

---

IX CONFERENCE CAPITAL MARKETS KAZAKHSTAN

# Central Asia Eurobonds: A Window of Opportunity, at a Price

---

- Kazakhstan and Uzbekistan account for c.97% of the region's ~USD 44bn of Eurobonds outstanding; Kazakhstan is the only investment-grade sovereign (BBB)
- The currency menu has broadened: the MoF priced its second Panda bond at 1.82%, and DBK placed tenge Eurobonds below the policy rate
- Demand is strong, with order books 2–7x covered, but USD base rates are rising: the 10Y UST is near 5.3% and the Fed has resumed hiking
- Our view: borrow in the currency of revenue, diversify currencies and venues, and use the window before year-end

**Pavel Chernikov**  
Head of BD  
Xtellus Europe

# Global Backdrop: Rates Turn Higher

DM central banks are tightening from low real rates, while Kazakhstan and Uzbekistan are easing from some of the highest real rates globally. The Kazakhstan–US policy rate differential stands at c.12pp

**Exhibit 1: Policy Rates vs. Inflation, %**

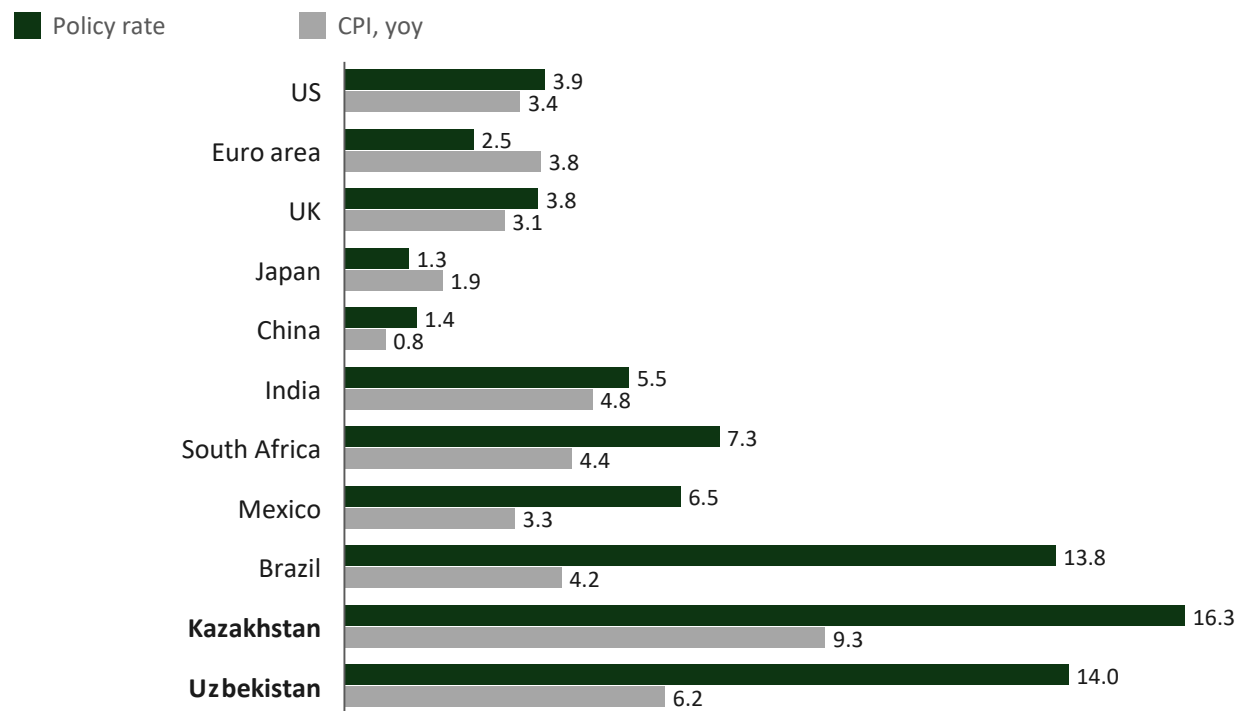


**Exhibit 2: Real Policy Rates and 10Y Yields**

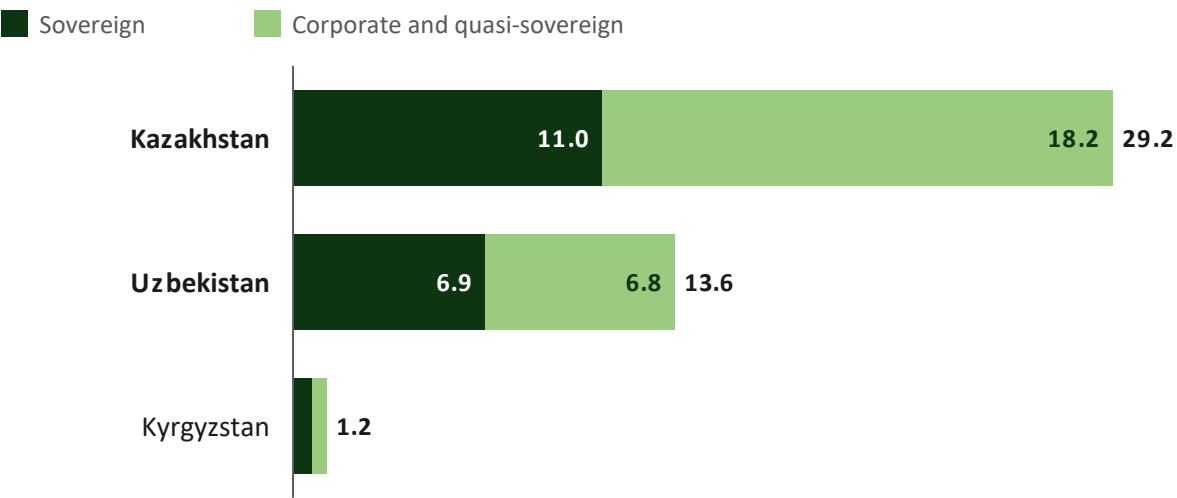
| Country      | Real rate <sup>1</sup> , pp | 10Y, %             |
|--------------|-----------------------------|--------------------|
| US           | + 0.5                       | 5.27               |
| Euro area    | −1.3                        | 3.45 <sup>2</sup>  |
| UK           | + 0.7                       | 5.38               |
