



ANNUAL REPORT

of the National Bank of the Republic of Kazakhstan





NATIONAL BANK OF KAZAKHSTAN

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OPENING ADDRESS BY THE GOVERNOR

In 2024, the global and Kazakhstani economies demonstrated resilience and positive momentum. The global decline in energy prices contributed to a slowdown in inflation, while monetary policy easing by leading central banks supported economic activity. Despite ongoing geopolitical risks, global economic growth reached 3.2%, and global inflation declined to 5.7% by the end of the year (2.6% in advanced economies and 7.8% in emerging markets and developing countries).

Kazakhstan's economy grew by 4.8%. Inflation slowed to 8.6%, despite higher tariffs in the housing and utilities sector, as a result of a balanced monetary policy. To enhance transparency and strengthen trust in the National Bank's policy, we began publishing the forecasted path of the base rate — an important step toward improving communication and managing market expectations.

Positive developments were observed in the key indicator of external economic activity. The trade surplus was sustained, while the current account deficit of the balance of payments narrowed more than twofold, to USD 3.7 billion.

Gross international reserves, including the foreign currency assets of the National Fund, increased by USD 8.7 billion, reaching USD 104.7 billion. Of this total, gold and foreign exchange reserves amounted to USD 45.8 billion, and National Fund assets reached USD 58.8 billion. The management of the National Fund's assets generated positive investment income of USD 4.6 billion, or 7.6%, owing to a balanced strategic asset allocation.

Pension assets of the Unified Accumulative Pension Fund (UAPF) increased by 25.9% to KZT 22.4 trillion. Investment income more than doubled and reached KZT 3.4 trillion. The return on pension assets stood at 17.8%, significantly exceeding the inflation rate of 8.6%.

The banking sector also demonstrated substantial positive changes. Bank assets increased by 19.7% over the year, reaching KZT 61.6 trillion. Capital adequacy remains strong, exceeding regulatory minimums by more than twofold. The share of non-performing loans stood at just 3.1%, reflecting the high quality of banks' loan portfolios.

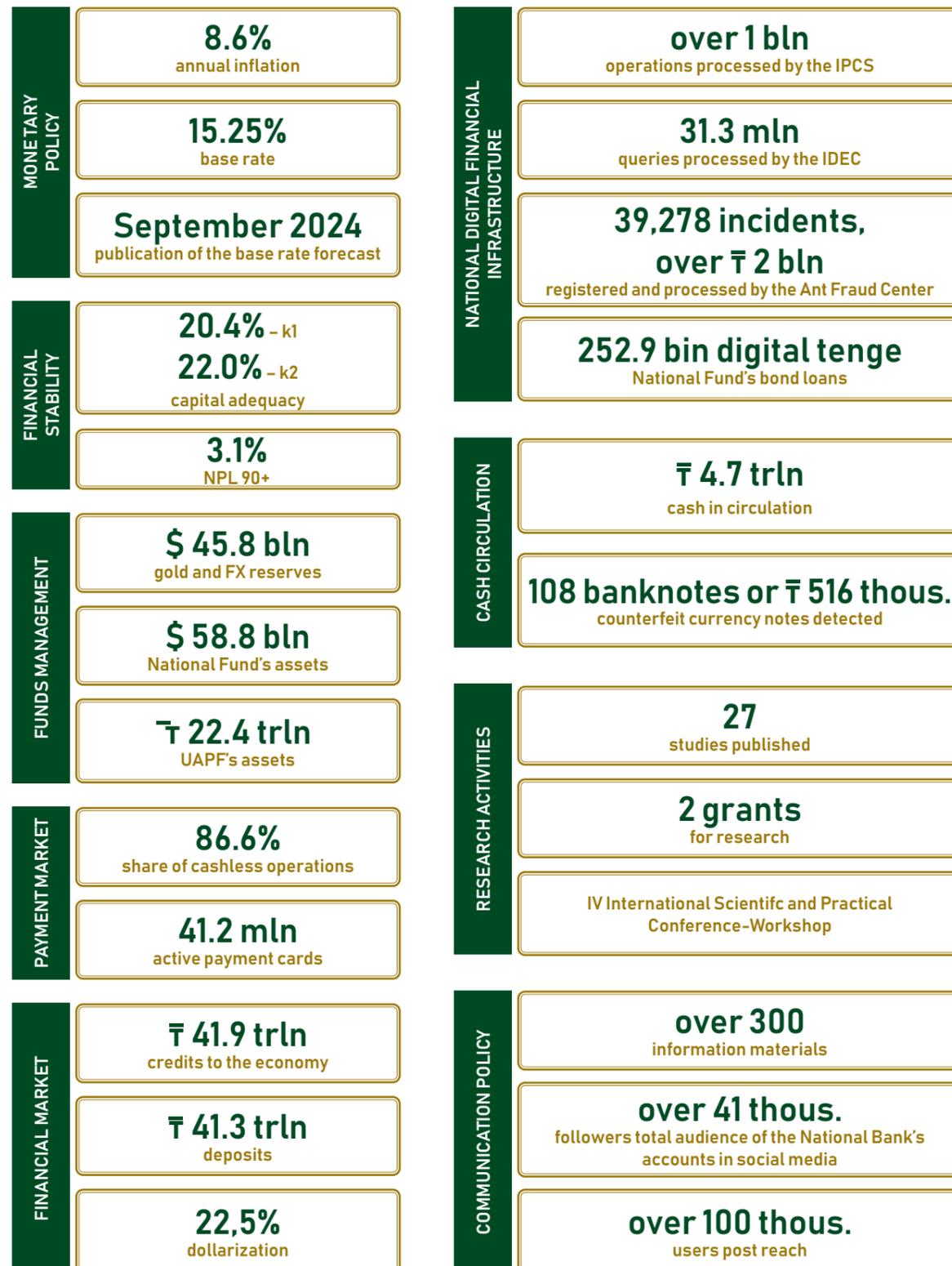
Deposits reached a historic high of KZT 41.3 trillion, while the level of dollarization declined to 22.5%, remaining close to record lows. This indicates growing confidence among households and businesses in the national currency and the financial system.

In 2024, we continued the active development of the country's payment infrastructure, supporting the adoption of innovative technologies in the financial market. The National Bank, acting as the operator of the Interbank Money Transfer System and the Interbank Clearing System, together with the National Payments Corporation JSC, ensured their stable and uninterrupted operation at a level of 99.96%.

Technological advances in the financial sector contributed to the further expansion of cashless payments among the population. The volume of cashless transactions increased by 17%, reaching KZT 166 trillion, while the share of cashless payments was 87%. This clearly reflects a high level of public trust in modern financial instruments and digital services in Kazakhstan.

The range of services offered by financial institutions continues to grow, with new bank-centric ecosystems emerging to integrate a wide array of services for user convenience. We are continuing efforts to develop the National Digital Financial Infrastructure, under which projects such as the Interbank Payment Card System, Interbank Mobile Payment System, Open API Platform, the National Bank's Anti-Fraud Center, as well as the Digital Tenge and biometric identification platforms are being implemented.

KEY PERFORMANCE INDICATORS BY NUMBERS



IDEC – Identification Data Exchange Center
IPCS – Interbank Payment Card System

ABOUT THE NATIONAL BANK

CORE MANDATE AND OBJECTIVES OF THE NATIONAL BANK ARE ENSURING PRICE STABILITY

The National Bank is the central bank of the country and represents the upper tier of the two-tier banking system of Kazakhstan. Its activities are governed by the Constitution, the Law "On the National Bank of the Republic of Kazakhstan," acts of the President and the Government of the Republic of Kazakhstan, as well as other regulatory legal acts of the Republic of Kazakhstan.

The primary objective of the National Bank is to ensure price stability. To achieve this goal, the National Bank develops and implements monetary policy within the framework of an inflation-targeting regime. The target of monetary policy is to maintain annual inflation close to 5% over the medium term.

In order to fulfill its primary objective, the National Bank is also entrusted with the following functions:

- development and implementation of monetary policy;
- ensuring the functioning of payment systems;
- carrying out foreign exchange regulation and control;
- contributing to the stability of the financial system;
- conducting statistical activities in the areas of monetary statistics, financial market statistics, and external sector statistics.

Within the scope of its authority as defined by the laws of the Republic of Kazakhstan and acts of the President of the Republic of Kazakhstan, the National Bank operates independently. It cooperates with the Government of the Republic of Kazakhstan, taking into account the country's economic policy and supporting its implementation, provided such cooperation does not conflict with the fulfillment of the Bank's core functions or the conduct of monetary policy.

ORGANIZATIONAL STRUCTURE AND MANAGEMENT

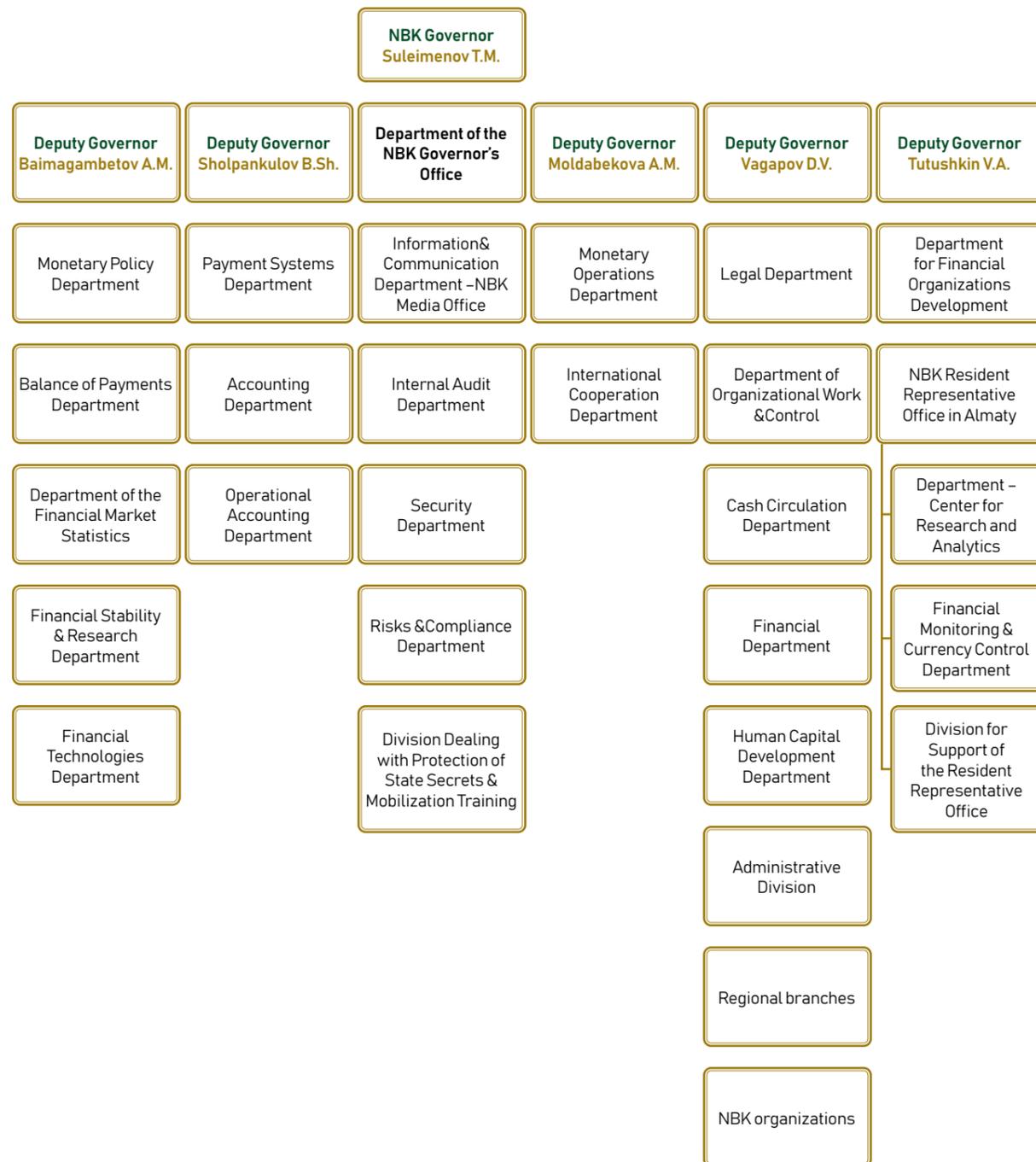
The structure of the National Bank was approved by Presidential Decree of the Republic of Kazakhstan dated December 31, 2003, No. 1271, "On the Approval of the Regulation and Structure of the National Bank of the Republic of Kazakhstan."

