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The results of 2018.

We consider the main events of 2018 in the banking sector to be the merger of two systemically important banks (KKB+Halyk), withdrawal from the system as a result of revoking licenses of three troubled banks (Qazaq banki, Bank of Astana, Eximbank), write-offs of previously hidden distressed debts, a significant deterioration in financial state Tsesnabank.

In 2018, the banking system continued to demonstrate stagnation, which resulted in a decline in the share of banking sector assets in the economy (GDP) from 45% in 2017 to 43% in 2018 (53% in 2016) and low growth rates of deposits and loans, despite good economic growth (+4.1% real GDP growth). Also in 2018, the general trend of the direction of banks towards serving the population, both in attracting deposits and in lending, increased in the banking system. This situation arises as a result of the preservation of structural problems in the economy, the dominance of the commodity sector with the weak SME segment, the accumulated internal problems of the banking system, and the significant predominance of the state in the economy.

Deposits in the economy. For 2018, deposits in the economy, excluding deposits at the National Bank, increased by 2% (+T333bn). Retail deposits showed an increase of 6.6% (+T536bn), while corporate deposits decreased by 2.5% (-T202bn). Thus, the main increase in deposit funding in the banking system was mainly due to deposits of the population replacing the outflow of corporate deposits. At the same time, corporate deposits during the year showed a fairly high mobility between banks, which is not the case for deposits.

The increase in deposits of the population occurred mainly in the national currency, the tenge deposits of the population increased by 17% over the year (+T666), foreign currency deposits decreased by 3% (-T130bn). Dollarization of household deposits adjusted for the exchange rate was 44% for the year, down from 52% as a result of a decrease in foreign currency deposits and the inflow of tenge deposits. The dollarization of corporate deposits at the end of the year increased from 44% to 46% due to an increase in dollar deposits with a decrease in tenge deposits. Thus, the total dollarization of deposits adjusted for the course, taking into account deposits in the national bank, decreased from 48% to 45% over the year.

The lack of growth in corporate deposits with overall good economic growth in our opinion is due to the strong dependence of the economy on the export of natural resources. The main contribution to the growth of Kazakhstan's GDP is made primarily by the commodity sector, whose revenues are formed in foreign currency. At the same time, companies participating in this sector prefer to place their funds in accounts in foreign banks that can provide higher returns with a lower level of risk. As a result of a number of restrictions imposed by the National Bank and limited foreign currency lending in the economy, Kazakh banks are forced to keep minimum rates on foreign currency corporate deposits, which affect a very moderate increase in foreign currency deposits. However, the decrease in tenge corporate deposits after stagnation in 2017, in our opinion, indicates the lack of sufficient development of the domestic sectors of the economy, which mainly operate in the national currency.

Lending. Over 2018, loans in the economy increased by 3% (+T386bn). Loans to legal entities decreased by 5% (-T375bn), loans to individuals showed a rather high increase of 17% (+761bn). The share of loans in the economy at the end of 2018 was 22% (24% in 2017, 27% in 2016). In most developed countries, this figure is more than 50%. Such a low share of lending in relation to the country's GDP is formed as a result of the current export-oriented structure of the economy of Kazakhstan, a significant impact of public funding that displaces and distorts the mechanism of bank lending and the lack of sufficient conditions to expand the investment activity of private, non-commodity business.

The decline in corporate lending in 2018 was influenced by a significant write-off of previously hidden problem loans mainly in the corporate segment, the withdrawal of troubled banks from the banking system and the redemption of Tsesnabank problem loans.

Newly issued corporate loans for 2018 show an increase of 22% to the amount of newly issued corporate loans in 2017. However, according to the structure of newly issued corporate loans, most of them fall on short-term loans to finance working capital (75% of the total loans issued in 2018). The main sectors of the economy that accounted for the majority of new corporate loans were: trade 52% of the total issued for the year, other not defined within the main sectors 13%, production of mineral products (construction) 6.2%, construction 6%, mining industry 5%. Thus, 70% of the issued new loans (issued including those written off) accounted for industries that have a direct impact on the increase in imports.

Bank loans to small businesses have decreased by 15% since the beginning of the year (-T425bn). The main segments of SME lending are trade 23% (27% in 2017), other sectors not related to the main 36% (29%). The share of loans to SME from total loans to the economy continued to decline, reaching 18% at the end of 2018 (22% in 2017), while the average share of loans to SME from total loans in OECD countries is 44%.

The main driver of growth in the loan portfolio in 2018 was retail lending. Its growth was observed mainly in two segments: consumer lending +14% (share in total loans 25%) and mortgage lending +19% (share in total loans 10%). The share of retail lending at the end of the year was 41% (36% in 2017), which is the maximum value over the entire existence of the banking system. In 2018, the population's debt load increased as well: according to the data of the First Credit Bureau, the ratio of loans to borrowers was 1.74 (1.56 in 2017), which is also a record value over the past 10 years.

Liquidity in the banking system. A significant surplus of liquid assets remained in the banking system throughout the year: at the end of the year, the share of liquid assets in the banking system was 40% (37% at the beginning of the year). This excess liquidity should be divided into dollar excess and tenge excess.

The dollar excess of liquidity was formed as a result of the inability to direct dollar deposits to lend to the domestic economy. So the ratio of foreign currency deposits/foreign currency loans in the economy is 300% (250% in 2017). These dollar funds are mainly placed on correspondent accounts at the National Bank, the payment of interest on which is not provided.

Tenge surplus in the system was formed as a result of a number of injections of concessional funds in support of the banking system from the state and the inability to direct these funds to lending due to the lack of a sufficient number of high-quality borrowers. As a result, these funds are withdrawn by the National Bank through open market operations at the interest rate corresponding to the lower limit of the NBK base rate. These free tenge funds account for 31% of the total loan portfolio of the banking system. At the same time, the ratio of tenge deposits/tenge loans is 95% (98% in 2017) and indirectly indicates the almost complete involvement of deposit funds in banks' lending activities. The transformation of these excess funds by lending without leading to overheating of the economy and deterioration in the quality of the loan portfolio is possible only when solving structural problems and creating additional investment incentives for private business.

Problem loans and provisions. According to the NBK, the level of bad debts NPL90+ in the system at the end of the year was 7.4% (-2pp from the beginning of the year). Provisions at the end of the year accounted for 13% of the total loan portfolio of the banking system and cover the amount of bad debts NPL90+ by 175%. However, the officially reflected level of bad debts does not reflect the real state of the loan portfolio of the banking system, which in reality is much worse and the current level of provision is insufficient. An example of this is: Tsesnabank – before repurchasing non-performing loans, the level of NPL90+ did not exceed 4%, before the official announcement of problems in the Bank of Astana NPL90+ was 6.6%, Qazaq Bank – 4.4%, Eximbank – 3.6%. Considering these precedents, it is very problematic to draw conclusions about the state of the loan portfolio based on the NPL90+. At the same time, an additional increase in provisions will negatively affect the level of profitability, as well as the already low capitalization of the banking sector. In the case of a sharp deterioration in the quality of the portfolio at current levels of profitability, capital and liquidity, a significant part of banks may face certain financial difficulties.

Profit of the banking sector. In 2018, the net profit of the banking system amounted to T638bn, which is a record value over the past 7 years. This high result was influenced by the receipt of concessional funds to support the banking system in 2017, more conservative provisions as a result of significant provisioning in 2017 and the creation of provisions from own capital as a result of applying IFRS 9 at the beginning of the year. Provisioning expenses in 2018 amounted to T302bn, which is 75% less than the 2017 results.

The net interest income of the banking system in 2018 amounted to T982bn, which is 6% less than last year. Revenues from loans issued decreased by 17% (-T322bn), while expenses on attracted deposits decreased by 18% (-T174bn).

The highest income for 2018 was demonstrated by the following banks: Halyk Bank T285bn (45% of sector profits), Kaspi T99bn (15%), Sberbank T44bn (7%). Two banks ended the year with a loss: Asia Credit T2bn, Bank of Pakistan T0.1bn.

At the end of the year, NIM and NIS show a decrease: NIM 5.09% (+0.03pp ytd), NIS 3.99% (-0.2pp ytd). The decline in these indicators is explained by a decrease in the return on assets of the banking system throughout the year (-0.4pp), while the cost of funding is reduced to a lesser extent (-0.2pp).

The table in Appendix 2 provides more detailed information on changes in key indicators of each bank.

Forecasts and expectations for 2019.

According to our expectations, the development of the banking sector will continue to lag behind the growth of the economy. The transition to more active lending and the growing share of the banking sector in the economy are possible only after resolving a number of structural problems in the economy and building a more efficient market mechanism for the provision of financial services. Retail lending, as well as, in general, the emphasis on public services (card products, online banking, etc.), will continue to be the main driver of the development of the banking system of Kazakhstan.

The aggregate increase in corporate deposits will continue to lag behind nominal GDP growth. The increase in deposits of large businesses will be positively influenced by the restoration of confidence in the banking system and a fairly good economic growth expected in 2018-2021. However, the increase in tenge corporate deposits that are the main resource in the implementation of corporate lending is highly dependent on the stability of the tenge rate and the development of business oriented to the domestic market. As a result of the recovery in income growth, the population will continue to increase deposits, which will be slightly higher than the results of 2018 and will continue to be the main source of funding inflows in the banking system.

The liquidity surplus in the banking system will continue to persist as a result of poor functioning of the lending channel and the preservation of structural problems in the economy. Nevertheless, there will be a gradual increase in lending in response to economic growth and the recovery quality of the loan portfolio of banks. However, in conditions of a limited corporate lending market, this liquidity will to a large extent be aimed at increasing retail lending.

Retail lending growth will continue to show high rates, continuing the current trend with a gradual slowdown. This significant growth will be supported by high margins, demand and short-term nature of this type of lending.

Growth in corporate lending will remain fairly moderate and will be significantly lower than nominal GDP growth. The increase in corporate lending will mainly depend on the resolution of structural problems, the growth of the share of SME in the economy and the increase in corporate tenge deposits in the banking system.

The profit of the banking system will be at a lower level than in 2018 as a result of the growth of deductions for the provision of new loans and the absence of the influence of one-off factors.

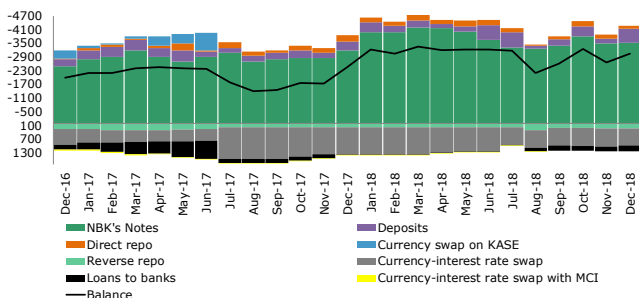
We do not expect significant growth of officially reflected NPL90+ problem loans in the system above 10%. At the same time, as before, the NPL90+ indicator will not reflect the real quality of the banks' loan portfolio. The deterioration of the state of banks, which indicates a significant proportion of problem loans, will primarily affect the liquidity ratios of these banks.

In 2019, the tendency to further deterioration of the financial condition of small banks and their consolidation or withdrawal from the market will continue. This process will occur due to inefficient business models of these banks and increased competition for high-quality borrowers and depositors with large banks.

We do not exclude that under a stress scenario that takes into account the sharp withdrawal of a large amount of deposits, the deterioration in the quality of new loans and previously restructured problem debts in a number of banks may cause the National Bank to provide emergency assistance as a lender of last resort.

