



HALYK GROUP FINANCIAL RESULTS PRESENTATION 12M & 4Q 2019

(Moody's – Ba1 / Fitch – BB+ / S&P – BB)

March 13, 2020

Certain information contained in this presentation may include forward-looking statements. Such forward-looking statements are not guarantees of future performance. These statements are based on management’s current expectations or beliefs as of the date of this presentation and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The Bank disclaims any intention or obligation to publicly update or revise any forward-looking statements.

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Basis of calculation:

- all figures in this presentation are based on IFRS audited financial statements or financial statements reviewed by auditors, unless stated otherwise;



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Strategic office,
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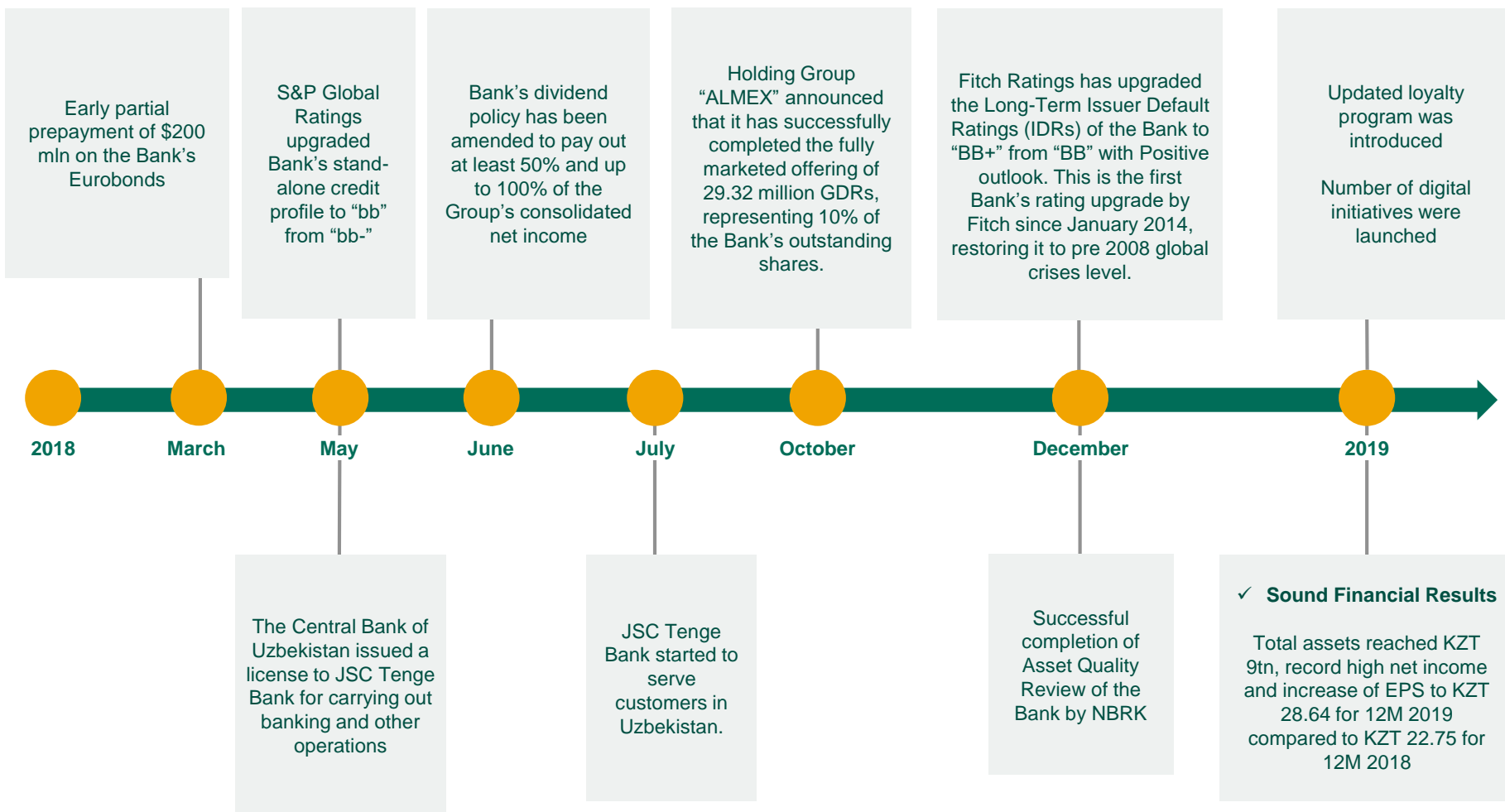


Almas Makhanov
Chief Risk Officer and
Compliance Controller

1. Halyk Group financial results for 12M 2019 & 4Q 2019
2. Digital and transactional banking update
3. Kazakhstan: Economic and Banking Sector Update
4. Q&A

Appendix

Key milestones of 2019



One

Halyk Group financial results for 12M 2019 & 4Q 2019

12M 2019 & 4Q 2019 Performance Highlights



KZT bn	12M 2019	12M 2018	Y-o-Y, %	4Q 2019	3Q 2019	Q-o-Q, %	4Q 2018	Y-o-Y, %
Net income ⁽¹⁾	334.5	254.2	31.6%	83.1	87.2	(4.6%)	90.3	(7.9%)
Net interest income ⁽²⁾	398.0	348.3	14.3%	105.6	102.1	3.4%	99.0	6.6%
Fee and commission income	123.3	113.2	8.8%	33.5	32.1	4.2%	29.5	13.4%
RoAE, p.a.	28.8%	27.9%		26.3%	29.6%		35.5%	
RoAA, p.a.	3.7%	3.0%		3.6%	3.9%		4.1%	
Cost of risk ⁽³⁾ , p.a.	0.7%	0.5%		1.1%	0.8%		(0.6%)	
NIM ⁽⁴⁾ , p.a.	5.3%	5.1%		5.4%	5.4%		5.6%	

⁽¹⁾ attributable to common shareholders.

⁽²⁾ before credit loss expense.

⁽³⁾ credit loss expense on loans to customers / monthly average balances of gross loans to customers, on consolidated IFRS basis.

⁽⁴⁾ net interest income / average interest earning assets (monthly average balances of cash and cash equivalents (less cash on hand, correspondent and current accounts with the NBK), financial assets at fair value through profit or loss (less derivative financial instruments), amounts due from credit institutions, financial assets at fair value through other comprehensive income, debt securities at amortized cost, net of allowances for expected credit losses, net loans to customers), on consolidated IFRS basis.

12M 2019 & 4Q 2019 Performance Highlights



KZT bn	01.01.2020	01.01.2019	YTD, %	01.10.2019	Q-o-Q, %
Total assets	9,235	8,959	3.1%	8,992	2.7%
Cash and cash equivalents	1,664	1,755	(5.2%)	1,733	(4.0%)
Securities ⁽¹⁾	3,029	3,009	0.7%	2,963	2.2%
Gross loans	4,161	3,891	6.9%	3,991	4.3%
Net loans	3,752	3,481	7.8%	3,567	5.2%
Total deposits	6,406	6,527	(1.8%)	6,191	3.5%
Total liabilities	7,928	7,893	0.4%	7,766	2.1%
Total equity	1,307	1,066	22.7%	1,227	6.5%
Provisions / gross loans	9.8%	10.5%		10.6%	
Loans / deposits ratio ⁽²⁾	55.5%	53.9%		55.3%	
Liquid assets / total assets ⁽³⁾	44.3%	48.3%		45.6%	
NPLs 90 days+ / gross loans ⁽⁴⁾	6.9%	8.5%		8.2%	

⁽¹⁾ financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, debt securities at amortized cost, net of allowances for expected credit losses, on consolidated IFRS basis.

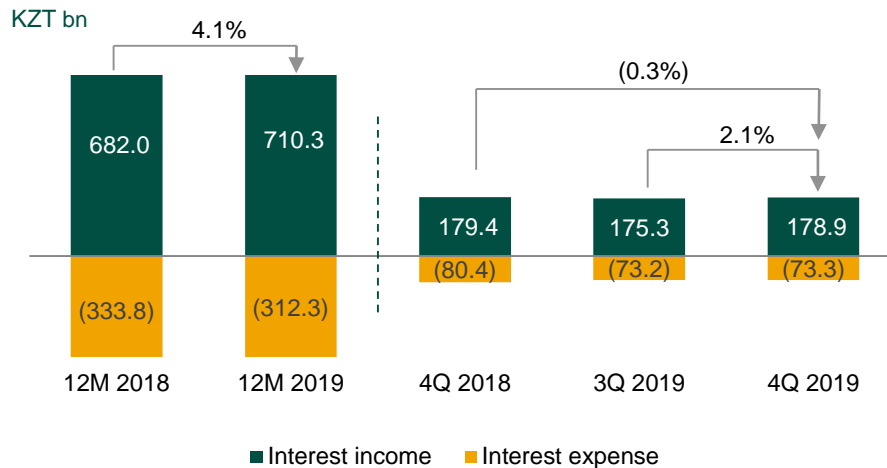
⁽²⁾ average annual balance of net loans to customers / average annual balance of amounts due to customers, on consolidated IFRS basis.

⁽³⁾ cash and cash equivalents, the NBK notes, Treasury bills of the Ministry of Finance of Kazakhstan, Treasury bills of governments of other countries, Notes of national banks of other countries, Bonds of quasi-sovereign banks) / total assets, on consolidated IFRS basis.

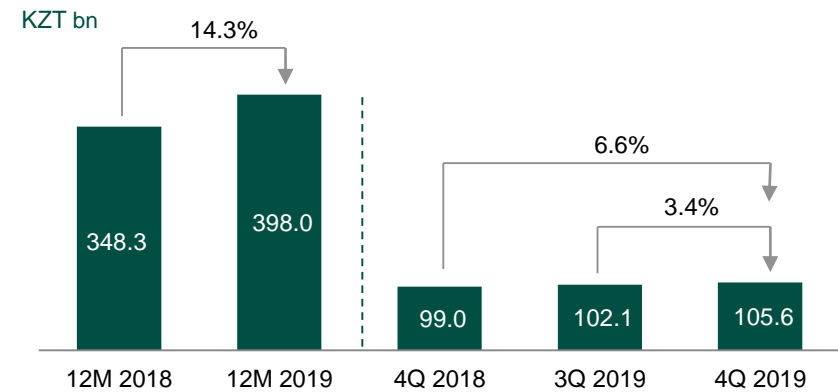
⁽⁴⁾ total NPLs 90 days+ (total principal amount of loans and accrued interest with principal and/or interest overdue by more than 90 days) / gross loan portfolio, unconsolidated (Bank only), IFRS). KKB's NPLs 90+ and total loans are accounted at fair value, i.e. net of provisions created before 4 July 2017.

Interest Income

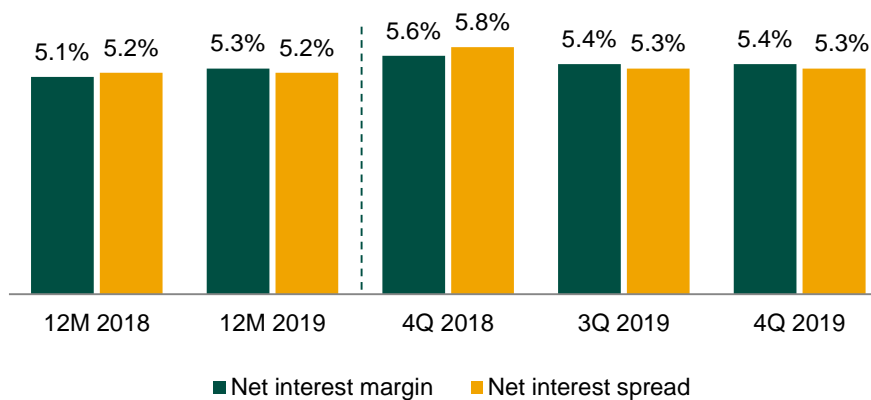
Interest Income and Interest Expense



Net Interest Income ⁽¹⁾



Net Interest Margin ⁽²⁾ and Net Interest Spread ^{(2),(3)}



Comment

- Net interest margin increased to 5.3% p.a. for 12M 2019 compared to 5.1% p.a. for 12M 2018 as a result of increase in net interest income and due to increase in the share of placement of interest-bearing liabilities into interest-earning assets and improved assets structure.