| Japan        | −0.7                        | 3.11               |
| China        | + 0.6                       | 1.70               |
| India        | + 0.7                       | 7.21               |
| South Africa | + 2.9                       | 9.01               |
| Mexico       | + 3.2                       | 9.51               |
| Brazil       | + 9.5                       | 12.97              |
| Kazakhstan   | + 7.0                       | 12.78              |
| Uzbekistan   | + 7.8                       | 15.90 <sup>3</sup> |

<sup>1</sup> Policy rate less latest headline CPI (unrounded data); US at midpoint of 3.75–4.00%. <sup>2</sup> Germany; euro area policy rate is the ECB deposit rate. China: 7-day reverse repo. India: RBI hike of 7 Oct 2026. <sup>3</sup> CBU government securities yield curve, 10Y par yield. Sources: central banks, US Treasury, TradingEconomics, Cbonds, CBU; as of 5–7 Oct 2026

# Regional Market: Two Issuers, One Investment-Grade Curve

Kazakhstan and Uzbekistan account for c.97% of Central Asian Eurobonds outstanding. All four rated sovereigns in the region were upgraded in 2026, but only Kazakhstan sits in investment grade

Exhibit 3: International Bonds Outstanding, USD bn



Kyrgyzstan includes Eldik Bank's USD 500m debut (April 2026). Tajikistan: c.USD 0.25bn (2017 bond amortising through 2027). Turkmenistan: no international bonds or ratings

