



# HALYK GROUP FINANCIAL RESULTS PRESENTATION 9M & 3Q 2019

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

November 18, 2019

*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.*

*The alternative performance measures (“APMs”) disclosed in this presentation are unaudited supplementary measures of the Halyk Group’s performance and liquidity that are not required by, or presented in accordance with, IFRS. These measures are not defined by IFRS and the Halyk Group’s use and definition of these metrics may not be comparable to similarly titled APMs used by other companies in the financial industry due to differences in accounting policies or differences in the calculation methodology. These APMs have limitations and should not be considered in isolation, or as substitutes for financial information as reported under IFRS. Accordingly, undue reliance should not be placed on the APMs presented in this presentation. The Halyk Group has included these measures because it believes that they enhance an investor’s understanding of the Halyk Group’s financial performance. The Halyk Group also believes that these APMs are commonly used by investors in comparing the performance of businesses. The management of the Halyk Group uses these measures to monitor and analyse Halyk Group’s performance.*

*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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Chief Risk Officer and  
Compliance Controller

1. Secondary Public Offering
2. Halyk Group financial results for 9M 2019 & 3Q 2019
3. Digital and transactional banking update
4. Kazakhstan: Economic and Banking Sector Update
5. Q&A

Appendix

One

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## Secondary Public Offering

# Secondary Public Offering 2019



<b>Selling shareholder</b>	JSC “Holding Group Almex”
<b>Offer Price per Offer GDR:</b>	<ul style="list-style-type: none"> <li>▪ \$11.75 per Offer GDR (1 GDR represents 40 common shares of the Bank)</li> </ul>
<b>Structure and size</b>	<ul style="list-style-type: none"> <li>▪ Secondary Fully Marketed offering of GDRs</li> <li>▪ Representing 29.32 million global depositary receipts (\$344.47 million), 10% of Bank's share capital</li> </ul>
<b>Closing date</b>	<ul style="list-style-type: none"> <li>▪ 4th October 2019</li> </ul>
<b>Distribution</b>	<ul style="list-style-type: none"> <li>▪ International offering to institutional investors outside the US in compliance with Reg S</li> <li>▪ Rule 144A offering to QIBs in the US</li> <li>▪ Domestic offering under rule 1.4 of the AIFC through the AIX</li> </ul>
<b>Lock-up</b>	<ul style="list-style-type: none"> <li>▪ 365 days for the selling shareholder and the Bank</li> </ul>
<b>Syndicate structure</b>	<ul style="list-style-type: none"> <li>▪ Joint Global Coordinators and Joint Bookrunners: Deutsche Bank, J.P. Morgan, JSC Halyk Finance</li> <li>▪ Joint Bookrunner: Renaissance Capital</li> </ul>
<b>Enlarged investor base</b>	<ul style="list-style-type: none"> <li>▪ New and existing institutional investors have participated in the offering</li> </ul>

## Post offering shareholder structure

	Pre-offering	Post-offering
<b>Almex</b>	<b>74.7%</b>	<b>64.7%</b>
<b>GDR holders (share)</b>	<b>16.2%</b>	<b>26.2%</b>
<b>Identified GDR<sup>(1)</sup> holders (number)</b>	<b>more than 60 institutional investors</b>	<b>more than 110 institutional investors</b>
<b>ADTV (in GDRs)</b>	79,690 (during 9 months before the SPO) 54,784 (during 21 months before the SPO)	142,659 (during 1 month after the SPO)

<sup>(1)</sup> according to the Bank's estimation.

## Market significance

- Largest secondary Fully Marketed follow-on offering in EMEA since 2017
- Largest FIG ECM offering in CIS/Russia since 2014
- First Fully Marketed follow-on Kazakh offering ever
- Largest Kazakh FIG ECM offering since 2007
- First Fully Marketed offering out of Kazakhstan with an innovative dual-tranche LSE/AIX structure

Two

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# Halyk Group financial results for 9M 2019 & 3Q 2019

# 9M 2019 & 3Q 2019 Performance Highlights



	9M 2019	9M 2018	Y-o-Y, %	3Q 2019	2Q 2019	Q-o-Q, %	3Q 2018	Y-o-Y, %
KZT bn								
Net income <sup>(1)</sup>	251.4	164.0	53.3%	87.2	89.7	(2.8%)	77.8	12.0%
Net interest income <sup>(2)</sup>	292.4	249.2	17.3%	102.1	97.7	4.5%	84.8	20.4%
Fee and commission income	89.8	83.7	7.2%	32.1	30.7	4.6%	29.4	9.4%
RoAE, p.a.	29.7%	24.9%		29.6%	32.5%		33.8%	
RoAA, p.a.	3.8%	2.6%		3.9%	4.0%		3.7%	
Cost of risk <sup>(3)</sup> , p.a.	0.6%	0.9%		0.8%	0.3%		0.8% <sup>(5)</sup>	
NIM <sup>(4)</sup> , p.a.	5.2%	4.9%		5.4%	5.1%		5.1%	

<sup>(1)</sup> attributable to common shareholders.

<sup>(2)</sup> before credit loss expense.

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

<sup>(4)</sup> 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.

<sup>(5)</sup> 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 3Q 2018 was recalculated taking into account such recoveries of provisions.

# 9M 2019 & 3Q 2019 Performance Highlights



KZT bn	01.10.2019	01.01.2019	YTD, %	01.07.2019	Q-o-Q, %
Total assets	8,992	8,959	0.4%	9,059	(0.7%)
Cash and cash equivalents	1,733	1,755	(1.2%)	2,111	(17.9%)
Securities <sup>(1)</sup>	2,963	3,009	(1.5%)	2,717	9.0%
Gross loans	3,991	3,891	2.6%	3,909	2.1%
Net loans	3,567	3,481	2.5%	3,493	2.1%
Total deposits	6,191	6,527	(5.1%)	6,220	(0.5%)
Total equity	1,227	1,066	15.1%	1,128	8.8%
Provisions / gross loans	10.6%	10.5%		10.7%	
Loans / deposits ratio <sup>(2)</sup>	55.3%	53.9%		54.5%	
Liquid assets / total assets <sup>(3)</sup>	45.6%	48.3%		48.0%	
NPLs 90 days+ / gross loans <sup>(4)</sup>	8.2%	8.5%		8.7%	

<sup>(1)</sup> 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.

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

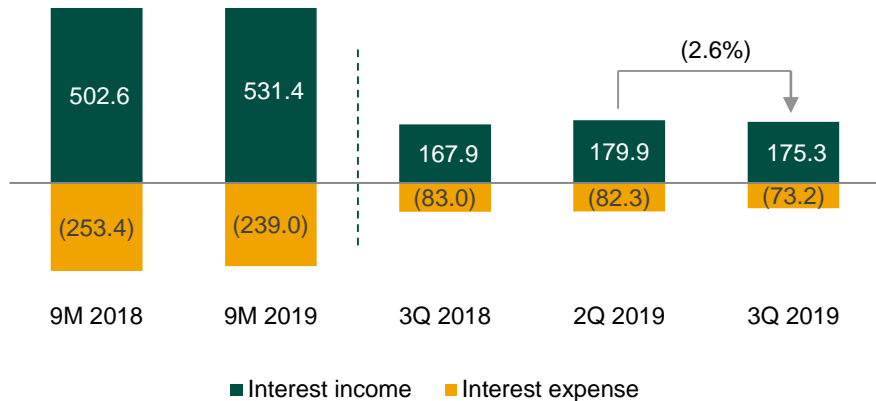
<sup>(3)</sup> cash and cash equivalents, the NBK notes, Treasury bills of the Ministry of Finance of Kazakhstan, Treasury bills of governments of other countries, Notes of national banks of other countries, Bonds of quasi-sovereign banks) / total assets, on consolidated IFRS basis.

<sup>(4)</sup> 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

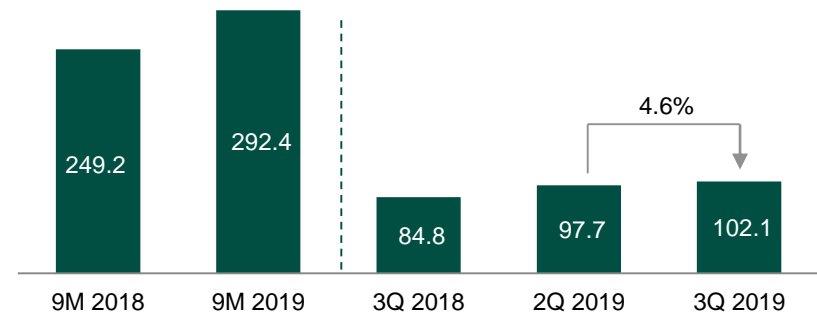
## Interest Income and Interest Expense

KZT bn

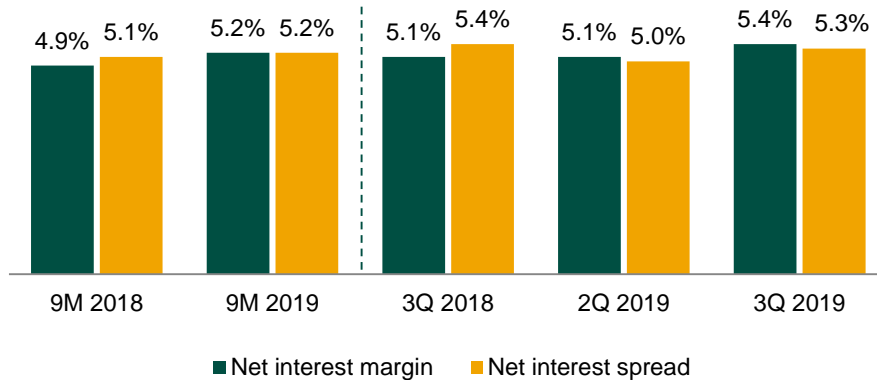


## Net Interest Income <sup>(1)</sup>

KZT bn



## Net Interest Margin <sup>(2)</sup> and Net Interest Spread <sup>(2),(3)</sup>



## Comment

- Net interest margin and net interest spread increased in 3Q 2019 vs. 2Q 2019 due to one-off expenses in 2Q 2019 related to the amortisation of discount on receivables on sale of assets in installments.

<sup>(1)</sup> before credit loss expense.

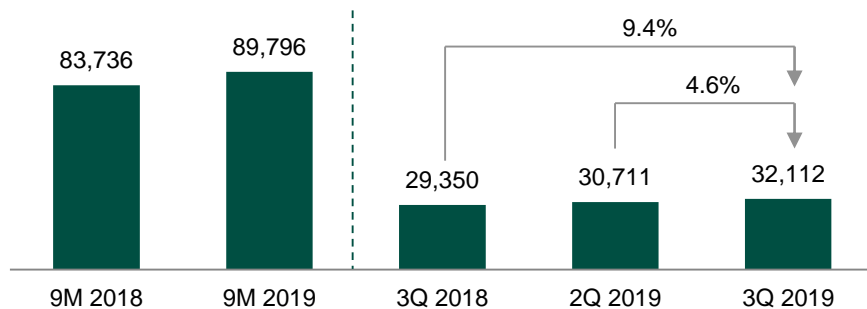
<sup>(2)</sup> net interest income / average interest earning assets (monthly average balances of cash and cash equivalents (less cash on hand, correspondent and current accounts with the NBK), financial assets at fair value through profit or loss (less derivative financial instruments), amounts due 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.

