



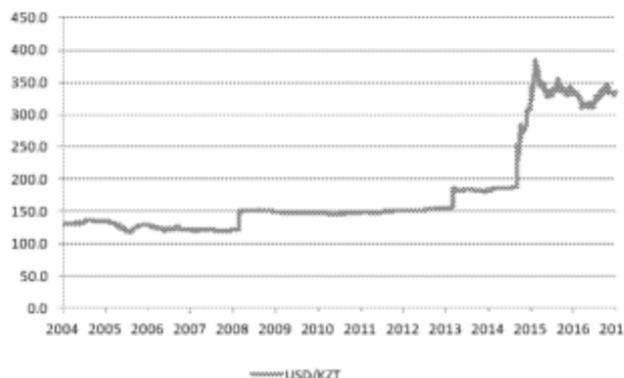
Kazakhstan

The tenge is the monetary unit of Kazakhstan, introduced in November 1993 to replace the ruble at a rate of 1 tenge = 500 rubles. A floating exchange rate regime was introduced in April 1999. However, the tenge remained a managed float and there was limited flexibility against the dollar or ruble in recent years. In August 2015, the tenge shifted to a free float. Due to this change, the tenge lost 30% of its value in a single day. However, the transition to a free float is not yet complete and in practice the currency remains heavily managed.

The NBK is accountable to the Kazakh President, but within the limits of authority granted by the legislation, is independent in its activity. Its primary objective is to ensure price stability, i.e. keeping inflation within the Bank's defined range of 6-8%. In 2015, the NBK announced plans to increase the efficiency of the interest rate channel of the transmission mechanism by expanding the system of tools for regulating liquidity and also introducing a new "base" interest rate. The interest rates of monetary policy tools will be linked to the base rate. Standing facility interest rates will form the upper and lower limits of the money market rate fluctuations. In the event of tightening or easing of monetary policy, the base rate may accordingly be raised or lowered, which will entail a change in the rest of the interest rates.

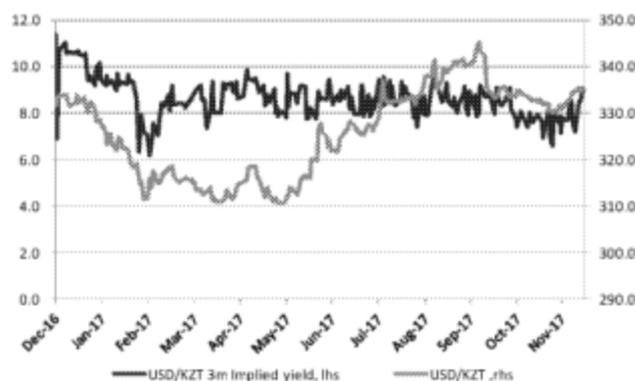
Despite the planned transition to free float and liquidity management via the rates corridor, neither of these have been completed yet. In the transitional phase, the National Bank will adhere to an exchange rate corridor regime and will allow for a more flexible exchange rate, to the extent that it will not be contrary to achieving the inflation targets. In the event of foreign exchange shocks, ensuring stability in the financial market will become the priority .

USD/KZT exchange rate



Source: Deutsche Bank, Bloomberg Finance LP

USD/KZT and 3M KZT implied yield



Source: Deutsche Bank