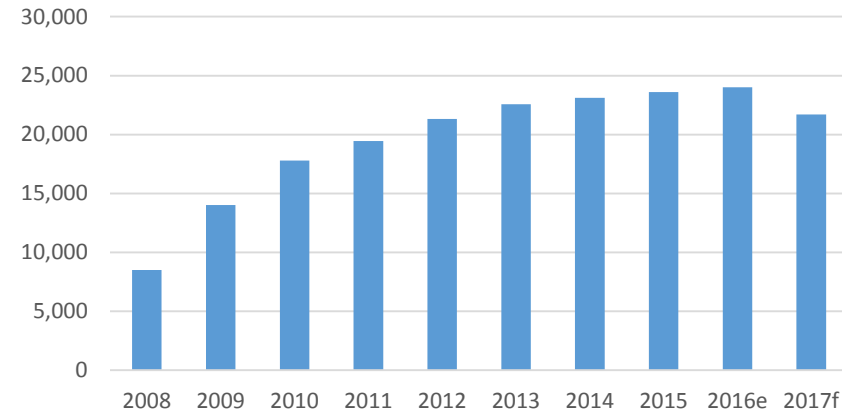
- Kazakhstan also produces and exports significant quantities of zinc in concentrate and ores (325,000 tons in 2016), lead (134,000 tons in 2016), iron ore (35,400 tons in 2016) and silver (1,200 tons in 2016).

Kazakhstan has been a leading uranium producer since 2009

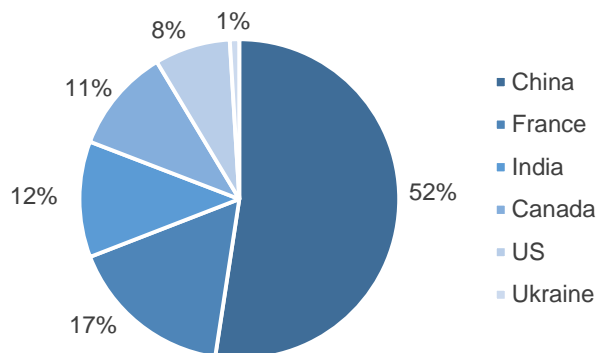
Leading World Uranium Producers



Uranium Production, tons



Uranium Export Markets



- 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%).**

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



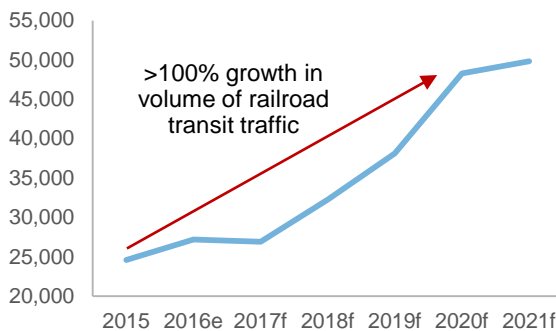
Nurly Zhol

- **USD9bn 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.