⁽¹⁾ before credit loss expense.

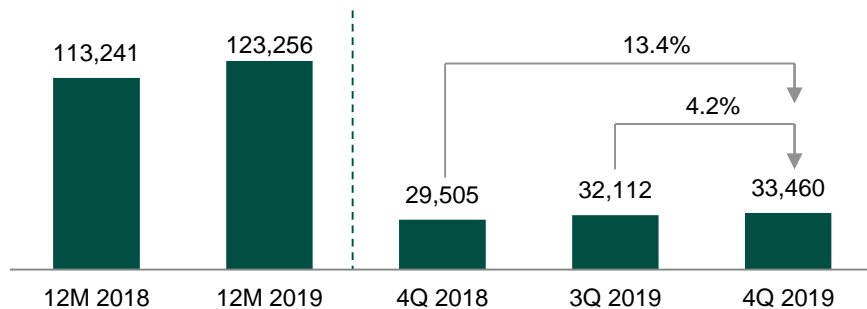
⁽²⁾ net interest income / average interest earning assets (monthly average balances of cash and cash equivalents (less cash on hand, correspondent and current accounts with the NBK), financial assets at fair value through profit or loss (less derivative financial instruments), amounts due from credit institutions, financial assets at fair value through other comprehensive income, debt securities at amortized cost, net of allowances for expected credit losses, net loans to customers), on consolidated IFRS basis. Due to change in representation policy Net interest margin and Net interest spread are recalculated for all shown periods.

⁽³⁾ average interest rate on interest earning assets, less average interest rate on average interest bearing liabilities, on consolidated IFRS basis.

Fee and Commission Income

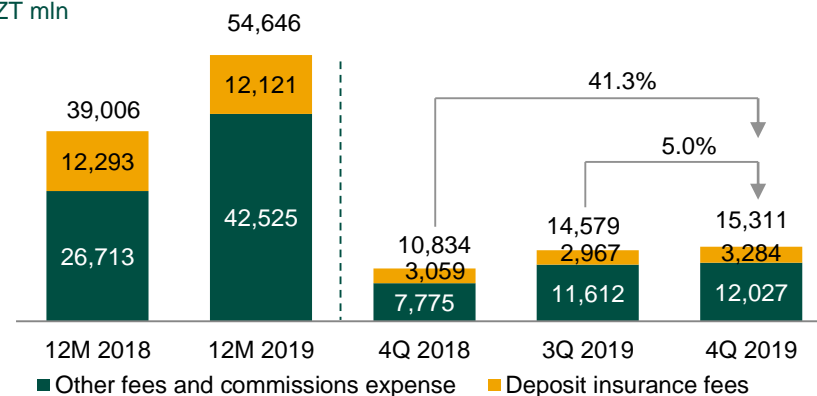
Fee and Commission Income

KZT mln



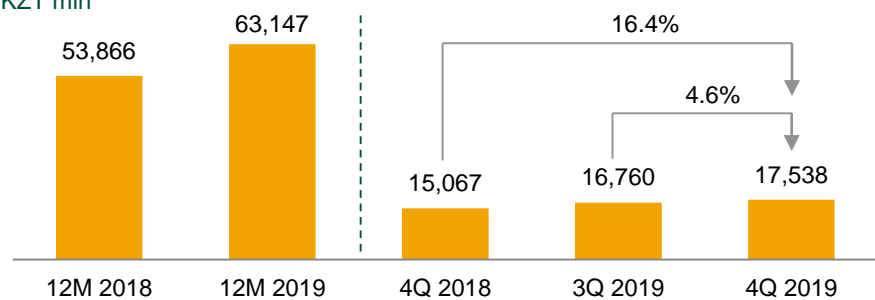
Fee and Commission Expense

KZT mln

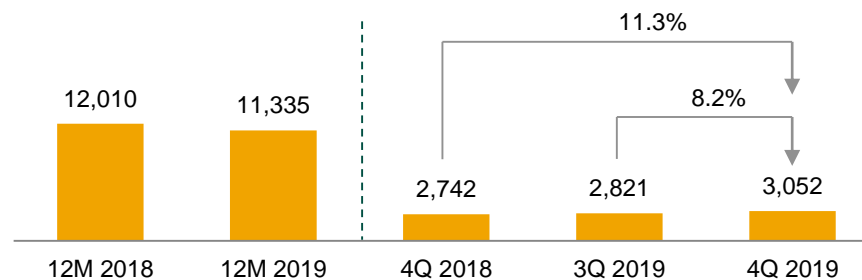


Breakdown of Selected Fee and Commission Income ⁽¹⁾

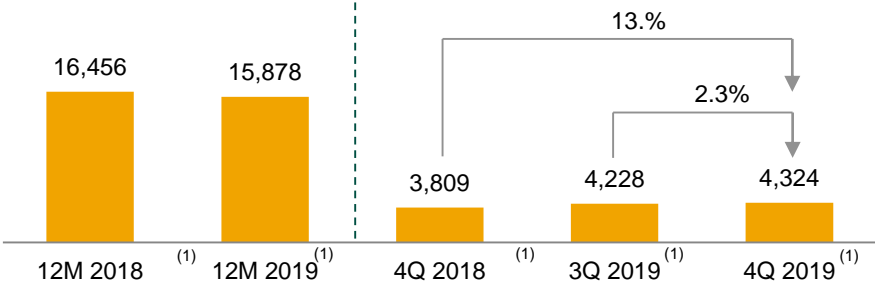
KZT mln



Payment cards operations



Cash operations



Bank transfers – settlements

Comment

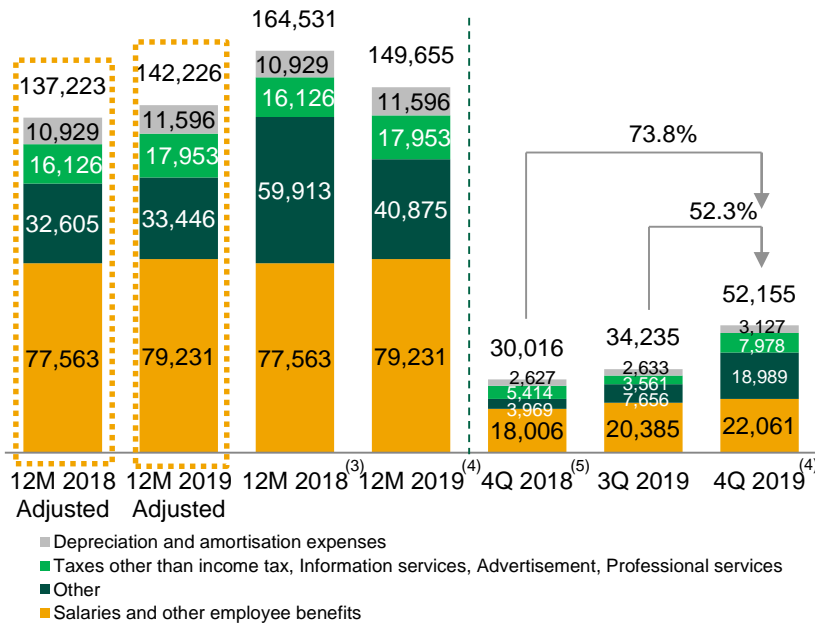
- The fee and commission income dynamics continued its positive trend in 4Q 2019.
- Fee and commission income for 12M 2019 increased by 8.8% p.a. vs. 12M 2018 as a result of growing volumes of transactional banking, mainly in payment card operations, as well as letters of credit and guarantees issued.

⁽¹⁾ adjusted: the portion of fees relating to payment card operations which was previously accounted within cash operations and bank transfers are recalculated as fees derived from payment cards operations for all shown periods

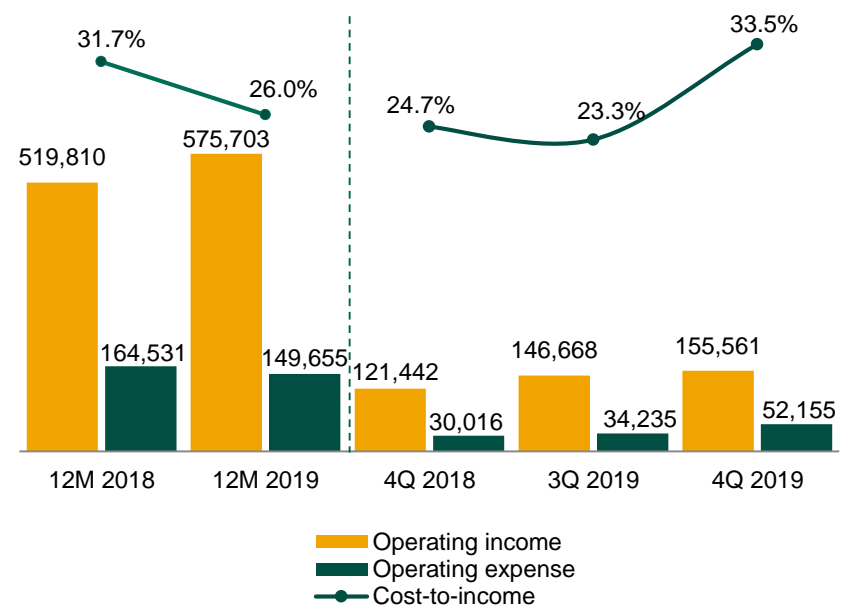
Operating Costs

Operating Expenses (1)

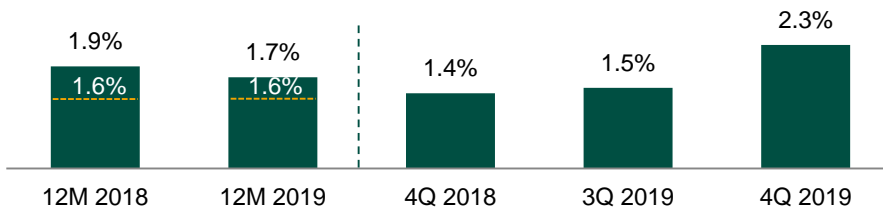
KZT mln



Cost-to-Income (2)(6)



Cost-to-Average Assets (7)



Comment

- Operating expenses for 12M 2019, excluding loss from impairment of non-financial assets, increased by 3.6% p.a. vs. 12M 2018 mainly due to increase in salaries and other employee benefits as a result of increase in the number of employees and indexation of salaries and other employee benefits starting from 1 March, 2019. Starting from the introduction of the new loyalty program in 4Q 2019, the expenses related to the bonuses payable to the customers are included in operating expenses related to the advertisement.

(1) previously in consolidated reports loss from impairment of non-financial assets was shown on gross basis and income from revaluation of non-financial assets was reflected in other income. Due to change in representation policy loss from impairment of non-financial assets is netted by income from revaluation of non-financial assets starting from the 4Q 2018. Therefore, in case of the recalculation of the operating expenses for 9M 2018 and 3Q 2018, operating expenses for 4Q 2018 would be equal to KZT 36,526 mln.

(2) including loss from impairment of non-financial assets.

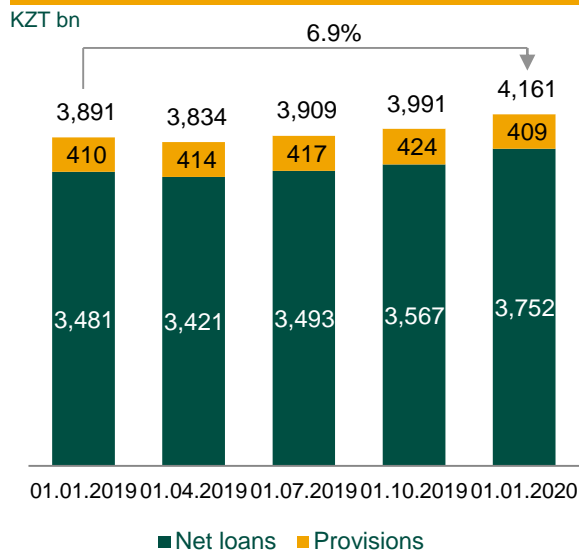
(3) including loss from impairment of non-financial assets of KZT 27.3 bn; (4) including loss from impairment of non-financial assets of KZT 7.4 bn. (5) including loss from impairment of non-financial assets of KZT (4.2) bn.

(6) operating expense (operating expenses, impairment of non-financial assets) / operating income (net interest income before credit loss expense, net fees and commissions, other non-interest income, less insurance claims incurred, net of reinsurance, and expenses for insurance reserves), annualised, on consolidated IFRS basis.

