QUARTERLY REPORT

KAZAKHSTAN MACRO & MARKET OVERVIEW

Q3 2025 // NATIONAL BANK OF KAZAKHSTAN

CONTENTS

SOVEREIGN CREDIT RATINGS

On July 15, 2025, the international rating agency Fitch Ratings affirmed the sovereign credit rating of the Republic of Kazakhstan at «BBB» with a Stable Outlook.

Among the key rating drivers, the agency notes significant amounts of external reserves and fiscal stability. Based on agency forecasts, Kazakhstan's GDP is expected to expand to 5.6% in 2025 due to increased oil production, as well as continued fiscal and quasi-fiscal government support.

Fitch Ratings highlights that in case of successful implementation of structural reforms, strengthening of macroeconomic stability and continuation of sustainable fiscal policy, Kazakhstan's rating may be positively upgraded.

On August 22, S&P Global Ratings revised Kazakhstan's sovereign credit rating outlook to «Positive» from «Stable», while affirming the long-term and short-term ratings at «BBB-/A-3».

The agency's decision reflects sustained progress in institutional and fiscal reforms, including the adoption of new Budget and Tax Codes, which aim to strengthen fiscal discipline, improve expenditure efficiency, and broaden the revenue base.

According to the agency's estimates, Kazakhstan's GDP growth is expected at 5.5% in 2025, moderating to around 4% in the following years, while liquid assets of the National Fund are projected to remain above 20% of GDP.
S&P emphasized that successful continuation of structural and fiscal reforms may create conditions for a possible upgrade of Kazakhstan's sovereign rating.

S&P Global	FitchRatings	Moody's Investors Service
BBB-	BBB	Baa1
Positive	Stable	Stable

NBK RAISES BASE RATE TO 18%

to contain inflationary pressures

Annual inflation accelerated to 12.9% in September, driven by both external and domestic factors. Externally, rising global food prices, elevated inflation in Russia, and the stronger Russian ruble contributed to price growth. Domestically, higher utility tariffs under the “Tariff in Exchange for Investment” program, fuel market liberalization, ongoing fiscal stimulus, and resilient consumer demand continued to exert upward pressure on prices.

Inflation expectations remain elevated and volatile, with median one-year-ahead expectations at 13.2% in September, already reflecting the anticipated impact of the upcoming VAT increase.

On August 29th, 2025, the NBK decided to maintain the base rate at 16.50%. However, to restore the moderate tightness of the monetary policy stance, amid persistent inflationary pressures, the NBK raised the base rate to 18.00% at its subsequent meeting on October 10th, 2025.

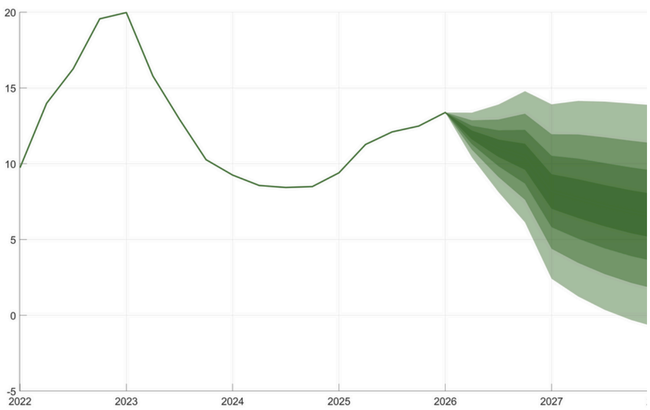
The combination of accelerating inflation, strong domestic demand, and expansionary fiscal policy required a decisive policy response to stabilize price dynamics and prevent an inflationary spiral. Monetary conditions will remain moderately tight. If the current stance proves insufficient to curb inflation, further tightening will be considered to ensure convergence toward the medium-term target of 5%.

In September, a revised minimum reserve requirements framework was also introduced to strengthen monetary policy transmission and improve liquidity management.

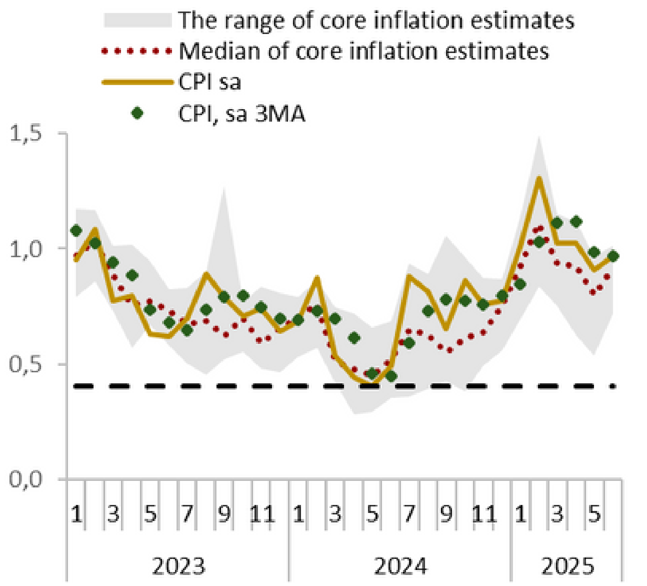
According to the August 2025 forecast round, inflation is expected at 11-12.5% in 2025, 9.5-11.5% in 2026, and 5.5-7.5% in 2027. While price deregulation continues to add short-term pressure, it is expected to foster a more market-based and resilient price environment in the long term. Taking into account government measures to ease inflationary pressures, including the temporary suspension of reforms in utility and fuel sectors, inflation estimates will be revised in November 2025.