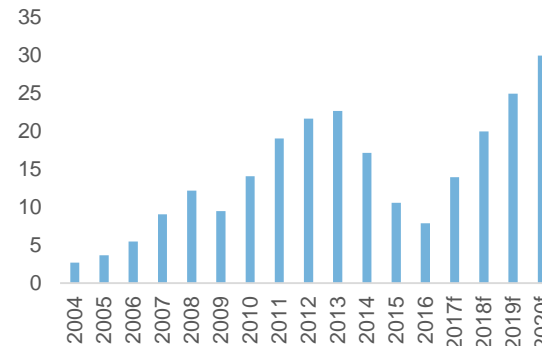
One Belt One Road

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

Volume of Railroad Transit Traffic, mln ton-km



Trade Turnover with China, USD bln

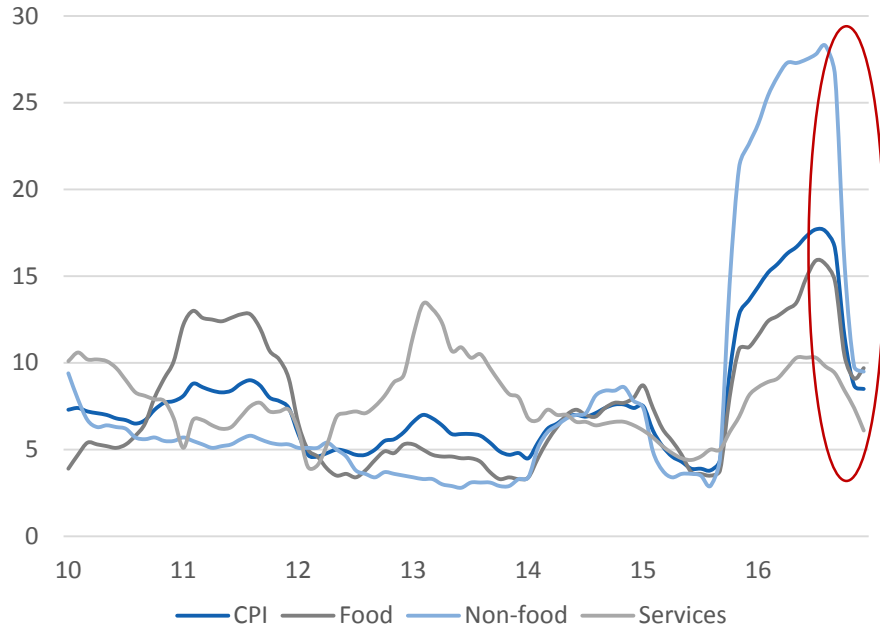


EXPO 2017

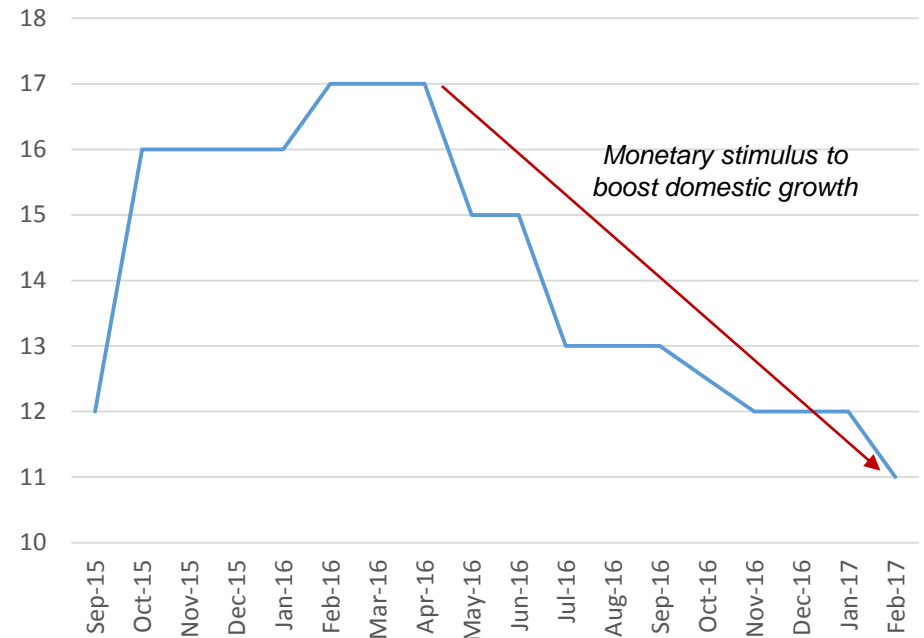
- The government plans to implement at least 100 energy efficiency projects with total investments of **KZT20bn** before the start of Expo 2017.
- Expo projects to-date have created more than 5,000 jobs. Domestic businesses and enterprises supplying products for Expo have employed approx. **30,000 workers**.

Inflation is expected to ease significantly in 2017 as base effect diminishes

Monthly Inflation Trends, %



Base Rate, %

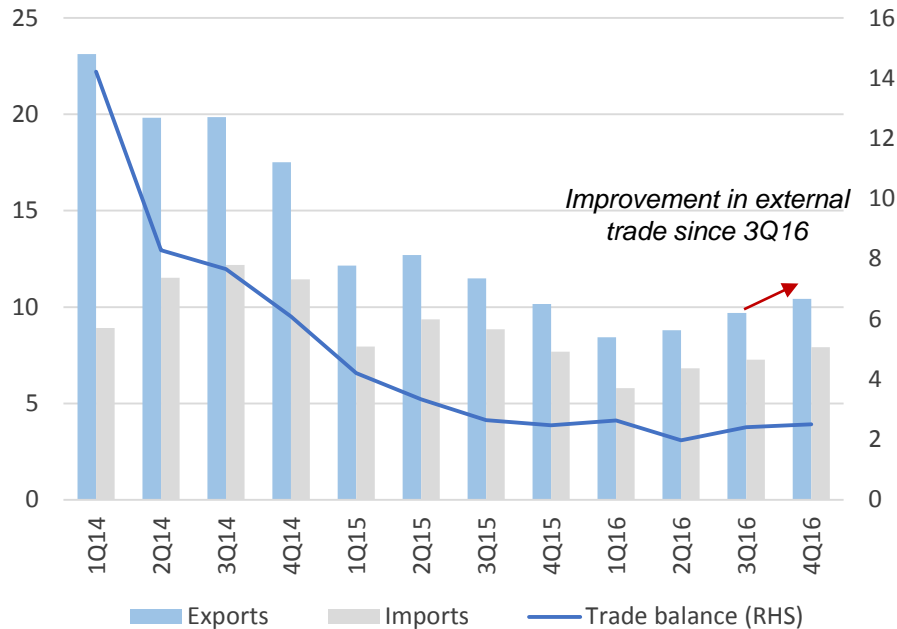


- **2016 CPI trends reflect devaluation of the tenge**, which saw inflation rising from 3.8% in August 2015 to 17.7% in July 2016. CPI eased to 8.5% as at December 2016, in line with expectations.
- Purchasing power of the consumers are partly cushioned by a **30% nominal increase in public sector salaries in 2016**.

