

OVERVIEW OF THE BANKING SECTOR OF THE REPUBLIC OF KAZAKHSTAN

Radius Advisory Lab

DISCLAIMER

The credit ratings of banks presented in the report were developed by specialists of the consulting company Radius Advisory Lab LLP (hereinafter referred to as the "Partnership"). Both the credit ratings and any conclusions presented in the report reflect the subjective opinion of the Partnership.

The credit rating is based solely on open data available on the website of the National Bank of Kazakhstan without the use of any insider information. This report was prepared based on the data as of April 1, 2020, as well as the data preceding this period.

Before taking decisions or making conclusions based on this report, users should check the data on the website of the National Bank of the Republic of Kazakhstan.

We consider it necessary to specifically emphasize that the Partnership's opinion is subjective and not a guideline to follow. The report is for reference and is not intended to serve as a guideline for making business decisions. The results obtained do not guarantee accuracy, completeness, or timeliness, given that the quality of the data depends directly on the banks.

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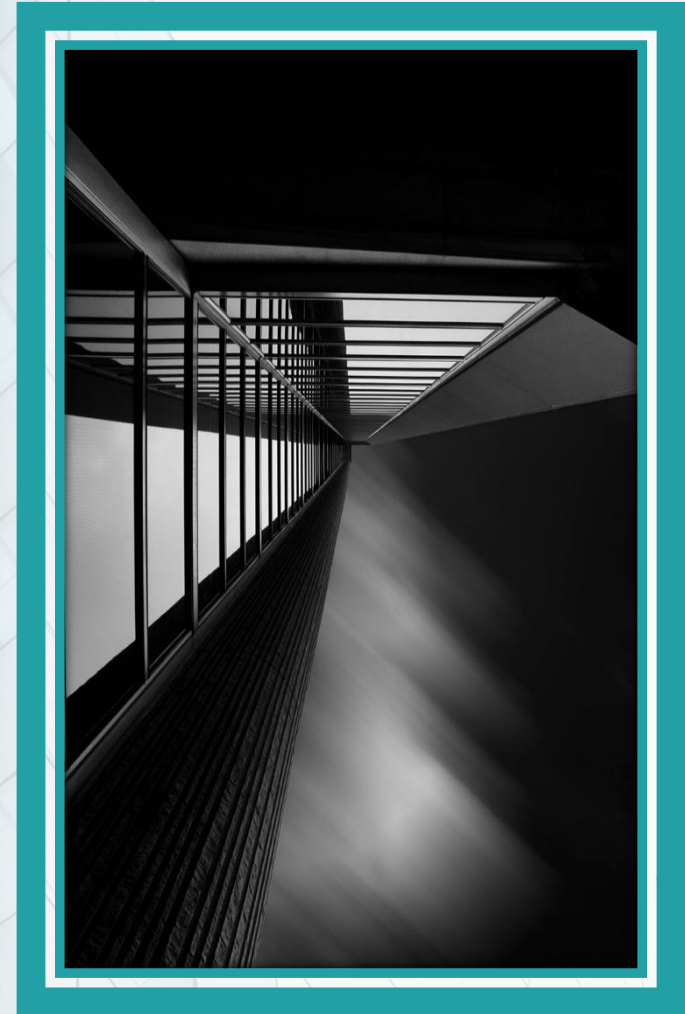
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LIST OF ABBREVIATIONS

Abbreviation	Value
RK	the Republic of Kazakhstan
STB	second-tier bank
PD	probability of default
NPL	loans overdue for more than 90 days
NBRK	National Bank of the Republic of Kazakhstan
Regulator	Agency for Regulation and Development of the Financial Market
S&P	Standard and Poor's rating agency
BICRA	assessment of country risks in the banking sector
SME	small and medium enterprises
PIT	adjustment of long-term ratings at the current time
IFRS	international financial reporting standards
AQR	asset quality assessment by the Regulator
SIFI	systemically important financial institutions
Peer-to-peer	in the event of default or bankruptcy, assistance is provided by the banks, not by the state



ОПИСАНИЕ РЕЙТИНГА

The rating ranges from 1 of 19 where the AAA value is the maximum and the D value is the minimum. Given the limitation of the local banking sector and a limiting number of highest credit rating banks in the economy, the maximum value was A- (7 is the best indicator).