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

# Fee and Commission Income

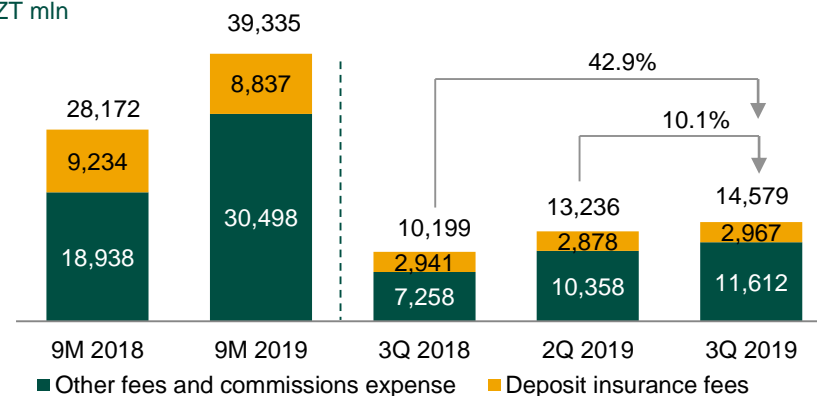
## Fee and Commission Income

KZT mln



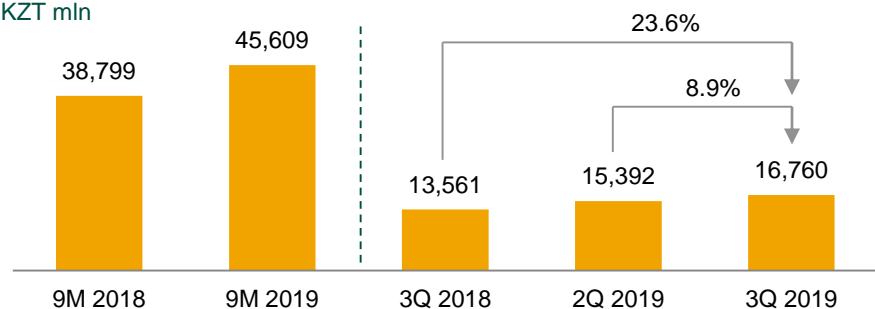
## Fee and Commission Expense

KZT mln

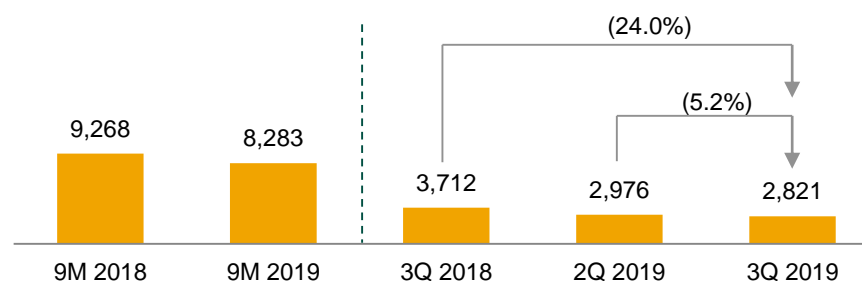


## Breakdown of Selected Fee and Commission Income <sup>(1)</sup>

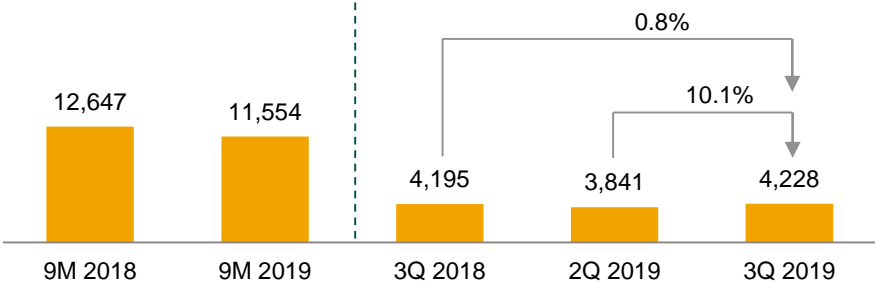
KZT mln



Payment cards operations



Cash operations



Bank transfers – settlements

## Comment

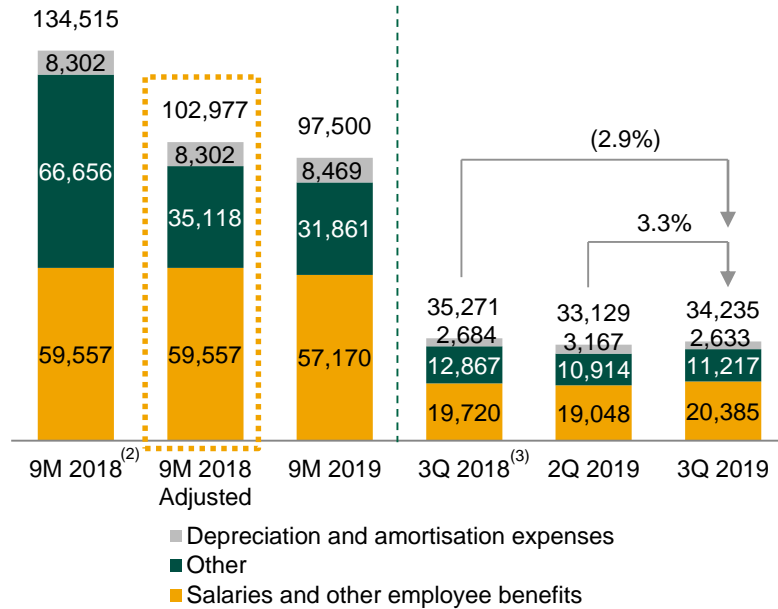
- The fee and commission income dynamics continued its positive trend in 3Q 2019.
- The decrease in fees derived from cash operations in 3Q 2019 vs. 2Q 2019 and 3Q 2018 was mainly due to increased volumes of non-cash transactions.

<sup>(1)</sup> 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 11

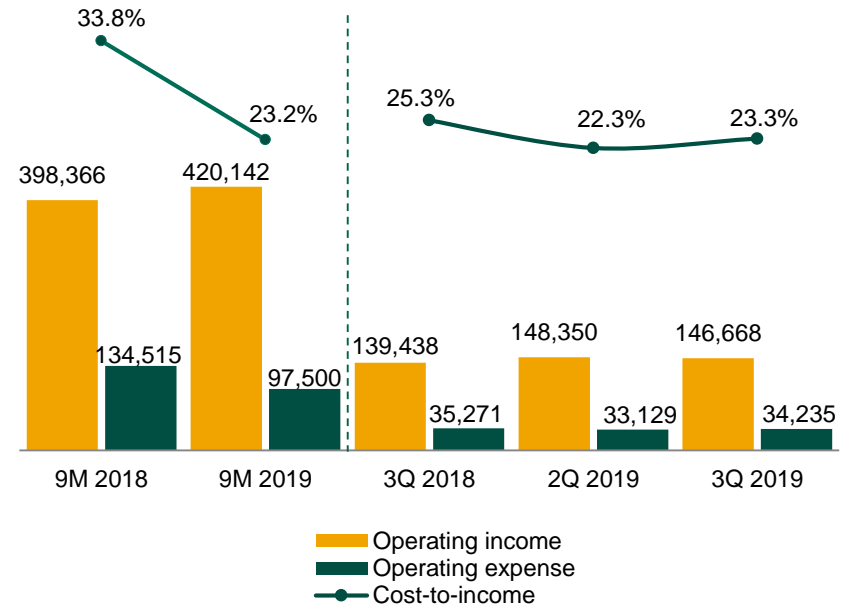
# Operating Costs

## Operating Expenses

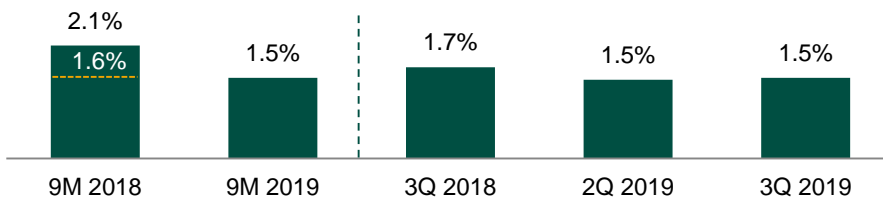
KZT mln



## Cost-to-Income<sup>(1)(4)</sup>



## Cost-to-Average Assets<sup>(5)</sup>



## Comment

- Operating expenses for 3Q 2019 increased by 3.3% vs. 2Q 2019 mainly due to increase in salaries and other employee benefits as a result of increase in premium reserves in 3Q 2019.

<sup>(1)</sup> including loss from impairment of non-financial assets.

<sup>(2)</sup> including loss from impairment of non-financial assets of KZT 31.5 bn; <sup>(3)</sup> including loss from impairment of non-financial assets of KZT 1.2 bn.

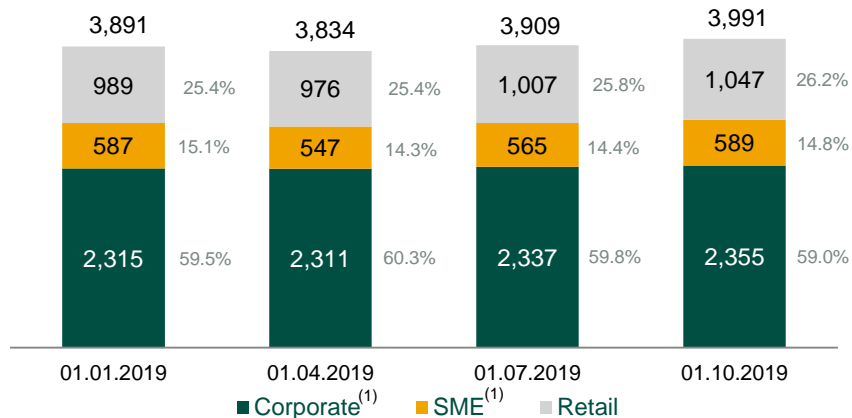
<sup>(4)</sup> operating expense (operating expenses, impairment of non-financial assets) / operating income (net interest income before credit loss expense, net fees and commissions, other non-interest income, less insurance claims incurred, net of reinsurance, and expenses for insurance reserves), annualised, on consolidated IFRS basis.

<sup>(5)</sup> operating expense / average monthly assets, annualised, on consolidated IFRS basis.