As of the end of 2024, the structure of the National Bank was as follows:

- 23 units of the central headquarters (21 departments and two self-sustaining divisions);
- A Permanent Representative Office of the National Bank in Almaty;
- 21 regional branches;
- 2 subordinate republican state enterprises (see Figure 1).



Figure 1. National Bank's structure



The bodies of the National Bank are the Management Board, the Monetary Policy Committee and the Board of Directors. The powers and responsibilities of these bodies are defined by the Law "On the National Bank of the Republic of Kazakhstan" and the Decree of the President of the Republic of Kazakhstan "On Approval of the Regulation and Structure of the National Bank of the Republic of Kazakhstan".

The Management Board of the National Bank is the supreme governing body of the National Bank, responsible for making decisions on strategic issues related to monetary policy, financial stability, and the functioning of the national financial system. The Management Board consists of 9 members:

- The Governor of the National Bank of Kazakhstan;
- 4 officials of the National Bank of Kazakhstan;
- one representative of the President of the Republic of Kazakhstan;
- 2 representatives of the Government of the Republic of Kazakhstan;
- one representative of the authorized body responsible for the regulation, control, and supervision of the financial market and financial institutions.

The Monetary Policy Committee of the National Bank of Kazakhstan is a decision-making authority on monetary policy issues. The Monetary Policy Committee of the National Bank of Kazakhstan:

- 1) set the base rate;
- 2) determines the interest rates on key monetary policy operations;
- 3) make decisions on other monetary policy issues that do not fall under the exclusive competence of the Board of the National Bank Kazakhstan. As of today, the composition of the Committee includes:
 - the Governor of the National Bank;
 - the Deputy Governors of the National Bank, responsible for monetary policy, monetary operations, and financial stability;
 - the Directors of the Departments of Monetary Policy, Monetary Operations, Financial Stability;
 - the Committee also includes the Directors of the Balance of Payments Department and the Department-Research and Analytics Center.

Legislation provides for the future inclusion of external members in the composition of the Committee, which will enhance the transparency of decision-making and contribute to strengthening trust in the National Bank.

The Board of Directors is the operational management body of the National Bank. The Board of Directors includes the Governor of the National Bank, his/her deputies, heads of structural divisions.

MACROECONOMIC CONDITIONS IN 2024

EXTERNAL MARKET ENVIRONMENT

In 2024, the global economy grew by 3.2%¹. In advanced economies, the main driver of growth was strong economic activity in the United States, while European countries had a restraining effect due to stagnation in the manufacturing sector. Although structural problems associated with difficulties in the real estate market and weak domestic demand remained in China, the country's economy grew by 5.0%. The Russian economy accelerated to 3.8%.

The global inflation environment has eased. In many countries, headline and core inflation slowed significantly, but remain above target levels. In advanced economies, services and a strong labor market continue to be the main drivers of price growth, while in emerging markets, price increases are observed across a broader range of goods and services. In the United States, inflation reached 2.9% in December 2024, and 2.7% in the European Union. In China, weak consumer demand contributed to keeping inflation below the target. In Russia, annual inflation accelerated to 9.5% by the end of 2024 amid economic overheating, rising government spending and labor shortages.

Amid slowing inflation and with the aim of stimulating economic activity, many central banks began a cycle of monetary easing. In the United States, the Federal Reserve lowered the policy rate from 5.25%-5.50% to 4.25%-4.50% by the end of the year, while the European Central Bank cut its rate by 135 basis points over the year – from 4.5% to 3.15%. In emerging market economies, rate cuts were more pronounced. Meanwhile, the Central Bank of Russia raised its key rate three times during 2024, reaching 21% amid accelerating inflation.

In 2024, external inflationary pressure from the global food markets eased compared to 2023, largely due to lower prices for grain and sugar. However, vegetable oil prices increased over the year. The average price of Brent crude oil prices stood at \$80.5 per barrel in 2024 (compared to \$82.64 per barrel in 2023). In the second half of the year, oil prices fell due to weak demand from China and rising production in non-OPEC+ countries.

In 2024, the external economic environment had a moderately negative impact on Kazakhstan's economy. This was driven by the global strengthening of the US dollar against amid ongoing uncertainty and geopolitical risks, as well as by sustained external inflationary pressure due to high inflation in Russia.

DOMESTIC ECONOMIC CONDITIONS

Despite an economic slowdown in the second quarter of 2024 caused by floods and reduced oil production, Kazakhstan's economy showed strong growth of 4.8% in real terms by the end of the year (Figure 2).

Economic growth was supported by robust consumer demand and investment activity in the non-resource sector. Key non-oil industries showed positive dynamics: goods production increased by 5.6% supported by growth in agriculture and manufacturing, while the construction sector accelerated due to infrastructure projects and housing construction. At the same time, the mining industry had a negative impact on growth due to a decline in oil production.

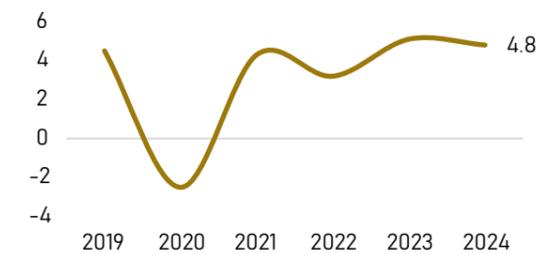
Domestic demand, supported by fiscal policy and consumer lending, contributed to 4.7% growth in the services sector, particularly in trade, transport and communication.

Investment activity showed divergent trends. Despite the increase in investments in non-resource sectors, the growth rate of fixed capital investment slowed to 7.5% from 11.2% in 2023, primarily due to a decline in oil sector investment following the partial completion of works at the Tengiz field. Investment growth was supported by the renovation of utility infrastructure under the "Tariff in Exchange for Investments" program, an increase in education investment (+143.3%) driven by the Comfortable School project, and the strong investment activity in manufacturing, construction, transport and scientific and technical activities sectors (Figure 3).

¹ According to the IMF World Economic Outlook, January 2025

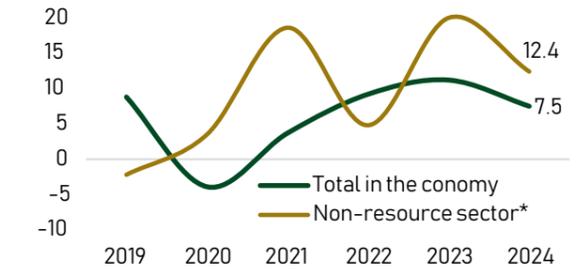


Figure 2. Real GDP growth rates, as %, YoY



Source: ASPR BNS RK

Figure 3. Fixed capital investments, as %, YoY



*fixed capital investments in the non-resource sector, excluding investments from the state budget

Economic growth received significant support from fiscal policy. Following double-digit growth in 2022–2023, state budget revenues increased by 8.9% in 2024. The main components of revenue were tax receipts revenues and transfers. At the same time, the share of transfers increased from 16% (or 21% including the purchase of shares in JSC NC "KazMunayGas" – by the National Fund) to 21% (or 22% including the purchase of shares in JSC "NAC Kazatomprom"), while the share of tax revenues declined from 76% to 73% (Figure 4).

Tax revenues increased by 4.2%. Significant growth was observed in revenues from individual income tax (an increase of 23.1%) and social tax (an increase of 19.5%). However, the largest tax categories showed weak dynamics: corporate income tax revenue rose by only 3.3%, while value-added tax ("VAT") revenue declined by 8.7%.

State budget expenditures increased by 13.3% (Figure 5). Spending on education rose by 15.5%, social assistance and welfare by 14.2%, housing and utilities – by 24.1%, and transport and communications – by 24.7%.

As a result, the state budget deficit amounted to 3.6 trillion tenge, or 2.7% of gross domestic product (hereinafter – GDP). Meanwhile, due to increased transfers from the National Fund, the non-oil deficit remained high, amounting to an estimated 8% of GDP (or 8.4% including dividends from the sale of shares in JSC "NAC Kazatomprom" to the National Fund).

Figure 4. Structure of State Budget Revenues (% of Total)

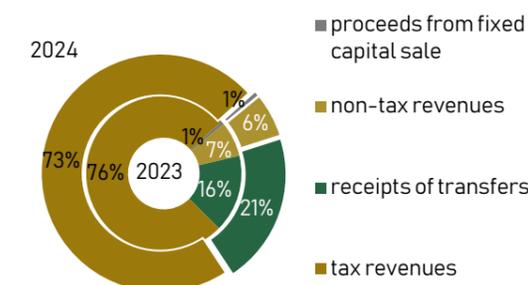
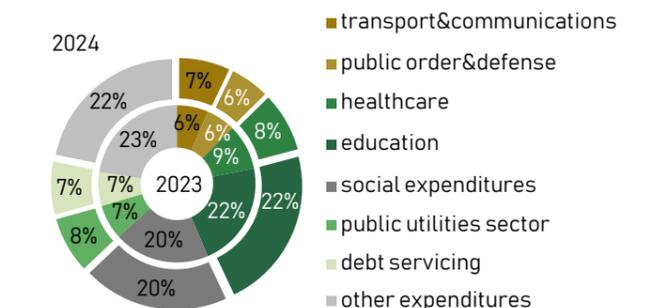


Figure 5. Structure of State Budget Expenditures (% of Total)



Imports of goods² increased by 1.3%, reaching USD 61.2 billion (USD 60.4 billion in 2023). Exports of goods decreased by 0.2% to USD 80.1 billion (USD 80.3 billion in 2023), amid a decline in oil, grain and gas exports. The current account of the balance of payments was in deficit amounting to USD 3.7 billion (compared to a deficit of USD (-)9.4 billion). The trade surplus decreased by 4.8%, to USD 18.9 billion (USD 19.8 billion in 2023).