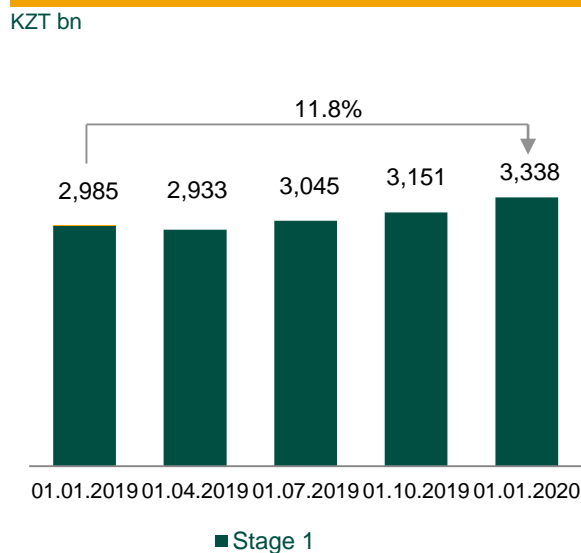
(7) operating expense / average monthly assets, annualised, on consolidated IFRS basis.

Loan Portfolio

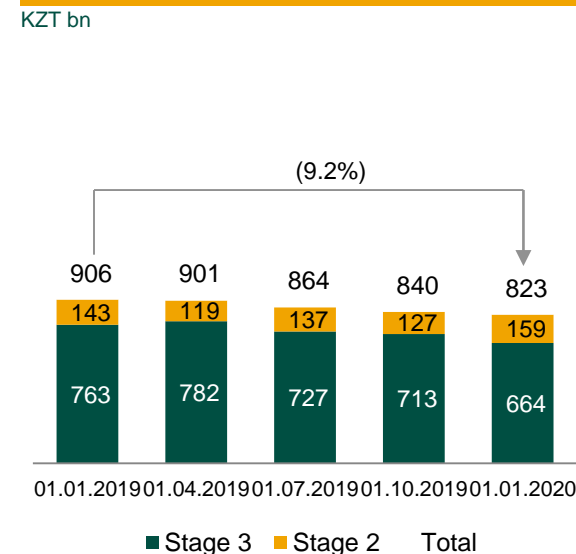
Total Gross Loans ⁽¹⁾



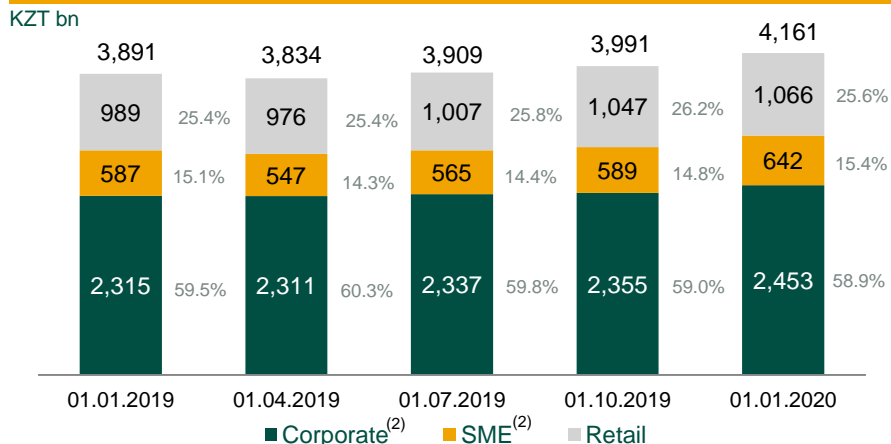
Stage 1 (gross basis)



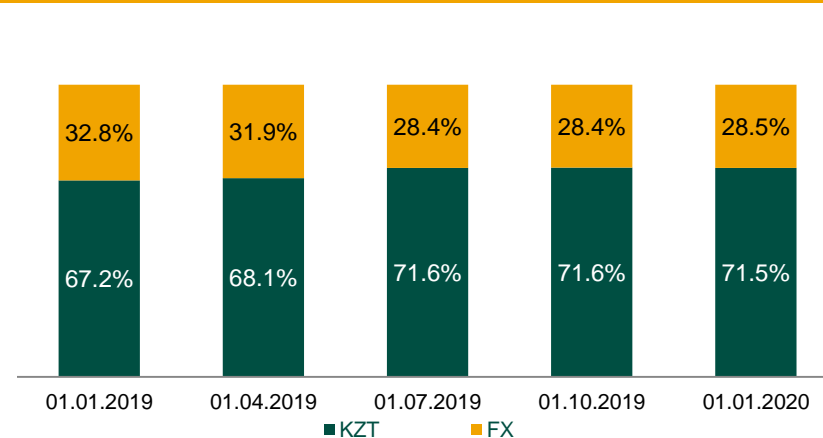
Stage 2 + Stage 3 ⁽³⁾ (gross basis)



Total Gross Loans by Sectors



Total Net Loans by Currencies



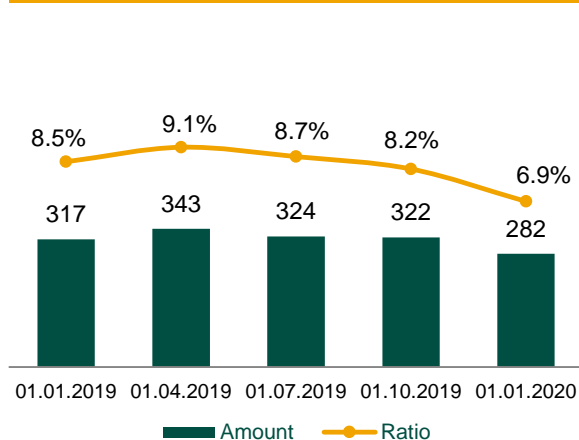
(1) Due to IFRS requirements, KKB loans were consolidated on net basis (i.e. net of provisions created before 4 July 2017).

(2) Due to the resegmentation of certain loans, the amounts and shares of Corporate and SME sectors in total gross loans were recalculated as of 1 January, 2019 and 1 April, 2019.

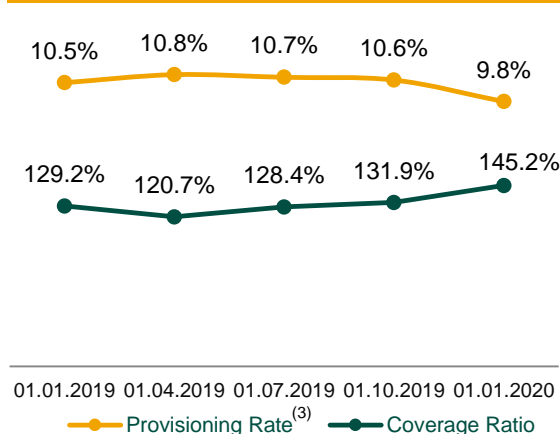
(3) Including POCl.

Cost of Risk on a Consolidated Basis

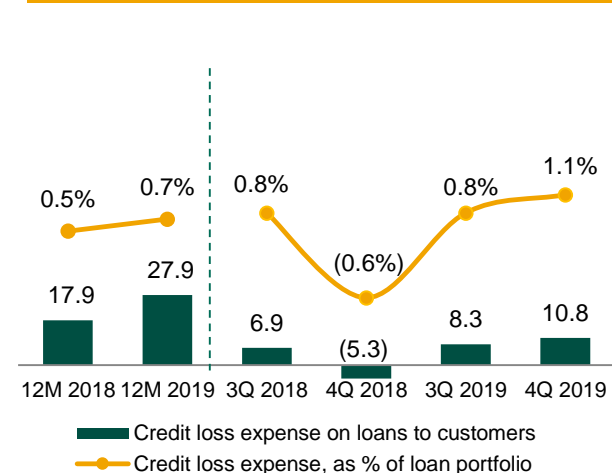
NPL 90 days+ ⁽¹⁾ Dynamics



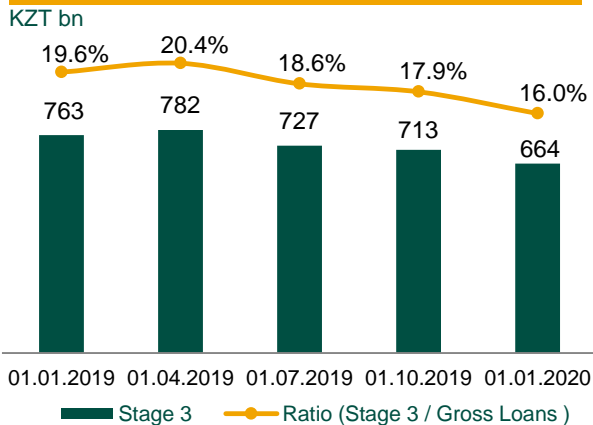
Provisioning Rate⁽²⁾ + NPL 90 days Coverage Ratio



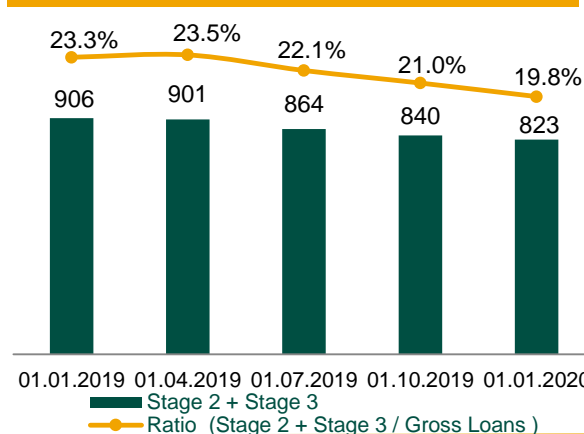
Cost of Risk^{(4) (5)}



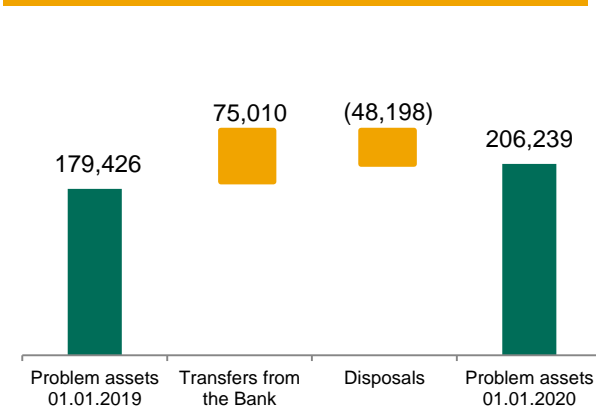
Stage 3 ^{(6) (7)}



Stage 2 + Stage 3 ⁽⁶⁾



Work-out of problem loans collateral by SPVs



⁽¹⁾ the aggregate Halyk Bank + KKB NPLs 90 days+ (total principle amount of loans and accrued interest with principle and/or interest overdue by more than 90 days/ gross loans portfolio, Banks only, IFRS). KKB's NPLs 90+ and total loans are accounted at fair value, i.e. net of provisions created before 4 July 2017.

⁽²⁾ IFRS provisions/gross loans, on consolidated IFRS basis.

⁽³⁾ taking into account a gross and net basis of purchased credit-impairment financial assets from KKB, write-offs on consolidated IFRS basis for 12M 2019 were KZT 94.4 and KZT 43.6 bn accordingly.

⁽⁴⁾ credit loss expense on loans to customers / monthly average balances of gross loans to customers, annualised, on consolidated IFRS basis.

⁽⁵⁾ previously in consolidated reports recoveries of provisions on KKB loans created before the acquisition of KKB by Halyk (5 July 2017) were reflected in other non-interest income. As per paragraph 5.5.14 of IFRS 9, starting from 3Q 2018 these recoveries of provisions are being reclassified as an impairment gain and recognized as reduction of credit loss expenses. Therefore, cost of risk for 2Q and 3Q 2018 were recalculated taking into account such recoveries of provisions.

⁽⁶⁾ including POCI. ⁽⁷⁾ Stage 3 loans include NPL 90+, restructured loans and other loans with signs of impairment.

Major participants

- 14 participating banks, which represents 87% of assets and 90% of the total loan portfolio of the whole banking sector of the Republic of Kazakhstan;
- Over 500 employees of independent audit and consulting companies;
- More than 60 employees of the National Bank of the Republic of Kazakhstan (the Regulator);
- About 70 independent appraisal companies.