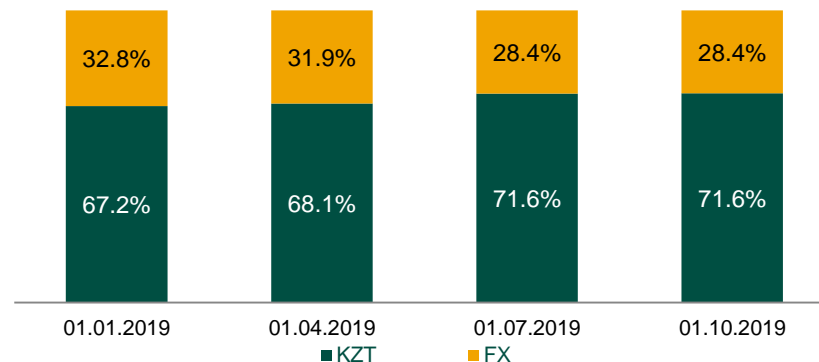
# Loan Portfolio

## Total Gross Loans by Sectors

KZT bn

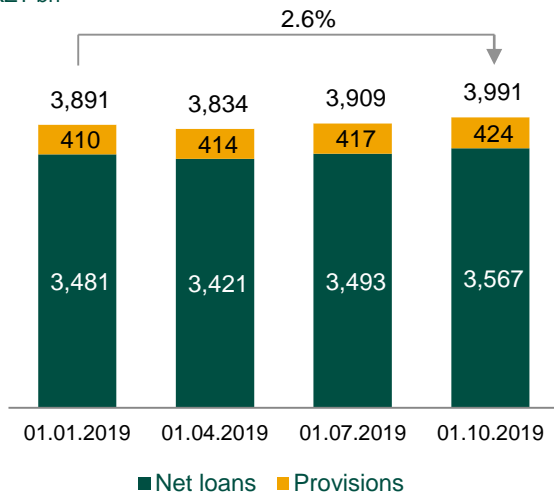


## Total Net Loans by Currencies



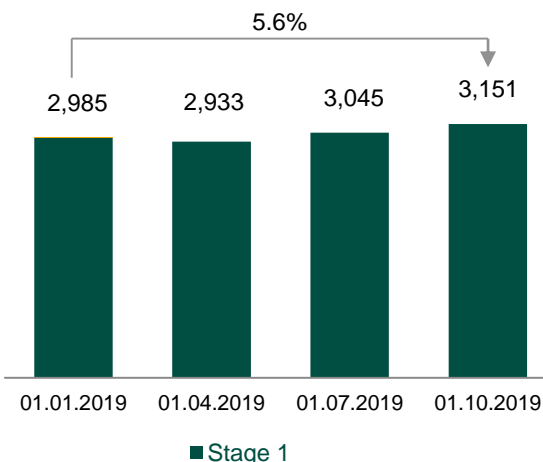
## Total Gross Loans <sup>(2)</sup>

KZT bn



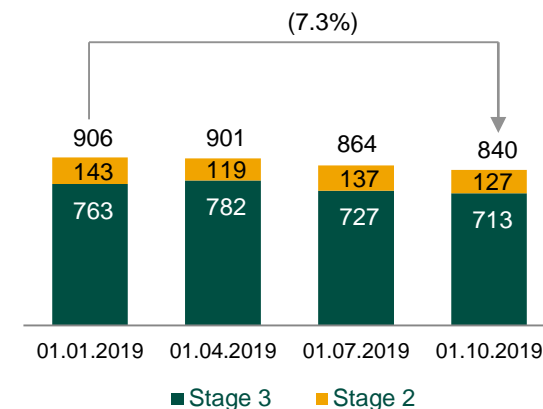
## Stage 1 (gross basis)

KZT bn



## Stage 2 + Stage 3 <sup>(3)</sup> (gross basis)

KZT bn



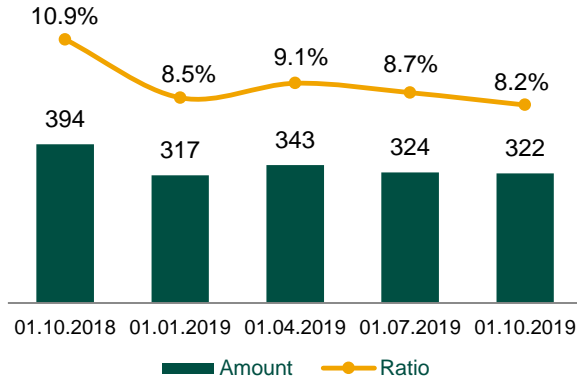
(1) Due to the resegmentation of certain loans, the amounts and shares of Corporate and SME sectors in total gross loans were recalculated as of 1 January, 2019 and 1 April, 2019.

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

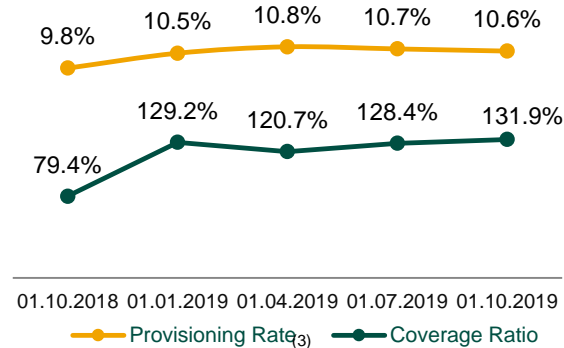
(3) Including POCI.

# Cost of Risk on a Consolidated Basis

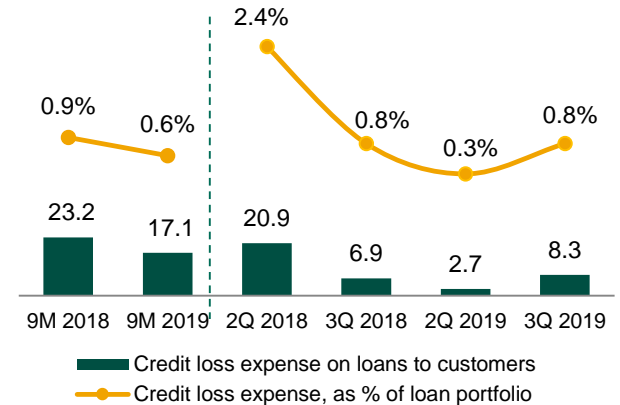
NPL 90 days+ <sup>(1)</sup> Dynamics



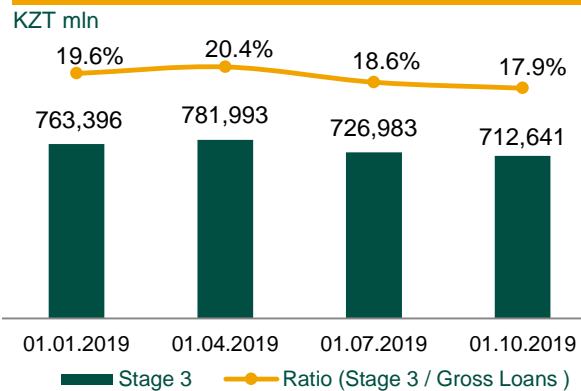
Provisioning Rate<sup>(2)</sup> + NPL 90 days Coverage Ratio



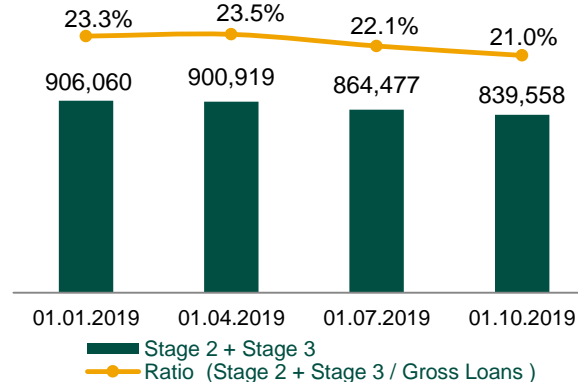
Cost of Risk<sup>(4) (5)</sup>



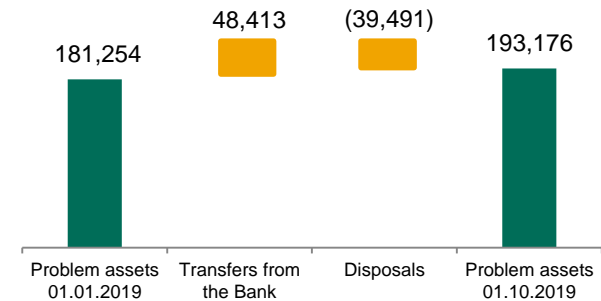
Stage 3 <sup>(6) (7)</sup>



Stage 2 + Stage 3



Work-out of problem loans collateral by SPVs



<sup>(1)</sup> total 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, 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.

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

<sup>(3)</sup> taking into account a gross and net basis of purchased credit-impairment financial assets from KKB, write-offs on consolidated IFRS basis for 9M 2019 were KZT 54.3 bn and KZT 19.4 bn accordingly.

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

<sup>(5)</sup> 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.

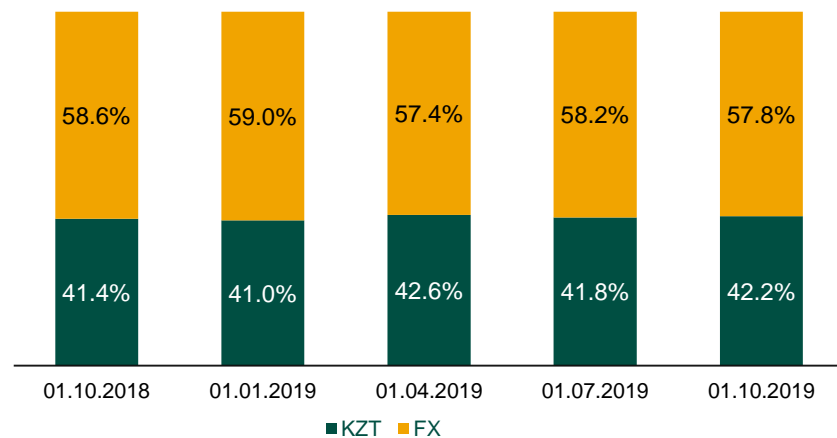
<sup>(6)</sup> including POCI.

<sup>(7)</sup> Stage 3 loans include NPL 90+, restructured loans and other loans with signs of impairment.