Each rating value is assigned a risk level as well as the probability of default. All values are estimated based on the assumptions and judgement of the Partnership.

Default (D value) refers to the impossibility of fulfilling one's obligations in a timely manner or significant prerequisites for such an event to occur soon. A zero or negative value of equity is also considered a default.

The report covers 27 banks of Kazakhstan. The rating includes financial indicators of the bank, adjusted for aggregated indicators of the banking sector and the current macroeconomic situation.

The assessment of the probability of default was calculated based on the data of Moody's and Standard and Poor's, adjusted for the current state of banks (PIT).

#	RATING	PD (%)	RISK
1	AAA	0.00%	The lowest
2	AA+	0.02%	Low
3	AA	0.03%	
4	AA-	0.06%	
5	A+	0.08%	
6	A	0.10%	
7	A-	0.18%	Medium
8	BBB+	0.25%	
9	BBB	0.31%	
10	BBB-	0.50%	
11	BB+	0.68%	
12	BB	0.87%	High
13	BB-	1.75%	
14	B+	2.62%	
15	B	3.49%	
16	B-	10.25%	The highest
17	CCC+	17.01%	
18	CCC	23.77%	Default
19	D	100%	

ANALYSIS OF THE BANKING SECTOR OF THE RK

The current state of banks is a reflection of the state of the economy of Kazakhstan. In view of the developing economy of the country, the banking sector remains unstable. According to the economic complexity index (ECI), which characterizes the complexity and diversification of exported goods of the country, Kazakhstan was on 81th place by the latest estimates (2017). It is worth noting that in the export of goods of the country for 2019 (57.7 billion US dollars) the share of export of oil and gas condensate amounted to 58.2% or 33.6 billion US dollars.

Since the beginning of this year, the dynamics of energy prices has been negative. The cost of Brent was reduced almost twice which affects the country's exports. Export correlation with the cost of Brent exceeds 80%. Given the shocks in the oil market, it can be assumed that export of goods will fall.

Given the fall in prices for the country's main exported goods, the authors believe that exports will decrease by 39.2%.

Dynamics of export turnover (billion \$)

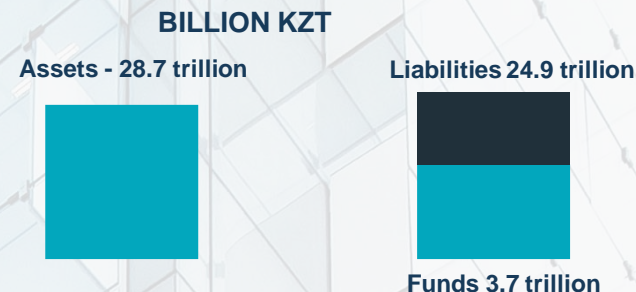


Brent prices dynamics



General characteristics of the banking sector

Assets of the banking sector of Kazakhstan amount to 28.7 trillion KZT or less than \$ 67 billion. The loan portfolio in the structure of assets comprises 53% or 15.3 trillion KZT (\$ 35.5 billion). The banking sector financial leverage ratio or liabilities to equity ratio is 668%. This level is not yet critical and does not create systematic risks.



ANALYSIS OF THE BANKING SECTOR OF THE RK

Concentration risk

The assets of the largest bank account for 33.6% of the total assets of the banking sector. While the total asset share of all other banks does not exceed 8.3%. The country's five largest banks account for 62.6% of all assets. The implementation of the negative scenario in which one or more banks out of the Top 5 banks will not be able to meet obligations can lead to systemic risks. In this case, the Deposit Insurance Fund will not be able to compensate investors without a sharp increase in inflation and the depreciation of the national currency.