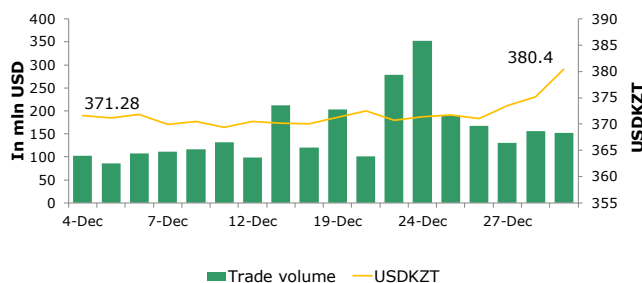
Fig.1. NBK liquidity withdrawal

In bn.KZT. Volumes as of end of relevant month



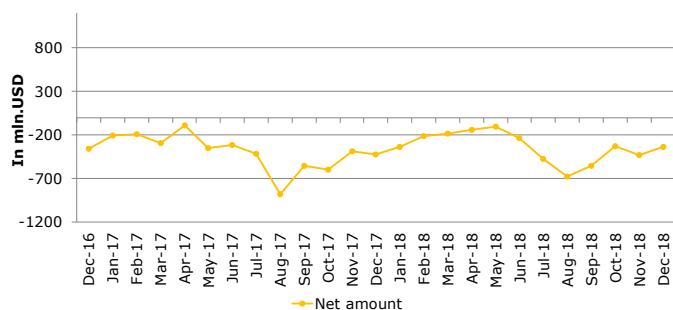
Source: the NBK statistics "Open position of NBRK's operations"

Fig.2. Tenge weakened by KZT 9.2 to 380.4 USDKZT at the end of December



Source: KASE

Fig. 3. Purchases/sales of US dollars by exchange offices



Source: the NBK statistics

Monetary policy and the foreign exchange market.

The inflation rate in December was 0.7% mom (0.9% mom in November). To the corresponding month of the previous year the rate of inflation in December declined by 0.1pp and amounted to 5.2%.

At the end of December, the gross volume of withdrawn liquidity increased by 10% (+11% ytd) and amounted to T4.3tn, which is comparable with 31% of the loan portfolio of the banking system (Fig. 1).

The emergency loan issued to Tsesnabank by the NBK at the end of August did not change by the end of December and amounts to T220bn.

Seizures through the NBK notes increased by 1% and amounted to T3.5tn (+10% ytd). The weighted average effective yield on notes at the end of December was 8.6% (+0.01pp mom, -0.55pp ytd).

The monetary base in December increased by 11% (+20% ytd), while the money supply increased by 4.6% (+7% ytd).

The increase in the monetary base was reflected in the growth of deposits of banks in the National Bank by 13% mom (+23% ytd) and in the issue of money by 8% mom (+16% ytd).

The money multiplier calculated as the ratio of the money supply to the monetary base at the end of the year was 3.1 (3.3 in November, 3.51 at the beginning of the year, 3.73 at the beginning of 2017). This indicator characterizes the efficiency of the banking system as a source of growth in the money supply, as well as the actions of the regulator to curb credit activity using the base rate. The continued decline in this indicator indicates a decrease in the efficiency of the credit channel.

The volume of cash outside the banking system in December increased by 9% (+16% ytd). The ratio of cash in circulation to deposits in the economy (deposit ratio) was 12.2% (11.7% in November, 10% ytd). The ratio of bank reserves (loans minus deposits) to deposits in the economy, excluding deposits in the NBK, was 22% (23% in November, 22% ytd).

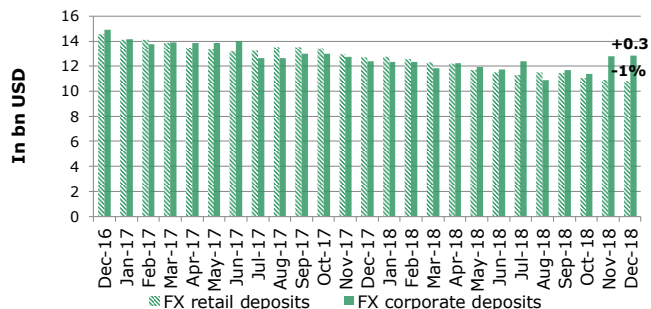
The repo rate in December showed a rather high volatility of 0.21pp (0.04pp in November) and mostly was at the lower border of the base rate. The average repo rate for the month increased by 0.13pp and amounted to 8.4% (8.3% in November, 9.32% ytd). The total trading volume on the repo market declined in December by 22% mom (+31% mom in November).

The average rate on swaps in December increased by 0.38pp and amounted to 7.53% (7.91% in November, 9.74 in December 2017). In December, the total volume of trading in the currency swap market fell by 31% (+2% in November).

For the month, the national currency weakened against the US dollar by 9.4 tenge to 380.4USDKZT (weakening by 2.7 tenge in November to 371.28USDKZT) (Fig.2). Since the beginning of the year, the national currency has weakened by 48 tenge (by 14%).

The weighted average exchange rate for the month was 384.2USDKZT (371.56USDKZT in November). The volume of trading in US dollars in the foreign exchange market in December amounted to \$2 811 million (+3.9% mom), which is lower than the average monthly trading volume since the beginning of the year (\$3 266mn). The total

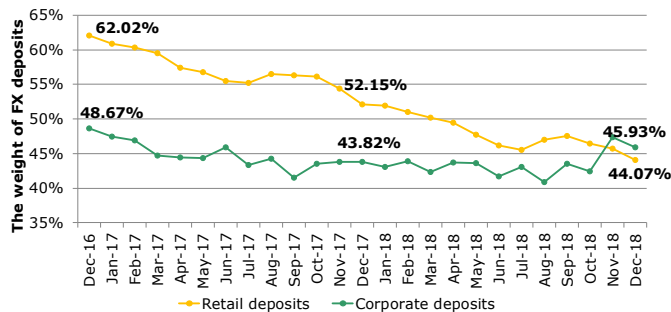
Fig.4. The growth of corporate and retail FX-deposits, expressed in US dollar terms



Source: the NBK statistics "Statistical Bulletin", Halyk Finance estimates

Fig.5. Adjusted dollarization of corporate and retail deposits

Adjusted for FX rate movement. The base FX rate - 332.33 KZTUSD as of December 31, 2017



Source: the NBK statistics "Statistical Bulletin", Halyk Finance estimates

volume of trades in US dollars at KASE for 2018 was \$38.7bn. which is 4.6% more than the volume of trading in 2017.

Net sales of US dollars by exchange offices decreased by 21% mom from \$430mn. in November to \$338mn in December, which is 19% less than the result of December 2017. The total amount of purchases by the population since the beginning of the year was \$3 659mn (\$4 696mn for the same period last year).

Banking sector assets, deposits of the banking sector (according to the NBK's statistics "Information on equity, liabilities, and assets")¹.

The assets of the banking sector in December increased by 1.5% (+4.5% ytd) and amounted to T25.2tn.

The largest market share in terms of assets at the end of the year is Halyk with 34%. In general, the top 8 banks account for 78% of the market. The largest increase in market share since the beginning of the year showed: Forte +0.8pp to 7%, Kaspi +0.7pp to 6.7%, Zhilstroy +0.8pp to 4%, City +0.7pp to 2.9%. A significant loss in market share due to the unstable financial situation was demonstrated by Tsesnabank -2.1pp from the beginning of the year to 6.8% (down from second place to 4). Thus, the three largest banks in terms of assets are as follows: Halyk, Sberbank, Forte.

The deposit base of the banking sector in December increased by 0.5% mom (+2.2% ytd, +362bn) and amounted to T17tn. Excluding banks that left the system, growth from the beginning of the year was 5.5% (+T886bn).

Deposits of the population increased by +3.7% mom (+6.6% ytd, +T544bn ytd), excluding the banks that left the system, the increase in deposits of the population was 8.4%. The main increase in household deposits in 2018 occurred in Kaspi Bank +31% (+T270bn), Halyk Bank +9.5% (+T287bn), Zhilstroysberbank +22% (+T113bn). The largest decrease was observed in Tsesnabank -45% (-T312bn). The largest share of household deposits in the system is: Halyk 38%, Kaspi 13%, Sberbank 9%.

Corporate deposits showed a decrease in December of -2.7% mom, (-2.1% ytd, -T182bn) excluding banks withdrawn from the system, corporate deposits showed an increase of 2.5%. The main increase in corporate deposits in 2018 occurred in the City +61% (+T205bn), Bank of China +94% (+T156bn). The largest decrease was observed in Tsesnabank -63% (-T548bn). The largest share of corporate deposits in the system is: Halyk 38%, Sberbank 8%, ATF 6.6%, Forte 6.5%, City 6.5%.

The ratio of deposits of individuals and legal entities in the deposit portfolio of banks was 51% (49.3% in 2017) to 49% (50.7% in 2017), respectively. The share of deposits in the assets of the banking system is 68% (69% in 2017). The share of deposits in the liabilities of the banking system is 77% (79% in 2017).

The ratio of deposits/gross loans in the banking sector in December continues to remain at 124% (126% in November, 123% at the beginning of the year, 111% at the beginning of 2017, 100% at the beginning of 2016). The ratio of loan increment to deposit growth in December was

¹ Information is compiled only on the basis of balances of STB that are formed in accordance with IFRS, where accounts for the main debt of banking and non-banking organizations, individuals, including non-residents, including current accounts, are included in the calculation of deposits.

345% (80% in November, 48% ytd). These values indicate a high level of savings and still persistent problems with the operation of the credit channel in the economy.

In December, corporate depositors continued to demonstrate high mobility between banks, which significantly exceeded retail deposits mobility throughout the year — net of net outflows, the total turnover of corporate deposits was T724bn (T823bn in November). In December, there was practically no mobility of deposits between banks in household deposits, the total turnover of retail deposits minus net inflows was T44bn (T68bn in November).

Over the month, other liabilities of the banking system increased by 5% (+240bn mom). From the beginning of the year, without taking into account the banks that left the system, other liabilities of banks increased by 22% (+922bn).

In December, a violation of prudential standards was observed at Tsesnabank (violation of the standard for the urgent liquidity ratio, urgent currency liquidity, violation of the requirement for daily placement of funds in domestic assets) and Sberbank (violation of the maximum risk per borrower of a non-bank-specific relationship).

Deposits in depository organizations (according to the Statistical Bulletin of the NBK as of December 31, 2018)².

According to the Statistical Bulletin, deposits in December showed a slight increase of 4% mom (+6% ytd) and amounted to T18.6tn. Excluding deposits in the NBRK, deposits showed an increase of +2% from the beginning of the year.

Deposits of individuals increased by 3.6% mom (+6.6% ytd), corporate deposits showed an increase of 4.6% mom in December (+5.4% ytd). However, if we do not take into account the corporate deposits are in the National Bank then corporate deposits showed a decrease of 2.5% in 2018.

Tenge deposits increased by 6.1% (-1.6% ytd). Corporate tenge deposits in December increased by 6.4% (-4.9% ytd), retail tenge deposits increased by 5.8% (+17% ytd).

In December, foreign currency deposits increased by 2.1% (+8% ytd). Corporate foreign currency deposits increased by 2.8% (+18.6% ytd), retail currency deposits increased by 1.4% (-3.1% ytd).

Over the month, short-term deposits increased by 1.2% (+10.2% ytd), long-term deposits increased by 5.6% (+4% ytd). The ratio of short-term and long-term deposits in the economy is 32%³ to 68%⁴, respectively.

Thus, the overall increase in deposits (+T333bn excluding deposits in the NBK) in 2018 resulted from the inflow of retail deposits to T536bn and the outflow of corporate deposits excluding deposits from the NBK to T202bn.

Dollarization of household deposits adjusted for the exchange rate decreased to 44.07% in December from 45.72% in November (52.15% in December 2017).

² Deposits accounted in the NBK's statistical bulletin include all deposits in national and foreign currency in STB (legal entities and individuals) and in NBK (legal entities), with the exception of deposits of non-residents, central government deposits, bank deposits with the National Bank and in other banks.

³ Short-term deposits are transferable deposits, which at any time can be converted into cash at face value without penalties and restrictions.

⁴ Long-term deposits are mainly savings and one-time deposits, which can only be withdrawn after a certain period of time, or have various restrictions that make them less convenient for use in ordinary commercial transactions.

Dollarization of deposits of legal entities adjusted for the exchange rate decreased to 45.93% against 47.4% in November (43.82% in December) (Fig. 5).