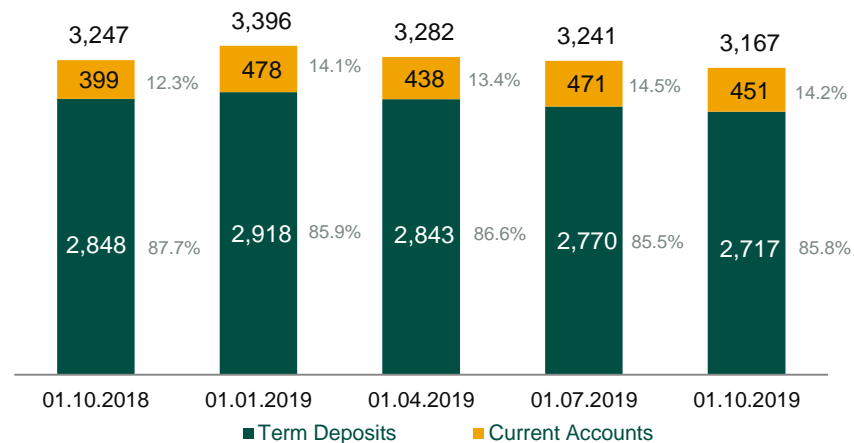
## Retail Deposits

KZT bn

By currencies



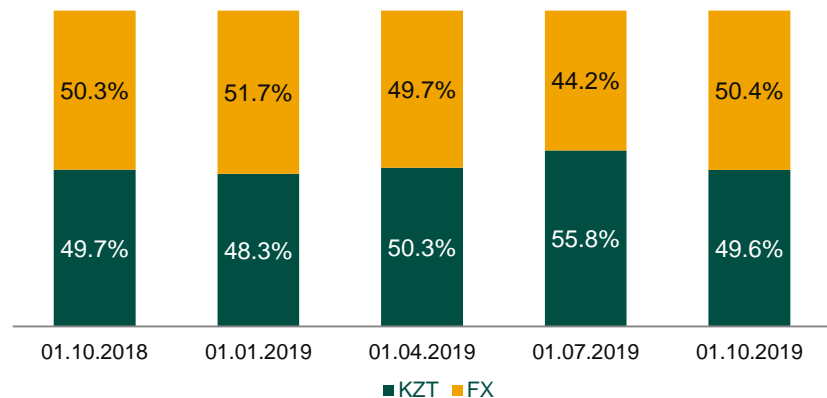
By types



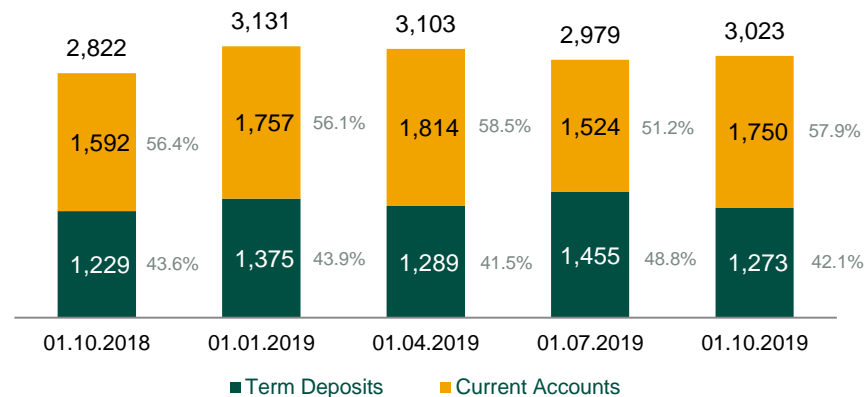
## Deposits of Legal Entities

KZT bn

By currencies



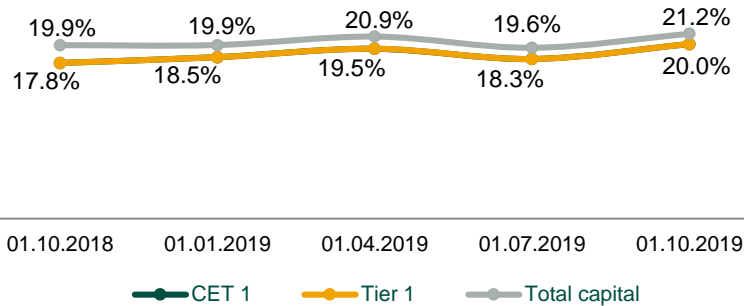
By types



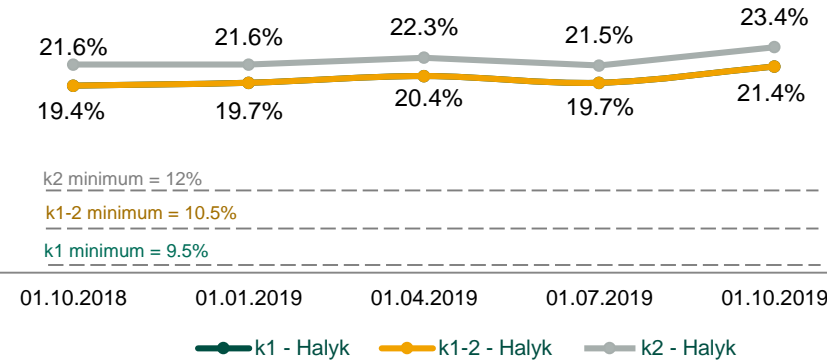
# Solid Capital Position



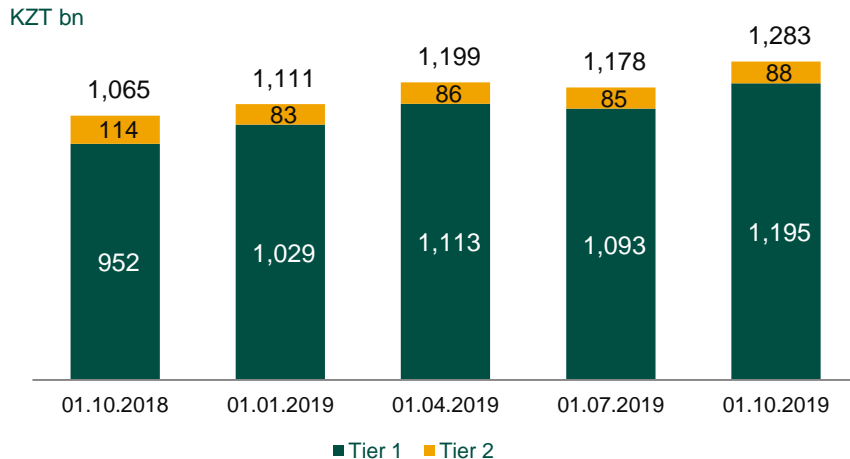
Capital Adequacy Ratios, consolidated <sup>(1)</sup>



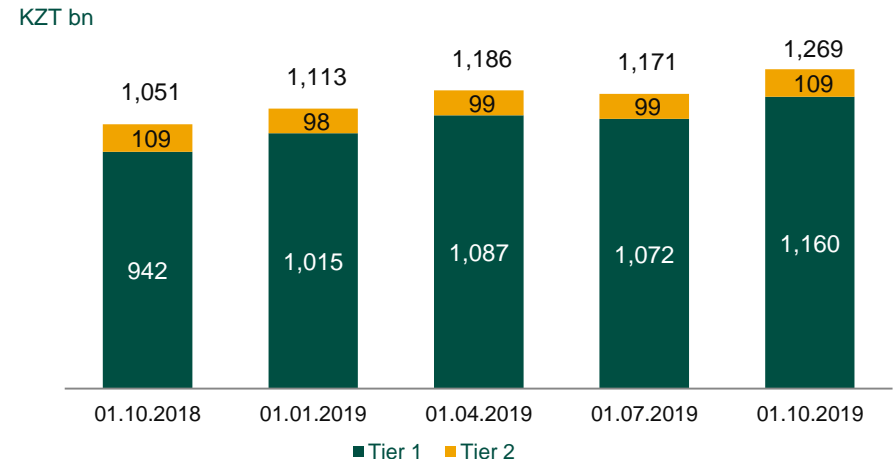
Capital Adequacy Ratios of Halyk Bank, only <sup>(1)</sup>



Capital Structure, consolidated <sup>(2),(3)</sup>



Capital Structure, Halyk Bank, only <sup>(2),(3)</sup>



<sup>(1)</sup> 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.

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

<sup>(3)</sup> 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.

# Halyk Bank's Market Position



<sup>(1)</sup> excl. banks with negative income.

<sup>(2)</sup> after credit loss expense, excl. negative net interest income.

<sup>(3)</sup> adjusted market share (without the accelerated amortization of discount on the Bank's Eurobonds due to early prepayment of USD 200 mln on 1 March 2019) – 64.0%.

<sup>(4)</sup> excl. banks with negative equity.

<sup>(5)</sup> consists of term deposits and current accounts.

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

Three

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# Digital and transactional banking update

# Strategic projects in digital space

## Selected strategic initiatives

● Customer centric transformation

● Loyalty program improvement

## Goals

- Easy onboarding
- Improving customer experience
- Enhancing product proposition leading to increase number of clients and volume of transactions

## Functionality development

### ✓ Go Digital

“Go Digital” division was created and external counsels were hired to develop new initiatives.

*(beginning 2019)*

### ✓ Onlinebank

- 24/7 payments in the system of the Bank (the first bank to launch)
- QR code for receiving payments
- Counterparty verification
- Billing for payment

### ✓ New “simple” Card product

With more attractive conditions



*(October 2019)*

### ✓ Loyalty program

1% Go!Bonus on each transaction

**1% Go!Bonus**

*(October 2019)*

### ✓ QR with Egov

Ability to pay electronic government services using a QR code of Halyk



*(October 2019)*

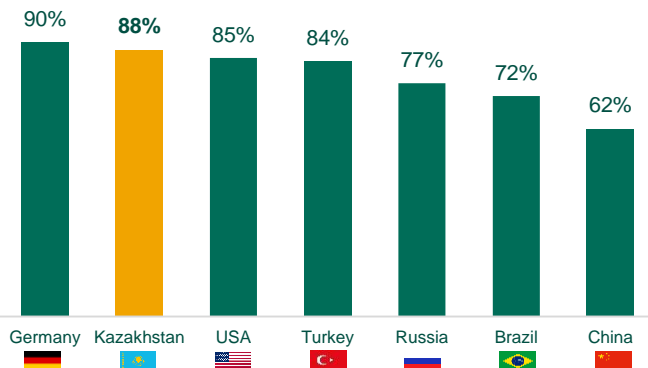


# Digital banking in Kazakhstan has high potential

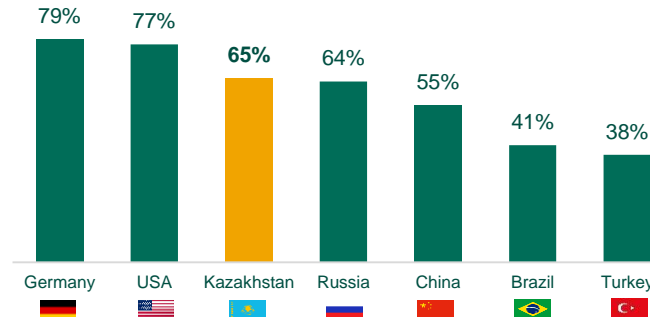


**1 ATM per 794 persons\***

% of population with internet access (2018)