Banking sector liabilities remain highly concentrated due to the high state share in the economy.

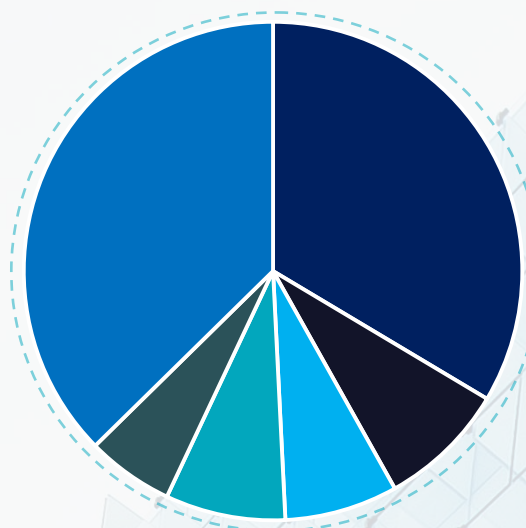
COVID-19

As a result of the pandemic and related restrictions in the first quarter, loan overdue amount increased by 3.64 percentage points. Given the different business models, as well as the customer base, the negative effect of the virus reveals itself differently in each of the banks.

The top 5 banks for which the loan portfolio deteriorated in the first quarter of this year (however, not only COVID-19 could be reason for the deterioration):

ДОЛЯ АКТИВОВ

Source: NBRK



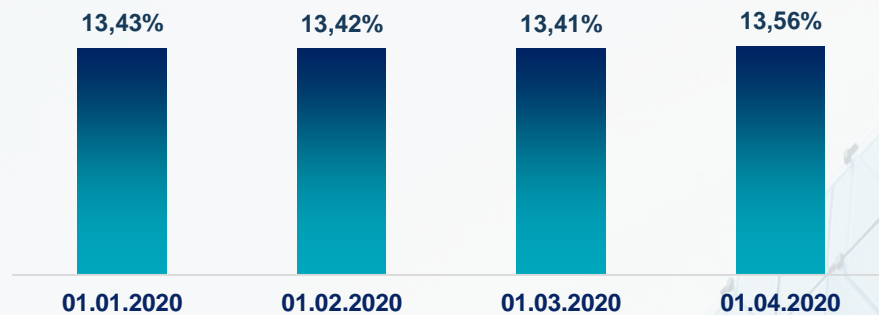
- Народный Банк Казахстана - 33.6%
- Сбербанк - 8.3%
- ForteBank - 7.3%
- KASPI BANK - 7.8%
- Банк ЦентрКредит - 5.6%
- Остальные банки - 37.4%

- Tengri Bank, JSC
- ATFBank, JSC
- Capital Bank Kazakhstan, JSC
- RBK Bank, JSC
- ForteBank, JSC

ANALYSIS OF THE BANKING SECTOR OF THE RK

Despite the significant influence of quarantine and the economic downturn, banks remain optimistic about expected credit losses.

The share of provisions of the respective loan portfolio



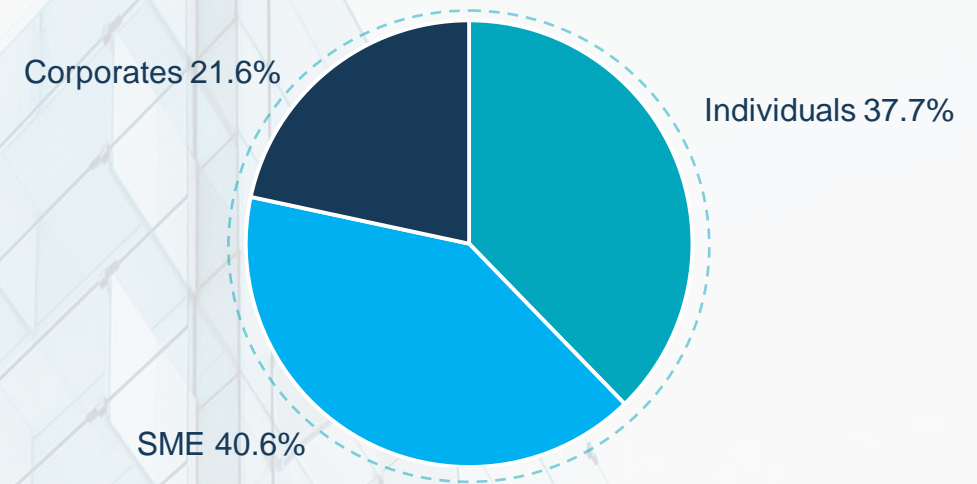
Expected credit losses are at the level of January 1, 2020, when COVID-19 did not have a significant impact on the economy of both Kazakhstan and the whole world. Underestimation of credit risks in the event of a crisis may lead to a decrease in the stability of the entire banking sector.

