QUARTERLY REPORT

KAZAKHSTAN MACRO & MARKET OVERVIEW

Q2 2026 // NATIONAL BANK OF KAZAKHSTAN

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SOVEREIGN CREDIT RATINGS

Fitch Ratings affirmed Kazakhstan's sovereign credit rating at “BBB” with a Stable Outlook on June 19. Kazakhstan's rating reflects country’s substantial international reserves and low level of government debt, which collectively signal strong financial stability.

According to the agency's analysts, GDP growth of Kazakhstan is projected at 4% per year in 2026-2028 (compared to 6.5% in 2025) as oil production levels stabilize. Broad-based economic activity is projected to be driven primarily by advancements in transport, manufacturing, and the broader services sector, alongside targeted state led investment initiatives.

The agency also points out that persistent inflationary pressures are being driven by high food costs and the government's own quasi-fiscal operations. Nevertheless, the agency forecasts that these inflationary pressures will gradually ease over 2026-2027 as targeted policy measures begin to take greater effect.

Ultimately, the agency notes that a future upward revision of Kazakhstan's rating depends entirely on a sustained commitment to macroeconomic stability and the disciplined execution of fiscal policies. To fully unlock its economic potential and upgrade its standing, the agency’s analysts emphasize that the country must continue to address structural constraints. Chief among these priorities are reducing the economy's historical dependence on volatile commodity markets and systematically enhancing its overall institutional capacity to ensure transparent and predictable governance.

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

NBK CUTS THE BASE RATE TO 17%

as inflation continues to moderate

INFLATION

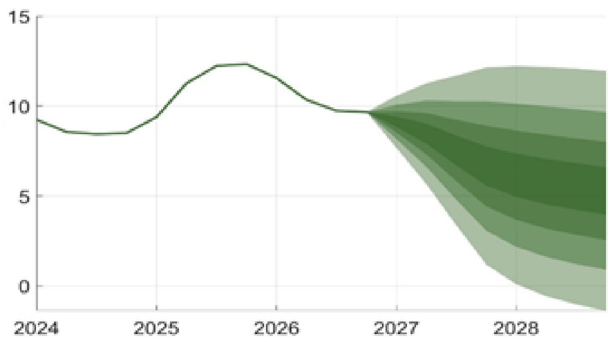
Inflation continued to moderate in 2Q2026, reaching 10.3% in June, driven by moderately tight monetary conditions, tenge strengthening, stabilizing consumer demand, and coordinated policy measures by the Government and the NBK, including the earlier moratorium on regulated housing, utility, and fuel price increases. Underlying pressures persist, however, from rising producer prices, fiscal and quasi-fiscal stimulus, possible secondary effects from the VAT increase, the resumption of fuel and utility tariff adjustments, and inflation expectations still above target. External risks include high global food prices amid geopolitical tensions, the strong ruble, and Russia's fuel market crisis.

Seasonally adjusted inflation and median core inflation accelerated to 1.0% m/m and 0.9% m/m, respectively, remaining well above the monthly pace consistent with the 5% inflation target (0.4% m/m), pointing to firmer underlying pressures than headline figures suggest.

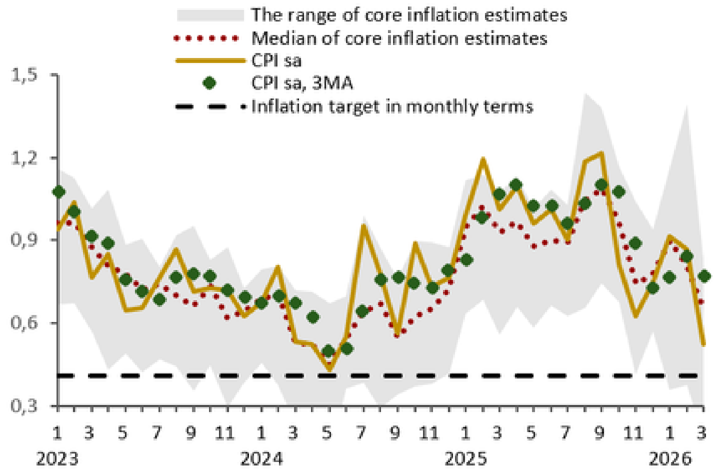
After raising the base rate to 18% in October 2025, the NBK held it through January-April 2026, then lowered it to 17% on June 5, reflecting the inflation slowdown and improved outlook. Conditions are set to stay moderately tight, as expectations have yet to normalize and risks still tilt upside. Further decisions will be meeting-by-meeting, guided by inflation dynamics.