The current account deficit was financed by financial account transactions, which include changes in external assets and liabilities of residents of the Kazakhstan. Reserve assets (excluding assets of the National Fund) amounted to USD 45.8 billion, covering 7.4 months of Kazakhstan's imports of goods and services. As of January 1, 2025, external debt amounted to USD 164.7 billion (USD 163.7 billion as of January 1, 2024).

² Hereinafter, calculations on external sector statistics are provided under the balance of payments statistics methodology

OVERVIEW OF THE NATIONAL BANK'S OPERATIONS

MONETARY POLICY

Key Monetary Policy Measures in 2024

The main goal of the National Bank is to ensure price stability. To achieve the main goal, the National Bank conducts monetary policy under an inflation targeting regime with a floating exchange rate of the tenge. The goal of monetary policy is to maintain annual inflation close to 5% in the medium term.

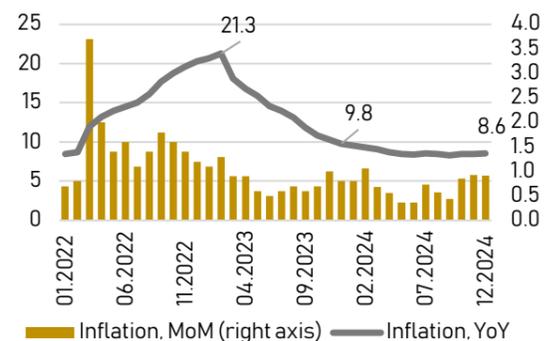
Amid post-pandemic recovery, geopolitical tensions, and ongoing price liberalization reforms, the National Bank is steadily progressing toward achieving its inflation target.

As a result of the implemented policy measures, annual inflation in Kazakhstan decreased by 1.8 percentage points in 2024, reaching 8.6% (compared to 9.8% in 2023) (see Figure 6).

In the first half of 2024, the decline in global food prices, easing of global inflationary pressures, and stability in the foreign exchange market contributed to lower inflation and looser monetary conditions. Against this backdrop, the National Bank reduced the base rate by 1.5 percentage points, from 15.75% to 14.25%.

However, in the second half of the reporting year, inflation began to reverse due to the depreciation of the tenge, driven by deteriorating external conditions (U.S. elections, D. Trump's policy, geopolitical developments, and sanctions against Russia), fiscal stimulus, and rising inflation in Russia, Kazakhstan's main trading partner. In response, on November 29, 2024, the National Bank raised the base rate by 1 percentage point, bringing it to 15.25% (see Figure 7).

Figure 6. Inflation dynamics, %

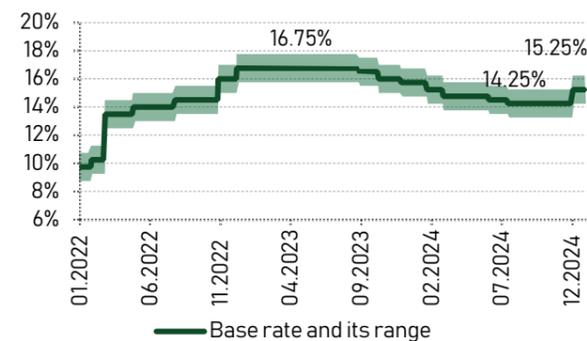


Source: ASPR BNS RK

Within the structure of inflation, a slowdown in the food and non-food components was observed, while inflation of paid services accelerated. Food inflation declined from 8.5% at the end of 2023 to 5.5% in December 2024, driven by lower global food prices and cheaper agricultural products. However, in the second half of the year, there was a sharp increase in prices for vegetables. Non-food inflation slowed from 9.1% to 8.3% reflecting moderate growth in fuel prices. At the same time, in the second half of the year, the weakening of the tenge led to the price growth in combination with stable consumer demand.

The growth in prices for paid services accelerated from 12.4% in 2023 to 13.3% in December 2024, which is largely due to the implementation of the "Tariff in Exchange for Investments" government program. The accumulated growth in tariffs for housing and communal services was 21.1%, contributing 1.1 percentage points to headline inflation. Sustainable consumer demand also contributed to the rise in prices for market-based services.

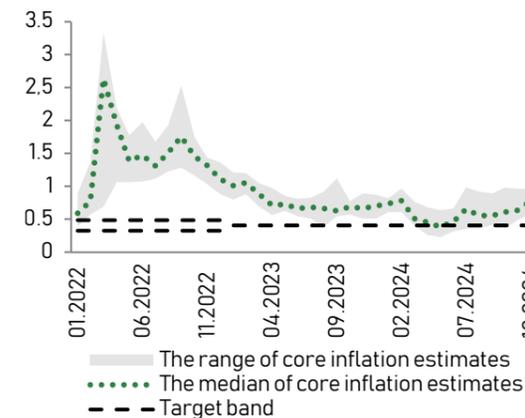
Figure 7. Base rate path



Core inflation³ had demonstrated a significant deceleration in the first half of 2024. However, it started to grow again in the second year-half (Figure 8). The median of seasonally adjusted core inflation estimates remains above the target level, reflecting sustained price growth across a wide range of goods and services. Strong domestic demand and volatile inflation expectations remain as the main drivers of inflationary pressure. During 2024, household inflation expectations gradually declined, but accelerated to 14.6% at the end of the year, remaining high and susceptible to short-term shocks (Figure 9).

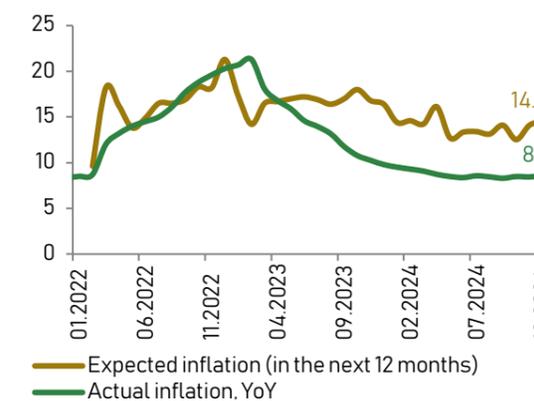
At the end of 2024, inflation stood at 8.6%, which corresponds to the middle of the forecast range of 8-9%. Maintaining a moderately tight monetary policy will help reduce and stabilize inflation at 5% in the medium term.

Figure 8. Core inflation, %, MoM



Source: NBK calculations based on the ASPR BNS RK data

Figure 9. Inflation expectations of the population, %



Source: Surveys by "Fusion Lab" LLP, ASPR BNS RK

Publication of the Base Rate Forecast

Since September 2024, the National Bank included a forecast of the base rate in its Monetary Policy Report alongside its macroeconomic projections. The projected rate path represents three-year estimates by members of the Monetary Policy Committee, and includes both a median and a range of views.

The publication of the base rate forecast enhances the transparency of monetary policy and strengthens the market's understanding of the rationale underpinning policy decisions. This, in turn, contributes to the anchoring of inflation expectations and supports long-term investment planning.

It is important to note, however, that the forecast does not constitute a binding commitment to adhere to the indicated path, the policy rate may be adjusted should economic or financial conditions evolve. In such cases, the National Bank will provide a clear explanation of the factors underlying any deviations, thereby facilitating a more informed interpretation of monetary policy actions by market participants.

Monetary Policy Transmission Mechanism

Interest Rate Channel. In 2024, money market rates moved in sync with the base rate, decreasing when it was lowered and increasing after it was raised at the end of the year. The National Bank's decision to withdraw from direct participation in repo operations⁴ for a more market-based formation of money market rates at the beginning of the year, as well as the growth of liquidity in the banking sector, contributed to the periodic reduction of the TONIA indicator⁵ below the lower boundary of the base rate corridor. At the same time, changes in the settlements procedures for deposit auctions (transition from T+2 to T+0),

³ Estimates of core and seasonally adjusted inflation are based on the methodology described in the paper by Orlov K., Yerzhan I. "Specifics of Seasonal Adjustment of the Consumer Price Index for Kazakhstan", 2019. Orlov K., Seidakhmetov A. "Various Core Inflation Estimates for Kazakhstan", 2023.

⁴ Repurchase agreement

⁵ Tenge OverNight Index Average



which took effect on October 1, 2024, as well as strengthened communication between the National Bank and second-tier banks regarding the importance of their role in the formation of the indicator, contributed to the normalization of money market rates within the base rate corridor.

The risk-free yield curve of government securities (“GS”) in 2024 was shaped by changes in inflation expectations, the monetary policy pursued, and fiscal needs for deficit financing. During the year, the curve was mainly inverted. This reflected the expectations of market participants for a further reduction in inflationary pressure and a corresponding easing of policy in the medium and long term. However, in certain periods, in the context of uneven GS issuance, the yield curve took on different shapes.

Monetary policy had the strongest impact on the short-term and medium-term segments of the yield curve. In November, an increase in the base rate, as well as heightened short-term inflation risks among market participants, led to an increase in short-term GS yields.

Interest Rates on Loans. From January to November 2024, interest rates on loans to legal entities gradually decreased following the change in the base rate. At the same time, in December, interest rates slightly increased given the raising of the base rate. Interest rates on retail loans to individuals showed a minor reduction and were largely influenced by the dynamics of interest rates on consumer loans, including the implementation of installment programs by banks in certain months (Figure 11).

Figure 11. Weighted average rates on loans in the tenge, as %

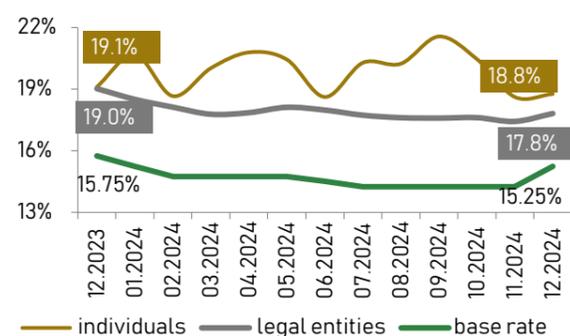
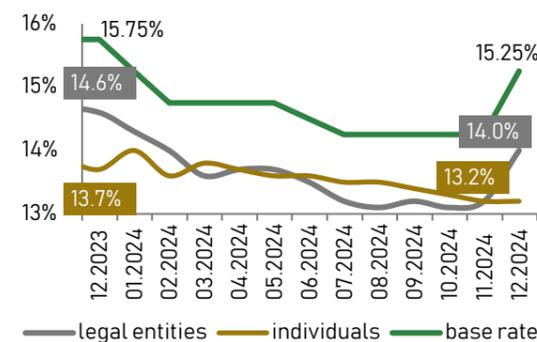


Figure 12. Rates on deposits in national currency



Deposit Rates. Interest rates on deposits in the national currency, following the base rate, decreased until November 2024: corporate deposits – to 13.2% (14.6% in December 2023), and retail deposits – to 13.2% (13.7%). The increase in the base rate in November 2024 led to an increase in the rate on corporate deposits to 14.0%, but the rate on retail deposits remained unchanged (Figure 12). In general, rates on corporate deposits responded faster to changes in monetary conditions. Rates on retail deposits were also affected by the introduction of a new mechanism for interest rate regulation by the JSC “Kazakhstan Deposit Insurance Fund” (hereinafter – “KDIF”)⁶, aimed at developing market pricing in the deposit market.