Overdue loans

According to the National Bank, overdue loans amount to 2.4 trillion KZT. Out of them overdue debt:

- Individuals - 914.6 billion
- SMEs - 984.6 billion
- Legal entities - 524.5 billion

Overdue debt



Out of the total volume of overdue loans, the largest part is accounted for by loans with more than 90 days overdue. In total, NPL accounts for 56.3% of all overdue debts or 1.4 trillion.

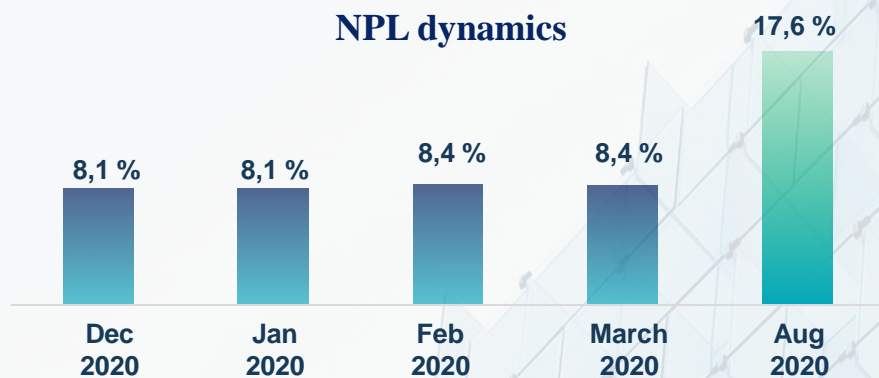
Overdue debt	Individuals	SME	Legal entities
1 to 30 days	392.5	250.6	157.1
31 to 60 days	53.8	44.5	23.8
61 to 90 days	33.4	62.9	40.0
over 90 days	434.9	626.6	303.6
Total	914.6	984.6	524.5

billion KZT

ANALYSIS OF THE BANKING SECTOR OF THE RK

Last January, the NPL did not change in relative terms and amounted to 8.1% of the loan portfolio. In February and March, the NPL comprised 8.4%. Given that the influence of coronavirus on the country's economy began after the introduction of quarantine in March this year, the effect on the NPL will become apparent no earlier than the end of June 2020. According to the forecasts of the authors the NPL in the banking sector may reach 17.6%, provided that there is no sharp change in the exchange rate or base rate.

NPL dynamics



Default probability of borrowers

According to the authors' calculations, more than 60 days overdue loans are almost always transferred to the NPL category, while loans with a delay of up to 30 days in 73.1% of cases move back to the zero-days overdue category. Among loans to individuals, the probability of moving to the 90+ category also prevails in the group of borrowers who were unable to pay in the first 60 days.