Source: Cbonds, as of 30 Sep 2026. Totals may not sum due to rounding

Exhibit 4: Sovereign Ratings, October 2026

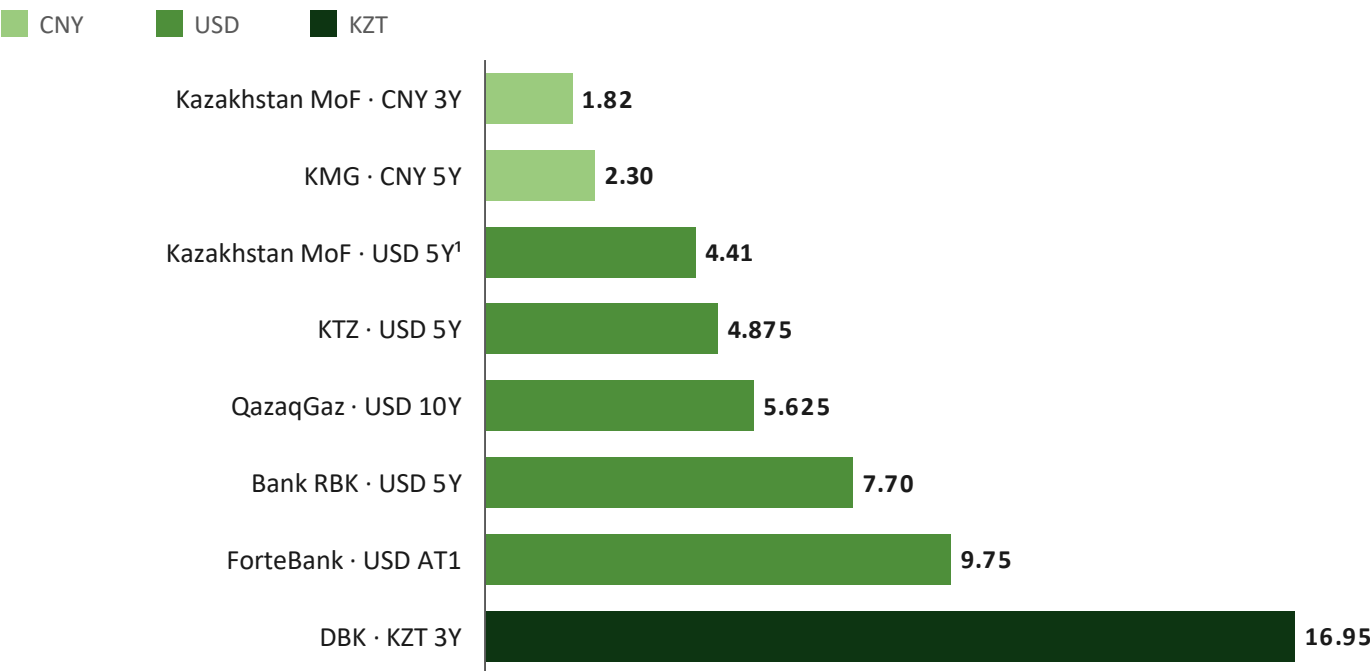
| Country    | S& P | Moody's | Fitch | 2026 upgrade  |
|------------|------|---------|-------|---------------|
| Kazakhstan | BBB  | Baa1    | BBB   | S& P          |
| Uzbekistan | BB   | Ba2     | BB    | Moody's       |
| Kyrgyzstan | B+   | B2      | B     | Moody's       |
| Tajikistan | B+   | B2      | —     | S& P, Moody's |

Source: S&P, Moody's, Fitch; as of 5 Oct 2026

# Cost of Funds: Currency Matters More Than Credit

In our view, CNY has become the cheapest offshore funding source for Kazakh issuers, at 2–3pp below USD, while tenge-denominated Eurobonds transfer FX risk to investors

Exhibit 5: Coupon at Issue, %



<sup>1</sup> Yield at issue. Transactions Oct 2025 – Sep 2026. Sources: Kazakhstan MoF, issuers, AIFC/AIX, KASE

