



**NATIONAL BANK OF THE
REPUBLIC OF KAZAKHSTAN
PRESS-RELEASE No. 5
of February 11, 2014**

Pursuant to the Law of the Republic of Kazakhstan "About the National Bank of the Republic of Kazakhstan", the main goal of the National Bank is to ensure the price stability in the Republic of Kazakhstan.

Given a paramount importance of the exchange rate for the country's economy, over the last years the National Bank's foreign exchange policy has focused on maintaining the exchange rate within KZT 145-155 per 1 US Dollar.

This helped ensuring economic and financial stability. In 2013, Kazakhstan's GDP increased in real terms by 6%, and the inflation reached its historical minimum of 4.8%.

However, it should be noted that the Kazakh economy is closely integrated with the global economy, and the National Bank cannot but take into consideration the situation in the global financial and commodity markets.

First, such is the situation in the leading developing countries, including BRICS. As a result of reduction of quantitative mitigation in the US, there is a capital overflow from the developing countries to developed countries, thus leading to the increased pressure on the currencies of those countries. Amidst uncertainties about further development of the global economy, the volatility in the global financial and commodity markets increased.

Second, there is still uncertainty about the exchange rate of the Russian ruble. As a result of transition by the Central Bank of the RF to a freer setting of the exchange rate, in 2013 the Russian ruble depreciated by 7.1% versus the US Dollar. This January the Russian ruble continued its depreciation trend.

Third, the state of the balance of payments of Kazakhstan. Despite the fact that the current account is still in surplus, the imports are growing, mainly due to import of consumer goods.

Fourth, high devaluation expectations in the Kazakh economy and, therefore, increased speculative operations. To counter-act speculative frenzy and prevent

excessive volatility of the exchange rate, the National Bank has to intervene in the foreign exchange market on a regular basis.

Fifth, in order to lay the groundwork for reducing inflation to 3-4%, in mid-term the NBK is planning to move to the inflation targeting, which implies getting away from strict regulation of the exchange rate.

The need to restore the external competitiveness of the exchange rate of the Tenge, and of the foreign trade balance of the Kazakh economy and to support a competitive position of the domestic manufacturers requires changes in the foreign exchange policy of the National Bank.

**NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
DECIDED NOT TO MAINTAIN THE EXCHANGE RATE OF THE
TENGE AT THE EXISTING LEVEL FROM FEBRUARY 11, 2014,
REDUCE THE VOLUMES OF FOREIGN CURRENCY INTERVENTIONS
AND REDUCE ITS INTERFERENCE IN THE PROCESS OF SETTING UP
THE EXCHANGE RATE OF THE TENGE.**

The National Bank expects a new exchange rate to be about KZT 185 per 1 US Dollar.

A long-term trend of the exchange rate of the Tenge, as the National Bank announced on many occasions, will be determined on the basis of fundamental internal and external macroeconomic factors.

At the same time, this step doesn't mean that the NBK would completely abandon currency interventions which will be used to maintain financial stability.

To avoid destabilization of the financial market and the economy as a whole, the National Bank will set an exchange rate band of the Tenge versus the US Dollar from the new rate of KZT 185 per 1 US Dollar plus/minus 3 Tenge and will continue implementing the policy to smooth plummeting and short-term volatility of the exchange rate. However, the long-term trend of the exchange rate of the Tenge will be developing under the impact of macroeconomic premises.

The National Bank believes that the potential of speculative devaluation expectations will run short when the announced target will be reached.

In future, the exchange rate will be fluctuating both towards depreciation and appreciation, being determined by the situation in the global economy.

The National Bank doesn't intend to introduce any restrictions to the existing regime of foreign currency operations. From February 11, 2014, the

National Bank of the Republic of Kazakhstan establishes the following limit of divergence between the purchase and selling rate of foreign currencies versus the Tenge for transactions conducted through exchange offices:

- US Dollar – 2 Tenge;
- Euro – 3 Tenge.

The National Bank will ensure uninterrupted operation of the payment system.

The National Bank will continue to provide the required short-term liquidity to banks against the pledge of eligible instruments.

Exchange offices will be supplied with a sufficient volume of foreign cash, both on the part of banks and on the part of the National Bank. Regional branches of the second-tier banks have a sufficient volume of foreign cash.

As a result of the exchange rate adjustment, competitive environment for the domestic goods and businesses operating in the export sectors and import substitution industries of the Kazakh economy will improve.