Credit Channel and Deposits (Welfare Channel).

Credits to the economy in an expanded format⁷ by the end of 2024 reached 41.9 trln tenge (an increase of 20.8% over the year). Contribution to the growth was made by loans from second-tier banks (an increase of 20.9%), JSC “Development Bank of Kazakhstan”, loans from microfinance organizations and other entities of the quasi-public sector. Negative dynamics were demonstrated by loans from mortgage organizations.

Bank Lending. In 2024, credits to the economy were in a positive zone, having increased by 20.9% to 33.8 trln tenge.

Loans to business entities. Loans to businesses entities showed a double-digit growth amid high aggregate demand in the economy and the expansion of digital financial products. The growth of loans was also facilitated by an increase in financing through concessional lending programs by development institutions.

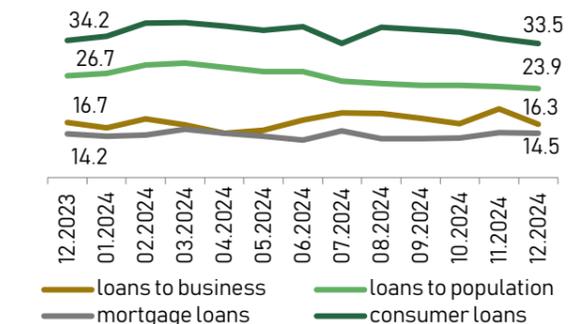
⁶ More details on the KDIF website at at: <https://www.kdif.kz>

⁷ Credits to the economy in an expanded format are debt on loans from the banking sector, mortgage organizations, entities of the State Property Fund (Subsidiary of JSC NMH “Baiterek”, which provides loans to the real sector) and organizations engaged in microfinance activities

Positive dynamics in lending were observed across all types of business entities (Figure 14) and in all segments. High growth rates were observed in the small business segment, while loans to large and medium-sized businesses also demonstrated active growth.

Loans to the Individuals. Consumer lending demonstrated dynamic growth amid widespread installment plans, digitalization of financial services, high inflation expectations of the population and expansion of car loans. Consumer loans in 2024 grew by 33.5% (in 2023 – 34.2%). The growth of the loan portfolio for the construction and purchase of housing in 2024 amounted to 15.5% (2023 – 13.2%), reaching 6.3 trln tenge. The 14.5% increase of mortgage lending was supported by the launch of government concessional programs and the active implementation of digital mortgage products (Figure 13).

Figure 13. Growth rates of the bank loan portfolio to business entities and individuals, YoY, %



Deposits. Deposits of residents in depository organizations in 2024 reached a historical maximum of 41.3 trln tenge (an increase of 19.1%). Positive dynamics of the deposit market were ensured by the growth of both tenge and foreign currency deposits (Figure 14). High interest rate differential between tenge and foreign currency deposits promoted the attractiveness of deposits in the national currency. As a result, deposit dollarization declined to 22.5% in December 2024 (23.2% in December 2023), remaining close to the historical minimum. Dollarization of retail deposits also decreased to 20.3% (22.4%) (Figure 15).

Figure 14. Deposits in depository organizations, trln tenge

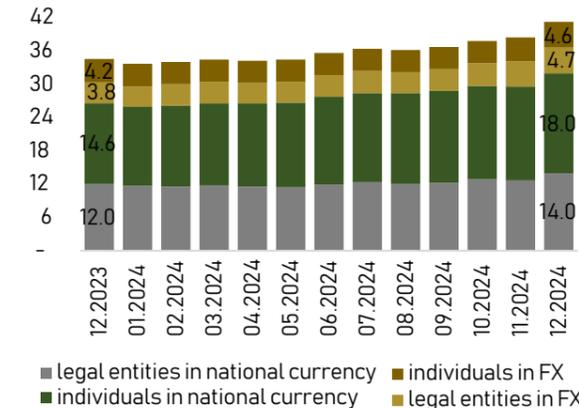
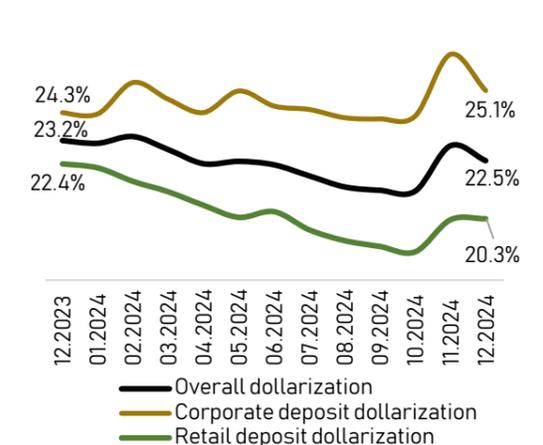


Figure 15. Level of deposit dollarization



Savings ratio⁸, which reflects the savings behavior of economic agents, reached a historical maximum of 14.5% at the end of the second quarter of 2024. In the third quarter, it decreased slightly, but remained at a fairly high level compared to the same periods of previous years.

Exchange Rate Channel. During 2024, the dynamics of the tenge exchange rate were mixed, shaped by external and internal factors. At the end of the year, the tenge had depreciated by 15.5% against the US dollar. In general, the exchange rate primarily driven by market supply and demand (in 2024, on a net basis, the share of foreign exchange transactions of the National Bank (funded from the National Fund and gold and foreign exchange assets of the National Bank), quasi-state organizations and the UAPF amounted to 16.9%).

In the first half of the year, the national currency appreciated due to increased sales from the National Fund to secure transfers to the budget. However, in the second half of the year, the tenge depreciated amid

⁸ The following formula was used based on the statistics provided by the ASPR BNS RK statistics on the living standards of the population: Savings ratio = (money income of the population – money spending of the population) / money income of the population



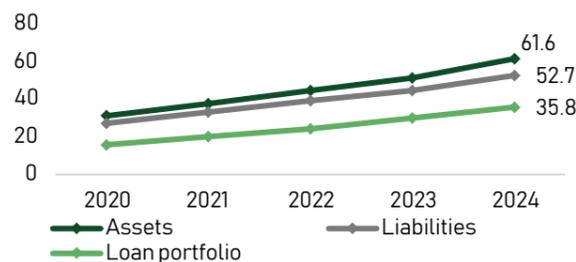
volatile oil prices, a weakening Russian ruble and a global strengthening of the US dollar. Internal factors included increased demand from economic agents and seasonal demand from importers in the context of fiscal stimulus. Measures were taken to stabilize the market, including the sale of currency from the gold and foreign exchange assets of the National Bank in the domestic foreign exchange market to conduct interventions in the amount of USD 1,354.8 mln, and the renewal of the rule on the mandatory sale of 50% of foreign exchange proceeds by quasi-government entities. During the year, supply in the foreign exchange market was also supported by operations to convert transfers from the National Fund. The weakening of the tenge by the end of the year contributed to acceleration of non-food inflation.

FINANCIAL STABILITY

In 2024, the financial sector of Kazakhstan continued its sustainable development in the context of high demand for loans from households. The National Bank, together with the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market and the Government of the Republic of Kazakhstan, took measures to improve stability of the financial sector.

The sustainable development of the banking sector of Kazakhstan was expressed by a high liquidity reserve, adequate capitalization, as well as the continued growth of key indicators. At the end of 2024, bank assets increased by 19.7%, bank liabilities – by 18.1%. Highly liquid assets of banks grew by 20.9% to 18.2 trln tenge, amounting to 29.6% of total assets. The capital adequacy ratios of the banking sector in 2024 significantly exceeded the statutory standards (k1 – 5.5%, k2 – 8%), and the quality of the banks' loan portfolio remained high.

Рисунок 16. Основные показатели банковского сектора, в трлн тенге



Source: NBK

Customer deposits remain as the main source of funding for banks accounting for 80.7% of the banking sector's liabilities (where 67.6% and 23.2% are term deposits and current accounts, respectively). According to the outcomes of a bank survey⁹, in 2024 banks actively developed products for the microbusiness segment, including the launch of business installments and credit cards for businesses, and the number of active lenders increased in the small and medium-sized enterprise (SMEs) segment. At the same time, the trend of SMEs' dependence on concessional financing within the framework of government programs continued. In terms of lending to large businesses, banks initiated financing for a number of long-term investment projects.

Strengthening the Macroprudential Mandate. In 2024, a draft amendment has been prepared to strengthen the mandate of the National Bank: it sets macroprudential ratios and limits, and the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market monitors their compliance. The draft was prepared based on international experience and recommendations of the International Monetary Fund ("the IMF") following the Financial Sector Assessment Program (FSAP). The instruments include countercyclical capital buffers, debt service-to-income ratios, and debt-to-income ratios. If necessary, the National Bank will set additional macroprudential ratios and limits used in international banking practice. The legislative amendments have been submitted to the Parliament of the Republic of Kazakhstan for consideration.

⁹ National Bank's quarterly publication "Bank Lending Survey"

In 2024, a document on macroprudential policy was also published, revealing the approaches and vision of the National Bank. To effectively implement the policy, macroprudential indicators are monitored and are published quarterly from 2024.

The Financial Stability Council of Kazakhstan ("the Council"). In 2024, the Council held 5 meetings on financial stability issues. The topics such as AQR¹⁰, bank stress testing, preliminary results of the financial stability report for 2023, as well as the National Macro-Fiscal Model for assessing the assets of the National Fund and the fiscal gap were addressed. The introduction of a sectoral countercyclical capital buffer to reduce overheating in retail lending was discussed.

The Council also considered issues related to attracting foreign banks, liberalizing banking legislation and creating attractive conditions for reliable foreign investors, regarding imbalances between monetary and fiscal policies, and measures to improve the budget balance. As part of implementation of the IMF and World Bank recommendations following the FSAP, issues related to providing liquidity in foreign currency and clarifying the powers of the National Bank and the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market in macroprudential policy were discussed.

MANAGEMENT OF FUNDS

Management of Gold and Foreign Exchange Assets of the National Bank

Gold and foreign exchange assets of the National Bank at the end of 2024 equaled USD 45.6¹¹ billion, which is by USD 9.9 billion, or 27.9% greater than in 2023 (Table 1).

Table 1. Structure of gold and foreign exchange assets of the National Bank

Name of portfolio	As of January 1, 2024		As of January 1, 2025		Return in 2024, in US dollars
	Market value, \$ mln	Share, %	Market value, \$ mln	Share, %	
Gold portfolio	19 805.4	55.5%	23 982.7	52.5%	26.6%
Liquidity portfolio	7 995.0	22.4%	6 816.2	14.9%	0.6%
Strategic portfolio	3 146.9	8.8%	3 898.4	8.5%	2.8%
Investment portfolio	2 899.9	8.1%	9 014.1	19.7%	3.5% (in the currency basket) 1.5% (in US dollars)
Alternative instruments portfolio	1 626.0	4.6%	1 703.8	3.7%	5.8%
Emerging markets portfolio	228.3	0.6%	233.1	0.5%	2.1%
Total	35 701.5	100%	45 648.3	100%	

In April 2024, in order to increase the return on gold and foreign exchange assets, active management of external unallocated gold was introduced. Under the investment strategy for managing gold and foreign exchange assets of the National Bank a list of financial instruments for investment has been defined. In order to increase liquidity of reserves and, given the high share of gold in the portfolio of gold and foreign exchange assets in the reporting year, 78.5 tons of gold were sold for USD 6.2 billion.