Probability of default

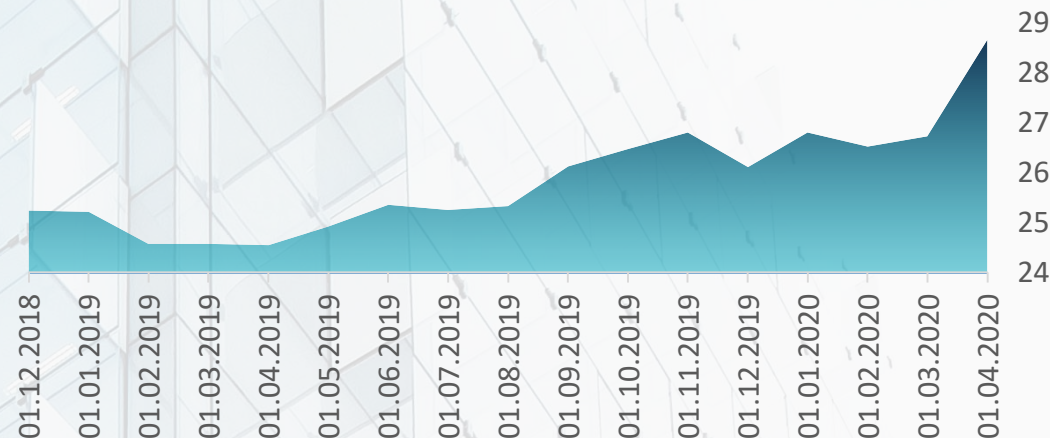
Overdue debt	Individuals	SME	Legal entities
0 days	6.7%	15.4%	7.1%
1 to 30 days	26.9%	17.7%	30.6%
31 to 60 days	60.7%	59.8%	53.8%
61 to 90 days	100.0%	100.0%	100.0%

Волатильность активов

In 2019-2020 (Q1), the banking sector continued to demonstrate low volatility of assets –around 2.3% which indicates the absence of sharp financial surges in this period.

The distance to default is 6.9 standard deviations which gives evidence of a low level of default at the systemic level.

Assets of STBs in billion KZT



ANALYSIS OF THE BANKING SECTOR OF THE RK

Capital adequacy

There is a high spread in capital adequacy (prudential standard K1) among banks. As of January 1, the maximum value of K1 was around 156%, while the minimum value comprised 9.2%. The minimum recommended value, taking into account buffers, can be considered 10.5% (Basel III), however, according to prudential standards, the minimum value should not be lower than 7.5%. On a systemic level, capital adequacy comprises 24.5%. This means that in the short term, the banking sector remains stable at a systemic level.

Return on assets

At the end of 2019, banks earned 803 billion KZT which is about 3% of assets (ROA). Bank profitability is supported by a high prime rate of 9.25% for 2019. Three banks showed negative return:

- AsiaCreditBank, JSC
- Capital Bank Kazakhstan, JSC
- SB "National Bank of Pakistan" in Kazakhstan, JSC

Evaluation by the rating agencies

According to Moody Agency, excess liquidity in the banking sector and weak demand for loans indicate that there is no need to solicit loans outside the country. Moreover, bank defaults over the past few years have hindered attracting of foreign borrowing.

When evaluating banking sector sustainability, Moody's assigned a score of 6 out of 15, where 1 is a very low level of stability and 15 is a very high level. That is, the stability of the banking sector of Kazakhstan, according to the agency, is at a relatively low level. However, this evaluation is consistent with the through the cycle (TTC) long-term assessment of the banking sector.



On the other hand, the S&P Agency assesses country risks in the banking sector at the level of 9 out of 10, where a value of 1 corresponds to the lowest risk and 10 to the highest.

BICRA Kazakhstan:

- Economic risk - 9
- Economic imbalances: **High risk**
- Credit risk in the economy: **Extremely high risk**
- Industry risk: 9
- Competition dynamics: **Very high risk**
- Economy-wide funding: **High risk**

Also, according to the S&P Agency, the NBRK has low autonomy, as well as functions that are not part of its mandate. According to the authors, these characteristics are the risk factors for the stability of the banking sector.