The 2026 inflation forecast was revised downward and narrowed to 9-11%, reflecting recent inflation dynamics amid exchange rate appreciation and coordinated policy measures by the Government and the NBK. Inflation is expected to move into single-digit territory in 2026. However, risks remain amid elevated global uncertainty. Inflation is projected to slow further to 5.5-7.5% in 2027 and approach the 5% target in 2028, supported by moderately tight monetary policy, fiscal consolidation, and a narrowing quasi-fiscal stimulus.

Inflation will reach the target by 2028



Seasonally adjusted and core inflation indicators are accelerating, remaining above the target level



MPC members' estimates of the base rate*

Indicator	Median			Range		
	2026	2027	2028	2026	2027	2028
Base rate at year-end, %	16.0 (16.1)	13.0 (13.0)	10.8 (10.8)	15.0-17.0 (14.5-17.5)	11.0-16.0 (11.0-15.0)	8.0-14.0 (9.0-14.0)

**Based on the "May 2026" forecasting round*
Figures in brackets represent previous estimates

The current account balance IS EXPECTED TO REMAIN NEAR ZERO IN 2026

According to the NBK's data, the current account deficit was recorded at (-)$2.0 billion in 1Q 2026, compared to (-)$1.0 billion in the corresponding period of 2025. The wider deficit primarily reflected higher imports of investment goods, supported by ongoing investment activity.

Imports increased by 11.9% to $15.2 billion, reflecting stronger demand for intermediate and capital goods associated with major investment projects, while imports of consumer goods declined. Exports of goods rose by 4.7% to $19.3 billion, driven by higher shipments of non-ferrous metals and their ores, uranium, and grain.

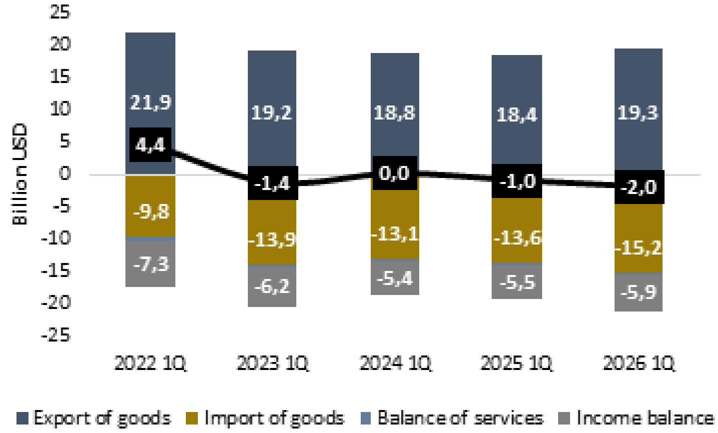
The May 2026 update to the current account forecast indicates an improved medium-term outlook compared with the February 2026 projections. Following a deficit of (-)4.1% of GDP in 2025, the current account balance is expected to improve to a slight surplus of (+)0.1% of GDP in 2026, supported by higher prices for Kazakhstan's key export commodities, including oil, metals, and uranium. Over the medium term, the current account is projected to return to a moderate deficit, reaching (-)2.1% of GDP in 2027 and (-)3.8% of GDP in 2028, as commodity prices gradually normalize and demand for investment-related imports remains elevated.

Exports are anticipated to remain above their 2025 level, supported by continued growth in non-oil exports. The expansion of non-oil exports is expected to reflect higher global prices for metals and uranium, as well as sustained external demand for Kazakhstan's higher value-added exports, including agricultural products.

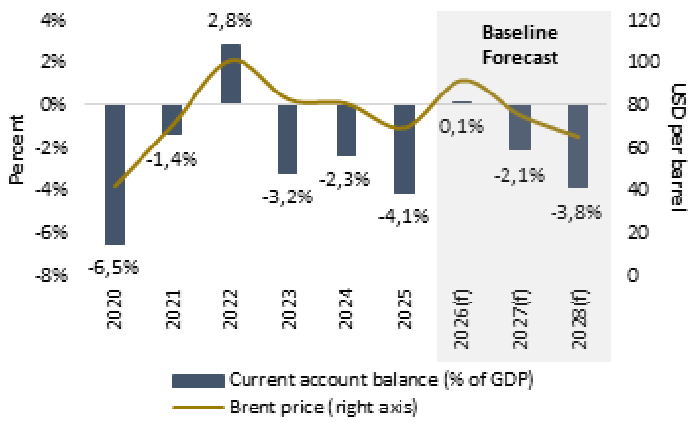
Domestic demand for imported goods is estimated to increase throughout the forecast horizon. Import growth will be underpinned primarily by increased purchases of industrial goods required for investment and infrastructure projects, as well as the modernization and expansion of production capacity. The income balance is expected to remain in a moderately deep deficit over the forecast horizon, reflecting sustained income payments to foreign direct investors, supported by higher oil production volumes and relatively strong metal prices.