In order to improve the efficiency of asset management, it was prescribed to make quarterly transfers of funds exceeding the volume of National Bank's liabilities by USD 1 billion from the liquidity portfolio to the investment and strategic portfolios of gold and foreign exchange assets with a target distribution of 70%/30%. Thus, in 2024, asset transfers from the liquidity portfolio were made in the amounts of: in the order of USD 6.0 billion to the investment portfolio, and in the order of USD 665 million to the strategic portfolio of gold and foreign exchange assets. In order to expand investments in Chinese government securities,

¹⁰ Asset Quality Review

¹¹ The volume of gold and foreign exchange reserves at the end of 2024 amounted to USD 45.8 billion. Gold and foreign exchange reserves include assets in foreign currency, gold, net claims of the Republic of Kazakhstan to the IMF in SDRs.



participation in the Reserve Advisory & Management Partnership program was approved by appointing the International Bank for Reconstruction and Development as an external manager for part of the assets of the emerging markets portfolio.

Management of the National Fund's Assets

The main objectives of the National Fund's asset management are the preservation of its assets, maintaining a sufficient level of liquidity, and ensuring long-term return at an appropriate level of risk. At the end of 2024, the market value of the National Fund's assets amounted to USD 66.2 billion, including the volume of the foreign currency portfolio – USD 58.8 billion. In the reporting year, the return on foreign currency assets amounted to 7.6% or USD 4.6 billion (Table 2).

Table 2. Management results of foreign currency assets of the National Fund

Name of portfolio	As of January 1, 2024		As of January 1, 2025		Return in 2024, in %
	Market value, \$ mln	The share of the savings portfolio, %	Market value, \$ mln	The share of the savings portfolio, %	
Stabilization portfolio	8 174.9	–	3 450.0	–	5.3%
Savings portfolio	51 849.2	100.0%	56 054.0	100.0%	8.1%
Equities	17 207.2	33.2%	20 345.6	36.3%	18.5%
Developed countries' bonds	15 190.4	29.3%	15 096.7	26.9%	(-)-1.6%
Emerging market bonds	10 332.2	19.9%	10 579.3	18.9%	3.1%
Corporate bonds	5 000.9	9.6%	5 131.6	9.2%	2.6%
Gold	2 618.3	5.1%	3 314.5	5.9%	26.6%
Alternative instruments	1 500.2	2.9%	1 586.1	2.8%	5.7%
Liabilities under the "National Fund for Children" program			(-) 664.9		
Total foreign exchange assets	60 024.2		58 839.0		7.6%

The National Fund's transition from a conservative to a balanced asset allocation of its savings portfolio (60% bonds, 30% stocks, 5% gold, 5% alternative instruments) contributed to an increase in its long-term returns. Over the past 10 years, the savings portfolio has outperformed the conservative allocation by 148 basis points on an annualized basis.

In 2024, the National Fund management strategy continued to be improved, in particular: the investment horizon of the portfolio of government securities of developed countries was extended, corporate bonds of developing countries were included with a share of 20% in the structure of the portfolio of bonds of emerging markets, and the instruments in the corporate bond portfolio were expanded.

In order to enhance the efficient use of the National Fund's resources, mandatory assessment of projects for alignment with the country's strategic goals and assessment of their financial, economic and technical feasibility have been introduced. The terms for bond-indexed loans have been tightened: the share of financing from the National Fund is no more than 50%, the loan term is up to 20 years, and minimum interest rates have been set.

Management of Pension Assets of the Unified Accumulative Pension Fund

At the year of 2024, the pension assets of the Unified Accumulative Pension Fund under the trust management of the National Bank totaled 22.4 trln tenge, accounting for 99.5% of total pension savings, having increased by 4.6 trln tenge or 25.9% in 2024 (Table 3).

Table 3. Structure of pension assets investment portfolio of the Unified Accumulative Pension Fund held in trust by the National Bank

Name	Current value as of January 1, 2024, bln tenge	Share as of January 1, 2024, %	Current value as of January 1, 2025, bln tenge	Share as of January 1, 2025, %	Change over the period, %
Government securities of the Republic of Kazakhstan	8 289.5	46.6%	9 317.7	41.6%	12.4%
Securities issued by issuers of the Republic of Kazakhstan and deposits in second-tier banks	3 906.4	21.9%	4 030.2	18.0%	3.2%
Securities of foreign issuers, including:	5 474.6	30.7%	9 019.8	40.2%	64.8%
external management	2 379.0	13.4%	4 801.0	21.4%	101.8%
Cash on investment accounts and reverse repo operations	135.6	0.8%	47.3	0.2%	-65.2%
Total	17 806.0	100%	22 415	100%	25.9%

During 2024, the following assets were purchased for the pension assets portfolio in the local market on market terms: government securities of the Republic of Kazakhstan totaling 1 366.1 bln tenge, bonds of quasi- sovereign sector issuers of the Republic of Kazakhstan amounting to 386.0 bln tenge, bonds of banks worth 270.6 bln tenge and bonds of the international financial organization worth 25.0 bln tenge, as well as foreign currency totaling USD 3.6 billion, which allowed the foreign currency share of the portfolio to increase to 40%.

Throughout 2024, National Bank continued aligning the structure of the foreign currency portfolio of pension assets with its strategic allocation. As of January 1, 2025, the foreign currency portfolio of pension assets consisted of 28.5% developed market bonds, 22.2% emerging market bonds, 19.8% corporate bonds, and 26.4% equities. In 2024, a total of USD 2.9 billion in pension assets were transferred to external asset managers.

The return on pension assets of the Unified Accumulative Pension Fund in 2024 amounted to 17.8%, while inflation stood at 8.6%. The investment income amounted to 3.4 trln tenge, representing an increase of 1.8 trln tenge or 2.1 times the amount compared to 2023.

(Financial) Risks Management

In 2024, in consideration of the current market and geopolitical situation the National Bank continued to improve the system of restrictions, limits and indicators of financial risks.

Aiming this the benchmark and a list of permitted instruments for the portfolio of external unallocated gold alongside with the target allocation between the investment and strategic portfolios were established in the Investment Strategy for managing gold and foreign exchange assets. The risk scope for portfolios are given below (Table 4).

Table 4. Risk parameters by portfolios

Name of portfolio	Risk parameters	Set levels	Actual levels
Strategic portfolio	Value-at-Risk for 1 month with a 95% probability	10%	1.95%
Liquidity portfolio	Weighted average maturity	1 year	0.02 year
Investment portfolio	Deviation of the portfolio duration from duration of the benchmark's duration	+30%/-40%	5.62%
	Tracking error	2%	0.28%

The actual level of Value-at-Risk for 1 year with 95% probability for the total portfolio of gold and foreign exchange assets was no more than 13.47%.



In accordance with the international financial reporting standard 9 “Financial Instruments”, provisions for expected credit losses were created quarterly. At the end of 2024, provisions amounted to 70.5 bln tenge.

On a quarterly basis the National Bank was setting internal credit ratings for second-tier banks based on assessment of their financial indicators, asset quality and international agencies ratings. In addition, in 2024, in the methodology used for second-tier banks the assessment of non-performing loans, funding sources and concentration of large creditors was improved.

SUPERVISION AND REGULATION OF THE PAYMENT MARKET

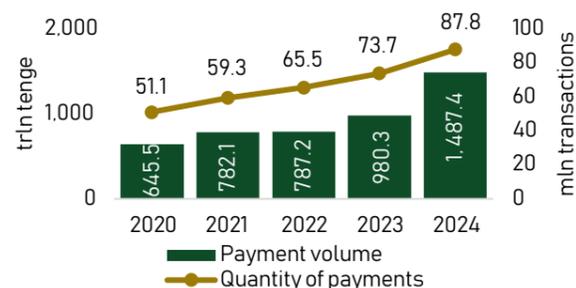
Payment Systems

There are 15 payment systems operating in Kazakhstan, including the National Bank’s Interbank System of Money Transfers and Interbank Clearing System. They process the majority of cashless payments in tenge. There are also private payment systems, including card and money transfer systems.

Interbank System of Money Transfers, Interbank Clearing System. Operability coefficients of National Bank’s payment systems indicate a high level of uninterrupted operation: in 2024, operability coefficients equaled 99.96% for the Interbank System of Money Transfers, and 99.98% for the Interbank Clearing System.

In 2024, the number of payments increased by 19.1%, the amount of payments by 51.7% (Figure 18). On average, 352.6 thousand transactions were carried out per day for a total of about 6.0 trln tenge Figure 18. Dynamics of payment flows in the National Banks payment system.

Figure 18. Dynamics of payment flows in the National Banks payment system



At the end of 2024, 31 financial organizations participated in the Interbank System of Money Transfers, including all infrastructure entities of the market. There are 21 participants in the Interbank Clearing System. The largest share in terms of the quantity of payments in the Interbank System of Money Transfers falls on payments in the amount of up to 3 mln tenge (84.2%), while the major amount of payments in terms of volume refers to payments over 1 billion tenge (share 89.4%).

International money transfer system. At the end of 2024, there were 4 international money transfer systems operating in Kazakhstan without opening a bank account: Golden Crown, Western Union,

MoneyGram and UPT.

At year-end 2024, the volume of transfers transmitted abroad via international money transfer systems decreased by 18.6% and amounted to 788.9 billion tenge. At the same time, the average amount of one transfer abroad remained virtually unchanged and equaled 373.6 thousand tenge. The main recipient countries are: Uzbekistan, Russia, Turkey, Georgia and Kyrgyzstan.

In 2024, the volume of transfers received from abroad in Kazakhstan decreased by 23.5% and amounted to 236.8 billion tenge. At the same time, the average amount of one transfer from abroad increased by 5.8% and amounted to 300.6 thousand tenge. The main transmitting countries are: Russia, the USA, South Korea, Uzbekistan and Turkey.

Payment Services Market

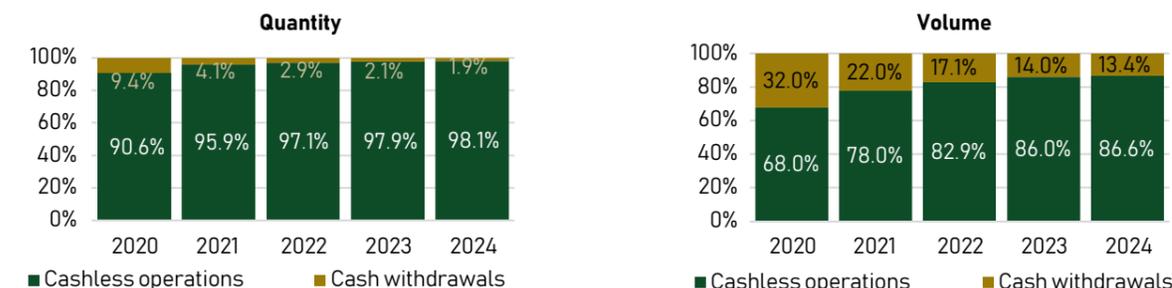
Payment services are provided by banks, organizations that engage in certain types of banking operations, and non-bank payment organizations.