INFLATION

The inflation forecast for 2025 has been updated, and remains unchanged for the medium-term



The median estimate of seasonally adjusted core inflation edged down in 2Q2025 but remaines elevated



CURRENT ACCOUNT EXPECTED TO REMAIN IN MODERATE DEFICIT

amid active domestic demand

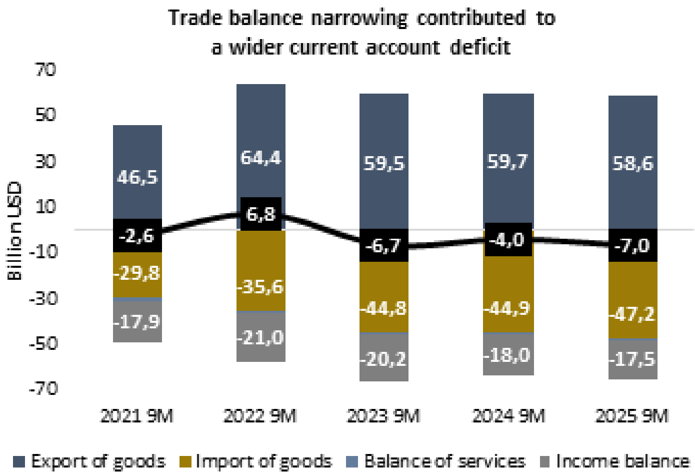
According to the NBK's preliminary data, the current account deficit expanded to (-)$7.0 billion in the 9M of 2025, compared to (-)$4.0 billion in the same period of 2024. This widening mainly reflected a decline in the trade balance surplus. Export of goods fell by 1.9% to $58.6 billion, mainly due to lower exports of ferrous and non-ferrous metals and their ores, as well as uranium. Meanwhile, import of goods grew by 5.2% to $47.2 billion, supported by sustained demand for intermediate and capital goods, and food products.

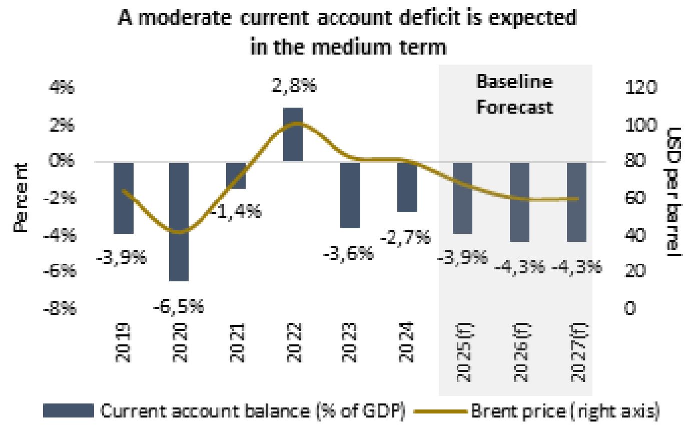
The latest current account forecast, updated in August 2025, was revised downward from the May 2025 projections. The medium-term current account deficit is now projected at (-)3.9% of GDP in 2025, (-)4.3% of GDP in 2026, and (-)4.3% of GDP in 2027. The revision primarily reflects higher than previously expected levels of import of goods, driven by more optimistic assumptions for the exchange rate and GDP growth.

Export of goods is projected to remain below the previous year's levels, mostly due to lower global oil prices compared to 2024. Nevertheless, the anticipated increase in production at the Tengiz oilfield is expected to mitigate the negative impact of price dynamics. At the same time, non-oil exports are forecast to remain relatively stable, supported by steady external demand for Kazakhstan's metal and agricultural products, particularly grains and their processed derivatives. Import of goods is expected to grow moderately in line with expanding investment and infrastructure projects that increase demand for intermediate and investment goods.

The income balance is projected to remain in a moderately deep deficit, as higher oil production and rising metal prices increase income payments to foreign direct investors.