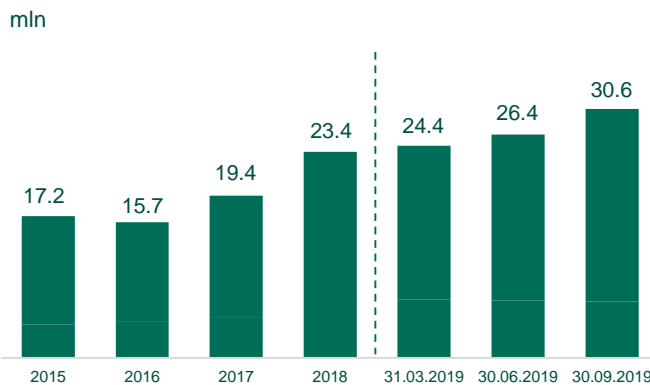


% smartphone penetration (2018)

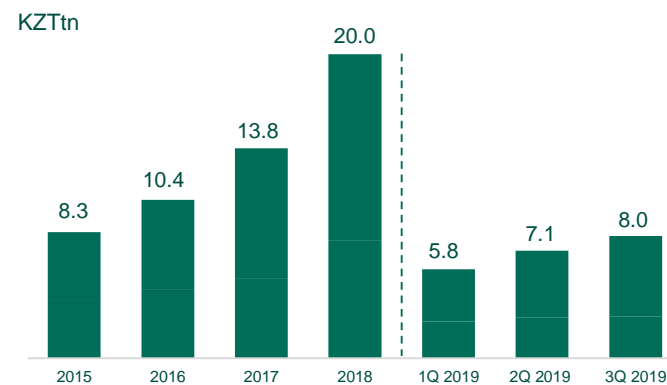


**17 POS per 1,000 persons\***

Issued cards in Kazakhstan<sup>(1)</sup>



Card transaction volume in Kazakhstan<sup>(2)</sup>



**3 cards per capita\***

(1) Total amount of cards in circulation distributed by banks of Kazakhstan

(2) Transaction volume using cards issued by the banks of Kazakhstan

(\*) At 30-Sep-2019

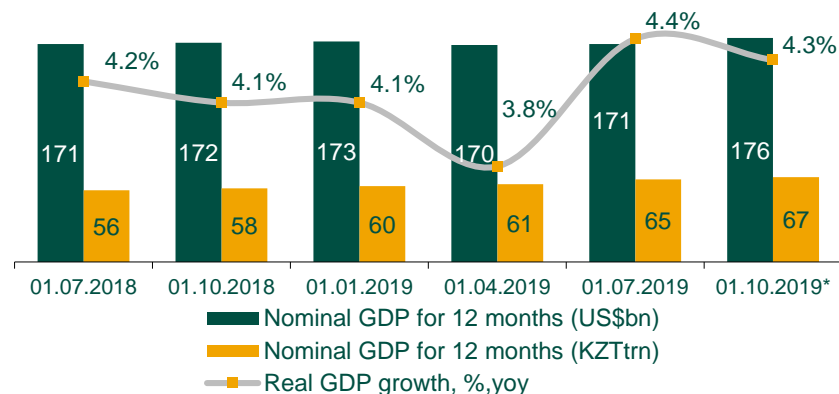
Source: NBRK, GMSA database, Euromonitor

Four

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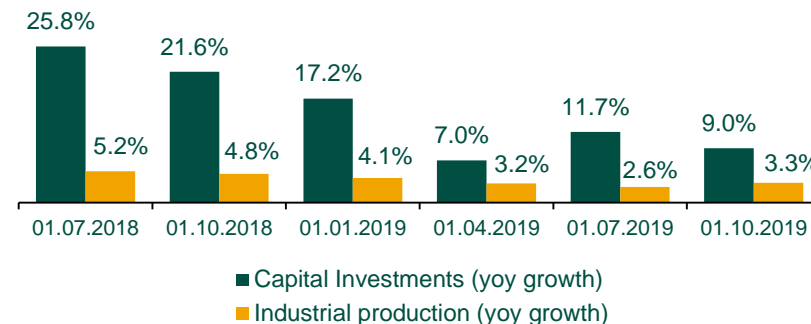
# Kazakhstan: Economic and Banking Sector Update

## Macroeconomic stability



Source: The National Bank of Kazakhstan (NBK),  
\*Halyk Finance estimation of nominal GDP

## Deceleration of industrial output and investments



Source: Committee on Statistics of Kazakhstan

## Investment grade sovereign ratings

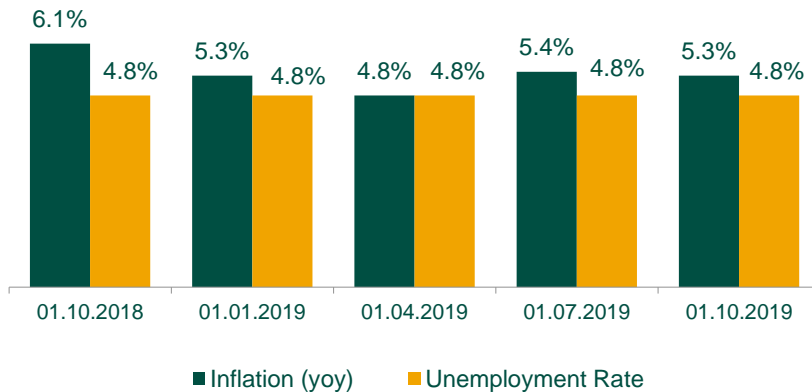
Agency	Rating	Outlook	Date
Moody's	Baa3	Positive	22.08.2019
S&P	BBB-	stable	06.09.2019
Fitch	BBB	stable	06.09.2019

Source: Bloomberg

## Comment

- Growth in Kazakhstan's economy after a slowdown to 3.8% yoy in the first quarter accelerated to 4.3% in January-September. At the same time, economic growth was less dependent on the commodity sector, oil prices touched the low of \$58.9/bbl and remained volatile in the second part of the year. Faster growth in the non-resource sector reflect increased stimulatory impact of fiscal policy and strong investment in fixed assets.
- In sectoral breakdown, the economy snapshot shows a slight slowdown in industrial output to 3.3% (4.8% yoy in 9M18) while in transport it grew to 5.5% yoy (4.6% yoy in 9M2018), in construction to 13.5% yoy (4.4% yoy in 9M18) and trade to 7.6% yoy (6.7% yoy in 9H18).
- Growth of investments in fixed assets was at a high level of 9.7% yoy in January-September this year (21.6% YTD in 2018), which is a very strong indicator given the growth of 25.8% yoy in the same period last year. It is noteworthy to mention that in 2018 investments have increased significantly by 17.2% yoy, reaching 18.9% of GDP, which was the best indicator since 2010.

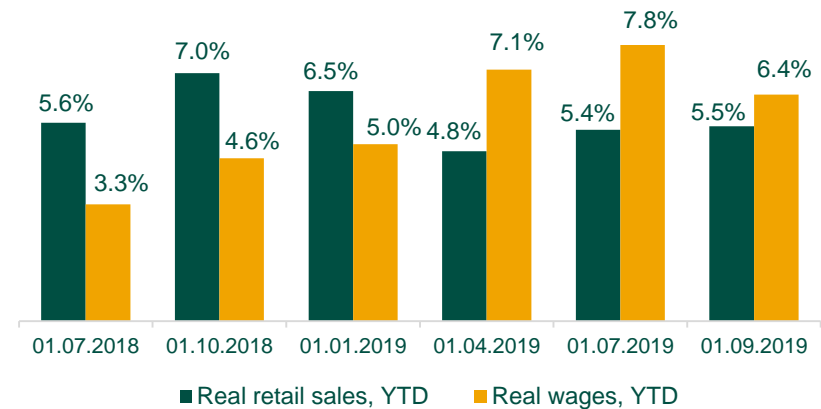
## Stable low unemployment with moderate inflation



Source: Statistics Committee

- Due to payable services administration by the state and keeping fuel prices restrained inflation reached three year lowest at 4.8% yoy in March. Since then it started to accelerate under the food prices pressure that reached 9.1% in September. Non-food prices recorded the lowest of 5.4% yoy since 2017. The effect of payable services administration by the state is at place and recorded 0.7% yoy (the lowest metrics since 2017).
- However, inflationary expectations of the population are high and 71% of the respondents believe that the forward looking inflation will be more than 6% and will step over by 20% in 12 months to come.

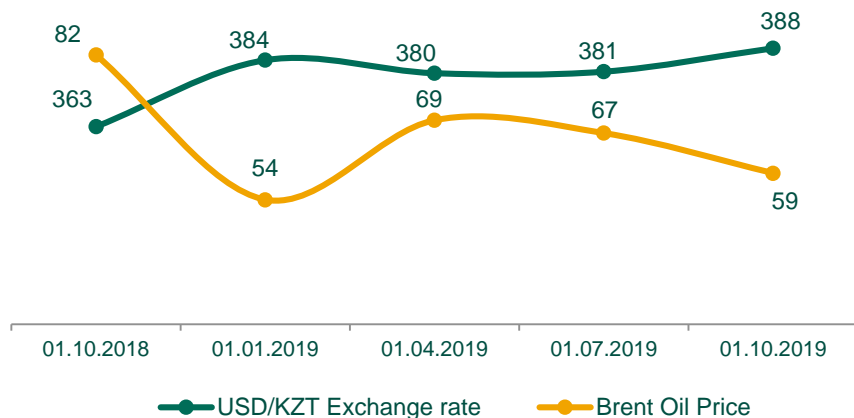
## Pick up in real wages support consumption



Source: Statistics Committee

- The real wages growth accelerated in the January-August as the government raised minimum wages and also committed large sums to raising wages in public sector. Wages rose by around 6.4% in real terms within 9M2019 amid inflation increase to 5.5% in August and decrease to 5.3% in September.
- Retail sales after starting this year with an increase of 4.4% yoy in January, gradually accelerated to 5.5 % yoy in 8M2019. Consumer lending expands and acts as an important force propelling retail trade together with the bad consumer loans write-offs using allocations from the budget and problem loans fund.

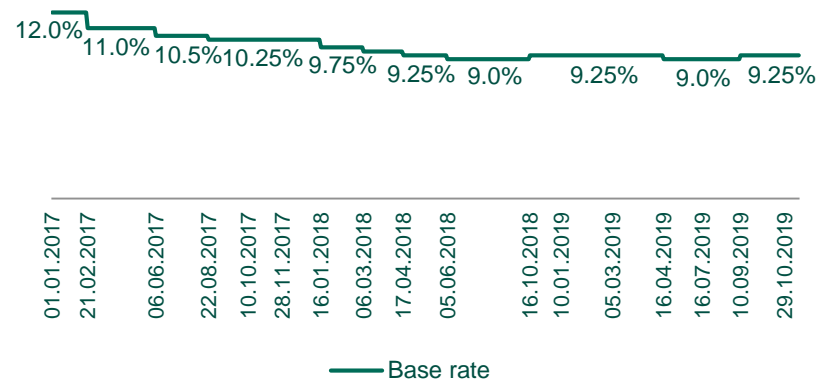
## Exchange rate dynamics



Source: Bloomberg

- Oil prices that peaked in April at 74.6bbl evidenced downward correction and in August plunged to the second yearly low at USD56.2bbl. In the mid of September it peaked at 69.02bbl and ended the 3Q2019 at 58.89bbl.