CURRENT ACCOUNT

Trade balance narrowing contributed to a wider current account deficit



A moderate current account deficit is expected to persist in the medium term



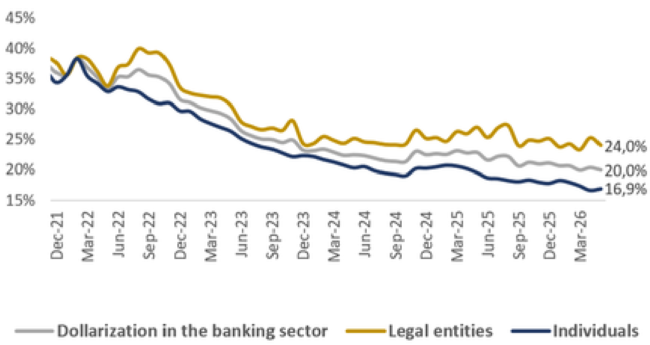
THE TENGE DEMONSTRATED RESILIENCE
on moderately tight monetary policy and non-resident inflows

FX MARKET & FX RESERVES

mln USD	2023	2024	2025	1H2026
FX Reserves	35 944	45 823	65 414	62 170
Assets in hard currencies	16 434	21 980	18 178	14 597
Gold	19 510	23 844	47 236	47 572
Share of gold,%	54%	52%	72%	77%
USD/KZT total volume on KASE	37 047	54 963	63 030	42 638
USD/KZT rate	455	525	506	480
Interventions (net)	0	(-) 1 355	(-) 125,6	0
Sales from National fund	(-) 9 483	(-) 10 180*	(-) 8 234	(-) 2 150
Sales under monetary neutrality principle	0	0	(-) 7 045 (3 675 bln. KZT)	(-) 4 347 (2 112 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 remains low



In 2Q2026, the tenge strengthened in the first part of the quarter, reaching KZT 457.21 per US dollar in late April, before gradually easing and ending the quarter at KZT 479.98 per US dollar, 0.4% weaker than at the end of 1Q2026. This reflected balanced conditions in the domestic foreign exchange market and a steady supply of foreign currency, supported by higher oil prices and continued non-resident investment inflows.

During 2Q2026 the NBK sold $1 billion from the National Fund to support fiscal transfers to the state budget.

As part of the mirroring mechanism, the NBK sold $2.2 billion (1 062 billion KZT) in the 2Q2026. In the 3Q2026, foreign currency sales of approximately 1,1 trillion KZT are planned to sterilize the tenge issued for gold purchases.

To improve republican budget liquidity management, the Government and the National Bank have updated the National Fund transfer mechanism: since June 2026, transfer size is set according to the budget's actual financing needs rather than a fixed schedule, reflecting the uneven timing of revenues and expenditures during the year. Under this approach, the NBK purchases foreign currency from the National Fund into its FX reserves. The purchased amount is then mirrored through evenly distributed FX sales in the domestic market over the remainder of the year. This preserves market neutrality, with no change to the aggregate volume or predictability of the National Bank's FX operations. In June, for this purpose, the National Bank purchased USD 460 million from the National Fund, with the corresponding amount to be sold gradually through December 2026.

To maintain the foreign currency share of the Unified Accumulative Pension Fund's assets at no less than 40% over the long term, the NBK purchased $1 473 million on the Kazakhstan Stock Exchange in the 2Q2026.

No foreign exchange interventions were carried out during the 2Q2026.

As of the end of the 2Q2026, the country's international reserves stood at $127.3 billion, comprising $62.2 billion in NBK FX reserves and $65.1 billion in National Fund assets.

By the end of May 2026, deposit dollarization in the banking sector stood at 20.0%, remaining close to the historic low of 19.9% recorded at the end of 1Q2026. After a temporary increase in April, the indicator declined again in May, mainly due to a decrease in the share of foreign currency deposits among legal entities to 24.0%. Dollarization among individuals remained low at 16.9%. Overall, the data indicate that the preference for deposits in the national currency remains stable, supported by continued confidence in the tenge.