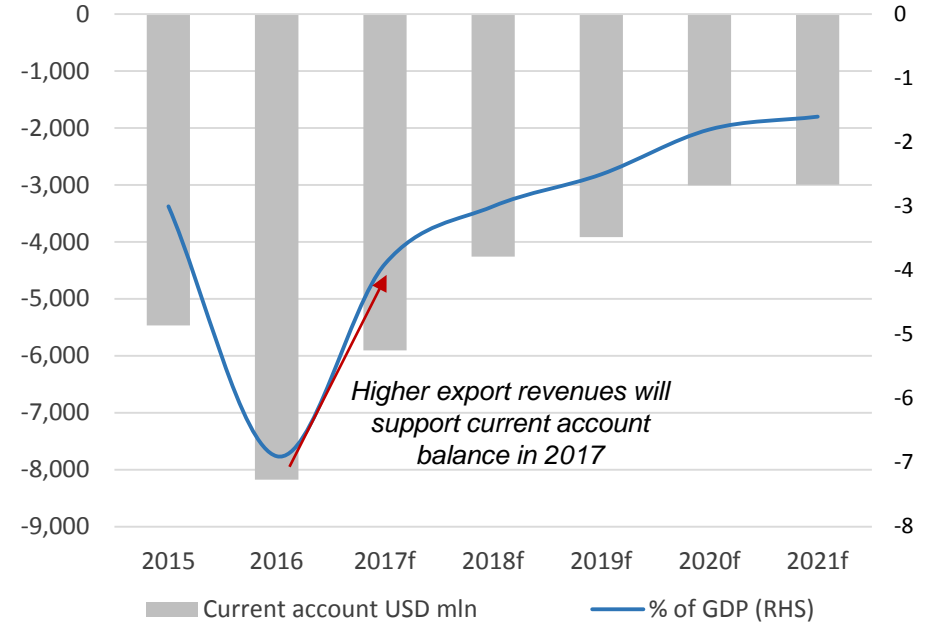
- We expect inflation to hover at **6%-8% in 2017** (2016: 14.7% average), as the impact of tenge devaluation diminishes.
- Reflecting this confidence, **the regulator cut the Base Rate from 17% to 12%** last year, to boost consumption, business spending and the general economic activities. As to today, the Base Rate stands at 11% with monetary policy expected to be supportive of growth.

Higher oil prices will support export revenues, while a relatively weak tenge supports export volumes

External Trade Trend, USD bln



Current Account Trend, USD mln















- 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).

- 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

World Bank's Doing Business 2017 Ranking

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

- 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**.

Kazakhstan is among the top 40% of countries in the world considered most politically stable

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

- 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.

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

Multi-religious Country with Relatively Youthful Demographics

Significant proportion of middle-income working population with modest spending power.
Young demographics

USD-KZT stabilized

Tenge stabilized since March 2016, mirroring the trends in global oil prices. Expected tenge of 320-340 in 2017

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

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

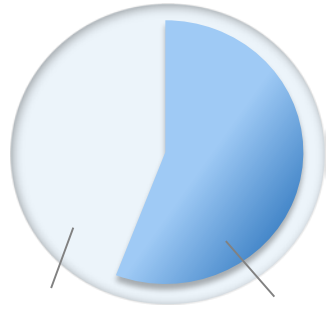
Gradual Recovery with Modest Growth in the Long-run

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

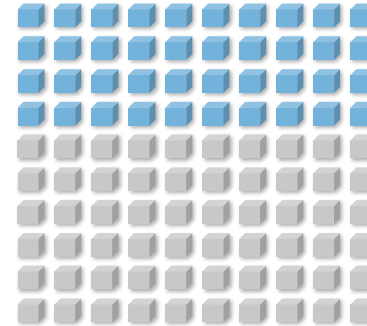
Kazakhstan & Samruk-Kazyna's value proposition to investors



Other Central Asia countries **Kazakhstan**

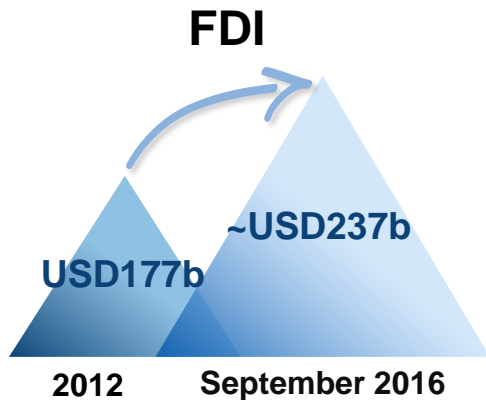
60%

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 **~USD237b** 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-).

Thank You