As a result, at the end of December, taking into account the adjustment for the exchange rate, 45.1% of deposits in the depository institutions of the country are expressed in foreign currency (in November — 46.6%, at the beginning of the year — 47.7%).

Loan portfolio of the banking sector (according to the NBK's statistics "Information on equity, liabilities and assets")⁵.

The volume of the loan gross portfolio of the banking sector in December increased by 2.2% (+1.3% ytd, +5.5% ytd) and amounted to T13.8tn. The loan portfolio is 55% of the total assets of the banking sector (56.3% at the end of 2017).

The largest increase in the loan portfolio in 2018 was observed in the following banks: Kaspi +T212bn (+23%), Zhilstroy +T205bn (+25%), BCC +T163bn (+18%), Forte +T147bn (25%), ATF +T117bn (15%).

The largest shares of the loan portfolio relative to the entire banking system have: Halyk 29%, Tsesna 10%, Sberbank 9%, Kaspi 8%. The top 10 banks account for 87% of the loan portfolio of the banking system.

Among the leading banks, there is an aggressive and quite risky credit policy, which consists both in credit growth and in a rather high ratio of deposits/loans: Home Credit (+47% ytd, deposits/loans 77%), VTB (+23% ytd, deposits/loans 83%), Capital Bank (+18% ytd, deposits/loans 40%), KZI (+16% ytd, deposits/loans 62%), Tengri Bank (+20% ytd, deposits/loans 72%).

The share of loans with overdue over 90 days at the end of 2018 was 7.4% (-2pp ytd). Among the banks with the largest share of NPL90+ stand out RBK (12%), Bank of Pakistan (30%). The greatest increase in the level of problem debts NPL90+ occurred in: Tsesnabank +4.4pp to 9%, AsiaCredit +2pp to 9%.

The level of provisioning of the sector at the end of the year was 13% (-3pp from the beginning of the year). The largest increase in the level of provisioning occurred in banks: Tsesnabank +12pp to 22%, Asia Credit +7pp to 12%, Tengri +4pp to 7%. The greatest reduction in the level of provisioning occurred in: Halyk Bank -12pp (as a result of recovery of the problem portfolio received from KKB) to 15%, RBK -10pp (as a result of the transfer of the problem portfolio to a subsidiary) to 17%.

The coverage ratio of problem loans NPL90+ by the amount of provisions at the end of the year was 175% (174% in November). Insufficient coverage of distressed debts is observed in the Bank of Pakistan (32%), Kassa Nova (53%).

A significant excess of the amount of provisions over troubled debt is observed at Tengri Bank 310%, ATF 252%, Tsesna 249%, Sberbank 224% which may indicate a significant amount of restructured loans in the portfolios of these banks.

⁵ The calculation of the loan portfolio includes accounts of the principal debt for loans granted to banks, organizations that carry out certain types of banking operations, customers (legal entities and individuals), reverse repurchase transactions with securities, including nonresidents. Accounts of adjustments, discounts and bonuses, provisions are not included.

Credit to the economy (according to the Statistical Bulletin of the NBK as of December 31, 2018)⁶.

Credit to the economy in December showed a slight increase of 1.8% (+3% ytd) and amounted to T13.1tn.

In December, corporate loans increased by 2.5% mom (-4.6% ytd). In the sector of retail lending — growth in December by 0.7% mom (+16.8% ytd). The ratio of corporate and retail loans in the economy is 59% (64.3% in 2017) and 41% (35.7% in 2017), respectively.

The main contribution to the growth in lending in 2018 by T386bn contributed to the increase in retail lending by +T761bn, compensating for the reduction in the corporate loan portfolio by T375bn.

In terms of lending, the maximum growth in 2018 was shown by loans in the consumer lending segment +T395bn (+0.9% mom, +13.5% ytd) and mortgage lending +T207bn (+1.8% mom, +19% ytd).

The reduction in corporate lending in 2018 was due to a reduction in agricultural lending by T206bn (-30%), trade lending by T218bn (-11%), and construction lending by T162bn (-18%).

The total structure of corporate lending was as follows: 26% — other sectors (23% — in 2017), 26% — industry loans (24% — in 2017), 23% — trade loans (25% — in 2017), 10% — construction loans (11% — in 2017), 8% — transport (7% — in 2017), 6.3% — agriculture (9% — in 2017).

Bank loans to small businesses in December decreased by 2.4% mom (-15% ytd, -T425bn). The main segments of SME lending are trade 23% (27% in 2017), other sectors not related to the main 36% (29%). The share of loans to SME from total loans to the economy at the end of December was 18% (22% in 2017).

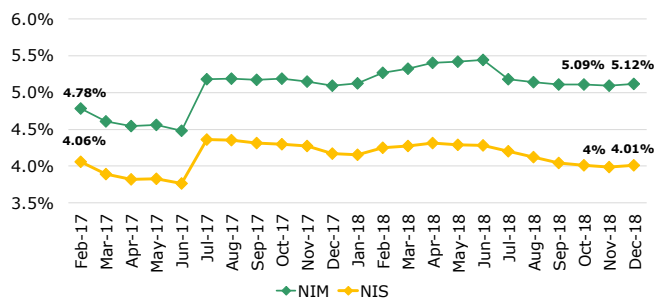
The final lending results are significantly affected by the active write-off by banks in 2018 of previously hidden problem loans. Thus, the number of new loans issued in 2018 is 24% more than in 2017 (in 2017 it is 10% more than in 2016).

Retail loans issued by 29% more than loans issued in 2017 reflecting the overall growth of the retail loan portfolio and the high turnover of these loans (mainly consumer loans).

Issued new corporate loans by 22% more than issued in 2017. However, the growth in issuing corporate deposits coincides with the growth in issuing short-term loans to businesses by 21% (the main influence on the overall increase in issuing loans in the corporate segment), which in our opinion influenced such a high rate of growth in issuing new loans to the corporate segment. At the same time, the growth of new long-term loans in the corporate segment also amounted to 27%, however, their impact on the total volume of issuance is much lower (25% of the total issued new loans to the corporate sector for the year).

Short-term loans in the economy increased over the year by 4.4%, long-term loans — by 2.8%. The ratio of short-term and long-term loans in the economy is 15% and 85% (15% and 85% in 2017), respectively. In the corporate segment, there was a decrease in long-term loans by 7.2%, short-term growth by 5.4% (the ratio of short-term and long-term loans was 23% by 77%). In the retail segment, on the contrary, there was an increase in long-term loans by 18%

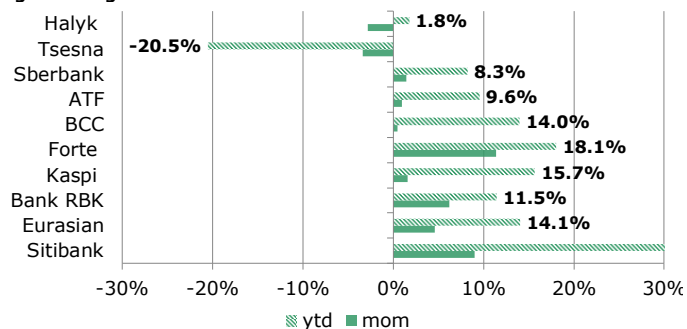
Fig.6. NIM, NIS in December



Source: the NBK Statistics on "Average net interest margin and average net interest spread"

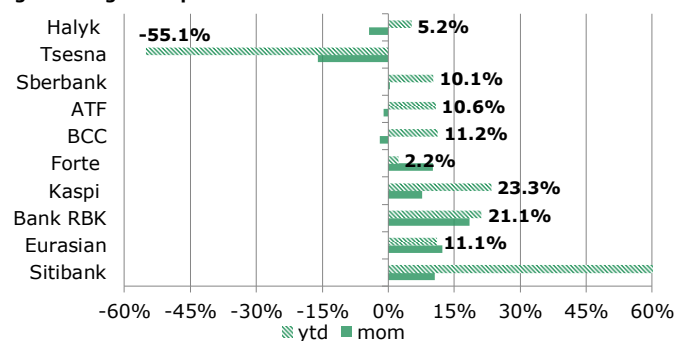
⁶ The statistical bulletin of the NBK includes all the requirements of the second-tier banks to borrowers, both the main debt and all the articles related to the instrument "loans" (accrued income, arrears, bonuses and discounts on loans, promissory notes).

Fig.7. Change in assets



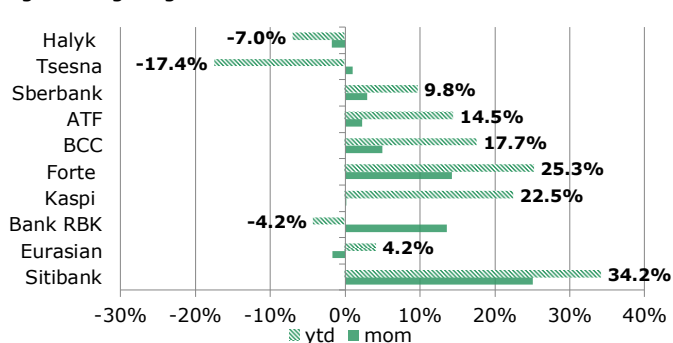
Source: the NBK Statistics on "Information about owned capital, liabilities and assets", Halyk Finance estimates

Fig.8. Change in deposits



Source: the NBK Statistics on "Information about owned capital, liabilities and assets", Halyk Finance estimates

Fig.9. Change in gross loans



Source: the NBK Statistics on "Information about owned capital, liabilities and assets", Halyk Finance estimates

and short-term loans by 3%, which was associated with an increase in mortgage lending, car loans and lengthening the terms for consumer loans (the ratio of short-term and long-term to 4% by 96%).

Interest rates (according to the Statistical Bulletin of the NBK as of December 31, 2018)⁷.

The weighted average interest rate on loans at the end of December decreased by 0.6pp (-1.2pp ytd) and amounted to 12.3%.

The rate on corporate loans in tenge was 11.7% for the month having fallen by 0.8pp (-1.5pp ytd). In foreign currency, the rate for legal entities was 5.2%, down by 0.7pp (-0.7 ytd).

The average rate on retail loans in tenge at the end of December was 17.2% for the month having increased by 0.1pp (-2pp ytd). The rate for individuals in foreign currency was 9.5% for the month, decreasing by 5.2pp. (+2.2pp ytd).

The average rate on consumer loans in December was 19% (-0.6pp mom, -1.9pp ytd).

In December, the average rate on term deposits of the population was 10.4% (-0.2pp mom, -1.3pp ytd).

The weighted average rate on term deposits of legal entities in tenge in December was 7.1% (-0.1pp mom, -0.9pp). The interest rate on tenge deposits of legal entities is 4.6% (-0.3pp mom, +0.1pp ytd).

The spread between the average rate on corporate loans and corporate deposits is 3.3pp (3.7pp in November, 3.4pp ytd). The spread between the rate on retail loans and deposits in December was 7.5pp (7.7pp in November, 8.5pp ytd).

The gradual decrease in the interest spread on the retail segment reflects the decrease in interest rates on retail lending due to increased competition in consumer lending and the action of government programs in mortgage lending. The retail segment is the most profitable given the high interest spread while corporate lending carries higher risks and transaction costs, while at the same time providing much lower returns.

Liquidity in the banking sector (according to the statistics of the NBK "Information on balance sheet and off-balance accounts").

The level of liquid assets in the sector in December amounted to 41.8% of assets, having increased by 1.2pp (-1.2pp in November, +1.8pp ytd).

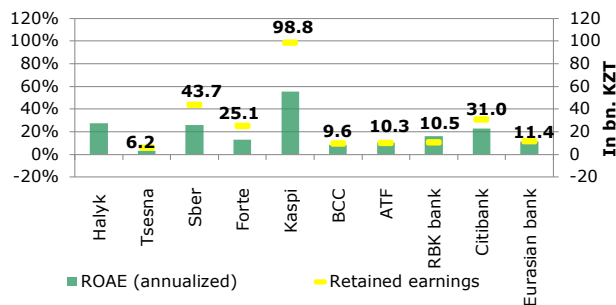
The largest share of liquid assets is observed in banks FHB (ExpoCredit) (98%), Bank of China (94%), City (84%), Shinhan Bank (73%), Bank of Pakistan (65%), TPBK (61%).