Methodology

The methodology of the European Central Bank, with minimal amendments to the specifics of the Kazakhstan market.

Reporting Date

As of April 01, 2019

Results for the banking sector of the Republic of Kazakhstan

- The final updated estimation of potential adjustments as of April 1, 2019 based on the AQR results for 14 participating banks equal to 429 billion KZT, of which more than 180 billion KZT was settled by the banks themselves via additional recognition of provisions, repayment of debt by borrowers, and accepting additional collateral.
- The AQR results and measurements had taken to improve the quality of assets and maintain the capitalization of the second-tier banks of the Republic of Kazakhstan, implemented after April 1, 2019 and up to the present moment, confirm that there is no capital shortage at the system level and at the level of individual banks.

Bank's Results

Total share of Stage 3 borrowers in total bank assets before AQR	The total share of Stage 3 borrowers in total bank assets after AQR
15,5% ⁽¹⁾	16,0% ⁽¹⁾

Indicator as of April 01, 2019	Value
Capital adequacy k1 before AQR	20,4%
AQR adjustment, billion KZT	(18,9)
k1 after AQR (final result)	20,0%

Individual AQR results did not affect the Bank's financial condition and stability

According to the Regulator, the adjustment of the value of the Bank's assets and capital as of April 1, 2019 could be equal to 18.9 billion KZT, while this assessment does not take into account changes in the market environment and changes in the Bank's portfolio that have occurred since the AQR check date (loan repayment, a change in the collateral, etc.). Currently, a plan of corrective measurements regarding the recommendations received following the AQR is being agreed with the Regulator.

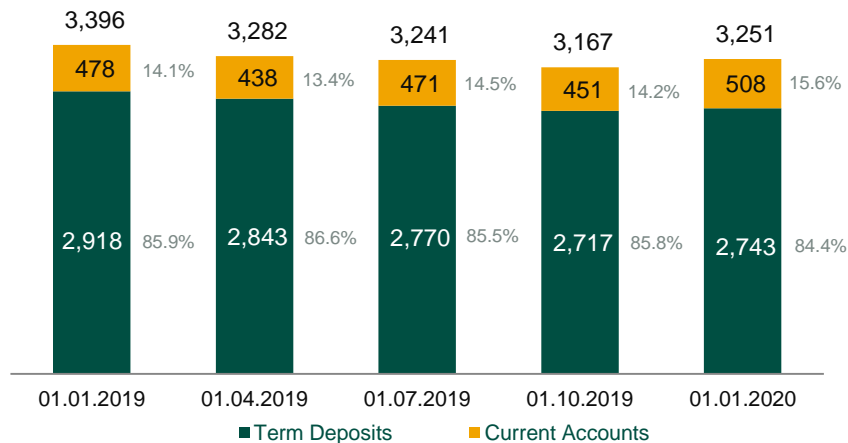
The Bank further does not expect any impact of the AQR results on its financial condition and stability.

⁽¹⁾ These indicators are not comparable with the IFRS financial statements of the Bank due to the difference in used approaches (due to the absence of elimination of subsidiaries operations, analysis of only selected of subsidiaries, reflection of loans on a gross basis (excluding IFRS3) etc.)

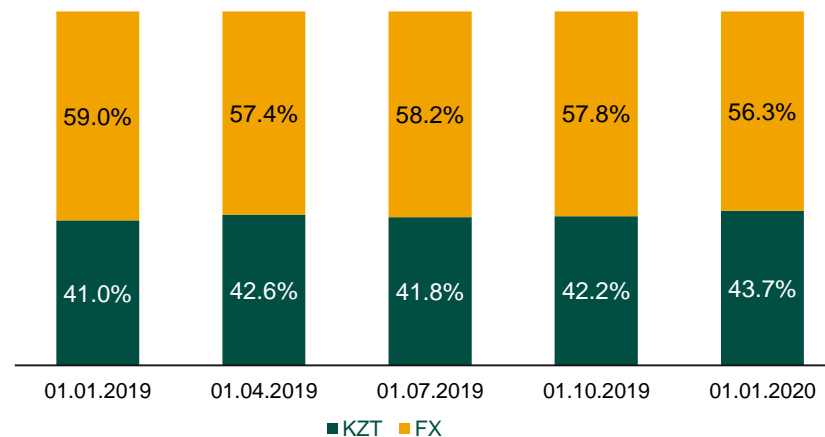
Retail Deposits

KZT bn

By types



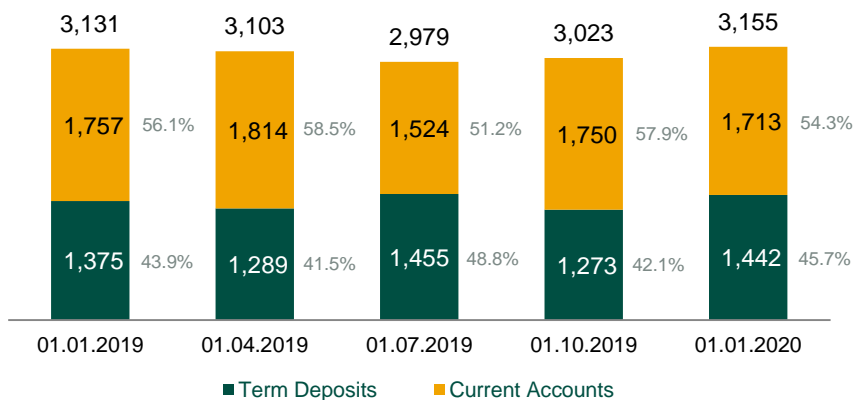
By currencies



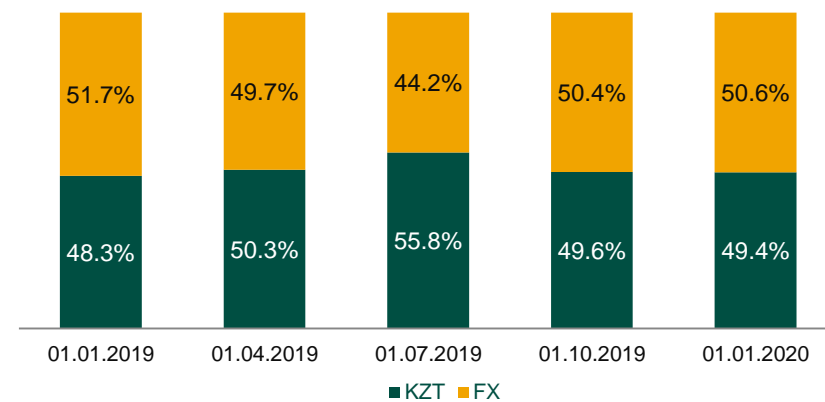
Deposits of Legal Entities

KZT bn

By types

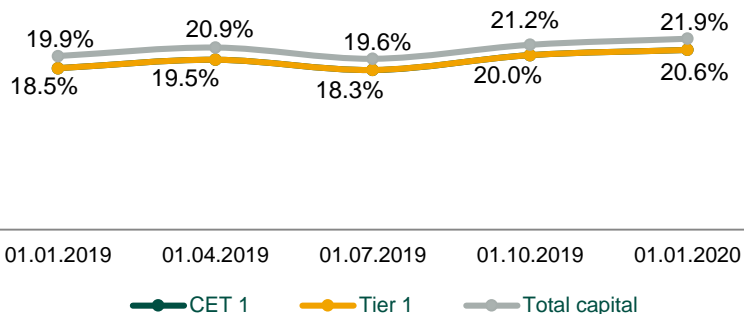


By currencies

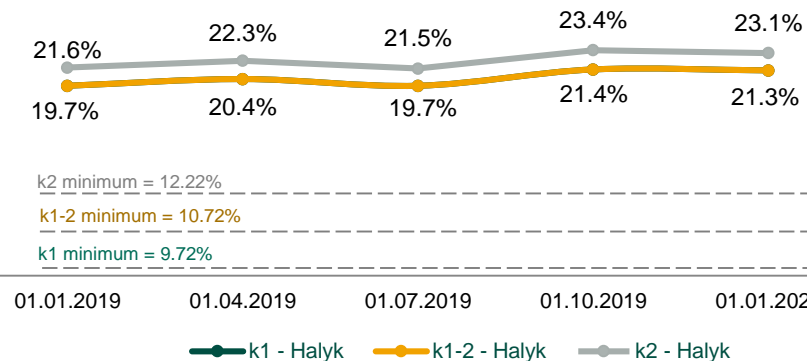


Solid Capital Position

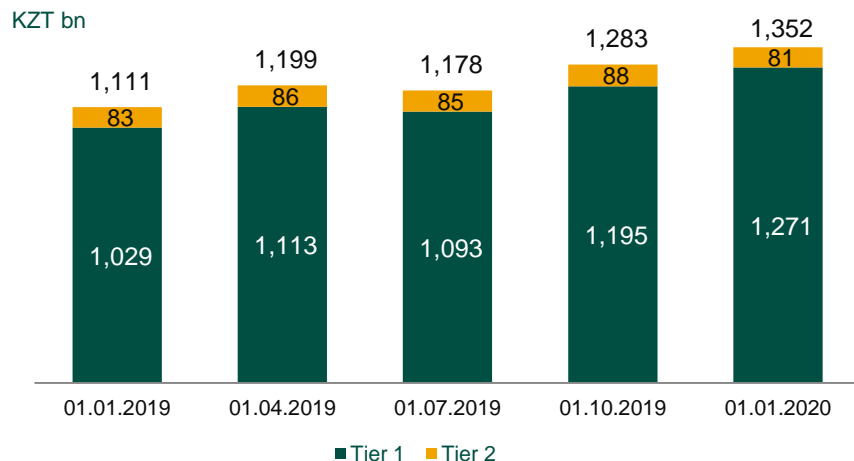
Capital Adequacy Ratios, consolidated (1)



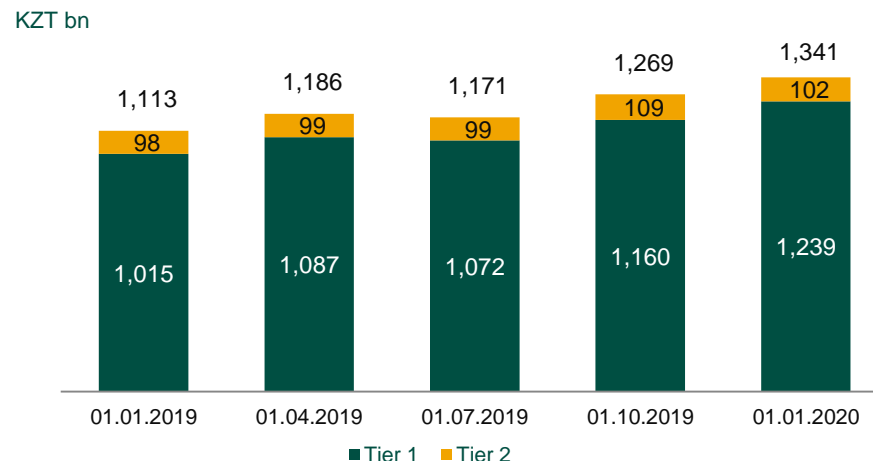
Capital Adequacy Ratios of Halyk Bank, only (1)



Capital Structure, consolidated (2),(3)



Capital Structure, Halyk Bank, only (2),(3)



(1) starting from 1 January 2016, the Bank calculates its capital (both consolidated and unconsolidated) taking into account the principals, methods and coefficients employed by Basel III Committee.

(2) almost the entire capital is a high quality core capital as a result of limited use of Tier 2 instruments.

(3) as a result of merger of KKB into Halyk Bank, Tier 2 capital from KKB was transferred to Halyk Bank. Therefore, starting from 28 July 2018, capital structure of Halyk Bank includes Tier 2 capital.

	Actual 2018	Actual 2019	Guidance for 2020, area of
Net loan portfolio growth	7.1%	7.8%	>10%
Consolidated net income, (KZT bn)	254.2	334.5	area of 350
Cost of risk ⁽¹⁾ , p.a.	0.5%	0.7%	0,7%
Cost-to-income ratio	31.7%	26.0%	<30%
NIM, p.a.	5.1%	5.3%	area of 5%
RoAE, p.a.	27.9%	28.8%	>25%

⁽¹⁾ credit lose expenses on loans to customers / monthly average balances of gross loans to customers, on consolidated IFRS basis.