## Interest rate adjustment

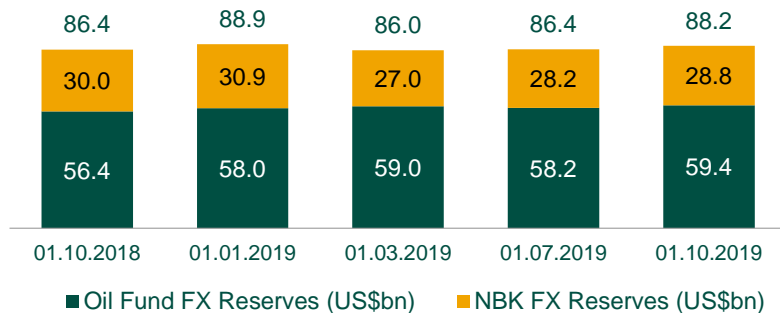


\* the next base rate committee – 09.12.2019

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 wage and raising food prices to.
- The rate hike occurred amid liquidity sterilization by the NBK's notes that as of the end of September amounted to KZT2,850bn while the effective annual yield made 9.39% vs. KZT3,521bn 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.

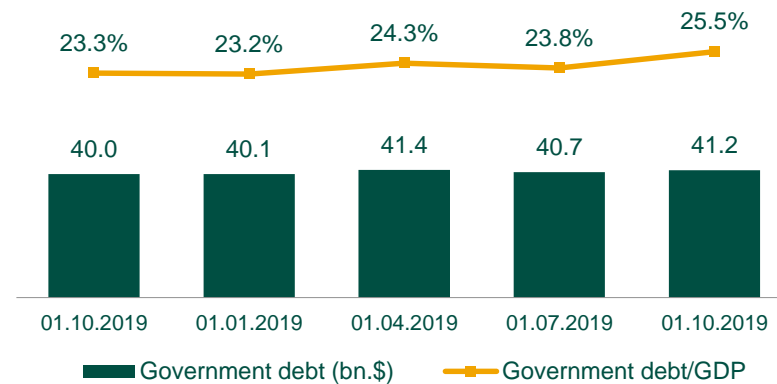
## Stable FX reserves



Source: The National Bank of Kazakhstan

- Consolidated international reserves amounted to \$88.2bn in September 2019.
- The NBK international reserves' imports coverage ratio was circa 7.7 months, which was far in excess than accepted metrics of 3 months of imports.

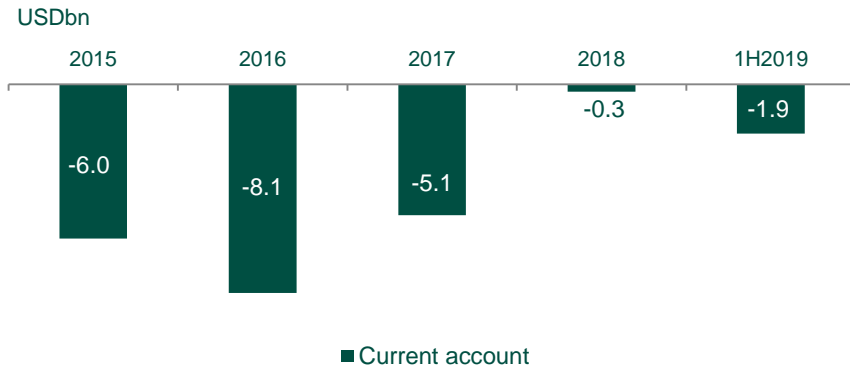
## External Government debt



Source: The Ministry of Finance of Kazakhstan

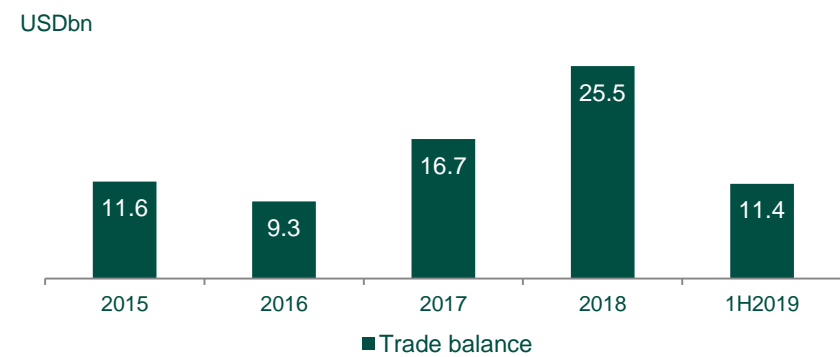
- Increased budget spending went on raising public sector wages, pensions, and building social housing, with wage increases for budget sector workers will be over the next three years. In nine months expenditures increased by 17% yoy increase due to the social sphere allocations growth by 27% yoy and allocations for economy by 20% yoy. Despite the increase in expenditures, the planned 2% budget deficit is lower at -2.9% of GDP in 2012 and 2.2% of an average in 2010-2018.
- In September 2019, Kazakhstan made two Eurobonds placements of total EUR1,15bn with a low yield rate of 0.6% (7 years bonds) -1.5% (15 years bonds) despite a good demand.
- This year, the National Fund transfers to the budget increased to KZT3.1 trillion from KZT2.6 trillion in 2018.