The minimum indicators are observed in Tsesnabank (4%), Tengri (13%), Capital (17%), Nurbank (19%). In our opinion, this indicator of less than 20% indicates the presence of problems with liquidity and the high risk of losing financial stability.

ank (-5pp, as a result of credit growth while maintaining a monthly loss and other outflows), in Tengri Bank (-5.5pp, as a result of fixing the loss in December, with outflow of deposits and the continuation of rather active lending),

⁷ The statistical bulletin of the NBK includes all the requirements of the second-tier banks to borrowers, both the main debt and all the articles related to the instrument "loans" (accrued income, arrears, arrears, bonuses and discounts on loans, promissory notes).

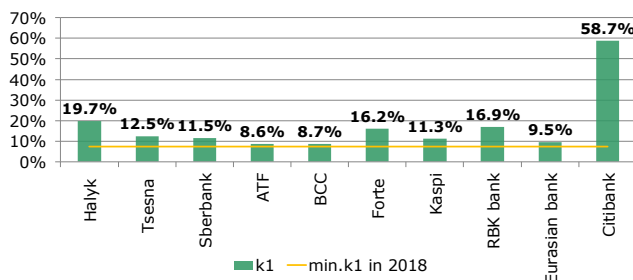
Fig. 10. ROAE (left scale) and net profit in 2018 (right scale)



Source: the NBK Statistics on "Assets, liabilities and owned capital", Halyk Finance estimates

Fig. 11. Capital adequacy ratio k1 in comparison with min. k1 in 2018

Core equity capital to risk-weighted assets (conservation buffer and system buffer are added)



Source: the NBK Statistics on "Compliance with prudential normative requirements"

Tsesna (-3pp, as a result of the continuing outflow of deposits).

Since the beginning of the year, the largest decline in the share of liquid assets was observed in the following banks: Altyn Bank -15pp as a result of the intensified lending activity of the bank (the current level of liquidity is at an excessively high level of 52%), Alfa Bank -14pp as a result of quite active lending in 2018, mainly retail segment, VTB-10pp also as a result of an active credit policy.

In terms of covering liquid assets with deposits, the lowest value is observed in the following banks: Tsesna 10% (uniform distribution of deposits), Tengri 23% (corporate deposits dominate 56%), Alfa Bank 34% (corporate deposits dominate 60%), Nurbank 37% (uniform distribution of deposits). In banks with a predominance of corporate deposits, the risks of abrupt withdrawals are much lower.

The share of securities in banking sector assets in December was 22%, showing an increase of 1pp (21% in November, 21% at the beginning of the year).

Profitability of the banking sector (according to the statistics of the NBK "Information about equity, liabilities and assets").

In December, the profit of the banking sector amounted to T35bn. (T638bn. ytd). The results of 2018 are a record for the last 7 years.

The highest income for 2018 was demonstrated by the following banks: Halyk Bank T285bn (45% of total profits), Kaspi T99bn (15% of total profits), Sberbank T44bn (7% of total profits).

Two banks ended the year with a loss: Asia Credit T2bn, Bank of Pakistan T0.1bn.

Three banks demonstrated the highest return on equity: Kaspi 55%, Home Credit 44%, Halyk 27%, Sberbank 26%. The lowest return on equity among large banks was observed in: Tsesna 3%, BCC 8%, ATF 10%, Eurasian 12%.

The ratio of administrative expenses to operating income (net interest income+net commission income) in the banking system is 35% (at the same level as last year).

The net interest income of the banking system in 2018 amounted to T982bn, which is 6% less than last year. Revenues from loans issued decreased by 17% (-T322bn), while expenses on attracted deposits decreased by 18% (-T174bn).

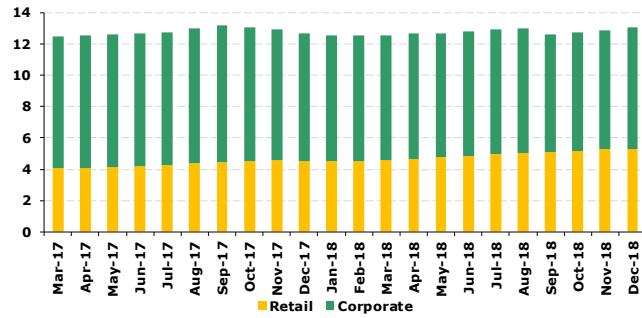
The net commission incomes of the banking system for 2018 amounted to T404bn, which is 18% more than the 2017 results.

Provisioning expenses in 2018 amounted to T302bn, which is 75% less than the 2017 results. These results were affected by more restrained provisions and more active restoration of provisions as a result of writing off previously problematic loans.

At the end of the year, NIM and NIS show a decrease: NIM 5.09% (+0.03pp. ytd), NIS 3.99% (-0.2pp. ytd). The decline in these indicators is explained by a decrease in the return on assets of the banking system throughout the year (-0.4pp), while the cost of funding is reduced to a lesser extent (-0.2pp).

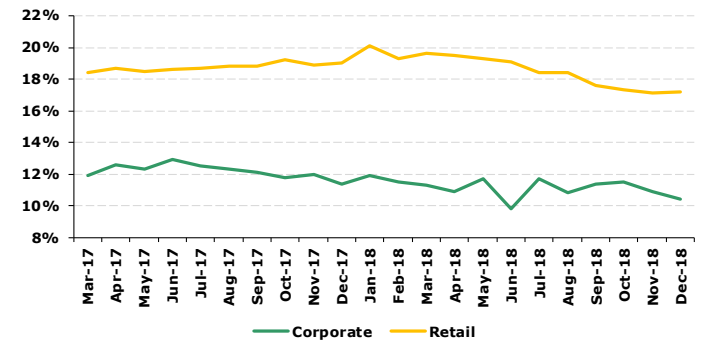
Credit to economy

Fig. 1. Credit to economy
KZT trln



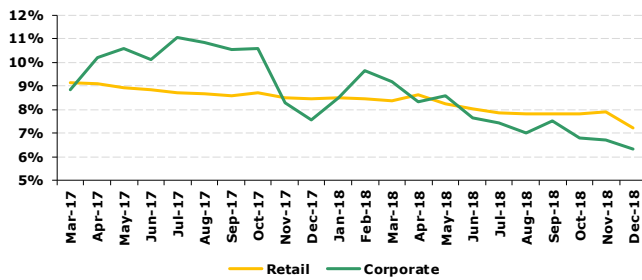
Proportion of corporate debt as of Dec.17 – 64.3%, as of Dec.18 – 59.5%
Source: NBK

Fig. 2. Rates on issued* loans



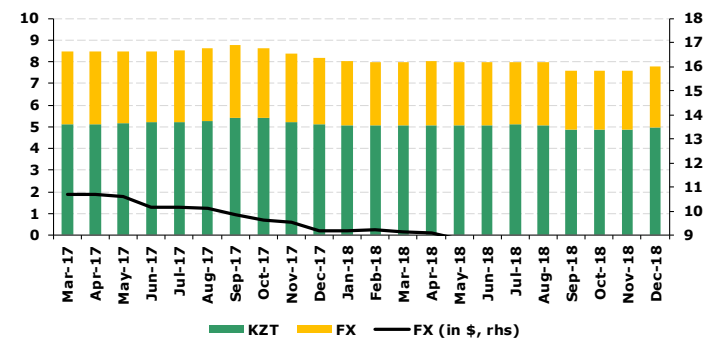
* loans issued during the month
Source: NBK

Fig. 3. Overdue loans (90+ days)
share of corresponding loans



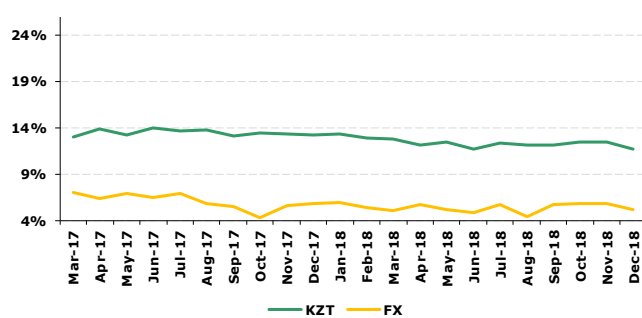
Source: NBK

Fig. 4. Loans to corporate clients (by currency)
KZT trln



Share of KZT loans as of Dec.17 – 62.7%, as of Dec.18 – 63.8%
Source: NBK, Bloomberg

Fig. 5. Rates on issued* loans (by currency)



* loans issued during the month
Source: NBK

Fig. 6. Loans to corporate clients (by maturity)
KZT trln

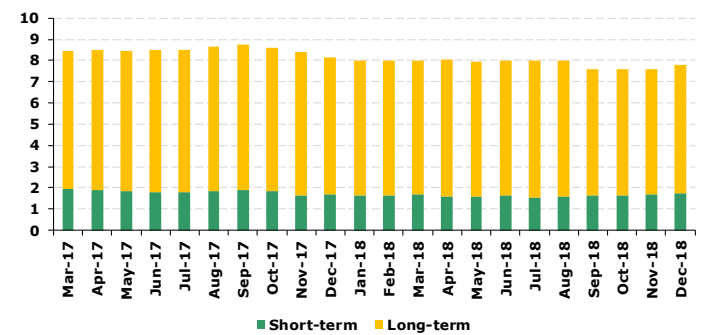
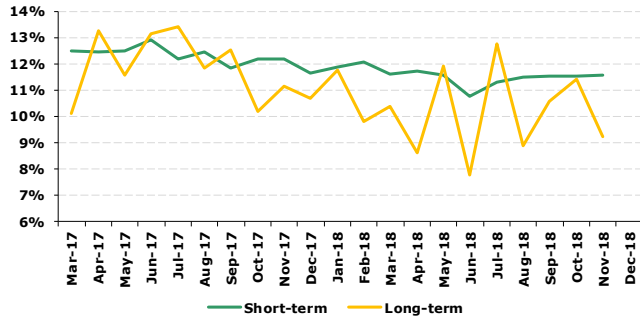
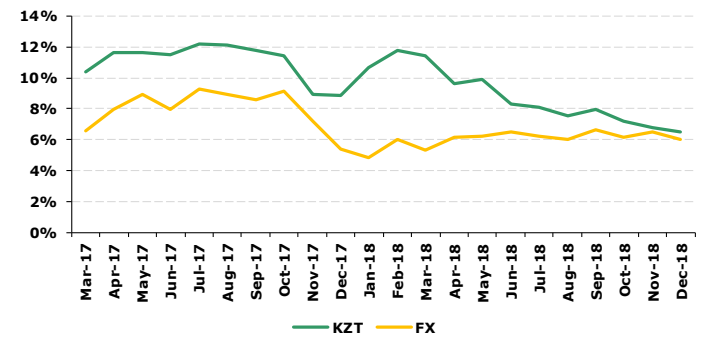


Fig. 7. Rates on issued* loans (by maturity)



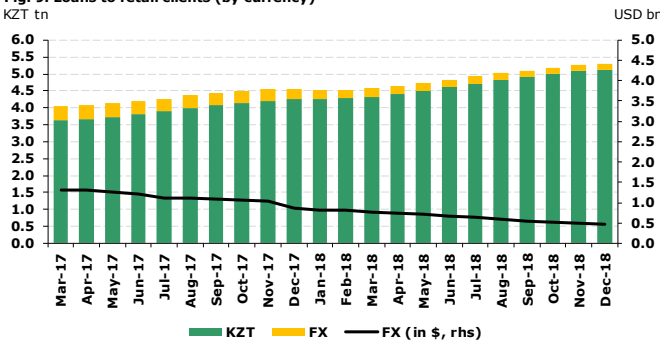
* loans issued during the month
Source: NBK