January 2020

Restrictions on the issuance of unsecured consumer loans in terms of restriction of the issuance of such loans to citizens with incomes below the subsistence level and changes in credit risk weighting (RWA). Therefore, the RWA for unsecured consumer loans increased from 100-150% to 100-300%, depending on three parameters for loans provided:

- confirmation of official income;
- cost of loan (overpayment / annual effective interest rate);
- total debt level at the time of the issue, taking into account the loan issued

January 2020

An increase in the minimum level of the LCR liquidity ratio, starting from 2020 to 0.8
(up to 2020 - 0.6, from 2021 - 0.9, from 2022 - 1.0)

July 2020

Approval of a new regulatory requirements for the risk management and internal control system for second-tier banks in Kazakhstan.

Regulatory requirements contain a number of a new requirements within the framework of the implementation of international practice in Kazakhstan (Basel, ECB practice) according to the SREP supervisory regulation model, including:

- ICAAP (internal capital adequacy assessment process)
- ILAAP (internal liquidity adequacy assessment process)
- Risk appetite strategy

Halyk Bank's Market Position



⁽¹⁾ excl. banks with negative income.

⁽²⁾ after credit loss expense, excl. negative net interest income.

⁽³⁾ excl. banks with negative equity.

⁽⁴⁾ consists of term deposits and current accounts.

Source: NBK (unconsolidated, KAS), Halyk Bank, SAPF.

Annual General Shareholders' Meeting ⁽¹⁾



Date	April 24, 2020
Time & Venue	11.00 a.m. Almaty time, "Conference Hall", 40, Al Farabi Ave., Almaty, Kazakhstan
Record Date	March 24, 2020
Voting for GDR Holders	Via Depository Bank procedures

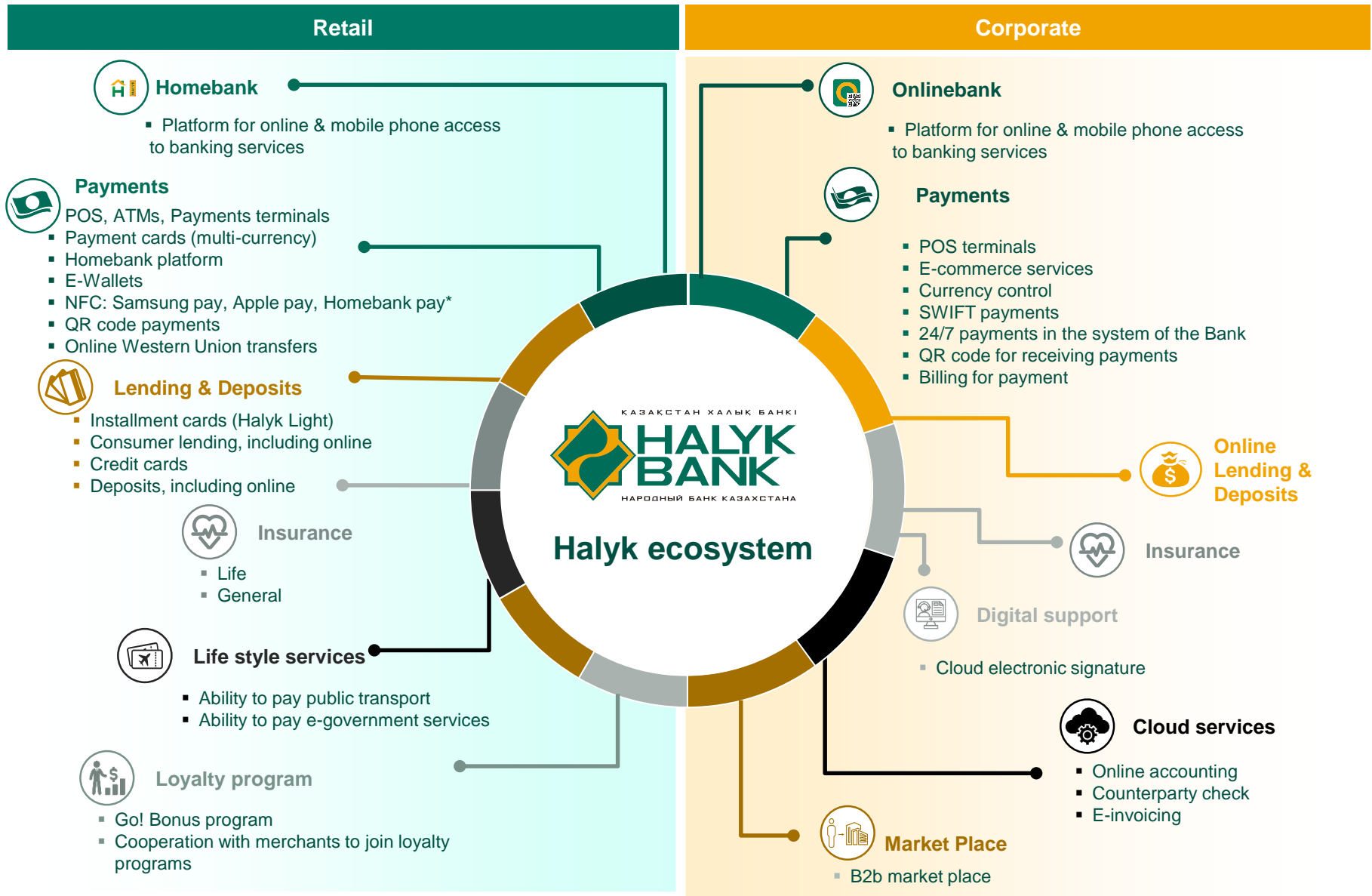
- The AGM materials including the recommended amount of dividend per common share will be published not later than 30 calendar days prior to the AGM date.

⁽¹⁾ please see the agenda of the Annual General Shareholders' Meeting of JSC Halyk Bank on the corporate website of the Bank:
https://halykbank.kz/storage/app/media/O%20banke/Akcioneram/ang_%D0%98%D0%BD%D1%84_%D1%81%D0%BE%D0%BE%D0%B1%D1%89_%D0%93%D0%9E%D0%A1%D0%90_2020_%D0%90%D0%9D%D0%93_26.02.2020.pdf

Two

Digital and transactional banking update

Developed unique customer-centric ecosystem



* Self developed Halyk Bank's technology for NFC payments via mobile application Homebank for retail clients

Clear strategic pillars for 2020 digital agenda

2 Online lending

- Expand digital lending and online onboarding of clients

1 Ecosystem

- Further enhance service offering for retail and corporate customers
- Launch accounting, insurance and lifestyle services

3 Payments

- Modernise current ePay platform
- Develop QR payment tool for small and micro customers



5 Switch to digital

- Actively encourage clients to switch to digital services
- Improve digitalisation rates of small business customers

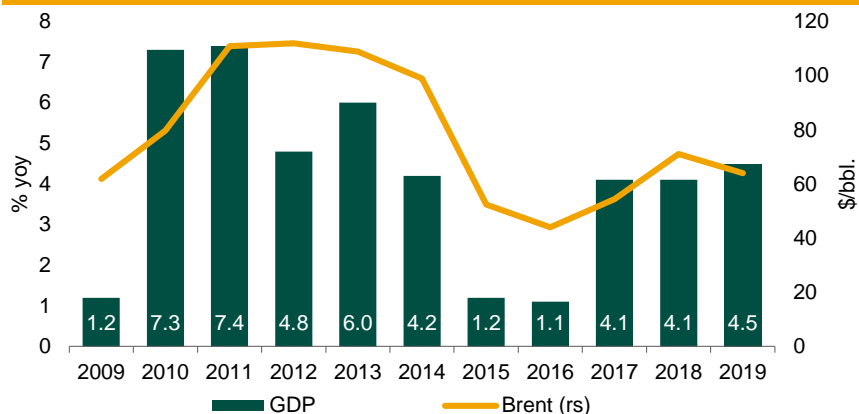
4 Internal digitalisation

- Further automate internal processes and back office functions
- Further develop chat bots and IVR based on machine learning techniques
- Big data

Three

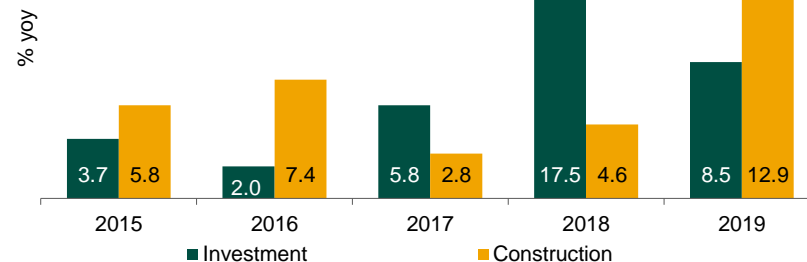
Kazakhstan: Economic and Banking Sector Update

Economy growth accelerated



Source: SC MNE, Bloomberg

Strong growth of investments and construction



Source: SC MNE

[Investment grade sovereign ratings]

Agency	Rating	Outlook	Date
Moody's	Baa3	Positive	20.02.2020
S&P	BBB-	stable	06.09.2019
Fitch	BBB	stable	21.02.2020

Source: Bloomberg

Comment

- Large-scale budget injections, together with a significant increase in investments, brought the economy to a new level of growth of 4.5% in 2019, which turned out to be higher than the average dynamics of 4.2% over the past decade. A set of targeted incentives and administrative measures supported domestic demand, offsetting the negative impact of unfavorable global oil market conditions.
- In sectoral breakdown, growth in construction was almost +13%, trade +7.6%, telecommunications +5.2%, transport +5.1%, industrial production almost +4%. The outsider among all sectors is agriculture, where a poor harvest has led to a slowdown in growth from 3.4% to about 1%.
- Investments in fixed assets increased by an impressive 8.5% in 2019, although the growth rate was below 17.5% in 2018. Investment growth in 2019 showed the second highest rate over the past decade and, as in the previous years, was due to an increase in investment in the extractive sector by 20.5% yoy, and their total volume was equivalent to about 8% of GDP. The main contribution to investment growth was provided by the country's largest oil fields operators.

Unemployment stable with moderate inflation, %



Source: SC MNE

- In 2019, thanks to a number of measures, inflation was extremely restrained - the result of this effect on prices was reduced housing and communal services tariffs and the cost of fuel. For example, paid services in December showed a slight increase of 0.7% yoy, gasoline fell by 4.6% yoy.
- The contribution of food products to price growth over the last year amounted to 3.6pp out of 5.4%. Non-food products added 1.45pp, which is 0.5pp lower yoy, while the contribution from changes in the cost of services under the influence of state intervention decreased by 1.3pp. Thus, the main increase in prices falls on food products.

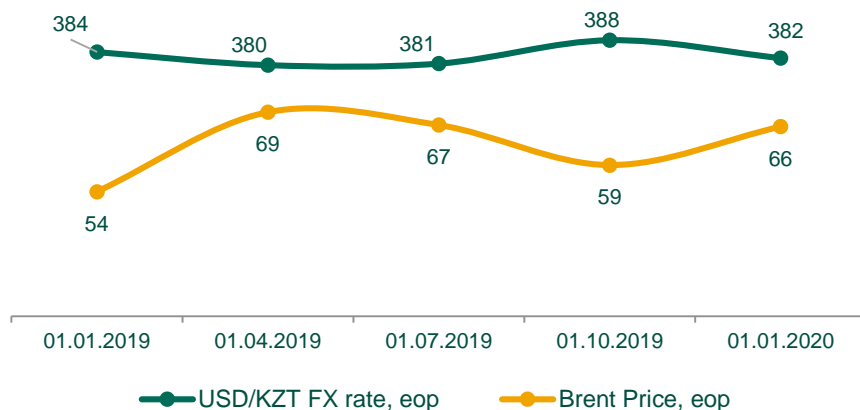
Pick up in real wages supports consumption, % yoy



Source: SC MNE

- Numerous fiscal and administrative incentives aimed at increasing household income, as well as continued growth in consumer lending, have positively affected consumer activity. Salaries in December 2019 increased by 14.5% nominally and 8.3% in real terms, which was also supported by an increase in the minimum wage by 50% in January 2019.
- The volume of retail trade turnover exceeded T11trn, which is T1.3trn higher (+12.9%) than in 2018. The turnover of food products amounted to T3.8tn, with an increase of 3.2% yoy (T3.4tn for 2018), sales of non-food goods T7.6tn with an increase of 7.1% yoy (T6.7tn for 2018).