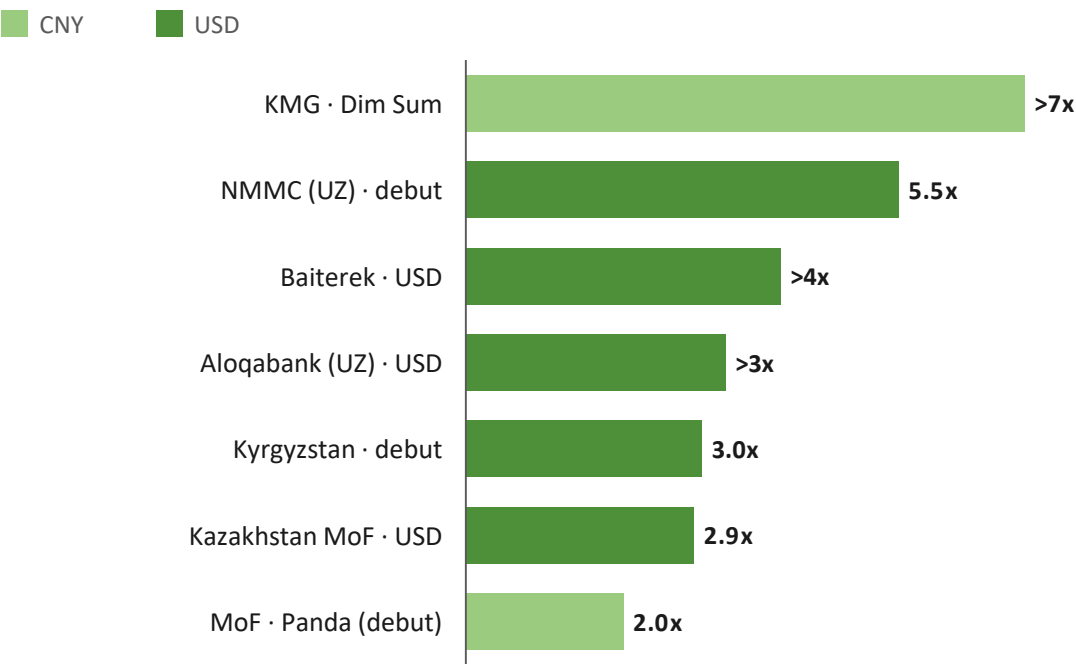
## Key Takeaways

- **CNY is c.2.5pp cheaper than USD:** the sovereign's 5Y Panda priced at 1.95% vs 4.41% on its 5Y USD Eurobond
- **Quasi-sovereigns price c.35bp over the sovereign** (Baiterek, Sep 2025): the sovereign rating anchors pricing
- **Tenge Eurobonds:** DBK raised KZT 230bn (3Y) at 16.95%, below the 18% base rate prevailing at pricing (May 2026)

# Demand: Order Books 2–7x Covered

All benchmark deals shown were at least 2x covered. The toolkit is broadening, from CNY formats to bank capital instruments

Exhibit 6: Order Book Coverage, x



KMG, Baiterek and Aloqabank: issuer-disclosed minimums. Panda: debut issue (May 2026). Transactions Oct 2024 – Sep 2026. Sources: issuers, AIFC/AIX, Cbonds, Kyrgyz MoF

Exhibit 7: New Formats, 2025–26

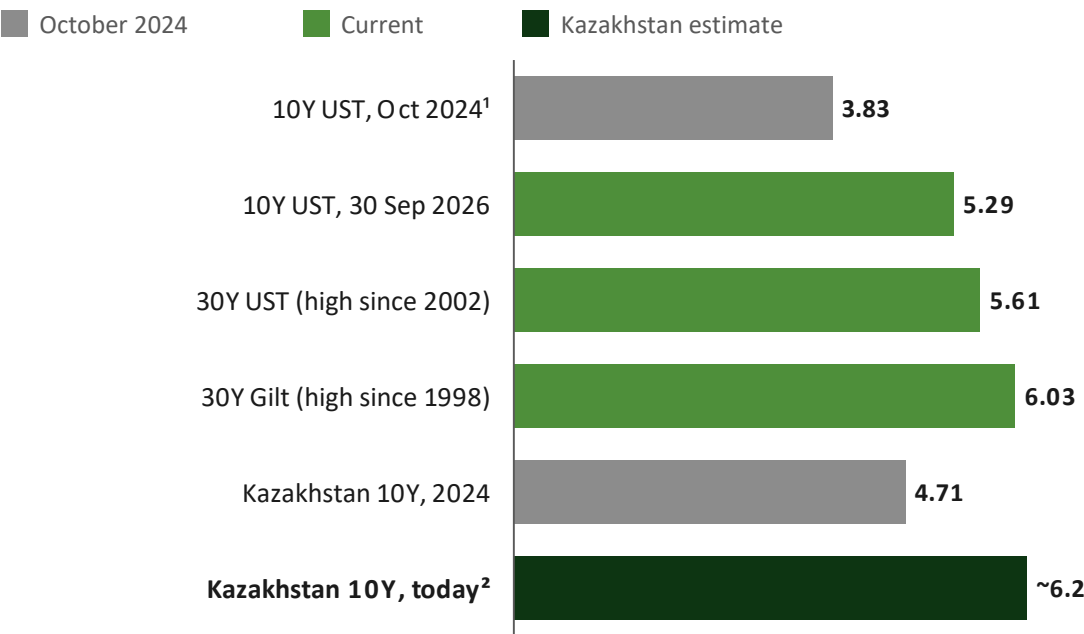
| Form at         | Precedent                | Terms                 |
|-----------------|--------------------------|-----------------------|
| Panda bonds     | Kazakhstan MoF, Sep 2026 | CNY 6.6bn; 1.82–1.95% |
| Dim Sum         | KMG, Sep 2026            | CNY 3.5bn; book > 7x  |
| Tenge Eurobonds | DBK, May 2026            | KZT 230bn; 16.95%     |
| Bank AT1        | ForteBank, Oct 2025      | USD 400m; 9.75%       |