Fig. 8. Corporate NPLs
share of total NPLs



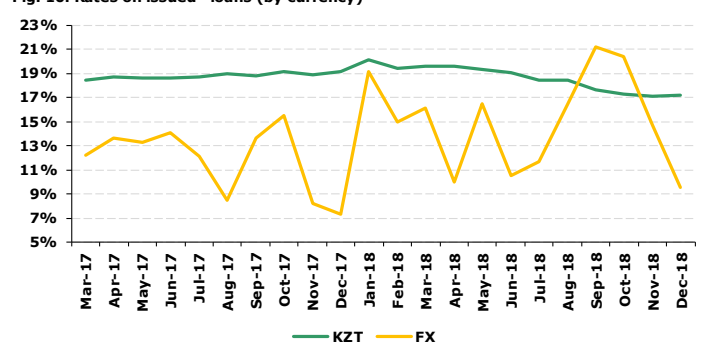
Source: NBK

Fig. 9. Loans to retail clients (by currency)
KZT tn



Share of KZT loans as of Dec.17 – 93.6%, as of Dec.18 – 96.7%
Source: NBK, Bloomberg

Fig. 10. Rates on issued* loans (by currency)



* loans issued during the month
Source: NBK

Fig. 11. Loans to retail clients (by purpose)
KZT tn

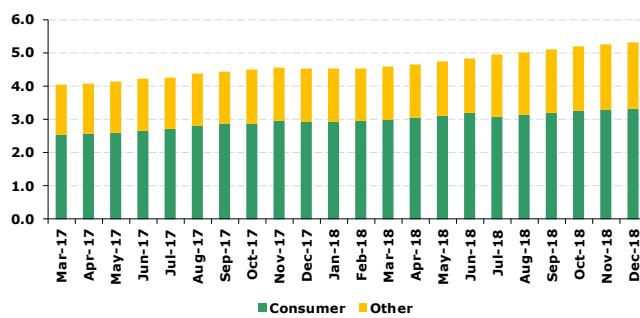
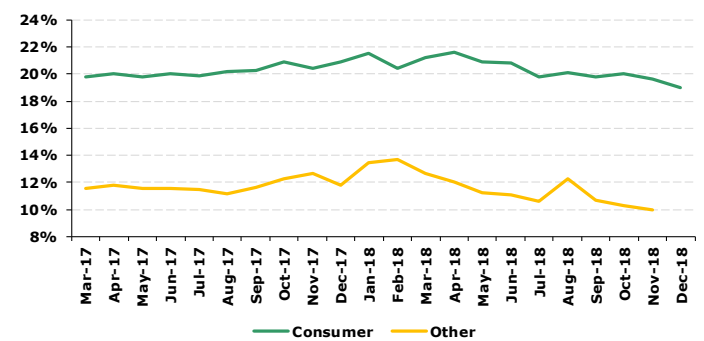
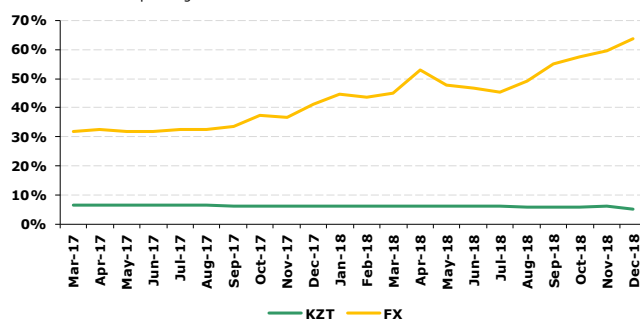


Fig. 12. Rates on issued* loans (by purpose)



* loans issued during the month
Source: NBK

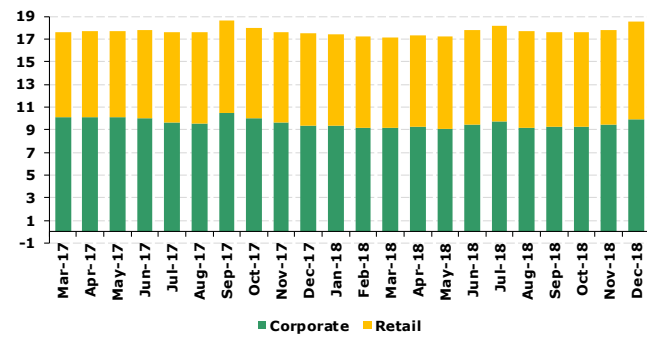
Fig. 13. Retail NPLs
share of total corresponding loans



Source: NBK

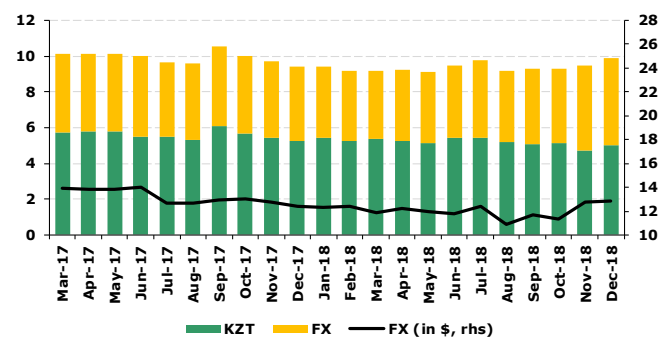
Deposits in depository organizations

Fig. 14. Residents' deposits
KZT tn



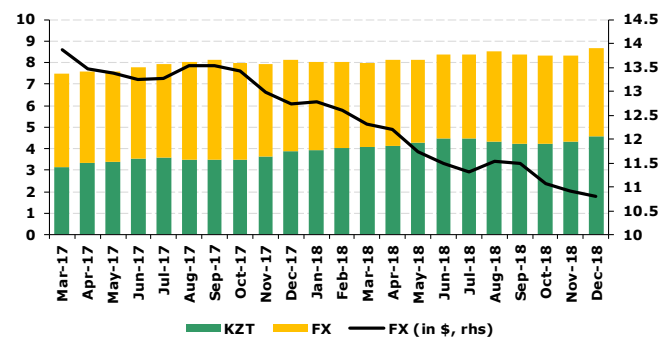
Share of corporate deposits as of Dec.17 - 53.6%, as of Dec.18 - 53.3%
 Source: NBK

Fig. 16. Corporate deposits
KZT tn



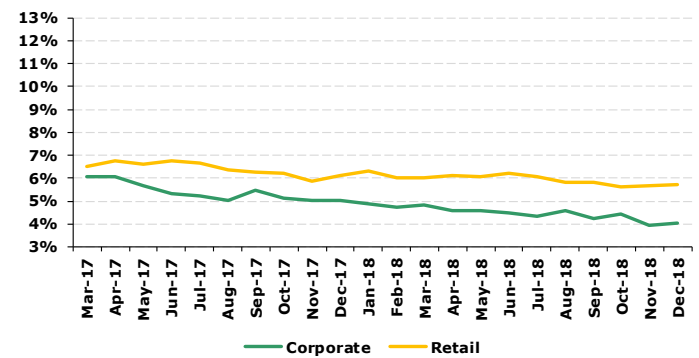
Share of FX deposits as of Dec.17 - 43.8%, as of Dec.18 - 49.3%
 Source: NBK

Fig. 18. Retail deposits
KZT tn



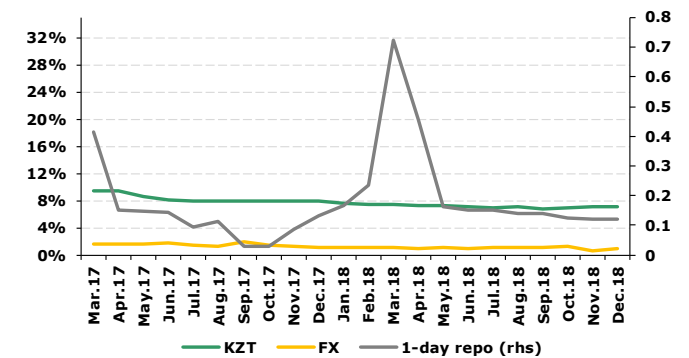
Share of FX deposits as of Dec.17 - 52.2%, as of Dec.18 - 47.4%
 Source: NBK

Fig. 15. Deposit rates



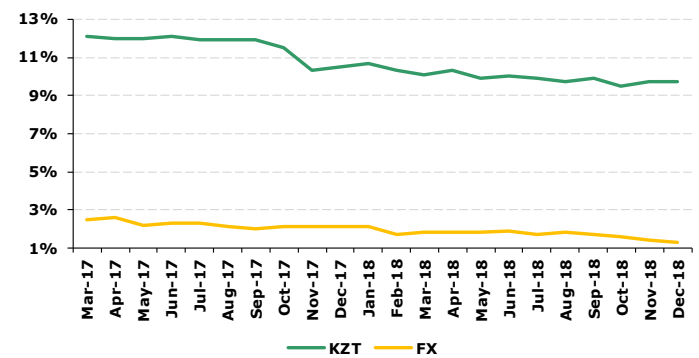
Source: NBK

Fig. 17. Rates on corporate deposits



Source: NBK

Fig. 19. Rates on corporate deposits



Source: NBK

Assets, KZT bn

Bank	Dec 18	MoM	MoM,%	YtD,%	Market share,%	Δ YtD Market share, % ppts	rank*
Halyk	8 667	(253.5)	(2.8)	1.8	34.3	(2.2)	1 (1)
Sber	1 892	27.2	1.5	8.3	7.5	0.0	2 (3)
Forte	1 777	181.7	11.4	18.1	7.0	0.6	3 (4)
Tsesna	1 712	(59.2)	(3.3)	(20.5)	6.8	(2.4)	4 (2)
Kaspi	1 701	27.2	1.6	15.7	6.7	0.4	5 (5)
BCC	1 517	6.7	0.4	14.0	6.0	0.3	6 (6)
ATF	1 346	12.4	0.9	9.6	5.3	0.1	7 (7)
Eurasian	1 116	49.3	4.6	14.1	4.4	0.2	8 (8)
Zhilstroy	998	110.4	12.4	31.0	4.0	0.7	9 (9)
Citi	736	60.8	9.0	39.7	2.9	0.7	10 (11)
Bank RBK	590	34.4	6.2	11.5	2.3	0.1	11 (10)
Alfabank	471	17.7	3.9	14.4	1.9	0.1	12 (12)
Altyn Bank	443	55.7	14.4	14.0	1.8	0.1	13 (14)
Nurbank	438	11.4	2.7	10.3	1.7	0.0	14 (13)
Home Credit	378	39.5	11.7	65.0	1.5	0.5	15 (15)
Bank of China	331	12.1	3.8	74.3	1.3	0.5	16 (16)
ICBC	164	(3.3)	(2.0)	54.9	0.6	0.2	17 (21)
VTB	162	18.8	13.1	6.1	0.6	(0.0)	18 (18)
ExpoCredit	159	1.8	1.1	63.0	0.6	0.2	19 (22)
Kassa Nova	132	2.2	1.7	14.6	0.5	0.0	20 (20)
Tengri Bank	130	(4.0)	(3.0)	6.0	0.5	(0.0)	21 (19)
Asia Credit	118	(2.8)	(2.3)	(27.0)	0.5	(0.2)	22 (17)
Capital Bank	89	8.1	10.0	7.9	0.4	(0.0)	23 (23)
KZI	71	6.0	9.1	24.9	0.3	0.0	24 (24)
Shinhan bank	42	(0.4)	(1.0)	40.4	0.2	0.0	25 (25)
Al Hilal	36	4.0	12.4	51.7	0.1	0.0	26 (26)
Zaman-bank	18	0.2	1.1	15.2	0.1	0.0	27 (27)
Bank of Pakistan	5	(0.1)	(1.5)	(5.6)	0.0	(0.0)	28 (28)
Sector**	25 241	364.2	1.5	4.5	100.0	(3.5)	
Top 6	17 265	(69.8)	(0.4)	3.3	68.4	(25.6)	
Top 15	23 783	321.8	1.4	7.3	94.2	22.6	
Small banks***	1 458	42.4	3.0	25.7	5.8	(89.3)	