Exchange rate dynamics



Source: Bloomberg, the NBK

- Oil prices that peaked in April at USD74.6bbl, evidenced a downward correction and in August plunged to the second yearly low at USD56.2bbl. In the mid of September it peaked at USD69.02bbl and ended the 3Q2019 at USD58.89bbl. As of the end of the year Brent prices hit USD66bbl leading to strengthening of the national currency to 382 tenge per US dollar.
- Strengthening of the Tenge triggered by rising oil quotes coincided with tax payment period. Two events combined drove the national currency from 388 tenge to 382 tenge per US dollar.

Interest rate adjustment

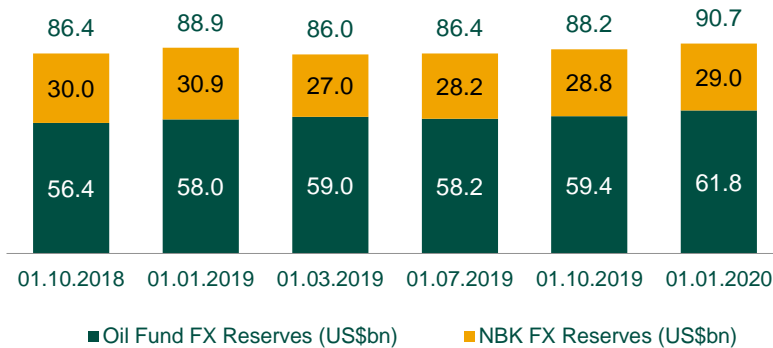


* the next base rate committee – 16.03.2020

Source: The National Bank of Kazakhstan

- After the rate cut in April to 9.0% the base rate stayed unchanged for 4 months in a run. In September the regulator made a rate hike to 9.25% amid raising business activity, growth of the real wages and raising food prices.
- The rate hike occurred amid liquidity sterilization via the NBK's notes that as of the end of the year amounted to KZT3,419bn while the effective annual yield made 9.77% vs. KZT3,522bn and 8.6% in the beginning of the year. The NBK makes its notes placements at more than 10% since the end of June moving excess liquidity volumes from short placement terms to more distant ones.

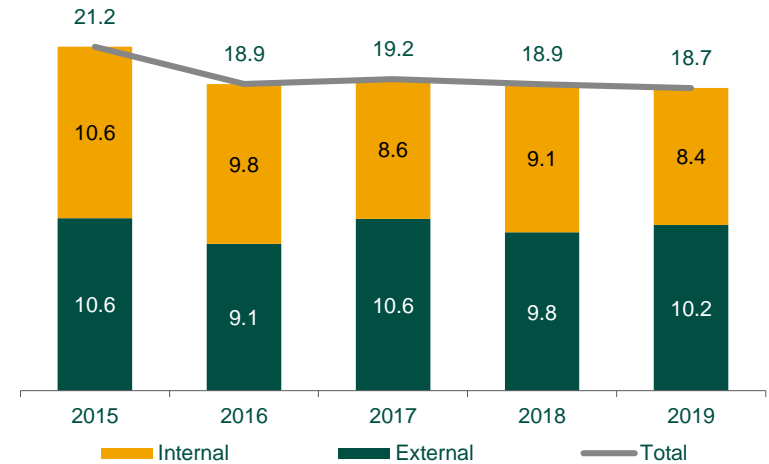
Stable FX reserves



Source: The National Bank of Kazakhstan

- Consolidated international reserves totaled \$90.7bn as of the end of 2019. Gold holdings notched 65.2% of the gross international reserves of the NBK and peaked as record high as US\$18.9bn whilst the foreign currency holdings dropped to the lowest of US\$10.1bn or 34.8% of the total since 2006.
- The NBK international reserves' imports coverage ratio was circa 12.1 months (as of the 01/10/2019 calculations by the NBK), which was far in excess than accepted metrics of 3 months of imports.

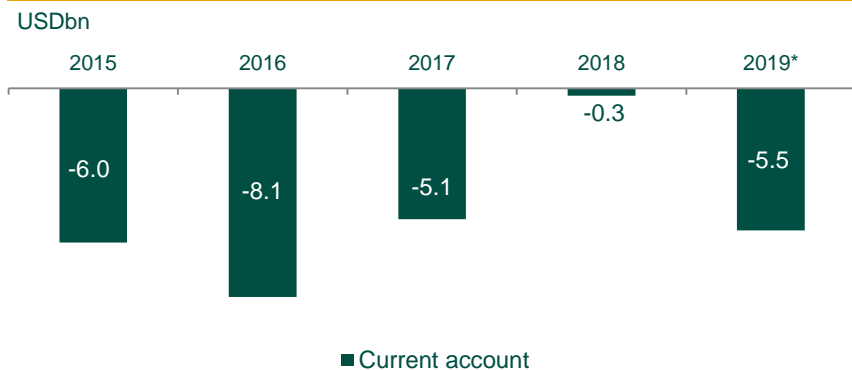
External Government debt



Source: The Ministry of Finance of Kazakhstan

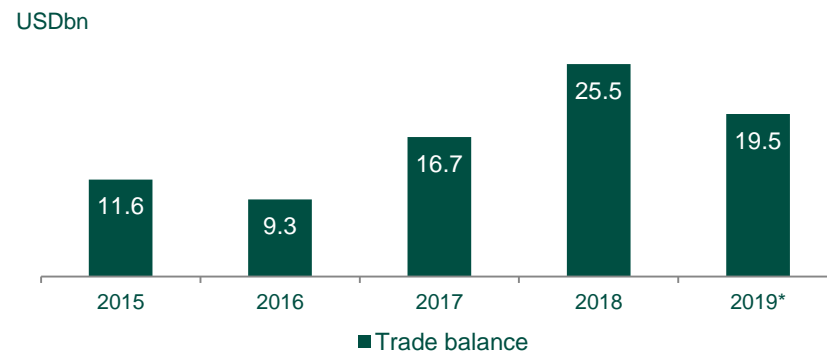
- Against the backdrop of a deteriorating external environment - a slowdown in global economic growth to 2.9% (IMF estimate) from 3.6% in 2018, accompanied by a drop in oil prices by 11% to \$64 per barrel, the government proceeded with a significant increase in the injection of state funds into the economy. The state budget expenditures relative to GDP in 2019 increased to 20.4% compared to 18.8% a year earlier.
- The average level of state budget expenditures relative to GDP was 21% compared to 24.5% of GDP at its peak in 2017.
- The increase in the state budget expenditures caused an increase in its deficit from 1.3% to 1.9% of GDP in 2019, remaining within the framework planned by the government. The financing of the state budget deficit was mainly covered by the placement of domestic loans and by approximately 30% through the issuance of Eurobonds.