At the end of 2024, there were 41.2 mln active payment cards in circulation (a growth of 6.5%). The issuers are 17 banks and JSC “KazPost”, 67.1% are cards of international systems (Visa, Mastercard, UnionPay, etc.).

In 2024, 13.1 billion transactions (a growth of 13.4%) were conducted using payment cards of Kazakhstani issuers, amounting to 192.0 trln tenge (a growth of 16.4%).

During 2024, there was an increase in the share of cashless transactions and a reduction in the share of cash withdrawal transactions (Figure 19).

Figure 19. The share of transactions in total quantity, by transaction type, as %



The number and volume of cashless transactions using payment cards increased by 13.6% and 17.1%, respectively, and amounted to 12.9 billion transactions worth 166.2 trln tenge. The growth in cashless transactions was mainly driven by an increase in payments for goods and services, with 90.3% of the volume of cashless transactions coming from the Internet and mobile banking.

Payment Services of Payment Organizations. As of January 1, 2025, the register of payment organizations includes 133 payment organizations providing certain types of payment services to clients (payment via payment terminals, distribution of electronic money and processing of transactions with its use, processing of transactions using payment cards via the Internet and mobile applications).

At year-end 2024, the number of transactions conducted through the services of payment organizations decreased by 3.3% and amounted to 925.0 mln transactions, while the volume of transactions increased by 2.3% and equaled 8.2 trln tenge.

The operators of 42 out of 46 electronic money systems in Kazakhstan are payment organizations, 3 are banks and 1 is the JSC “KazPost”. At year-end 2024, payment organizations conducted transactions with electronic money in the amount of 776 billion tenge, which accounts for 72.3% of the turnover of all functioning electronic money systems.

National Digital Financial Infrastructure

In order to expand competition and ensure the openness of the financial ecosystem on the principles of equidistance and equal accessibility for all market participants, the National Bank has carried out work to build the National Digital Financial Infrastructure.

The key components of the National Digital Financial Infrastructure are the National Payment System (Interbank System of Money Transfers, Interbank Clearing System, Interbank Payment Card System and Interbank Mobile Payment System of the Open API platform), Remote Biometric Identification Platform – Identification Data Exchange Center, Anti-Fraud Center of the National Bank, Digital Tenge and Open Banking platforms (Open API).

In 2024, within the framework of the Program for the Development of the National Payment System in the Republic of Kazakhstan until 2025, in order to ensure the continuity of domestic settlements and localization of domestic card transactions, the transfer of interbank traffic on local transactions with Visa, Mastercard and UnionPay payment cards to the Interbank Payment Card System was ensured. The processing of domestic transactions of 16 banks and the JSC “Kazpost” was transferred to the system circuit.



During 2024, the Interbank Payment Card System processed more than 1 bln transactions, which exceeds the 2023 figures by 15%.

Based on the Open API platform, the functionality of interbank transfers by phone number and QR payments has been implemented. A gradual connection of all banks to the system is underway to provide interbank services to clients in 2025.

In 2024, large-scale work was carried out to implement the international standard ISO 20022 in the payment systems of Kazakhstan with the participation of government agencies, organizations, banks and other participants in payment systems. The information systems of participants in payment systems, government agencies and the software of the JSC "National Payment Corporation of the National Bank of the Republic of Kazakhstan" were updated (the transition was carried out simultaneously on January 13, 2025).

In 2024, the Identification Data Exchange Center has been modernized with the implementation of services for the two-factor authentication of individuals and management of cloud-based electronic digital signatures for remote signing of documents by individuals.

As of December 31, 2024, 105 organizations (15 banks and 90 non-bank organizations) were connected to the Identification Data Exchange Center service. In 2024, about 31.3 mln requests from organizations were processed through the service.

On July 22, 2024, the Anti-Fraud Center of the National Bank was put into commercial operation. It was established to counter fraudulent transactions and allows financial institutions to identify and block fraudulent transactions, promptly respond to transactions with signs of fraud, and exchange information in real time between its participants. All banks, large payment and microfinance organizations, regional departments of the Ministry of Internal Affairs of the Republic of Kazakhstan, and mobile operators (the total number of participants is 111 organizations) are connected to the Anti-Fraud Center.

As of March 20, 2025, 39,278 incidents have been registered, for which more than 2 bln tenge were blocked in a timely manner, where 1.5 bln tenge was on the side of the sending bank, 454.9 mln tenge – by the receiving bank.

The digital tenge project is actively developing. Together with the Government and the Anti-Corruption Agency of the Republic of Kazakhstan, pilot projects have been launched to track the spending of budget funds in digital tenge in the construction and repair of roads in the Atyrau and Pavlodar regions (for 100 mln and 70 mln digital tenge), in lending to farmers to purchase animals and subsidizing farmers to purchase agricultural machinery in the Akmolra region (for 81.8 mln and 2 mln digital tenge).

A project for the traceability of funds from the National Fund through bond-indexed loans in digital tenge has also been launched. 252.9 bln digital tenge have been allocated: 164 bln digital tenge for the Dostyk-Moiynty railway and 88.9 bln digital tenge for the Taldykorgan-Usharal gas pipeline.

A Digital VAT project has been launched with the Ministry of Finance of the Republic of Kazakhstan to improve the mechanism for administering value-added tax, which has resulted in increased efficiency, transparency and effectiveness of tax settlements of legal entities with the state budget, reducing the VAT refund period to taxpayers from 55 to 15 days.

The national digital financial infrastructure forms the basis for the creation and development of digital financial products and solutions by market participants, ensuring reliability, security and uninterrupted provision of financial services, guaranteeing effective interaction between all participants in the financial market.

ORGANIZATION OF CASH CIRCULATION

Cash Issuance and Circulation

In 2024, the amount of cash in circulation increased by 15.2%, and equaled 4.7 trln tenge (including banknotes – 97.8% and circulating coins – 2.2%).

In order to supply economic entities with cash, banknotes and coins of various denominations worth 2.4 trln tenge with a total weight of about 1,235 tons were delivered to the regions.

As part of issuance of the new "Saka Style" series of banknotes, currency notes of 10,000 tenge denomination were issued into circulation from June 28, 2024, and banknotes of 2,000 tenge – from December 25, 2024. In 2025, it is planned to issue into circulation banknotes of 1,000 and 500 tenge of a new design.

Meantime, in 2024, banknotes and coins issued by the National Bank became prize winners of international competitions. The 10,000 tenge banknote from the "Saka Style" series won first place in the International High Security Printing Competition (Bangkok) in the Best New Banknote category for its achievements in innovative security technologies and outstanding design. The commemorative 10,000 tenge banknote and the "TENGE 30 JYL" coin, both dedicated to the 30th anniversary of the national currency, received awards from the International Association of Currency in the categories of "Best Commemorative Banknote" and "Best Commemorative Coin," respectively.

Forensic Analysis of Banknotes and Coins

In 2024, the National Bank conducted a forensic analysis of 1,251 suspicious currency notes worth 7.3 mln tenge (1,242 banknotes and 9 coins).

The total number of counterfeit banknotes detected by the National Bank and banks was 108 pieces worth 516,000 tenge, which is by 40.3% less than in 2023. Of these, the National Bank detected 41 counterfeit banknotes worth 153,000 tenge, which is by 60.6% less than in 2023.

The most frequently counterfeited banknotes were "5,000 tenge" – 51 pieces (47.2% of the total number of counterfeits detected) and "2,000 tenge" – 24 pieces (22.2%).

The largest number of counterfeit banknotes were detected in the city of Almaty and the Almaty region – 39 pieces or 36.8% of the total number of counterfeits detected.

Collectible and Bullion Coins, Minted Bars of Refined Gold

In 2024, the National Bank issued collectible coins using new minting technologies such as filling a high-relief coin with transparent enamel (the "AQ TUŃGIYQ" coin) and inserting a solid copper metal element into a silver coin (the "Cu" coin).

In 2024, 19 types of silver coins, 12 types of cupronickel coins, and 1 nickel silver coin were issued into circulation. In total, 275.7 thousand pieces of collectible coins were issued in 2024 (including 21.7 thousand pieces of silver, 154.0 thousand pieces of cupronickel alloy, and 100.0 thousand pieces of nickel silver alloy). 141.1 thousand pieces of collectible coins were sold through the online store for a total of over 1.1 bln tenge.

In 2024, the National Bank sold 47,395 refined gold bars with a total weight of 1.7 tons to banks and non-bank exchange offices. In 2024, the most popular was the 20-gram minted bar (25% of total sales), followed by 10-gram (21%), 50-gram (19%), 100-gram (18%) and 5-gram bars (17%). Minted bars are mostly popular in the cities of Almaty, Shymkent and Karaganda.

CURRENCY REGULATION AND CURRENCY CONTROL

Currency Regulation and Monitoring of Foreign Exchange Operations

In 2024, the National Bank as the main authority of currency regulation in the Republic of Kazakhstan provided methodological support for the currency regulation system in the country. An effort was made to improve the currency legislation:

- in terms of increasing the coverage of transactions of individuals in the balance of payments, clarifying the wording of the rules governing the procedure for applying measures in the event of a deterioration in the balance of payments, as well as eliminating different interpretations of the rules governing the purchase of cashless foreign currency by resident legal entities;



- in order to promptly obtain information on foreign exchange transactions and conduct analysis on the foreign exchange market, amendments have been made to the Rules for conducting foreign exchange transactions, the Rules for monitoring the sources of supply and demand in the domestic foreign exchange market and the Rules for monitoring foreign exchange transactions in the Republic of Kazakhstan in terms of reducing the time frames for making adjustments to submitted reports.

Since January 1, 2024, the function of currency control over fulfillment of the requirement for currency repatriation has been successfully transferred to the state revenue authorities. In order to improve the efficiency of export-import currency control, amendments were made to the Rules for Export-Import Currency Control, and integration of departmental information systems of the National Bank and the Ministry of Finance of the Republic of Kazakhstan was implemented.

In order to ensure the supply of currency in the domestic foreign exchange market, in November 2024 the Government resumed the rule on the mandatory sale of export currency proceeds by quasi-government sector entities in the domestic market. In turn, the National Bank ensured the procedure for control of banks' compliance with this requirement.

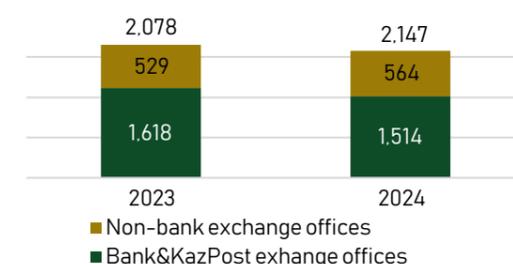
In 2024, 4,061 registration numbers were assigned within the framework of the record registration of foreign exchange contracts on capital flows and accounts in foreign banks. 10 authorized banks were inspected for compliance with the requirements of currency legislation.

Based on the results of the inspections, as well as other forms of control, 52 decisions were made in relation to authorized banks to impose administrative penalties in the form of fines totaling 10.6 mln tenge and 71 decisions to impose penalties in the form of notes of warning, 2 decisions to terminate proceedings, as well as 7 orders to eliminate violations.