Liabilities, KZT bn

Bank	Dec 18	MoM	MoM, %	YtD, %	rank*
Halyk	7 643	(286.1)	(3.6)	2.6	1 (1)
Sber	1 718	25.4	1.5	8.7	2 (3)
Forte	1 582	180.8	12.9	20.6	3 (4)
Tsesna	1 497	(44.3)	(2.9)	(22.8)	5 (2)
Kaspi	1 503	19.2	1.3	14.6	4 (5)
BCC	1 409	5.6	0.4	17.2	6 (6)
ATF	1 243	12.0	1.0	9.6	7 (7)
Eurasian	1 022	45.4	4.6	16.8	8 (8)
Zhilstroy	799	99.9	14.3	31.1	9 (9)
Citi	598	65.0	12.2	52.7	10 (11)
Bank RBK	512	40.7	8.6	7.6	11 (10)
Alfabank	406	15.9	4.1	14.9	12 (12)
Altyn Bank	402	54.2	15.6	20.0	13 (14)
Nurbank	372	11.2	3.1	10.6	14 (13)
Home Credit	315	38.1	13.7	71.1	15 (15)
Bank of China	293	11.7	4.2	85.2	16 (16)
ICBC	140	(3.6)	(2.5)	61.9	19 (21)
VTB	141	18.3	14.9	3.3	18 (17)
ExpoCredit	145	2.5	1.8	67.6	17 (22)
Kassa Nova	117	2.4	2.1	16.6	20 (19)
Tengri Bank	107	(1.6)	(1.5)	7.4	21 (20)
Asia Credit	96	(2.8)	(2.8)	(30.1)	22 (18)
Capital Bank	66	8.3	14.3	3.9	23 (23)
KZI	44	5.7	14.8	39.6	24 (24)
Shinhan bank	29	(0.5)	(1.7)	65.2	25 (25)
Al Hilal	20	3.7	23.1	141.2	26 (26)
Zaman-bank	5	0.1	1.3	70.8	27 (27)
Bank of Pakistan	0	(0.1)	(19.4)	(39.2)	28 (28)
Sector**	22 223	327.1	1.5	5.2	
Top 6	15 351	(99.3)	(0.6)	3.8	
Top 15	21 020	282.9	1.4	7.9	
Small banks***	1 204	44.2	3.8	29.5	

Owners' equity, KZT bn

Bank	Dec 18	MoM	MoM, %	YtD, %	rank*
Halyk	1 024	32.6	3.3	(4.1)	1 (1)
Sber	174	1.9	1.1	4.7	6 (4)
Forte	195	0.9	0.5	1.1	5 (3)
Tsesna	215	(15.0)	(6.5)	0.5	2 (2)
Kaspi	198	8.0	4.2	24.8	4 (5)
BCC	108	1.1	1.1	(16.2)	8 (8)
ATF	104	0.5	0.5	9.0	9 (10)
Eurasian	95	3.9	4.3	(9.0)	10 (9)
Zhilstroy	200	10.5	5.6	30.6	3 (6)
Citi	138	(4.3)	(3.0)	1.8	7 (7)
Bank RBK	78	(6.3)	(7.4)	45.7	11 (13)
Alfabank	65	1.7	2.7	11.4	13 (12)
Altyn Bank	41	1.6	4.0	(23.8)	15 (14)
Nurbank	66	0.3	0.4	8.7	12 (11)
Home Credit	63	1.4	2.3	39.8	14 (15)
Bank of China	38	0.4	1.0	20.3	16 (16)
ICBC	23	0.2	1.0	22.9	19 (21)
VTB	21	0.5	2.4	29.3	22 (22)
ExpoCredit	14	(0.8)	(5.4)	26.4	25 (27)
Kassa Nova	15	(0.2)	(1.2)	1.5	24 (24)
Tengri Bank	23	(2.5)	(9.5)	(0.2)	18 (19)
Asia Credit	23	(0.1)	(0.4)	(10.0)	21 (18)
Capital Bank	23	(0.1)	(0.6)	21.7	20 (20)
KZI	27	0.3	1.1	6.7	17 (17)
Shinhan bank	14	0.1	0.4	6.6	26 (25)
Al Hilal	16	0.2	1.4	3.7	23 (23)
Zaman-bank	13	0.1	1.0	1.9	27 (26)
Bank of Pakistan	4	0.0	0.0	(1.7)	28 (28)
Sector**	3 018	37.0	1.2	(0.4)	
Top 6	1 914	29.5	1.6	(0.7)	
Top 15	2 763	38.9	1.4	2.8	
Small banks***	254	(1.8)	(0.7)	10.2	

* rank as of Dec 18 and Dec 17

*16th largest and smaller

** The changes take into account the Qazaq, Astana and Eximbank banks that have been deprived of their licenses and dropped from the banking system

Profit, KZT bn

Bank	YtD	Dec 18	2017	2016
Halyk	284.7	28.4	154.3	123.5
Sber	43.7	1.1	14.7	7.1
Forte	25.1	0.1	19.1	10.2
Tsesna	6.2	(14.9)	47.2	10.5
Kaspi	98.8	6.3	73.1	23.3
BCC	9.6	1.1	30.0	3.1
ATF	10.3	0.4	14.6	3.3
Eurasian	11.4	3.7	4.4	0.0
Zhilstroy	26.5	0.4	25.7	23.6
Citi	31.0	3.2	25.7	28.8
Bank RBK	10.5	(6.4)	(147.0)	5.4
Alfabank	10.0	1.7	6.8	6.8
Altyn Bank	10.5	0.9	9.4	10.2
Nurbank	11.1	7.0	10.5	0.6
Home Credit	24.0	1.4	22.0	17.3
Bank of China	6.7	0.4	4.4	3.9
ICBC	4.3	0.2	2.6	2.4
VTB	4.3	0.5	1.9	(6.3)
ExpoCredit	2.5	(0.1)	1.1	0.9
Kassa Nova	1.4	0.5	0.9	0.0
Tengri Bank	1.7	(0.5)	1.1	0.5
Asia Credit	(2.0)	(0.2)	1.8	1.8
Capital Bank	1.5	(0.1)	0.2	0.6
KZI	2.5	0.3	2.2	2.4
Shinhan bank	0.9	0.0	0.2	0.5
Al Hilal	0.8	(0.2)	0.8	1.5
Zaman-bank	0.3	0.1	0.7	0.6
Bank of Pakistan	(0.1)	0.0	(0.5)	0.0
Sector**	638.4	35.1	(62.3)	395.6
Top 6	468.2	22.0	338.5	177.7
Top 15	613.4	34.2	310.5	273.7
Small banks ^{1**}	25.0	0.9	17.4	8.9

ROAA, %

Annualized ratio	ROAA 2017	ROAA 2016	
Halyk	3.3	2.3	2.8
Sber	2.4	0.9	0.4
Forte	1.5	1.4	0.9
Tsesna	0.3	2.2	0.5
Kaspi	6.2	5.5	1.9
BCC	0.7	2.2	0.2
ATF	0.8	1.1	0.3
Eurasian	1.1	0.9	---
Zhilstroy	3.0	3.7	4.3
Citi	4.9	4.6	5.6
Bank RBK	1.9	---	0.6
Alfabank	2.3	1.7	2.0
Altyn Bank	2.5	2.5	3.0
Nurbank	2.6	2.6	0.2
Home Credit	7.9	11.8	13.2
Bank of China	2.6	2.2	2.2
ICBC	3.2	3.3	3.1
VTB	2.7	1.1	---
ExpoCredit	1.9	1.7	2.4
Kassa Nova	1.2	0.9	0.0
Tengri Bank	1.3	1.1	0.8
Asia Credit	---	0.9	0.7
Capital Bank	1.7	0.3	0.6
KZI	4.0	3.7	4.1
Shinhan bank	2.5	0.7	2.3
Al Hilal	2.7	3.7	6.1
Zaman-bank	1.7	5.0	4.4
Bank of Pakistan	---	---	0.5
Sector**	2.6	---	1.6
Top 6	2.8	2.3	1.5
Top 15	2.7	1.6	1.7
Small banks ^{1**}	1.9	1.5	0.8

ROAE, %

Annualized ratio	ROAE 2017	ROAE 2016	
Halyk	27.2	18.3	22.3
Sber	25.6	9.4	4.9
Forte	13.0	10.4	14.0
Tsesna	2.9	25.0	7.3
Kaspi	55.3	51.7	20.6
BCC	8.2	26.4	3.3
ATF	10.3	16.6	4.1
Eurasian	11.5	8.4	---
Zhilstroy	15.0	18.8	20.8
Citi	22.7	20.0	26.1
Bank RBK	15.9	---	7.6
Alfabank	16.2	12.2	13.6
Altyn Bank	22.1	19.1	26.0
Nurbank	17.5	19.4	1.2
Home Credit	44.3	54.1	50.9
Bank of China	19.1	15.0	15.2
ICBC	20.5	14.4	15.2
VTB	23.1	12.2	---
ExpoCredit	20.4	9.9	7.5
Kassa Nova	9.7	6.7	0.2
Tengri Bank	7.3	4.7	2.2
Asia Credit	---	7.3	7.8
Capital Bank	7.1	1.2	3.7
KZI	9.6	8.8	10.7
Shinhan bank	6.9	1.5	3.9
Al Hilal	5.2	5.5	10.8
Zaman-bank	2.2	6.1	5.5
Bank of Pakistan	---	---	0.6
Sector**	21.1	---	15.0
Top 6	24.4	20.8	6.5
Top 15	22.5	13.5	8.3
Small banks ^{1**}	10.3	7.8	4.2

¹16th largest and smaller

** The changes take into account the Qazaq, Astana and Eximbank banks that have been deprived of their licenses and dropped from the banking system

Net loans, KZT bn

Bank	Dec 18	MoM	MoM, %	YtD, %	Share, %	rank*
Halyk	3 375.4	27.6	0.8	8.1	28.2	1 (1)
Sber	1 108.0	35.7	3.3	10.9	9.2	2 (3)
Forte	672.6	88.5	15.1	22.6	5.6	7 (8)
Tsesna	1 097.9	(15.3)	(1.4)	(28.7)	9.2	3 (2)
Kaspi	1 030.5	19.6	1.9	21.3	8.6	4 (4)
BCC	980.6	47.7	5.1	21.3	8.2	5 (5)
ATF	707.6	13.2	1.9	14.4	5.9	6 (6)
Eurasian	566.5	(10.3)	(1.8)	(0.1)	4.7	9 (7)
Zhilstroy	668.8	21.5	3.3	44.2	5.6	8 (9)
Citi	117.9	23.6	25.1	34.1	1.0	15 (16)
Bank RBK	222.3	34.4	18.3	9.5	1.9	12 (10)
Alfabank	253.2	21.9	9.5	40.5	2.1	11 (13)
Altyn Bank	153.3	16.2	11.8	32.9	1.3	14 (14)
Nurbank	212.1	13.2	6.6	12.0	1.8	13 (11)
Home Credit	274.9	11.7	4.5	46.1	2.3	10 (12)
Bank of China	15.5	0.3	2.2	27.9	0.1	23 (23)
ICBC	61.0	1.9	3.2	141.0	0.5	19 (22)
VTB	91.9	7.7	9.1	22.8	0.8	17 (18)
ExpoCredit	10.4	9.0	647.2	16 210.0	0.1	25 (28)
Kassa Nova	73.6	2.1	2.9	5.5	0.6	18 (19)
Tengri Bank	95.3	0.9	1.0	14.9	0.8	16 (17)
Asia Credit	57.2	(5.1)	(8.2)	(39.7)	0.5	21 (15)
Capital Bank	58.8	(0.1)	(0.1)	21.2	0.5	20 (20)
KZI	46.3	2.1	4.7	13.5	0.4	22 (21)
Shinhan bank	9.9	0.3	3.1	(10.1)	0.1	26 (24)
Al Hilal	8.8	0.1	0.7	27.4	0.1	27 (26)
Zaman-bank	11.9	0.5	4.2	9.6	0.1	24 (25)
Bank of Pakistan	3.5	(0.1)	(1.5)	(6.1)	0.0	28 (27)
Sector **	11 986.2	368.9	3.2	4.6	100.0	
Top 6	8 265.1	203.9	2.5	5.0	69.0	
Top 15	11 441.7	349.3	3.1	9.1	95.5	
Small banks ^{1**}	544.4	19.6	3.7	13.0	4.5	