CURRENT ACCOUNT





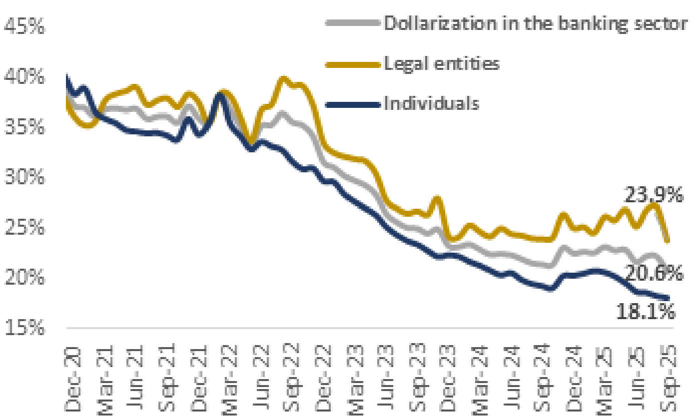
TENGE REBOUNDS after third quarter decline

FX MARKET & FX RESERVES

mln USD	2022	2023	2024	9M2025
FX Reserves	35 076	35 944	45 823	57 416
Assets in hard currencies	14 585	16 434	21 980	17 719
Gold	20 491	19 510	23 844	39 698
Share of gold,%	58%	54%	52%	69%
USD/KZT total volume on KASE	29 704	37 047	54 963	43 567
USD/KZT rate	463	455	525	549
Interventions (net)	(-) 1 394	0	(-) 1 355	(-) 125,6
Sales from National fund	(-) 4 285	(-) 9 483	(-) 10 180*	(-) 6 574
Sales under monetary neutrality principle	0	0	0	(-) 4 323 (2 251 bln. KZT)

**Excluding sale of foreign exchange assets of the National Fund to the gold and foreign exchange reserves of the National Bank as part of the purchases of shares of NAC Kazatomprom JSC amounting to 984.8 million*

Dollarization of deposits hits new historical low



In the 3Q2025, the tenge depreciated by 5.65% to 549.07 per U.S. dollar, mainly due to increased seasonal demand for foreign currency. Amid extremely low liquidity in the FX market and signs of intensified speculative pressure, the NBK conducted FX interventions totaling USD 125.6 million on July 30. Nevertheless, by October the tenge had strengthened notably to 529.96 per U.S. dollar, supported by the increase in the base rate and the inflow of foreign investments into the Ministry of Finance's government securities.

During the 3Q2025, the NBK sold USD 1.62 billion from the National Fund to support fiscal transfers to the state budget. As part of the mirroring mechanism introduced earlier this year, the NBK sold USD 1.6 billion (KZT 869 billion) during the same period. However, amid a significant rise in gold prices, liquidity absorption under the mirroring mechanism lagged behind tenge issuance related to gold purchase operations. Considering the accumulated unsterilized liquidity since the beginning of the year, the NBK plans to sell foreign currency equivalent to KZT 1.4 trillion under the mirroring mechanism during 4Q2025.

The UAPF's foreign currency purchases amounted to USD 35 million in July; however, as the FX share of the UAPF's portfolio exceeded 40%, no further FX purchases were conducted from pension assets and are not planned until the end of the year.

As of the end of the 3Q2025, the country's international reserves stood at $120 billion, comprising $57.4 billion in NBK FX reserves and $62.7 billion in National Fund assets. The increase in FX reserves was primarily driven by rising gold prices. National Fund assets increased primarily on the back of strong investment performance, generating a positive return of around USD 7.9 billion, with all asset classes contributing to the overall gain.

Strong demand for tenge deposits continued to reduce dollarization in the banking sector, with the overall rate falling to a record low of 20.6% in 3Q2025. Both corporate and retail segments contributed, as FX deposits declined by 1.4 p.p. among legal entities and by 0.6 p.p. among individuals.