In 2025, the National Bank will continue to analyze the state of the foreign exchange market, improve the methodology for regulating foreign exchange transactions and ensure that agents of foreign exchange control comply with the requirements of currency legislation.

Control over operations in foreign cash

Figure 20. The market of foreign cash in Kazakhstan



In 2024, 182 inspections of authorized organizations ("AOs") for compliance with requirements for the implementation of exchange transactions with foreign currency in cash were conducted (scheduled – 129, unscheduled – 20, documentary inspections – 33).

Based on the results of inspections, 592 cases of administrative offence were initiated against the AOs, of which: in 242 cases, penalties were imposed in the form of fines totaling 90.2 mln tenge (by the National Bank – 24.9 mln tenge, by the courts – 65.3 mln tenge), in 287 cases – notes of warning, 21 – were terminated due to lack of evidence, 3 were terminated due to insignificance and 39 are at the stage of consideration.

301 supervisory response measures were applied to the AOs (230 – advisory measures of supervisory response, 71 – written orders); the license (with the attachment) of 1 AO was revoked, and the license of 1 authorized organization had been suspended for a period of 1 month.

In addition, in 2024, inspections were conducted at 7 banks regarding exchange transactions with foreign cash, 37 cases of administrative offence were initiated (in 19 cases, penalties were imposed in the form of fines totaling 1 mln tenge and in 18 cases, in the form of notes of warning).

In 2024, amendments were made to the Decree of the President of the Republic of Kazakhstan dated 14.03.2022 No. 830 "On measures to ensure the financial stability of the Republic of Kazakhstan", which permanently lifted restrictions for banks on the export of cash currencies of the member states of the Eurasian Economic Union ("the EAEU") from the Republic of Kazakhstan and the ban on export of investment coins minted and issued into circulation by the National Bank from the country.

STATISTICAL ACTIVITIES

The National Bank is actively working on development of a data management system, platform approaches to data processing, updating information sources, improving the quality and analytical potential of statistical data and developing tools for official data dissemination.

In November 2024, the National Bank launched a beta version of its Open Data Repository – a platform for storing, distributing and using up-to-date non-confidential data in machine-readable format. The repository provides a wide range of analytical data through API services, simplifying their integration with user systems and BI tools.

As part of development of the concept and strategic approaches for the digital transformation of National Bank in 2024, work was carried out to formulate and implement uniform principles of data management for the National Bank and the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market and to develop organizational and technological infrastructure for creation of the National Bank's Data Factory, which aim is to qualitatively increase the value of data and the efficiency of data handling.

Monetary Statistics and Financial Sector Statistics. In 2024, the range of publications on monetary and financial market statistics has been enriched and expanded in terms of indicators on the lending market, financial indicators of the banking sector and the accumulative pension system sector.

As part of the development of the Unified Database of Financial Market Entities, the implementation of data-centric data collection formats for statistical, analytical and supervisory purposes continues. This will optimize the process of preparing and submitting reports, reducing the administrative burden on respondents.

Direct loading of transaction data from the information systems of the Unified Accumulative Pension Fund to the National Bank's Data Warehouse and the formation of updated data marts have been implemented. A regulatory framework, technological solutions and data mart projects have also been prepared for interaction with the JSC "Kazakhstan Stock Exchange". Matrix reporting forms for banks, their subsidiaries managing stressed assets, and organizations engaged in certain types of banking operations are being transformed. The concept, logical and physical models for collecting granular data on bank accounts (deposits) have been developed.

External Sector Statistics. In 2024, the work was underway to improve the quality of statistics and forecasting of the balance of payments. Measures were taken to improve the accuracy of balance of payments data, international investment position and external debt.

Methodological adjustments were made, including clarification of the accounting of transactions of individuals with separation of transactions with cryptocurrency and quasi-money. The statistics of cross-border flows and the cost of oil were adjusted taking into account transportation costs and the calculation of financial intermediation services measured indirectly, as well as the mirroring of the balance of payments data and international investment position with the central banks of the EAEU countries to improve the quality and comparability of data.

An assessment of shuttle trade was made at the Khorgos International Center for Cross-Border Cooperation. Lists of enterprises for submitting statistical reports for 2025 were compiled and uploaded to the National Bank portal. Data was uploaded as part of the work on implementing the Open Data Repository and Smart Data Ukimet on the balance of payments, international investment position, external debt, real exchange rate and real effective exchange rate.

Statistical reports on the balance of payments, international investment position and external debt, including preliminary and actual data, are published on a regular basis.

Developing the Data Dissemination Techniques.

In 2024, the National Bank participated in working meetings with the government stakeholders within the framework of the Joint IMF Technical Assistance Mission on Government Finance Statistics and the System of National Accounts. As a result, an interdepartmental working group was established to harmonize statistics of the system of national accounts of the Republic of Kazakhstan.



Statistical data was regularly disseminated through publication on the National Bank's web-site as well as its transfer to international organizations (IMF, World Bank, Eurasian Economic Commission ("the EEC"), Organization for Economic Cooperation and Development) and rating agencies.

In 2024, collaboration with the IMF, EEC and central banks of foreign countries continued in order to improve methodological approaches in accordance with the IMF recommendations on monetary and financial statistics, external sector statistics.

RESEARCH ACTIVITIES

Research is an integral and fundamental element of National Bank's activities, providing analytical support for decision-making. In 2024, the National Bank employees prepared 27 research and review articles published on the official website and in peer-reviewed journals, including the Economic Review of the National Bank of the Republic of Kazakhstan.

The research covered key aspects of macroeconomic and monetary policy, including inflation forecasting, the impact of the exchange rate and the dynamics of consumer demand. The determinants of quality of life, fiscal rules, fiscal multipliers and the interaction between macroprudential and monetary policies were studied, and an analysis of the National Bank press releases were conducted. The examination of the external sector of Kazakhstan included the impact of the Balassa-Samuelson effect and the sustainability of the external sector.

The financial markets and the banking sector were studied through an assessment of bank capital, analysis of non-bank financing, insurance annuities and government securities, as well as a study of crypto assets, digital currencies and the use of AI in the financial sector. Comparative reviews were also conducted on investments, green lending and sustainable development (ESG) practices.

In 2024, the National Bank continued publishing analytical materials on inflation and monetary policy, including the "Monetary Policy Report", "Inflation Trends", "Inflation Expectations", and "Inflation Trends in the Regions". Enterprise surveys in the real sector became the basis for market and industry reviews.

The National Bank organized the IV International Conference "Challenges and Prospects of Economic Development" dedicated to research in the field of macroeconomic policy and financial markets with participation of representatives from research and educational centers, and international organizations. The conference proceedings were published in a special issue of the "Economic Review of the National Bank of the Republic of Kazakhstan". A new communication format with experts – the expert-analytical club – was introduced. A meeting was convened to evaluate the financial stability of Kazakhstan.

In 2024, two competitive selections for the provision of the National Bank research grants were conducted. The first selection allocated grants for research on the optimal level of investment for sustainable growth, while the second, focused on stimulating money circulation, which will conclude in 2025. The National Bank also conducted sociological study of payment preferences and completed a joint project – the Money Market Diagnostics Framework – with the European Bank for Reconstruction and Development, producing recommendations for the development of the money market.

The National Bank also implemented a number of projects within the framework of technical assistance. Thus, in 2024, several joint projects with the IMF were launched: (1) improving the Quarterly Projection Model (QPM) and refining its parameters within the FPAS¹²; (2) building a system of short-term forecasting models for the main financial market indicators; (3) increasing the efficiency of the decision-making process on monetary policy. A two-agent New Keynesian DSGE¹³ model (TANK) was built jointly with the Central Bank of Korea and Yonsei University. In addition, the National Bank provided technical assistance to the Central Bank of Azerbaijan on the forecasting and policy analysis system.

To strengthen scientific cooperation between the Government of the Republic of Kazakhstan and the National Bank, in 2024 a macroeconomic study was launched aimed at analyzing structural problems and economic processes, which is important for coordinating monetary policy for price stability.

¹² forecasting and policy analysis system

¹³ Dynamic Stochastic General Equilibrium

COMMUNICATION POLICY

During 2024, the National Bank continued to inform the general public, financial institutions, and the expert community about its activities through various communication channels, according to the principles of openness and transparency.

In total, more than 300 information materials of various formats were published, including press releases and public information notices, interviews with the National Bank executives.

As part of the explanation of National Bank's decisions on the base rate, press releases and statements by the Governor of the National Bank were published. The decisions on the base rate were followed by media briefings by the National Bank executives for media representatives, which were held in a hybrid format and broadcasted on the National Bank YouTube channel.

Another important area of the National Bank's activity in the field of communication policy was the information coverage of the Kazakhstan Financial Congress, which was attended by about 80 representatives of the mass media.

During the year, the systematic effort was carried out to develop the official accounts of the National Bank in social media, the National Bank TikTok account was created. By the end of 2024, the total audience of the National Bank's official accounts amounted to more than 41 thousand subscribers, the coverage of publications was more than 100 thousand users. The audience of the official Internet resource of National Bank is 3 mln users, page views in 2024 exceeded 7 mln.

In order to improve National Bank's communications with the professional audience and expert community, round tables were held with the media and financial experts.

The National Bank continues to actively communicate with the media: during the year, the National Bank press service received about 350 requests from Kazakhstani and foreign media, official comments were provided both in writing and in a video format.

To ensure maximum openness and transparency, the National Bank will remain committed to applying transparency standards in the field of communications, being represented in the country's information environment and inform the public about the work carried out in the main lines of activities.

INTERNATIONAL COOPERATION

In 2024, the National Bank continued to collaborate with foreign partners – central banks, international financial institutions and regional integration associations.

The National Bank executives participated in the Spring and Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (April and October 2024), as well as in meetings of the IMF advisory bodies and, collegial discussions with central banks and financial regulators of the Caucasus, Central Asia, the Middle East and the Persian Gulf. On the sidelines of the Annual Meetings, a Memorandum was signed between the Republic of Kazakhstan and the IMF regarding the Caucasus, Central Asia, and Mongolia Regional Capacity Development Center. The work of the Center contributes to the institutional development and enhancement of the expert and analytical capacity of Kazakhstan's financial and economic institutions, as well as the broader region.

The National Bank hosted the IMF advisory missions (May, October 2024). IMF analysts pointed to the increased effectiveness of Kazakhstan's monetary policy, the National Bank's prudent approach to lowering the base rate, its commitment to the inflation-targeting regime and efforts to enhance monetary policy transmission.

To exchange experiences, analyze current economic and financial trends, and discuss global risks, National Bank representatives participated in the Annual General Meeting of the Bank for International Settlements (June 2024) and held meetings with the executives from the BIS Innovation Hub.



Throughout 2024, the National Bank held meetings with senior officials from the World Bank, the European Central Bank, European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB), investment companies and funds, as well as the central banks of Austria, Azerbaijan, Hungary, Germany, Georgia, Iran, China, South Korea, the UAE, the Russian Federation, Singapore, the USA, Turkey and Switzerland. Based on the results of this effort, with a view to strengthen the dialogue, exchange of experience and information, Memorandums of Understanding were signed with the National Bank of Georgia and the central banks of Germany and Turkey, and a cooperation agreement with the Bank of Korea.