Gross loans, KZT bn

Bank	Dec 18	MoM	MoM, %	YtD, %
Halyk	3 954.8	(72.4)	(1.8)	(7.0)
Sber	1 266.9	36.6	3.0	9.8
Forte	728.8	91.0	14.3	25.3
Tsesna	1 406.7	14.4	1.0	(17.4)
Kaspi	1 151.3	1.9	0.2	22.5
BCC	1 084.2	51.6	5.0	17.7
ATF	922.9	20.7	2.3	14.5
Eurasian	655.3	(11.2)	(1.7)	4.2
Zhilstroy	670.5	21.5	3.3	44.1
Citi	117.9	23.7	25.1	34.2
Bank RBK	268.6	32.2	13.6	(4.2)
Alfabank	266.7	20.2	8.2	39.5
Altyn Bank	155.8	16.5	11.9	32.6
Nurbank	239.6	20.8	9.5	11.6
Home Credit	286.5	12.0	4.4	46.8
Bank of China	16.3	0.3	2.0	28.3
ICBC	61.0	1.9	3.2	141.0
VTB	103.1	7.9	8.3	23.3
ExpoCredit	10.4	9.0	647.0	16 210.6
Kassa Nova	75.7	2.5	3.4	6.0
Tengri Bank	102.9	2.4	2.4	20.1
Asia Credit	65.9	(5.1)	(7.1)	(34.6)
Capital Bank	65.6	(0.1)	(0.2)	18.4
KZI	48.6	2.4	5.2	15.7
Shinhan bank	10.2	0.3	3.1	(11.0)
Al Hilal	8.9	0.1	0.6	27.9
Zaman-bank	13.7	0.4	3.4	9.1
Bank of Pakistan	3.9	(0.1)	(1.5)	(6.1)
Sector **	13 762.7	301.3	2.2	1.3
Top 6	9 592.6	123.0	1.3	0.4
Top 15	13 176.5	279.4	2.2	5.1
Small banks ^{1**}	586.2	22.0	3.9	14.5

* rank as of Dec 18 and Dec 17

¹16th largest and smaller

** The changes take into account the Qazaq, Astana and Eximbank banks that have been deprived of their licenses and dropped from the banking system

Specific IFRS provisions, KZT bn

Bank	Dec 18	MoM	MoM, %	YtD, %	% of gross loans	Δ MoM % of gross loans, ppts
Halyk	579.3	(100.0)	(14.7)	(48.6)	14.6	(2.2)
Sber	158.9	0.9	0.6	2.6	12.5	(0.3)
Forte	56.2	2.5	4.7	70.3	7.7	(0.7)
Tsesna	308.8	29.7	10.6	88.5	22.0	1.9
Kaspi	120.8	(17.7)	(12.8)	34.0	10.5	(1.6)
BCC	103.6	3.8	3.8	(8.4)	9.6	(0.1)
ATF	215.3	7.5	3.6	14.9	23.3	0.3
Eurasian	88.7	(1.0)	(1.1)	43.5	13.5	0.1
Zhilstroy	1.7	(0.0)	(0.7)	19.7	0.3	(0.0)
Citi	0.1	0.0	35.8	..	0.1	0.0
Bank RBK	46.3	(2.2)	(4.5)	(40.1)	17.2	(3.3)
Alfabank	13.5	(1.7)	(11.0)	22.5	5.1	(1.1)
Altyn Bank	2.6	0.4	18.3	17.5	1.6	0.1
Nurbank	27.5	7.6	38.2	9.3	11.5	2.4
Home Credit	11.6	0.3	2.3	64.7	4.0	(0.1)
Bank of China	0.7	(0.0)	(1.7)	36.4	4.5	(0.2)
ICBC	0.0	(0.0)	(18.0)	..	0.0	(0.0)
VTB	11.2	0.2	1.7	27.6	10.9	(0.7)
ExpoCredit	0.0	(0.0)	(1.3)	..	0.0	(0.0)
Kassa Nova	2.1	0.4	25.9	27.7	2.7	0.5
Tengri Bank	7.5	1.5	24.5	179.0	7.3	1.3
Asia Credit	8.7	0.1	0.7	47.8	13.2	1.0
Capital Bank	6.8	(0.0)	(0.7)	(1.0)	10.4	(0.1)
KZI	2.2	0.3	16.6	97.6	4.6	0.4
Shinhan bank	0.2	0.0	0.2	(37.4)	2.5	(0.1)
Al Hilal	0.1	(0.0)	(7.7)	77.6	1.3	(0.1)
Zaman-bank	1.8	(0.0)	(1.8)	5.8	13.3	(0.7)
Bank of Pakistan	0.4	(0.0)	(1.7)	(5.3)	9.5	(0.0)
Sector **	1 776.6	(67.6)	(3.7)	(16.5)	12.9	(0.8)
Top 6	1 327.6	(80.9)	(5.7)	(21.1)	13.8	(1.0)
Top 15	1 734.8	(70.0)	(3.9)	(15.6)	13.2	(0.8)
Small banks**	41.8	2.4	6.0	38.9	7.1	0.1

90+ days overdues, KZT bn

Bank	Dec 18	MoM	MoM, %	YtD, %	% of gross loans	Δ MoM % of gross loans, ppts	rank*
Halyk	359.9	(64.9)	(15.3)	(46.6)	9.1	(1.4)	5 (2)
Sber	71.0	1.3	1.9	1.0	5.6	(0.1)	14 (15)
Forte	48.3	(0.4)	(0.9)	14.7	6.6	(1.0)	12 (11)
Tsesna	123.9	30.5	32.6	64.1	8.8	2.1	7 (18)
Kaspi	93.7	1.0	1.0	25.2	8.1	0.1	8 (6)
BCC	69.4	(2.4)	(3.3)	(4.8)	6.4	(0.6)	13 (8)
ATF	85.3	(0.4)	(0.5)	8.5	9.2	(0.3)	4 (3)
Eurasian	58.5	(0.2)	(0.3)	(3.5)	8.9	0.1	6 (5)
Zhilstroy	1.2	0.0	3.0	(5.9)	0.2	(0.0)	24 (24)
Citi	..	..	..	..	..	..	25 (25)
Bank RBK	32.8	(8.4)	(20.3)	21.0	12.2	(5.2)	2 (4)
Alfabank	13.1	(2.7)	(16.9)	(1.1)	4.9	(1.5)	16 (13)
Altyn Bank	0.7	0.0	2.4	(63.3)	0.5	(0.0)	23 (21)
Nurbank	18.3	(0.1)	(0.5)	24.6	7.6	(0.8)	10 (14)
Home Credit	9.6	0.2	1.9	61.6	3.4	(0.1)	20 (19)
Bank of China	0.8	(0.0)	(0.4)	(0.7)	4.7	(0.1)	17 (16)
ICBC	..	..	..	..	..	..	25 (25)
VTB	7.7	(0.1)	(1.3)	15.7	7.4	(0.7)	11 (7)
ExpoCredit	..	..	..	..	..	..	25 (25)
Kassa Nova	3.9	(0.4)	(9.2)	(21.3)	5.2	(0.7)	15 (12)
Tengri Bank	2.4	(0.1)	(2.9)	100.0	2.4	(0.1)	22 (22)
Asia Credit	6.2	(0.2)	(2.8)	(18.5)	9.5	0.4	3 (9)
Capital Bank	5.3	(0.1)	(1.5)	31.0	8.1	(0.1)	9 (10)
KZI	2.2	0.7	49.4	73.6	4.5	1.3	19 (20)
Shinhan bank	0.3	0.0	7.2	(41.4)	3.1	0.1	21 (17)
Al Hilal	0.0	0.0	..	..	0.0	0.0	25 (25)
Zaman-bank	0.6	0.2	..	..	4.5	1.1	18 (23)
Bank of Pakistan	1.2	(0.0)	(0.3)	(15.1)	30.3	0.4	1 (1)
Sector **	1 016.3	(46.4)	(4.4)	(19.7)	7.4	(0.5)	
Top 6	766.2	(35.0)	(4.4)	(24.1)	8.0	(0.5)	
Top 15	985.7	(46.5)	(4.5)	(18.7)	7.5	(0.5)	
Small banks**	30.6	0.1	0.2	7.2	5.2	(0.2)	

** The changes take into account the Qazaq and Eximbank banks that have been deprived of their licenses and dropped from the banking system

Deposits, KZT bn

Bank	Dec 18	MoM	MoM, %	YtD, %	Share, %	Δ YtD market share, % ppts	rank*
Halyk	6 519	(293.8)	(4.3)	5.2	38.2	(0.1)	1 (1)
Sber	1 423	4.5	0.3	10.1	8.4	0.4	2 (3)
Forte	1 059	97.5	10.1	2.2	6.2	(0.2)	4 (4)
Tsesna	700	(133.0)	(16.0)	(55.1)	4.1	(5.5)	8 (2)
Kaspi	1 221	87.9	7.8	23.3	7.2	1.0	3 (5)
BCC	1 051	(20.6)	(1.9)	11.2	6.2	0.3	5 (6)
ATF	907	(9.8)	(1.1)	10.6	5.3	0.2	6 (7)
Eurasian	747	81.4	12.2	11.1	4.4	0.2	7 (8)
Zhilstroy	664	52.4	8.6	26.6	3.9	0.6	9 (9)
Citi	545	52.3	10.6	60.5	3.2	1.1	10 (10)
Bank RBK	261	40.8	18.5	21.1	1.5	0.2	14 (13)
Alfabank	287	22.3	8.4	10.7	1.7	0.1	13 (12)
Altyn Bank	337	49.9	17.4	7.5	2.0	0.0	11 (11)
Nurbank	220	21.7	10.9	9.2	1.3	0.0	15 (14)
Home Credit	130	3.7	2.9	48.0	0.8	0.2	18 (16)
Bank of China	290	11.9	4.3	92.6	1.7	0.8	12 (15)
ICBC	134	(3.1)	(2.3)	63.1	0.8	0.3	17 (19)
VTB	86	14.6	20.7	8.0	0.5	0.0	20 (21)
ExpoCredit	143	1.8	1.2	66.4	0.8	0.3	16 (17)
Kassa Nova	100	1.4	1.4	15.9	0.6	0.1	19 (18)
Tengri Bank	74	(3.1)	(4.0)	5.6	0.4	0.0	21 (22)
Asia Credit	50	0.1	0.3	(38.4)	0.3	(0.2)	22 (20)
Capital Bank	27	(0.7)	(2.4)	(3.5)	0.2	(0.0)	24 (23)
KZI	30	1.9	6.9	41.8	0.2	0.0	23 (24)
Shinhan bank	20	(2.0)	(9.2)	69.8	0.1	0.0	25 (25)
Al Hilal	18	7.7	78.4	220.6	0.1	0.1	26 (26)
Zaman-bank	1	(0.6)	(52.7)	55.9	0.0	0.0	27 (28)
Bank of Pakistan	0	(0.1)	(20.4)	(46.6)	0.0	(0.0)	28 (27)
Sector **	17 043	87.2	0.5	2.2	100.0	(3.2)	
Top 6	11 973	(257.5)	(2.1)	(0.4)	70.3	(4.1)	
Top 15	16 071	57.3	0.4	4.0	94.3	(1.4)	
Small banks***	972	30.0	3.2	38.3	5.7	1.4	