GOVERNMENT SECURITIES MARKET OVERVIEW

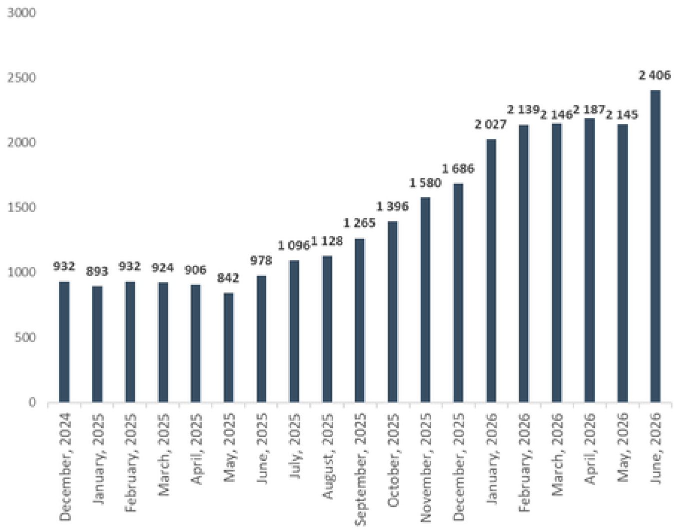
In 2Q2026, the Ministry of Finance of Kazakhstan issued government securities totaling 1.8 trln tenge. Following the launch of the Primary Dealer system in May 2026, several positive effects were observed, including stronger competition among market participants and improved price discovery through a narrower dispersion of submitted bid yields. Recent auctions have also seen strong investor demand, with bid-to-cover ratios averaging around 3x. Together with the National Bank of Kazakhstan's decision to reduce the base rate from 18.00% to 17.00% in June, these factors contributed to an average decline in yields of 52 bps across the curve during the quarter.

Since May 2026, the Ministry of Finance has successfully issued government securities linked to the TONIA Compounded Index (TCI). A total of approximately KZT 289 billion of these floating-rate securities has been issued.

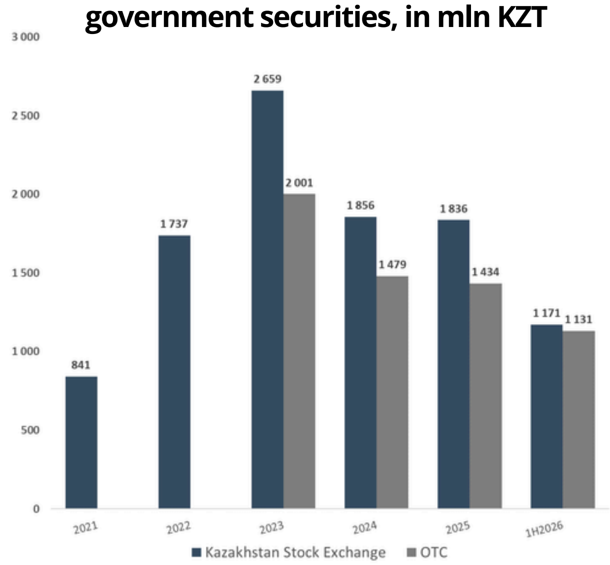
Inflows of non-resident investors into Kazakhstan government securities continued. As of the end of 2Q2026, non-resident holdings of tenge-denominated government securities reached KZT 2.4 trillion (approx. USD 5 billion), up by KZT 259 billion from the previous quarter.

In 2026, a comprehensive regulatory transformation is planned, including the adoption of a new Law on the Securities Market, which is expected to further improve market transparency and accessibility for international investors.

Foreign investors holdings of KZT-denominated government securities, in bln KZT



Secondary market liquidity of KZT-denominted government securities, in mln KZT



OTC data is available since 2023

INVESTOR RELATIONS

In 2Q2026, NBK maintained proactive engagement with international investors, focusing on the macroeconomic landscape, growth dynamics, inflation, and the medium-term outlook. NBK provided updates on monetary policy priorities, price and financial stability measures, monetary and fiscal policy coordination, and the National Fund's performance. Dedicated sessions at major international forums highlighted financial market conditions and capital market potential.

During the Spring Meetings of the IMF and the World Bank Group on April 13-18, 2026, NBK's delegation presented an overview of Kazakhstan's macroeconomic landscape, ongoing reforms to enhance financial market infrastructure and regulation of digital financial assets, deepen the capital market, and expand access to the domestic government securities market.

On the sidelines of the Spring Meetings, discussions were held with international central securities depositories on the further development of Kazakhstan's market infrastructure and improving its accessibility for global investors.

Strategic discussions with J.P. Morgan covered expanding investor access to Kazakhstan's government bond market, as well as the criteria and next steps for including Kazakhstani government securities in J.P. Morgan's GBI-EM global bond indices. Following the launch of the Frontier Markets Index, Kazakhstani government bonds will be included with a weighting of up to 8%, supporting the country's gradual integration into global fixed-income benchmarks.

On April 20, 2026, NBK, with the Embassy of Kazakhstan in the USA, hosted the 'Investment Opportunities in Kazakhstan' session in New York, attracting over 130 delegates from IFIs, institutional investors, asset managers, venture funds, and financial corporations. The session featured briefings on capital market development, financial sector regulatory improvements, the DeFi framework, National Infrastructure Plan implementation, and the national digitalization program. Bilateral dialogues covered investment cooperation, including the Open Investment Partnership Program.

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Additional sources:

- Press releases
- Monetary Policy Report
- Summary of Deliberations