## Current account



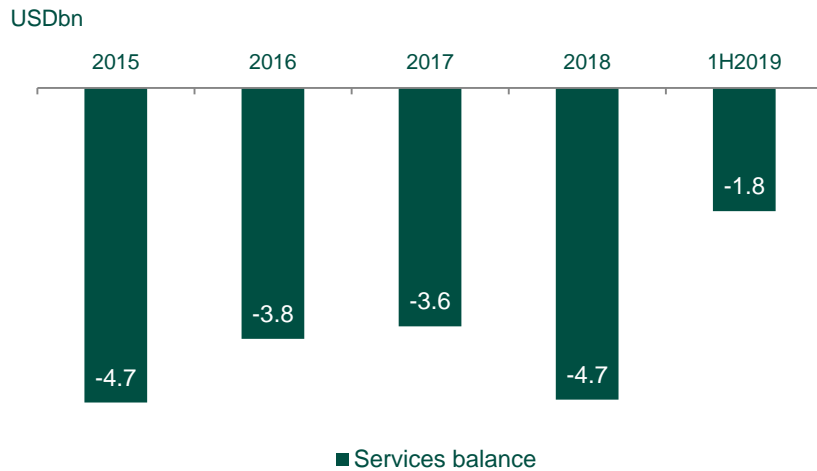
Source: The National Bank of Kazakhstan

## Trade balance



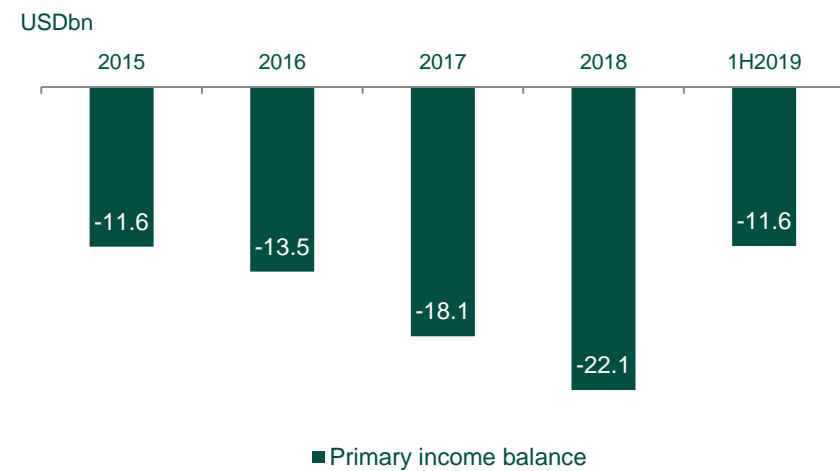
Source: The National Bank of Kazakhstan

## Services balance



Source: The National Bank of Kazakhstan

## Primary income balance



Source: The National Bank of Kazakhstan

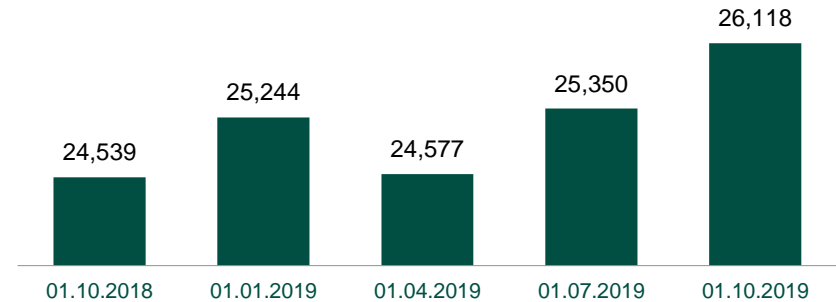
## # of banks operating in Kazakhstan



Source: The National Bank of Kazakhstan

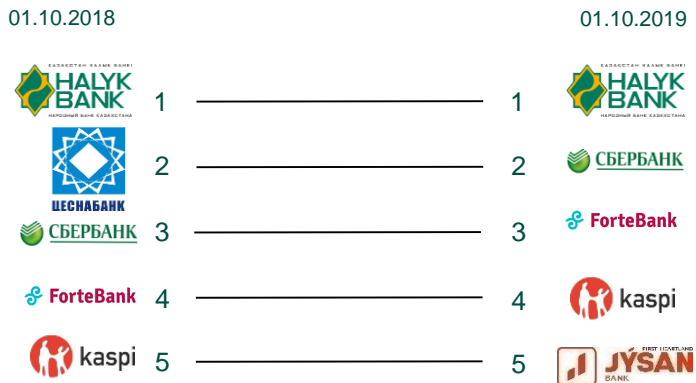
## Kazakhstan banking sector assets

KZTbn



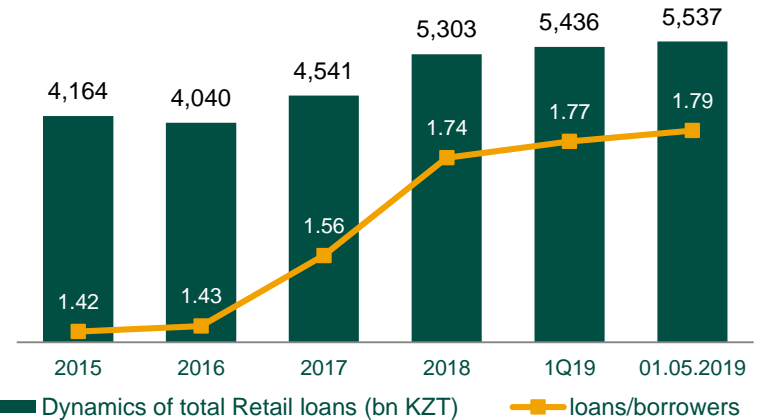
Source: The National Bank of Kazakhstan

## Dynamics of top 5 ranking in Kazakhstan banking sector



Source: The National Bank of Kazakhstan

## Dynamics of total Retail loans in Kazakhstan banking sector

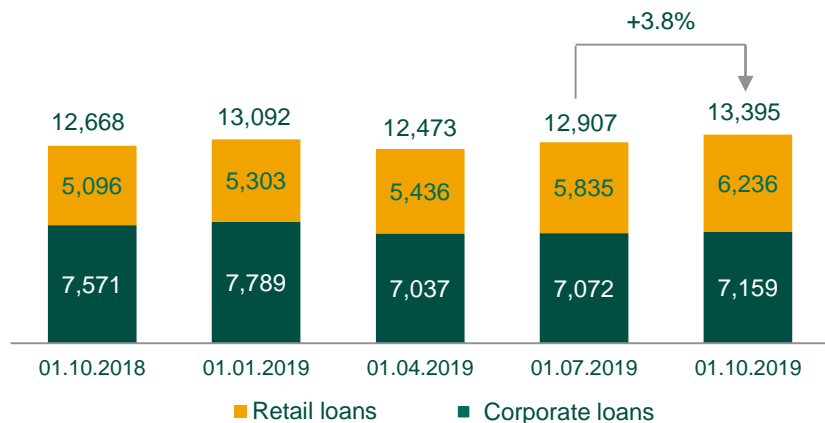


Source: First Credit Bureau LLP

# Growth Driven by Retail Lending

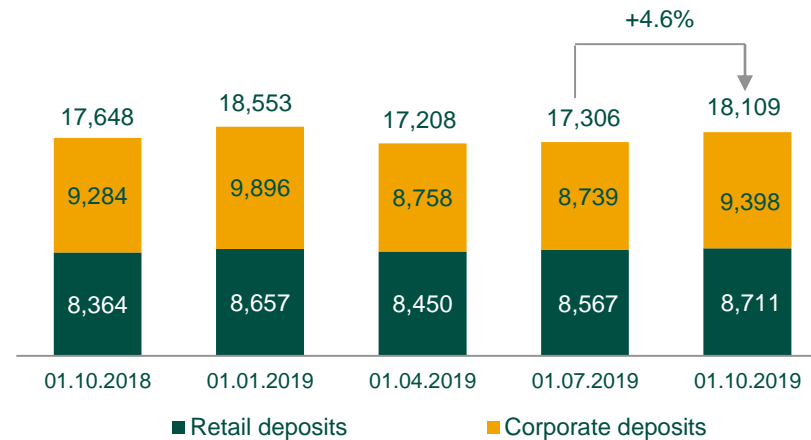
## Loan growth dynamics

KZTbn



## Deposit growth dynamics

KZTbn



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

Corporate lending increased by 1.23% (Q-o-Q), retail lending added 6.9% (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 29.4% (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.

Retail deposits increased by 1.7% (Q-o-Q). Corporate deposits in the economy decreased by 7.5% (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

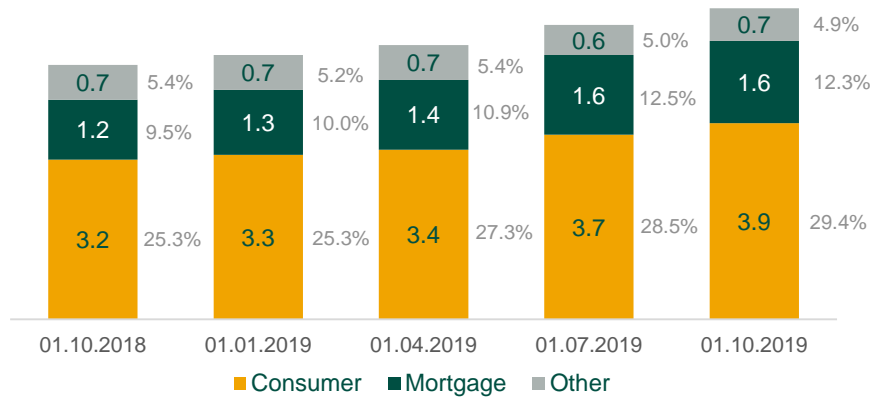
# Dynamics of Retail and Corporate Lending



## Dynamics of Retail lending (gross)

KZTtn

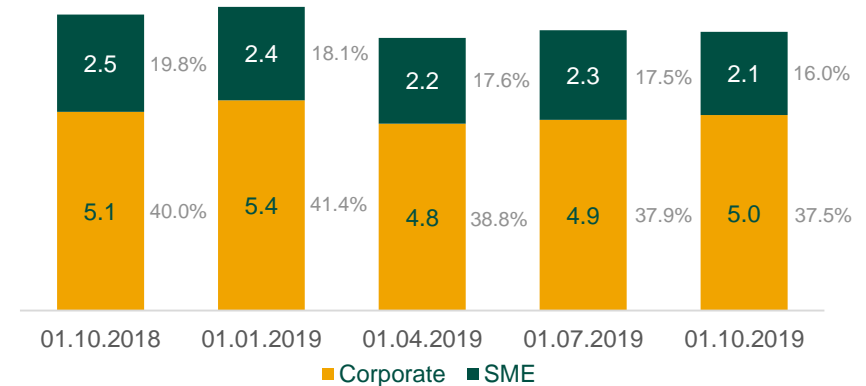
Share in total gross loans



## Dynamics of Corporate lending (gross)

KZTtn

Share in total gross loans



Source: The National Bank of Kazakhstan

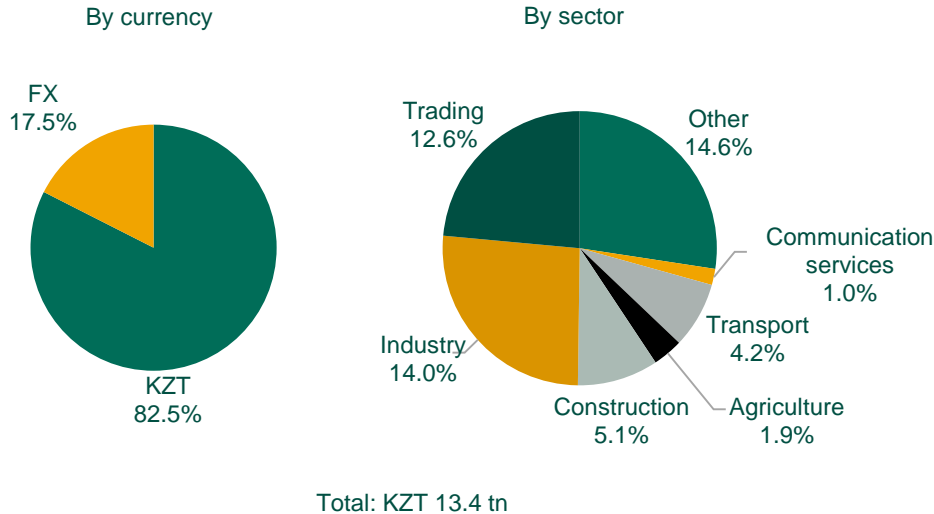
Source: The National Bank of Kazakhstan

- The main drivers of retail lending are: consumer lending (+17.6% from the beginning of the year) which accounted for 63% of total retail lending (63% at the end of 2018) and mortgage lending (+ 4.3% from the beginning of the year) which took 28% of retail lending (22% at the end of 2018).

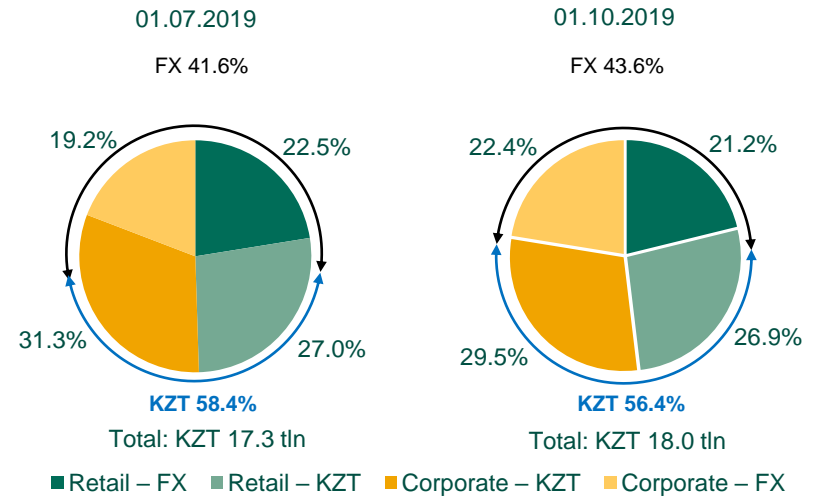
- The structure of corporate lending at the end of 3Q 2019: the services and other sectors - 28% (at the end of 2018 - 26%), industry loans - 26% (at the end of 2018 - 26%), trade loans – 23.5% (at the end of 2018 - 23%), loans to construction - 9.5% (at the end of 2018 - 10%), transport – 7.8% (at the end of 2018 - 8%), agriculture – 3.6% (at the end of 2018 - 6.3%).
- Bank loans issued to SME since the beginning of the year decreased by 10%. The main segments of SME lending are trade with 25% share (23% - at the end of 2018), other sectors with 40% 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 for trade, services and retail lending.

- The main impact on the total inflow of deposits is caused by a significant increase in corporate foreign currency deposits (+KZT750bn YTD) with an outflow of tenge corporate deposits of –KZT83.7bn YTD.