Retail deposits, KZT bn

Bank	Dec 18	MoM	MoM, %	YtD, %	Share, %	Δ YtD market share, % ppts	rank*
Halyk	3 320	84.7	2.6	9.5	37.9	0.4	1 (1)
Sber	764	27.9	3.8	9.2	8.7	0.1	3 (3)
Forte	520	28.0	5.7	13.0	5.9	0.2	6 (7)
Tsesna	380	(17.2)	(4.3)	(45.1)	4.3	(4.2)	8 (4)
Kaspi	1 136	77.6	7.3	30.9	12.9	2.2	2 (2)
BCC	594	26.3	4.6	14.6	6.8	0.4	5 (6)
ATF	362	2.8	0.8	1.9	4.1	(0.3)	9 (9)
Eurasian	398	13.3	3.5	11.6	4.5	0.1	7 (8)
Zhilstroy	638	41.4	6.9	21.5	7.3	0.8	4 (5)
Citi	6	1.1	23.8	5.4	0.1	(0.0)	20 (20)
Bank RBK	146	7.6	5.5	23.6	1.7	0.2	10 (10)
Alfabank	98	7.9	8.8	16.8	1.1	0.1	12 (13)
Altyn Bank	90	9.0	11.2	4.7	1.0	(0.0)	13 (12)
Nurbank	106	(2.1)	(2.0)	2.8	1.2	(0.1)	11 (11)
Home Credit	68	(1.4)	(2.1)	27.0	0.8	0.1	14 (14)
Bank of China	2	(0.5)	(18.3)	3.6	0.0	(0.0)	24 (24)
ICBC	5	0.3	7.0	9.7	0.1	0.0	22 (22)
VTB	22	4.7	28.0	(22.0)	0.2	(0.1)	18 (16)
ExpoCredit	0	(0.0)	(8.2)	11.3	0.0	0.0	27 (28)
Kassa Nova	34	2.6	8.2	76.1	0.4	0.1	16 (17)
Tengri Bank	32	1.0	3.0	135.3	0.4	0.2	17 (18)
Asia Credit	35	(0.3)	(0.8)	(25.5)	0.4	(0.2)	15 (15)
Capital Bank	7	0.5	8.6	(29.7)	0.1	(0.0)	19 (19)
KZI	6	0.3	5.8	17.3	0.1	0.0	21 (21)
Shinhan bank	3	0.5	19.9	29.3	0.0	0.0	23 (23)
Al Hilal	1	(0.5)	(41.2)	126.1	0.0	0.0	25 (25)
Zaman-bank	0	(0.0)	(14.3)	(50.1)	0.0	(0.0)	28 (27)
Bank of Pakistan	0	(0.0)	(3.3)	(44.5)	0.0	(0.0)	26 (26)
Sector **	8 771	315.5	3.7	6.6	100.0	(1.7)	
Top 6	6 714	227.3	3.5	7.1	76.5	(1.0)	
Top 15	8 624	306.8	3.7	8.4	98.3	(0.0)	
Small banks***	147	8.7	6.3	11.1	1.7	0.0	

Corporate deposits, KZT bn

Bank	Dec 18	MoM	MoM, %	YtD, %	Share, %	rank*
Halyk	3 199	(378.5)	(10.6)	1.1	38.7	1 (1)
Sber	659	(23.4)	(3.4)	11.2	8.0	2 (3)
Forte	539	69.5	14.8	(6.5)	6.5	4 (4)
Tsesna	320	(115.8)	(26.6)	(63.1)	3.9	8 (2)
Kaspi	86	10.3	13.7	(30.4)	1.0	16 (12)
BCC	457	(46.9)	(9.3)	7.1	5.5	6 (6)
ATF	546	(12.6)	(2.3)	17.3	6.6	3 (5)
Eurasian	349	68.2	24.3	10.4	4.2	7 (8)
Zhilstroy	26	11.0	71.2	-	0.3	21 (28)
Citi	539	51.2	10.5	61.4	6.5	5 (7)
Bank RBK	115	33.2	40.7	18.1	1.4	14 (14)
Alfabank	189	14.4	8.3	7.8	2.3	11 (10)
Altyn Bank	248	40.9	19.8	8.6	3.0	10 (9)
Nurbank	114	23.8	26.3	15.8	1.4	15 (13)
Home Credit	62	5.1	9.0	80.8	0.7	19 (21)
Bank of China	288	12.4	4.5	93.9	3.5	9 (11)
ICBC	129	(3.4)	(2.6)	66.4	1.6	13 (16)
VTB	64	9.9	18.3	24.2	0.8	18 (19)
ExpoCredit	143	1.8	1.2	66.4	1.7	12 (15)
Kassa Nova	66	(1.2)	(1.8)	(1.4)	0.8	17 (17)
Tengri Bank	42	(4.1)	(8.9)	(26.0)	0.5	20 (18)
Asia Credit	15	0.4	2.8	(55.9)	0.2	26 (20)
Capital Bank	20	(1.2)	(5.7)	10.5	0.2	23 (22)
KZI	24	1.6	7.1	49.3	0.3	22 (23)
Shinhan bank	17	(2.6)	(13.2)	80.6	0.2	25 (24)
Al Hilal	17	8.2	96.2	226.7	0.2	24 (25)
Zaman-bank	1	(0.6)	(53.1)	63.1	0.0	27 (26)
Bank of Pakistan	0	(0.1)	(41.7)	(50.5)	0.0	28 (27)
Sector **	8 272	(228.3)	(2.7)	(2.1)	100.0	
Top 6	5 260	(484.8)	(8.4)	(8.5)	63.6	
Top 15	7 447	(249.5)	(3.2)	(0.7)	90.0	
Small banks***	825	21.3	2.6	44.7	10.0	

**including ENPF deposits

* rank as of Dec 18 and Dec 17

**16th largest and smaller

** The changes take into account the Qazaq, Astana and Eximbank banks that have been deprived of their licenses and dropped from the banking system

Long- term and short-term deposits of UAPF*

Bonds in UAPF

Funding from UAPF

Bank	Dec 18			Nov 18			Dec 17			Dec 18	Nov 18	Dec 17	Dec 18	Nov 18	Dec 17
	Dec 18	Nov 18	Dec 17	Dec 18	Nov 18	Dec 17	Dec 18	Nov 18	Dec 17						
Halyk	67	70	83	8	5	0	561	558	583	635	633	667			
Sber	51	51	51	0	0	0	39	40	38	90	91	89			
Forte	41	41	21	0	0	0	75	75	118	116	116	139			
Tsesna	0	0		0	0		64	84	81	64	84	81			
Kaspi	20	20	3	0	0	0	190	183	56	211	203	59			
BCC	0	1	41	1	0	0	76	68	75	77	69	116			
ATF	21	20	20	0	0	0	118	118	186	139	139	206			
Eurasian	48	48		0	0		45	45	46	93	93	46			
Zhilstroy	0	0	48	0	0	0	0	0	25	0	0	73			
Citi	0	0		0	0		0	0	0	0	0	0			
Bank RBK	3	3		0	0		46	46	0	50	50	0			
Alfabank	3	3	10	0	0	0	0	0	0	3	3	10			
Altyn Bank			7			0	0	0	0	0	0	7			
Nurbank	0	3	12	5	2	0	25	15	15	30	21	26			
Home Credit	0	0	7	0	0	0	18	5	14	18	5	21			
Bank of China	0	0		0	0		0	0	0	0	0	0			
ICBC	0	0	1	0	0	0	0	0	13	0	0	14			
VTB	0	0		2	2		0	0	5	2	2	5			
ExpoCredit			8			0	0	0	0	0	0	8			
Kassa Nova	0	0	4	0	0	0	0	0	0	0	0	4			
Tengri Bank	0	6	2	5	0	0	0	0	0	5	6	2			
Asia Credit	0	1	4	2	2	0	14	14	0	16	17	4			
Capital Bank	0	0	0	0	0	0	0	0	0	0	0	0			
KZI	0	0	0	0	0	0	0	0	0	0	0	0			
Shinhan bank	0	0	0	0	0	0	0	0	0	0	0	0			
Al Hilal	0	0	0	0	0	0	0	0	0	0	0	0			
Zaman-bank			0			0	0	0	0	0	0	0			
Bank of Pakistan	0	0	0	0	0	0	0	0	0	0	0	0			
Sector	255	268	326	23	11	0	1 271	1 252	1 258	1 549	1 531	1 584			
Top 6	180	183	199	8	5	0	1 005	1 009	951	1 193	1 197	1 151			
Top 15	255	261	304	13	7	0	1 257	1 238	1 237	1 525	1 507	1 541			
Small banks'	0	7	18	9	4	0	14	14	18	23	24	36			

* UAPF - Unified Accumulative Pension Fund

Capital adequacy and liquidity ratios

	κ1-1 Dec 18	κ1-1 Dec 17	κ2 Dec 18	κ2 Dec 17	κ4 Dec 18	κ4 Dec 17	κ4-1 Dec 18	κ4-1 Dec 17	Meets requirem ents
Halyk	0.20	0.22	0.22	0.21	1.56	1.44	5.66	3.19	Yes
Sber	0.12	0.12	0.12	0.13	1.04	1.33	8.00	26.40	No
Forte	0.16	0.19	0.18	0.21	1.54	2.31	4.62	8.47	Yes
Tsesna	0.13	0.11	0.20	0.16	2.31	1.00	0.92	3.14	No
Kaspi	0.11	0.11	0.15	0.17	2.71	4.72	3.66	7.46	Yes
BCC	0.09	0.10	0.17	0.21	0.88	1.12	8.57	11.91	Yes
ATF	0.09	0.09	0.21	0.26	0.94	0.86	7.44	18.28	Yes
Eurasian	0.10	0.11	0.24	0.15	2.15	1.59	11.90	16.79	Yes
Zhilstroy	0.55	0.57	0.55	0.57	5.03	21.04	3.06	3.58	Yes
Citi	0.59	0.84	0.58	0.83	1.15	1.19	35.76	26.84	Yes
Bank RBK	0.17	0.13	0.74	0.65	7.39	0.54	4.33	1.15	Yes
Alfabank	0.15	0.18	0.15	0.18	1.08	1.39	2.99	3.32	Yes
Altyn Bank	0.17	0.28	0.17	0.28	0.83	1.10	14.82	22.52	Yes
Nurbank	0.14	0.16	0.13	0.12	0.63	0.55	1.59	2.84	Yes
Home Credit	0.13	0.13	0.13	0.13	13.04	5.07	12.01	2.12	Yes
Bank of China	0.92	1.20	0.92	1.20	1.28	1.24	30.07	51.91	Yes
ICBC	1.45	0.61	1.45	0.59	0.92	0.94	17.79	16.35	Yes
VTB	0.14	0.13	0.21	0.24	0.92	1.54	18.23	31.89	Yes
ExpoCredit	0.58	1.55	0.58	1.55	5.28	1.11	8.70	18.77	Yes
Kassa Nova	0.14	0.15	0.18	0.19	2.75	2.07	40.89	38.46	Yes
Tengri Bank	0.14	0.16	0.14	0.16	0.62	0.51	1.43	3.40	Yes
Asia Credit	0.20	0.17	0.20	0.17	0.89	0.95	15.20	9	Yes
Capital Bank	0.25	0.20	0.25	0.19	0.31	1.24	3	3.66	Yes
KZI	0.36	0.44	0.36	0.44	1.17	1.35	9.77	93.03	Yes
Shinhan bank	1.00	1.02	1.00	1.02	3.16	2.98	9	4.77	Yes
Al Hilal	1.16	0.93	1.16	0.93	1.30	1.88	0.00	0.00	Yes
Zaman-bank	0.65	0.75	0.65	0.75	1.54	1.03	2.76	32.86	Yes
Bank of Pakistan	1.01	0.95	1.01	0.95	2.05	1.65	3 099.13	85.77	Yes

Capital adequacy (k1) - min 7.5%

Capital adequacy (k2) - min 10%

Current liquidity ratio (k4) - 0.3

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