Current account



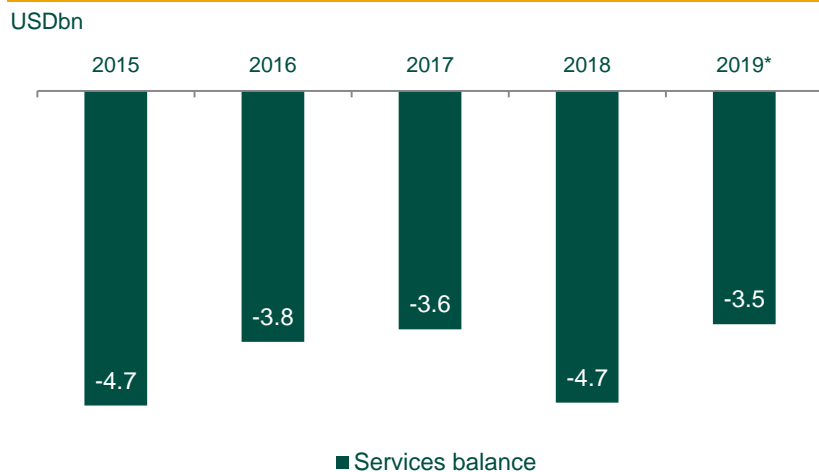
Source: The National Bank of Kazakhstan

Trade balance



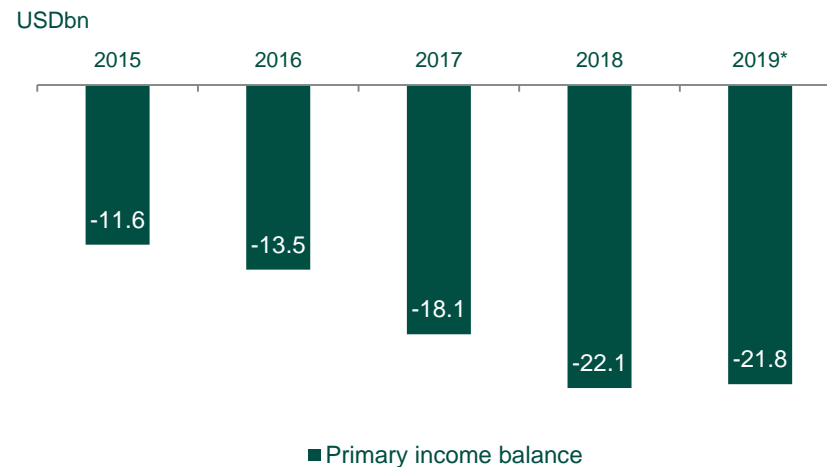
Source: The National Bank of Kazakhstan

Services balance



Source: The National Bank of Kazakhstan

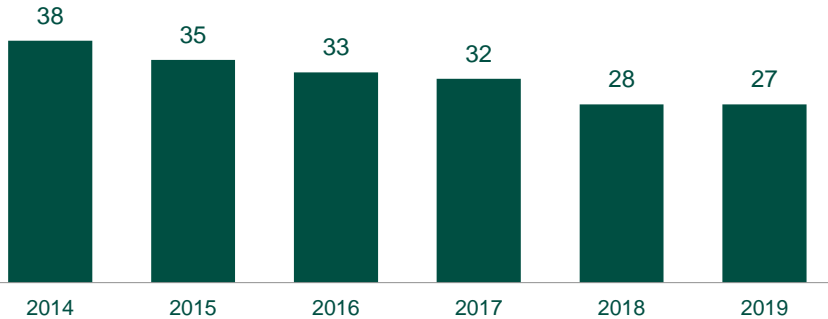
Primary income balance



Source: The National Bank of Kazakhstan

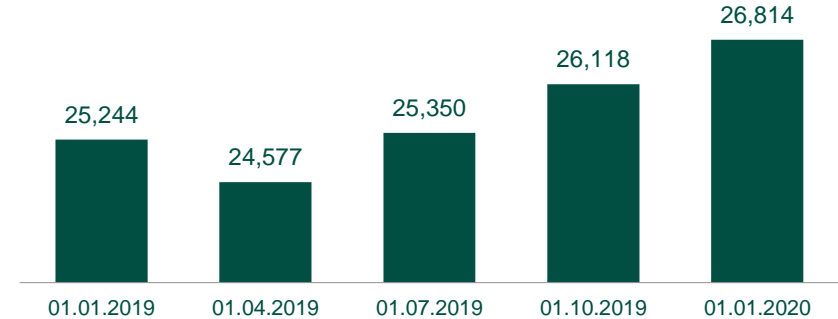
*preliminary estimation of the NBK

of banks operating in Kazakhstan



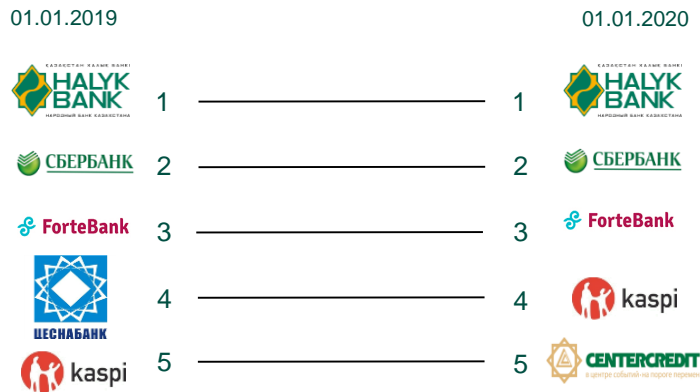
Kazakhstan banking sector assets

KZTbn



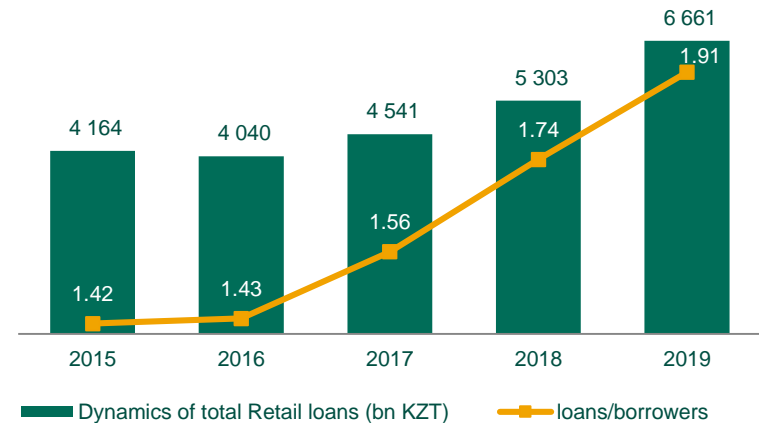
Source: The National Bank of Kazakhstan

Dynamics of top 5 ranking in Kazakhstan banking sector



Source: The National Bank of Kazakhstan

Dynamics of total Retail loans in Kazakhstan banking sector



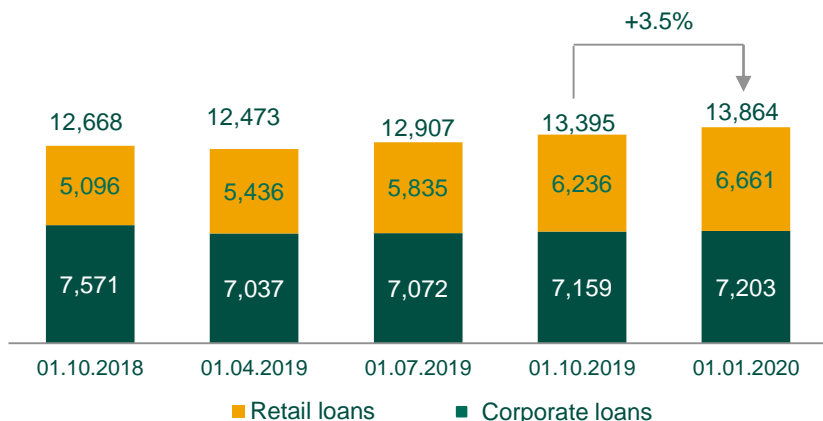
Source: First Credit Bureau LLP

Growth Driven by Retail Lending



Loan growth dynamics

KZTbn

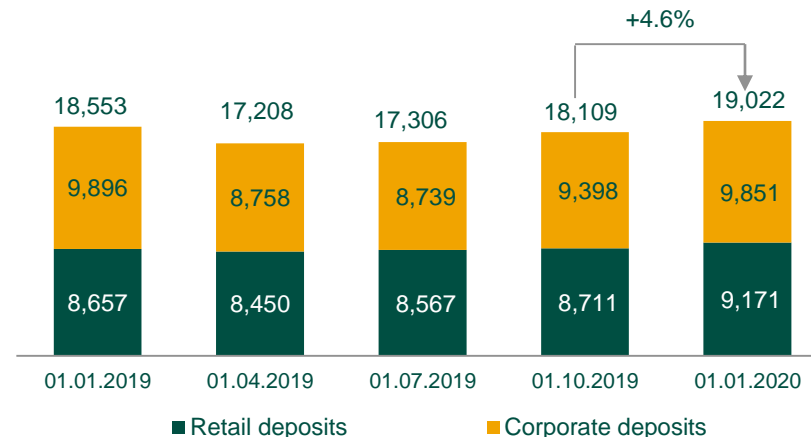


Source: The National Bank of Kazakhstan

Corporate lending increased by 0.62% (Q-o-Q), retail lending added 6.81% (Q-o-Q). The main drivers of retail lending continue to be consumer lending and mortgage loans. In 2019, consumer lending becomes the largest segment in total lending with a share of 30.4% (25% at the end of 2018, 23% at the end of 2017, 20% at the end of 2016). Previously, the lending for the purchase of working capital had the highest share.

Deposit growth dynamics

KZTbn



Source: The National Bank of Kazakhstan

Data adjusted for deposits of non-financial organizations in the NBK

Retail deposits increased by 5.3% (Q-o-Q). Corporate deposits in the economy decreased by 4.8% (Q-o-Q).

Source: Statistical Bulletin of the National Bank of Kazakhstan,

Deposits in the NBK statistical bulletin include all deposits in national and foreign currency in STBs (legal entities and individuals), and in the NBK (legal entities), with the excluding of deposits from non-residents, deposits from the central government, deposits from banks with the National Bank and in other banks.

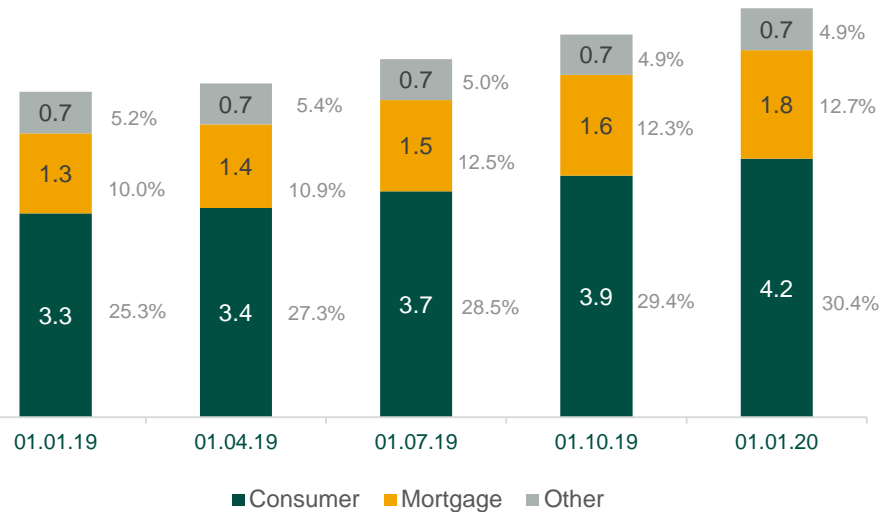
Loans in the NBK statistical bulletin include all loans in national and foreign currencies in STBs (legal entities and individuals) with the excluding of loans to non-residents

Dynamics of Retail and Corporate Lending

Dynamics of Retail lending (gross)

KZTtn

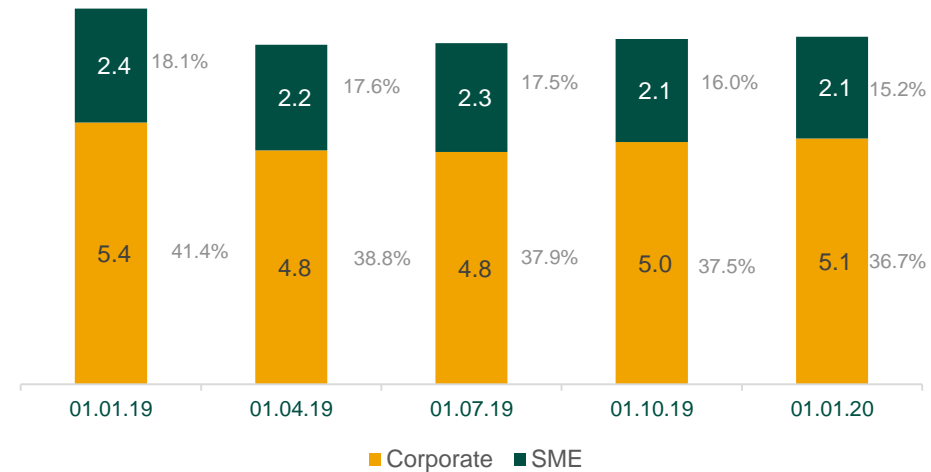
Share in total gross loans



Dynamics of Corporate lending (gross)

KZTtn

Share in total gross loans



Source: The National Bank of Kazakhstan

Source: The National Bank of Kazakhstan

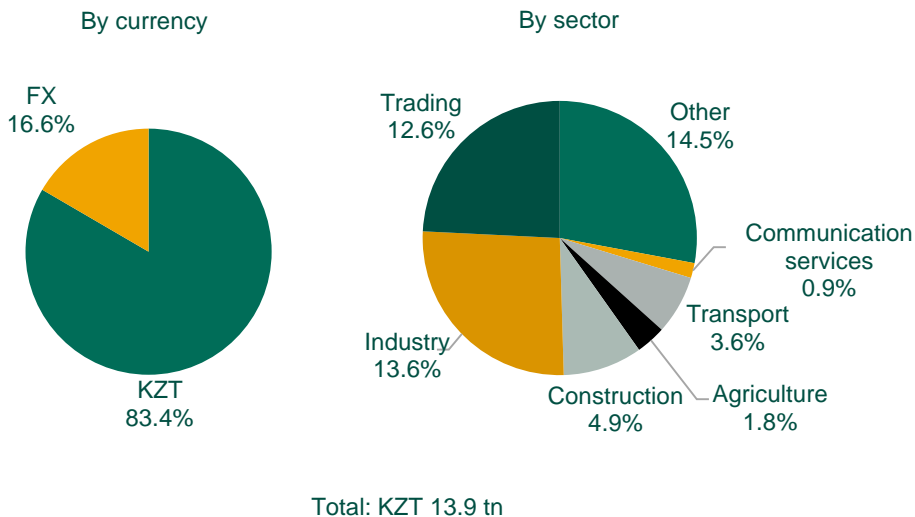
- The main drivers of retail lending are: consumer lending (+26.9% from the beginning of the year) which accounted for 63% of total retail lending (62.6% at the end of 2018) and mortgage lending (+ 35.6% from the beginning of the year) which accounted for 26.5% of retail lending (22% at the end of 2018).

- The structure of corporate lending at the end of 2019: the services and other sectors – 27,9% (at the end of 2018 – 26%), industry loans – 26% (at the end of 2018 – 26%), trade loans – 24.2% (at the end of 2018 – 23%), loans to construction – 9.4% (at the end of 2018 – 10%), transport – 6.9% (at the end of 2018 – 8%), agriculture – 3.5% (at the end of 2018 - 6.3%).
- Bank loans issued to SMEs in 2019 decreased by 10.8%. The main segments of SME lending are trade with 25.8% share (23% – at the end of 2018), other sectors with 37.4% share (36% – at the end of 2018).

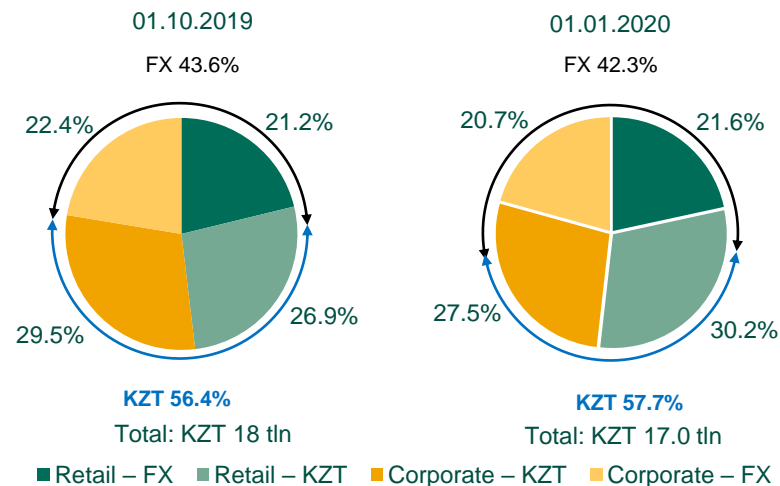
Currency and Sector Breakdown of Deposits



Lending breakdown



Share of FX deposits in the banking system



- The banking system is focused on lending to trade, services and retail lending.

- The main impact on the total inflow of deposits is caused mainly by a significant increase in retail deposits (+KZT502bn YTD).