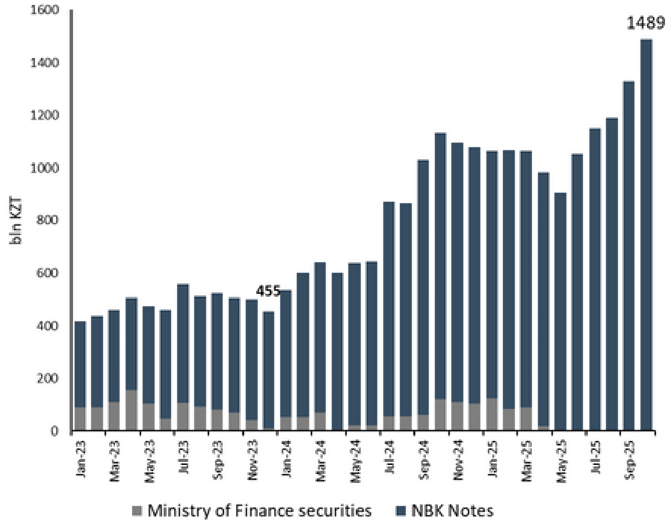
GOVERNMENT SECURITIES MARKET OVERVIEW

In 3Q 2025, the Ministry of Finance of Kazakhstan issued fixed-coupon government tenge-denominated securities totaling KZT 1,842 billion. Compared to 2Q 2025, yields on government securities increased on average by 168 bps with the most pronounced increase observed in long-term bonds of 7 years and above. This upward shift was driven by several factors, including a high issuance volume to finance the budget deficit (KZT 682 billion in July, KZT 667 billion in August, and KZT 493 billion in September), persistent inflationary pressures and expectations of a prolonged period of tight monetary policy.
The rise in yields stimulated stronger institutional demand for longer-term bonds. As a result, market participation (excluding funds under NBK management) increased to 64.6% in 3Q 2025, compared with 27.9% in 2Q 2025 and 21.1% in 1Q 2025.

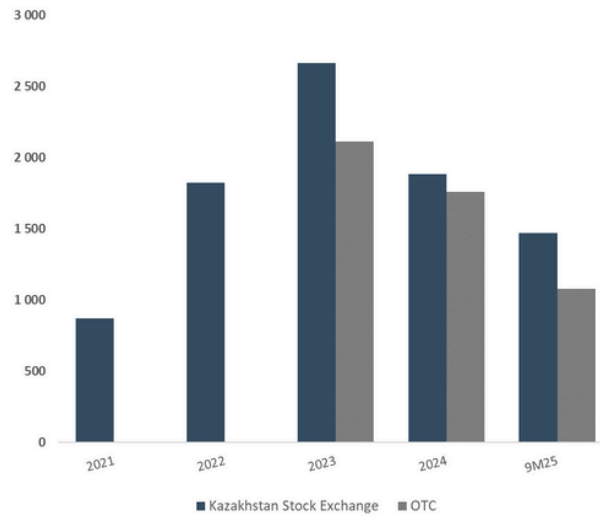
A significant rise in nonresident holdings of government securities was also observed, increasing by KZT 276 billion in 3Q 2025. The trend continued in October, with an additional KZT 160 billion inflow. As of the end of October, nonresident holdings amount to the equivalent of approximately USD 2.8 billion.

In October 2025, the Ministry of Finance issued a USD 1.5 billion 5-year eurobond. The placement attracted strong demand, with the order book exceeding USD 4.4 billion, allowing the final yield to be set at 4.412% and the spread at 85 basis points over U.S. Treasuries - the lowest in Kazakhstan's Eurobond history. The achieved yield was the lowest among peers with comparable investment-grade ratings and even below those of higher-rated issuers, reflecting strong investor confidence. As the Eurobond issuance does not represent a refinancing of existing debt, it is also expected to ease supply pressures in the domestic government securities market in 4Q 2025 by partially shifting funding needs to external sources.

Foreign investors holdings of government securities, in bln KZT



Secondary market liquidity, in mln KZT



OTC data is available since 2023

Nonresident holdings of government securities reach

ALL-TIME HIGH

INVESTOR RELATIONS

The NBK maintains an active dialogue with the investment community through regular meetings and consultations. In the 3Q2025, the NBK held numerous in-person meetings with investors in Astana, including special sessions organized by Citibank with institutional investors, regular investor calls with J.P. Morgan, and meetings in London during the J.P. Morgan Investor Round Table. These sessions focused on key macroeconomic developments and the outlook for Kazakhstan's financial sector, with particular attention to inflation expectations for 2025–2027, trends in foreign portfolio investment, and the impact of changes in reserve requirements and foreign exchange operations.

In September, Deputy Governor of the NBK, Ms. Aliya Moldabekova, took part in a round table chaired by President Kassym-Jomart Tokayev in New York, which brought together representatives of the U.S. business and financial sectors. As part of the event, representatives of the National Bank took part in bilateral discussions with international financial institutions. The meetings focused on promising areas of investment cooperation, the development of artificial intelligence projects, the digitalization of the financial ecosystem, as well as measures Kazakhstan is taking to advance its national financial market.

On November 5, the Kazakhstan Stock Exchange held its "Capital Market Day" in London, bringing together policymakers, international investors, and representatives of leading global and Kazakh financial institutions. The event featured the participation of Mr. Timur Suleimenov, Governor of the NBK, alongside speakers from Bloomberg, EBRD, J.P. Morgan, Amundi, Clearstream, and major Kazakh companies. Discussions centered on macroeconomic prospects, financial sector development, and initiatives to enhance liquidity and depth in Kazakhstan's capital markets, reflecting growing global investor interest in the country's financial landscape.

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Additional sources:

- Press releases
- Monetary Policy Report
- Summary of Deliberations