Dual listing on AIX alongside LSE, Vienna MTF, HKEX or CFAE has become standard practice for new issues

# Risks: The Window Is Open, but the Cost of Entry Is Rising

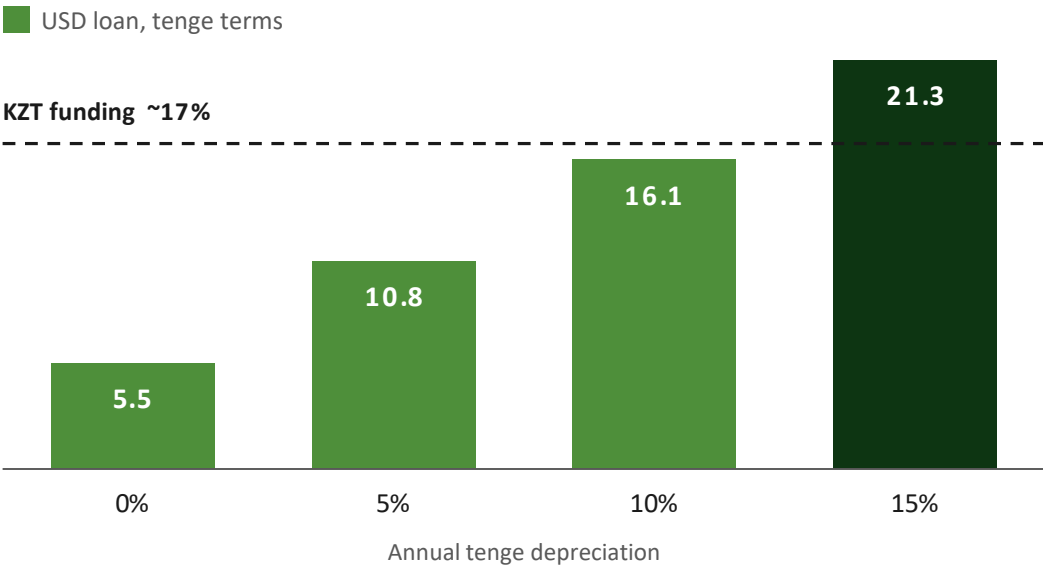
USD yields are at multi-decade highs, and EM carry trades posted a quarterly loss in Q3 after six quarters of gains. For tenge earners, FX is the key risk: the USD funding advantage is fully eroded at c.11% annual tenge depreciation

Exhibit 8: USD Base Rates up c.150bp, %



<sup>1</sup> Implied: Kazakhstan's Oct 2024 10Y coupon of 4.714% less its 88bp spread. <sup>2</sup> 10Y UST + 88bp; Xtellus estimate. Sources: US Treasury, Kazakhstan MoF, Bloomberg

Exhibit 9: All-in Tenge Cost of a 5.5% USD Loan, %



Breakeven at c.11% annual depreciation. Deutsche Bank forecasts USD/KZT at 490 by end-2026 and 540 by end-2027 (spot c.454)

Calculation:  $(1 + 5.5\%) \times (1 + \text{KZT depreciation}) - 1$ . Sources: Deutsche Bank (1 Oct 2026); NBK official rate, 7 Oct 2026

# Five Rules for Accessing the Eurobond Market

## THE ISSUER PLAYBOOK

# 1

### Ratings and Disclosure

IFRS reporting, an international rating and a public track record on KASE/AIX. The BBB sovereign is the anchor: quasi-sovereigns price c.35bp over it

# 2

### Match Debt to Revenue

USD for exporters; for tenge earners, tenge Eurobonds or a hedge. Breakeven is c.11% annual tenge depreciation

# 3

### Diversify Currencies and Venues

Fund in USD, CNY and KZT; list on LSE, Vienna MTF, HKEX or CFAE alongside AIX

# 4

### Timing and Liability Management

Pre-fund while spreads are tight; pair new issues with tenders for existing bonds (QazaqGaz, April 2026)

# 5

### Domestic Anchor Demand

KZT 9.7trn of FX deposits, with savings rates capped at 2.5% — a natural bid for small-denomination USD paper

### OUR VIEW

The window is open for prepared issuers: rated, FX-disciplined and multi-market