Source: Statistical Bulletin of the National Bank of Kazakhstan,

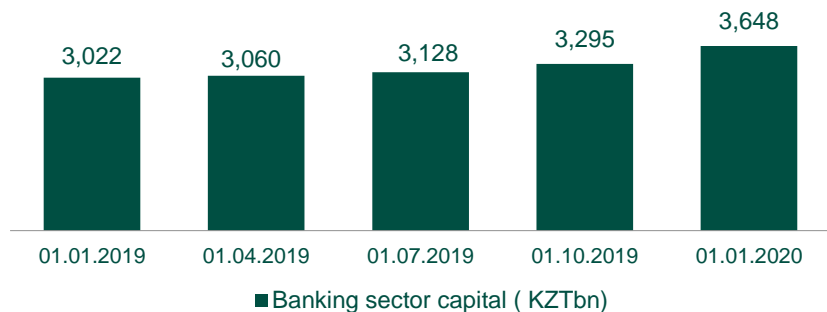
Deposits in the NBK statistical bulletin include all deposits in national and foreign currency in STBs (legal entities and individuals), and in the NBK (legal entities), with the excluding of deposits from non-residents, deposits from the central government, deposits from banks with the National Bank and in other banks.

Loans in the NBK statistical bulletin include all loans in national and foreign currencies in STBs (legal entities and individuals) with the excluding of loans to non-residents

Sector Funding Structure, Capital Adequacy and Asset Quality

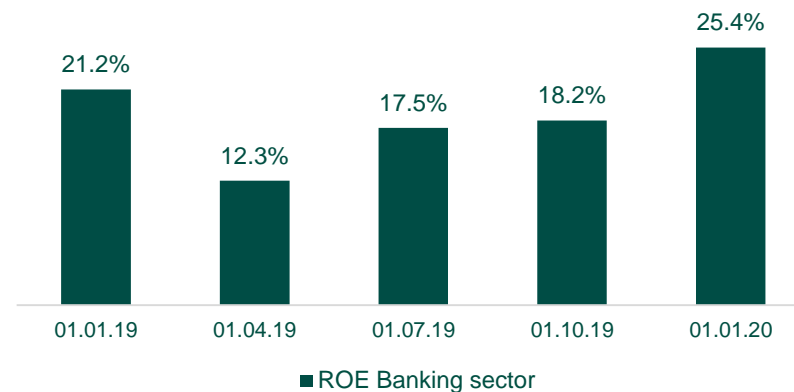


Steady equity build-up



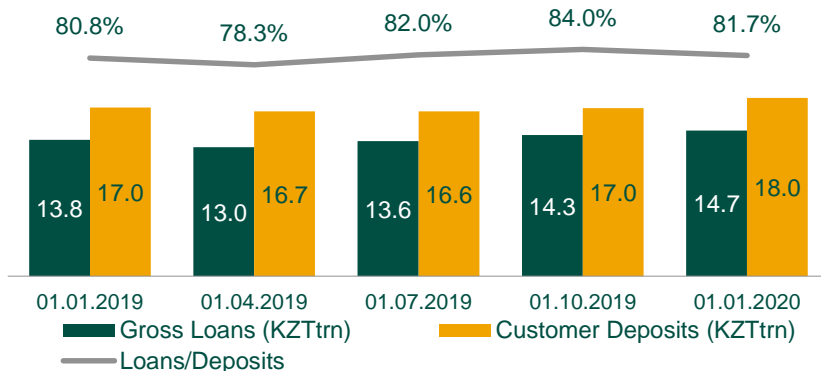
Source: The National Bank of Kazakhstan

RoE



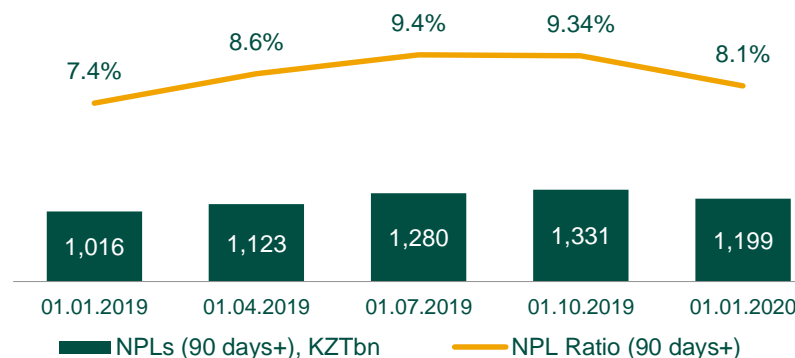
Source: The National Bank of Kazakhstan

Funding structure



Source: The National Bank of Kazakhstan

NPL levels dynamics



Source: The National Bank of Kazakhstan

- At the moment, the main driver of lending is lending to individuals and companies in the trade and services sector.

APPENDIX

Dynamics

KZT mln	12M 2019	12M 2018	Y-o-Y, %	4Q 2019	3Q 2019	Q-o-Q, %	4Q 2018	Y-o-Y, %
Interest income	710,304	682,041	4.1%	178,915	175,305	2.1%	179,435	(0.3%)
Interest expense	(312,326)	(333,772)	(6.4%)	(73,304)	(73,198)	0.1%	(80,398)	(8.8%)
Net interest income before credit loss expenses	397,978	348,269	14.3%	105,611	102,107	3.4%	99,037	6.6%
Fee and commission income	123,256	113,241	8.8%	33,460	32,112	4.2%	29,505	13.4%
Fee and commission expense	(54,646)	(39,006)	40.1%	(15,311)	(14,579)	5.0%	(10,834)	41.3%
Net fee and commission income	68,610	74,235	(7.6%)	18,149	17,533	3.5%	18,671	(2.8%)
Insurance income ⁽¹⁾	8,346	7,329	13.9%	4,576	628	7.3x	4,342	5.4%
Other non-interest income ⁽²⁾	76,568	76,673	(0.1%)	26,699	16,699	59.9%	520	51.3x
Credit loss expense and recoveries of other credit loss expense ⁽³⁾	(31,362)	(16,044)	95.5%	(9,535)	(7,060)	35.1%	12,053	(1.8x)
Operating expenses ⁽⁴⁾	(149,655)	(164,531)	(9.0%)	(52,155)	(34,235)	52.3%	(30,016)	73.8%
Income tax expense	(35,974)	(82,474)	(56.4%)	(10,222)	(8,513)	20.1%	(14,330)	(28.7%)
Net Profit from continuing operations	334,511	243,457	37.4%	83,123	87,159	(4.6%)	90,277	(7.9%)
Non-controlling interest	-	(807)	-	-	-	-	-	-
Profit for the period from discontinued operations	-	9,974	-	-	-	-	-	-
Net Profit	334,511	254,238	31.6%	83,123	87,159	(4.6%)	90,277	(7.9%)

⁽¹⁾ insurance underwriting income (gross insurance premiums written, net change in unearned insurance premiums, ceded reinsurance share) less insurance claims incurred, net of reinsurance (insurance payments, insurance reserves expenses, commissions to agents).

⁽²⁾ other non-interest income (net gain on foreign exchange operations, net loss from financial assets and liabilities at fair value through profit or loss, net realised gain from financial assets at fair value through other comprehensive income (IAS 39 - available-for-sale investment securities), share in profit of associate and other income).

⁽³⁾ total credit loss expense (including credit loss expense on loans to customers, amounts due from credit institutions, other assets, financial assets at fair value through other comprehensive income and cash and cash equivalents) plus recoveries of other credit loss expense.

⁽⁴⁾ including loss from impairment of non-financial assets.

Balance Sheet Summary



KZT mln

	31/12/2019	30/09/2019	Q-o-Q, %	31/12/2018	Change YTD, %
Total assets	9,234,758	8,992,491	2.7%	8,959,024	3.1%
Cash and reserves	1,805,343	1,869,364	(3.4%)	1,870,879	(3.5%)
Amounts due from credit institutions	53,161	48,185	10.3%	55,035	(3.4%)
T-bills & NBK Notes	1,954,066	1,964,806	(0.5%)	2,226,320	(12.2%)
Other securities & derivatives	1,074,867	998,379	7.7%	782,356	37.4%
Gross loan portfolio	4,161,163	3,990,965	4.3%	3,890,872	6.9%
Stock of provisions	(408,718)	(424,255)	(3.7%)	(409,793)	(0.3%)
Net loan portfolio	3,752,445	3,566,710	5.2%	3,481,079	7.8%
Other assets	549,110	486,854	12.8%	487,226	12.7%
Assets classified as held-for-sale	45,766	58,193	(21.4%)	56,129	(18.5%)
Total liabilities	7,927,535	7,765,703	2.1%	7,893,378	0.4%
Total deposits, including:	6,406,413	6,190,717	3.5%	6,526,930	(1.8%)
retail deposits	3,251,216	3,167,448	2.6%	3,395,590	(4.3%)
term deposits	2,743,019	2,716,866	1.0%	2,918,070	(6.0%)
current accounts	508,197	450,582	12.8%	477,520	6.4%
corporate deposits	3,155,198	3,023,269	4.4%	3,131,340	0.8%
term deposits	1,441,931	1,273,017	13.3%	1,374,592	4.9%
current accounts	1,713,266	1,750,252	(2.1%)	1,756,748	(2.5%)
Debt securities	834,446	919,154	(9.2%)	900,791	(7.4%)
Amounts due to credit institutions	305,965	337,211	(9.3%)	168,379	81.7%
Other liabilities	380,711	318,621	19.5%	297,278	28.1%
Equity	1,307,223	1,226,788	6.6%	1,065,646	22.7%

Key Financial Indicators

	31-Dec-19	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18
Amounts due to customers / total liabilities	80.8%	79.7%	78.4%	82.8%	82.7%
Loans / deposits ratio ⁽¹⁾	58.6%	57.6%	56.1%	53.6%	53.3%
Liquid assets / total assets ⁽²⁾	44.3%	45.6%	48.0%	48.6%	48.3%
IFRS Provisioning rate ⁽³⁾	9.8%	10.6%	10.7%	10.8%	10.5%
Common Equity Tier 1 capital adequacy ratio	20.6%	20.0%	18.3%	19.5%	18.5%
Tier 1 capital adequacy ratio	20.6%	20.0%	18.3%	19.5%	18.5%
Total capital adequacy ratio	21.9%	23.4%	19.6%	20.9%	19.9%
k1 capital adequacy ratio	21.3%	21.4%	19.7%	20.4%	19.7%
k1-2 capital adequacy ratio	21.3%	21.4%	19.7%	20.4%	19.7%
k2 capital adequacy ratio	23.1%	23.4%	21.5%	22.3%	21.6%

⁽¹⁾ net loans to customers / amounts due to customers, on consolidated IFRS basis.

⁽²⁾ (cash and cash equivalents, the NBK notes, Treasury bills of the Ministry of Finance of Kazakhstan, Treasury bills of governments of other countries, Notes of national banks of other countries, Bonds of quasi-sovereign banks) / total assets, on consolidated IFRS basis.

⁽³⁾ allowance for expected credit losses/ gross loan portfolio, on consolidated IFRS basis.

Key Financial Indicators (Continued)

	31-Dec-19	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18
Number of branches and outlets	626	631	641	645	647
Number of ATMs	4,459	4,481	4,383	4,407	4,408
Number of POS-terminals	88,463	78,247	74,119	70,527	67,053
Information and transaction terminals (multiservice kiosks)	32	35	63	69	71
Payment terminals	1,000	1,031	1,046	1,069	1,097
Clients of internet banking, individuals	4,241,294	4,068,065	3,767,298	3,652,853	3,584,961
Clients of internet banking, legal entities	162,329	171,919	168,979	165,858	131,271
SMS banking clients	3,847,000	3,832,103	3,085,000	3,084,739	3,095,331
Payment card holders	7,951,046	8,106,443	8,117,911	8,099,654	8,397,187
Payroll project clients (legal entities)	31,959	32,300	39,839	41,237	41,003

	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018
Cost-to-income ⁽¹⁾	33.5%	23.3%	22.3%	24.1%	24.7%
Return on average common shareholders' equity (RoAE)	26.3%	29.6%	32.5%	26.9%	35.5%
Return on average assets (RoAA)	3.6%	3.9%	4.0%	3.3%	4.1%
Net interest margin	5.4%	5.4%	5.1%	5.0%	5.6%
Operating expenses / average total assets	2.3%	1.5%	1.5%	1.3%	1.4%

⁽¹⁾ operating expense / operating income (net interest income before credit loss expense, net fees and commissions, other non-interest income, less insurance claims incurred, net of reinsurance, and expenses for insurance reserves), on consolidated IFRS basis.