During the state visit of the President of the People's Republic of China Xi Jinping to Kazakhstan (July 2024), the National Bank and the People's Bank of China signed a Memorandum of Understanding to expand cooperation in the area of central bank digital currencies.

To expand cooperation among Turkic states, a Memorandum was signed on the establishment of the Council of Central Banks of the Member State of the Organization of Turkic States (November 2024).

With a view to increase foreign investment flows into the domestic market and diversify the investor base, the National Bank organized meetings with potential institutional investors including: a visit by its executives to the United Kingdom to present an overview of the macroeconomic situation and discuss ongoing cooperation with global asset management companies. "Kazakhstan Finance Day" was held in New York, serving as an important platform for attracting investment and strengthening strategic and economic ties with key global financial market participants and investors.

In 2024, the National Bank took measures to strengthen the expert dialogue and technical consultations with foreign central (national) banks and international financial institutions, including in regard to improving macroeconomic analysis and forecasting, applying a countercyclical capital buffer, developing a DSGE model, enhancing the lender of last resort mechanism, regulating the crypto asset and digital financial assets, and developing digital currencies. In addition, the National Bank provided technical assistance to the central banks of Azerbaijan, Turkey, Tajikistan and Uzbekistan, and worked to update the contractual and legal framework of international agreements.

The National Bank regularly held consultations with international rating agencies. As a result, Moody's upgraded Kazakhstan's sovereign credit rating to Baa1 with a "stable" outlook, which supports the greater investment attractiveness, lower borrowing costs, and boosts confidence in the economy.

To increase competition in the banking sector and attract reputable banking and financial institutions to Kazakhstan's financial market, the National Bank conducted negotiations with central banks, financial regulators, major financial organizations and banking federations from Austria, Hungary, China, Korea, Turkey, and the UAE.

National Bank executives took part in the Advisory Council on Monetary Policy meetings (June, December 2024) and in the 50th meeting of the Eurasian Council of Central (National) Banks, where topics such as monetary policy, the banking sector and the regulation of virtual assets were discussed. The National Bank also participated in the Regional Meeting on the Development of Payment Systems of Central Asian Countries (June 2024).

NATIONAL BANK'S DIGITAL TRANSFORMATION

In April 2024, the National Bank proceeded with the development of Digital Strategy together with the BCG and Axellect consortium.

In the period from April to December 2024, a survey of the current state and development of the goal state of the architecture of business processes, applications, data landscape, ICT infrastructure of National Bank, IT Operating Model of National Bank, JSC "The State Credit Bureau", JSC "Banking Service Bureau of the National Bank" was conducted.

Following a series of strategic meetings and discussions, two documents were developed – a high-level strategic document on the digital transformation of the National Bank and the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market – the Strategy for Digital Transformation of Financial Regulators for 2025–2029, as well as a more detailed document with the areas

of digitalization of the National Bank – the Strategy for Digitalization and Data Management of the NBK for 2025–2029. On December 24, 2024, the Board of the National Bank approved the Strategy for Digital Transformation of Financial Regulators for 2025–2029. It is a strategic document describing 5 key areas:

- 1) Sustainable national digital financial ecosystem;
- 2) Easy-to-maintain regulator;
- 3) Modern data management infrastructure;
- 4) Development of technological platforms and ICT infrastructure;
- 5) Development of the innovation culture and implementation of adaptive management techniques.

On December 27, 2024, the Board of Directors of National Bank approved the National Bank Digitalization and Data Management Strategy for 2025–2029 – a document with an expanded description of the current state, goal state, proposed initiatives/projects with an assessment of resources in the context of 3 (three) areas:

- 1) Modern data management infrastructure;
- 2) Development of technological platforms and ICT infrastructure;
- 3) Development of the innovation culture and implementation of adaptive management techniques.

Within the framework of the Digitalization and Data Management Strategy, key metrics for achieving the selected strategic documents have been defined:

1. Ensuring availability of the IS at a level of 99.9999%;
2. Decline in Tech Debt Index;
3. Increasing the digitalization index of business units;
4. Improving the practices of data management maturity;
5. The share of the realized portfolio of changes versus the plan.

Total portfolio of projects for a 5-year span under 5 lines of activities exceeds 100 projects.



ORGANIZATIONAL DEVELOPMENT OF THE NATIONAL BANK

HUMAN CAPITAL DEVELOPMENT AND MANAGEMENT

The National Bank has built a comprehensive management system aimed at effective planning and organization of its activities and divisions, creating conditions for the formation and development of professional and highly effective human capital, as a determining factor for the successful achievement of strategic objectives by the National Bank.

The total staff size of the National Bank is approved by the President of the Republic of Kazakhstan and amounts to 2,161 positions. The National Bank ensures compliance with the principles of gender equality: the number of women in the management team is 205 people (51%). The average age of the staff is 41.6 years. The staff turnover rate is 4.4%.

In 2024, the staff was strengthened by 47 highly qualified employees, including: 2 from the Presidential Youth Personnel Reserve, 20 master's degree students from the JSC "Nazarbayev University" and NJSC "Narxoz University", and 25 employees with foreign education.

As part of international cooperation and efforts to strengthen international ties in the field of professional development, in March 2024, the National Bank hosted a meeting of the Coordination Council on the professional training of personnel of the central (national) banks of the EAEU in Astana, with decisions on further cooperation being made as a follow-up.

As part of the implementation framework of the tripartite agreement on coordination of the macroeconomic policy measures for 2024–2026 between the Government, the National Bank and the Agency for Regulation and Development of the Financial Market, training for heads of government agencies and the National Bank on the topic "Macroeconomic Forecasting in Public Administration" was conducted, covering issues of macroeconomics, monetary and fiscal policy.

The National Bank is carrying out comprehensive work to train professional personnel for the National Bank, government agencies and financial organizations: 28 grants were allocated to individuals as part of cooperation with higher education institutions for training in master's degree programs at the AEO "Nazarbayev University", JSC "Kazakhstan-British Technical University" and NJSC "Narkhoz University"; 23 National Bank employees were sent to study in the MBA program at the "Astana IT University" LLP and 5 employees in the EMBA program at the Nazarbayev University.

As part of the development of employees' professional and personal competencies, an assessment of employees' key competencies was conducted and development areas were identified: the number of employees who received training was 3,441, of which: 361 – at the National Bank; 983 – in Kazakhstan; 2,097 – abroad.

ENSURING DATA PROTECTION AND CORPORATE SECURITY

In 2024, the National Bank continued its efforts to improve cyber resilience, prevent potential threats and targeted attacks. Measures were taken to design a unified technological platform for data collection, monitoring, and response to cyber incidents in the financial sector; corporate security measures were strengthened and a differentiated approach to risk management and anti-terrorist protection was applied.

As part of the Action Plan for the implementation of the Concept for the Financial Sector Development until 2030, the National Bank took actions to raise public awareness of cyber fraud. Nine information messages and four videos aimed at preventing Internet fraud were published in the media and on official platforms. In addition, to protect the National Bank's reputation, a software robot was developed to automatically detect phishing domains. In cooperation with law enforcement agencies of the Republic of Kazakhstan, a number of resources showing signs of fraudulent activity were blocked.

The National Bank took part in meetings of the interdepartmental coordination group under the Ministry of Internal Affairs of the Republic of Kazakhstan together with the Organization for Security and Co-operation in Europe Programme Office in Astana to develop the draft "Comprehensive Plan to Combat Cybercrime and Crimes Using Information and Communication Technologies".

In order to improve national legislation, the NBK took part in meetings of working groups in the Mazhilis of the Parliament Republic of Kazakhstan to develop draft laws "On Amendments to Some Legislative Acts of the Republic of Kazakhstan on Civil Defense Issues", "On Amendments to Some Legislative Acts of the Republic of Kazakhstan on Security Activities". In order to unlock the potential for international cooperation in the field of information security, participation in the first remote stage of cyber exercises between the central banks of the EAEU member states in 2025 was negotiated.

In 2024, there were no incidents in the National Bank related to corporate security and anti-terrorist protection that would result in damage or disruption to the operation of informatization objects.

INTERNAL AUDIT

The National Bank has maintained a mature internal audit function for over 30 years, contributing to the achievement of strategic goals and the enhancement of risk management and internal control effectiveness, based on standards and regulations that apply a risk-based approach to audit planning and execution.

In 2024, a three-year audit cycle was completed, covering the core business processes of the National Bank and its subsidiaries, which supported the strengthening of corporate governance, improvements in internal control and risk management, and confirmed the safeguarding of valuables in the vaults of regional branches. A risk-based medium-term audit plan for 2025–2027 was approved.

In 2024, the Central Bank of the Netherlands conducted an external assessment of the internal audit of the National Bank, confirming its full compliance with international standards and the Code of Ethics IIA (Institute of Internal Auditors), reflecting the high level of audit quality in the National Bank.

Participation in the 12th meeting of the Advisory Council on Audit of Central Banks of the EAEU member states in Tajikistan was attended. At the meeting, the National Bank's successful practices in consulting services and synergy auditing were presented.

To enhance the effectiveness of internal audit and corporate governance, representatives of the National Bank participated in 15 audit committee meetings under the boards of directors of the National Bank's subsidiaries.

In order to exchange experience and knowledge, workshops and internships were organized for employees of central banks of other countries, the National Bank and its subsidiaries. Participants gained insights into areas of risk management and effective control measures, and became familiar with the National Bank's successful internal audit practices.

OPERATIONAL RISK MANAGEMENT AND COMPLIANCE CONTROL

In order to minimize operational risks in 2024, the NBK continued to conduct an independent assessment of business processes. Business processes were described, inherent risks were identified, and recommendations were discussed with the owners. The result of the work will be the preparation of an actual complex risk map of all business processes of the National Bank.

To ensure business continuity, work was carried out to create, repair, and equip a reserve area. After completing all stages, it was tested both remotely and on-site.

The NBK continued to work on improving the methodology for managing operational risks, ensuring business continuity, and protecting information, including studying international experience and consulting with foreign colleagues.



In order to comply with anti-corruption legislation, an internal analysis of individual departments was conducted to identify and reduce corruption risks; based on its results relevant recommendations were given. Employees were also informed about the need to comply with anti-corruption legislation and standards.

Priority attention was given to appeals – complaints from people on issues related to the National Bank's activities. As part of this work, the functioning of the e-mail anticorruption@nationalbank.kz and a hotline for reporting violations of ethics, corruption offences and conflicts of interest were ensured. No complaints were received about employees through these channels.

In 2024, in order to continuously monitor and control the procurement process, regular monitoring was carried out on the relevant portal, covering purchases for a total amount of over 10 bln tenge.

In order to improve the procedures for anti-money laundering and combating the financing of terrorism (AML/CFT), the National Bank Policy was improved, a directory on the lists of countries with preferential taxation and offshore jurisdictions was created. Training workshops were held for employees of regional branches, as well as meetings and conference calls with experts from the Asian Development Bank and central banks of foreign countries. The National Bank employees were regularly provided with advisory support on AML/CFT issues.

In aim to minimize the risks of leakage of protected data The National Bank also carried out to improve the internal system.

As part of internal control over the quality of public services, control measures were taken in relation to some regional branches of the National Bank.