Source: Statistical Bulletin of the National Bank of Kazakhstan,

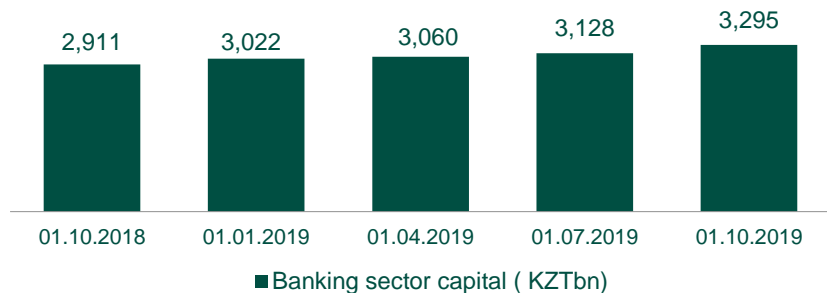
Deposits in the NBK statistical bulletin include all deposits in national and foreign currency in STBs (legal entities and individuals), and in the NBK (legal entities), with the excluding of deposits from non-residents, deposits from the central government, deposits from banks with the National Bank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

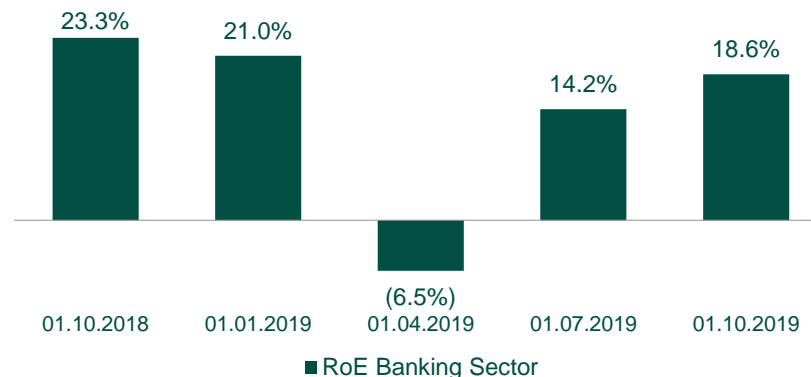


## Steady equity build-up



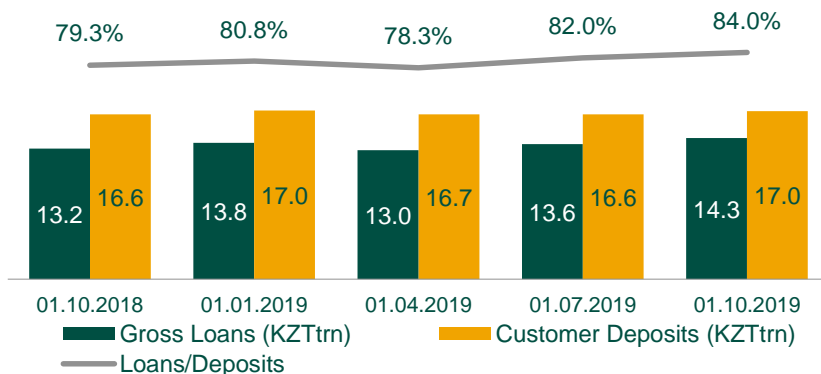
Source: The National Bank of Kazakhstan

## RoE



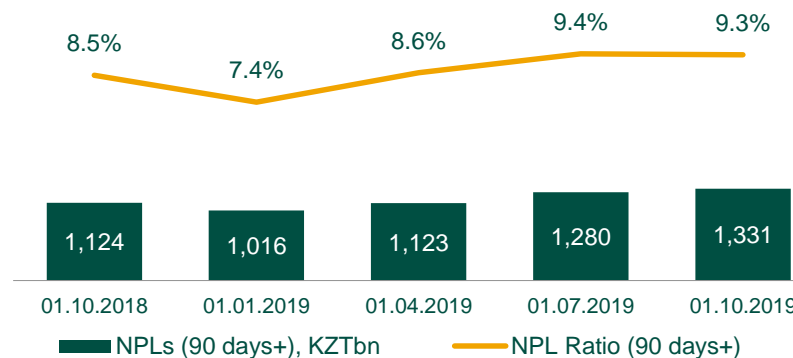
Source: The National Bank of Kazakhstan

## 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.

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# APPENDIX

## Dynamics

KZT mln	9M 2019	9M 2018	Y-o-Y, %	3Q 2019	2Q 2019	Q-o-Q, %	3Q 2018	Y-o-Y, %
Interest income	531,389	502,606	5.7%	175,305	179,901	(2.6%)	167,867	4.4%
Interest expense	(239,022)	(253,374)	(5.7%)	(73,198)	(82,250)	(11.0%)	(83,044)	(11.9%)
<b>Net interest income before credit loss expenses</b>	<b>292,367</b>	<b>249,232</b>	<b>17.3%</b>	<b>102,107</b>	<b>97,651</b>	<b>4.6%</b>	<b>84,823</b>	<b>20.4%</b>
Fee and commission income	89,796	83,736	7.2%	32,112	30,711	4.6%	29,350	9.4%
Fee and commission expense	(39,335)	(28,172)	39.6%	(14,579)	(13,236)	10.1%	(10,199)	42.9%
<b>Net fee and commission income</b>	<b>50,461</b>	<b>55,564</b>	<b>(9.2%)</b>	<b>17,533</b>	<b>17,475</b>	<b>0.3%</b>	<b>19,151</b>	<b>(8.4%)</b>
Insurance income <sup>(1)</sup>	3,770	2,987	26.2%	628	2,299	(72.7%)	1,199	(47.6%)
Other non-interest income <sup>(2)</sup>	49,869	76,153	(34.5%)	16,699	20,240	(17.5%)	26,562	(37.1%)
Credit loss expense and recoveries of other credit loss expense <sup>(3)</sup>	(21,827)	(28,097)	(22.3%)	(7,060)	(5,391)	31.0%	(7,568)	(6.7%)
Operating expenses <sup>(4)</sup>	(97,500)	(134,515)	(27.5%)	(34,235)	(33,129)	3.3%	(35,271)	(2.9%)
Income tax expense	(25,752)	(68,144)	(62.2%)	(8,513)	(9,418)	(9.6%)	(10,947)	(22.2%)
<b>Net Profit from continuing operations</b>	<b>251,388</b>	<b>153,180</b>	<b>64.1%</b>	<b>87,159</b>	<b>89,727</b>	<b>(2.9%)</b>	<b>77,949</b>	<b>11.8%</b>
Non-controlling interest	-	(807)	-	-	-	-	162	-
Profit for the period from discontinued operations	-	9,974	-	-	-	-	0	-
<b>Net Profit</b>	<b>251,388</b>	<b>163,961</b>	<b>53.3%</b>	<b>87,159</b>	<b>89,727</b>	<b>(2.9%)</b>	<b>77,787</b>	<b>12.0%</b>

<sup>(1)</sup> 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).

<sup>(2)</sup> 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).

<sup>(3)</sup> 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.

<sup>(4)</sup> including loss from impairment of non-financial assets.

# Balance Sheet Summary



KZT mln

	30/09/2019	30/06/2019	Q-o-Q, %	31/12/2018	Change YTD, %
<b>Total assets</b>	<b>8,992,491</b>	<b>9,059,149</b>	<b>(0.7%)</b>	<b>8,959,024</b>	<b>0.4%</b>
Cash and reserves	1,869,364	2,224,142	(16.0%)	1,870,879	(0.1%)
Amounts due from credit institutions	48,185	51,357	(6.2%)	55,035	(12.4%)
T-bills & NBK Notes	1,964,806	1,817,083	8.1%	2,226,320	(11.7%)
Other securities & derivatives	998,379	900,282	10.9%	782,356	27.6%
Gross loan portfolio	3,990,965	3,909,256	2.1%	3,890,872	2.6%
Stock of provisions	(424,255)	(416,681)	1.8%	(409,793)	3.5%
Net loan portfolio	3,566,710	3,492,575	2.1%	3,481,079	2.5%
Other assets	486,854	517,720	(6.0%)	487,226	(0.1%)
Assets classified as held-for-sale	58,193	55,990	3.9%	56,129	3.7%
<b>Total liabilities</b>	<b>7,765,703</b>	<b>7,931,554</b>	<b>(2.1%)</b>	<b>7,893,378</b>	<b>(1.6%)</b>
Total deposits, including:	6,190,717	6,220,463	(0.5%)	6,526,930	(5.2%)
retail deposits	3,167,448	3,241,081	(2.3%)	3,395,590	(6.7%)
term deposits	2,716,866	2,770,374	(1.9%)	2,918,070	(6.9%)
current accounts	450,582	470,707	(4.3%)	477,520	(5.6%)
corporate deposits	3,023,269	2,979,382	1.5%	3,131,340	(3.5%)
term deposits	1,273,017	1,455,387	(12.5%)	1,374,592	(7.4%)
current accounts	1,750,252	1,523,995	14.8%	1,756,748	(0.4%)
Debt securities	919,154	903,536	1.7%	900,791	2.0%
Amounts due to credit institutions	337,211	476,703	(29.3%)	168,379	100.3%
Other liabilities	318,621	330,852	(3.7%)	297,278	7.2%
<b>Equity</b>	<b>1,226,788</b>	<b>1,127,595</b>	<b>8.8%</b>	<b>1,065,646</b>	<b>15.1%</b>

# Key Financial Indicators

	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
Amounts due to customers / total liabilities	79.7%	78.4%	82.8%	82.7%	81.9%
Loans / deposits ratio <sup>(1)</sup>	57.6%	56.1%	53.6%	53.3%	53.7%
Liquid assets / total assets <sup>(2)</sup>	45.6%	48.0%	48.6%	48.3%	48.0%
IFRS Provisioning rate <sup>(3)</sup>	10.6%	10.7%	10.8%	10.5%	9.8%
Common Equity Tier 1 capital adequacy ratio	20.0%	18.3%	19.5%	18.5%	17.8%
Tier 1 capital adequacy ratio	20.0%	18.3%	19.5%	18.5%	17.8%
Total capital adequacy ratio	23.4%	19.6%	20.9%	19.9%	19.9%
k1 capital adequacy ratio	21.4%	19.7%	20.4%	19.7%	19.4%
k1-2 capital adequacy ratio	21.4%	19.7%	20.4%	19.7%	19.4%
k2 capital adequacy ratio	23.4%	21.5%	22.3%	21.6%	21.6%

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

<sup>(2)</sup> (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.

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

## Key Financial Indicators (Continued)



	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
Number of branches and outlets	631	641	645	647	656
Number of ATMs	4,481	4,383	4,407	4,408	4,559
Number of POS-terminals	78,247	74,119	70,527	67,053	67,905
Information and transaction terminals (multiservice kiosks)	35	63	69	71	73
Payment terminals	1,031	1,046	1,069	1,097	1,093
Clients of internet banking, individuals	4,068,065	3,767,298	3,652,853	3,584,961	3,375,190
Clients of internet banking, legal entities	171,919	168,979	165,858	131,271	112,000
SMS banking clients	3,832,103	3,085,000	3,084,739	3,095,331	2,910,031
Payment card holders	8,106,443	8,117,911	8,099,654	8,397,187	8,282,927
Payroll project clients (legal entities)	32,300	39,839	41,237	41,003	41,312

	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018
Cost-to-income <sup>(1)</sup>	23.3%	22.3%	24.1%	31.1%	25.3%
Return on average common shareholders' equity (RoAE)	29.6%	32.5%	26.8%	35.5%	33.8%
Return on average assets (RoAA)	3.9%	4.0%	3.3%	4.1%	3.7%
Net interest margin	5.4%	5.1%	5.0%	5.6%	5.1%
Operating expenses / average total assets	1.5%	1.5%	1.3%	1.7%	1.7%

<sup>(1)</sup> 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.