ANALYSIS OF THE BANKING SECTOR OF THE RK

#	Bank	Rating	Risk level
1	Shinhan Bank Kazakhstan, JSC	A-	Low
2	Al-Hilal" Islamic Bank, JSC	A-	
3	Citibank Kazakhstan, JSC	A-	
4	Commercial and Industrial Bank of China in Almaty, JSC	A-	
5	SB Bank of China in Kazakhstan, JSC	A-	
6	Halyk Bank Kazakhstan, JSC	BBB-	Medium
7	Altyn Bank, JSC	BB+	
8	SB Sberbank of Russia, JSC	BB+	
9	Housing Construction Savings Bank of Kazakhstan, JSC	BB+	
10	SB Alfa-bank, JSC	BB	
11	ForteBank, JSC	B-	High
12	SB Bank Home Credit, JSC	B-	
13	KASPI BANK, JSC	B-	
14	Bank Kassa Nova, JSC	B-	
15	SB National Bank of Pakistan in Kazakhstan, JSC	B-	
16	SB Kazakhstan-Ziraat International Bank, JSC	B-	
17	Subsidiary JSC Bank VTB (Kazakhstan)	B-	
18	"Zaman-Bank" Islamic Bank, JSC	CCC+	The most high
19	Nurbank, JSC	CCC	
20	First Heartland Jýsan Bank, JSC	CCC	
21	Bank CenterCredit, JSC	CCC	
22	RBK Bank, JSC	CCC	
23	ATFBank, JSC	CCC	
24	Eurasian Bank, JSC	CCC	
25	Tengri Bank, JSC	D	Default
26	AsiaCreditBank, JSC	D	
27	Capital Bank Kazakhstan, JSC	D	

THE BANK RATINGS

This section contains factors that influence positively and negatively on the final rating values. The arrangement of banks corresponds to the relative level of stability of financial organizations.



Shinhan Bank Kazakhstan, JSC: A-

1

Factors upgrading rating

- High capital adequacy ratio K1 - 76.3%
- High liquidity ratio according to prudential standards (K4) - 345%
- According to the authors' calculations, the Bank's liquid assets account for 77.3% of total liabilities
- High quality of loan portfolio NPL - 0.6%
- Low level of provisions. Revenues cover provisions by 638%
- Moderate asset growth; Assets increased by 10.9%
- There is a large shareholder with high credit ratings

Factors downgrading rating

- It is not a systemically important bank
- A sharp increase in the loan portfolio. Portfolio increased by 50.4%
- Limited potential of growth
- Low share of individuals in the structure of deposits - 18.1%

THE BANK RATINGS



“Al-Hilal” Islamic Bank, JSC: A-

2

Factors upgrading rating

- High capital adequacy ratio
- Relatively high liquidity ratio according to prudential standards (K4) - 126%
- According to the authors' calculations, the Bank's liquid assets account for 67.4% of total liabilities
- There are no overdue loans
- Low level of provisions. Revenues cover provisions by 658.7%
- There is a large shareholder with high credit ratings

Factors downgrading rating

- It is not a systemically important bank
- Relatively sharp increase in assets. Assets increased by 39.9%
- High growth rate of the loan portfolio - 69.7%
- Low share of individuals in the structure of deposits - 18.1%



Citibank Kazakhstan, JSC: A-

3

Factors upgrading rating

- High capital adequacy ratio
- According to the authors' calculations, the Bank's liquid assets account for 102.5% of total liabilities
- There are no overdue loans
- The minimum value of provisions due to the high quality of the loan portfolio.
- There is a large shareholder with high credit ratings

Factors downgrading rating

- It is not a systemically important bank
- The prudential standard K4 exceeds the regulatory requirement, but at a relatively low level - 65.7%
- Relatively sharp increase in assets. Assets increased by 32.4%
- A sharp reduction in the loan portfolio. Portfolio decreased by 22.4%.
- Low share of individuals in the structure of deposits - 0.8%

THE BANK RATINGS



Commercial and Industrial Bank of China in Almaty, JSC: A-

4

Factors upgrading rating

- Maximum capital adequacy ratio
- According to the authors' calculations, the Bank's liquid assets account for 68.2% of total liabilities
- There are no overdue loans
- Low level of provisions. Revenues cover provisions by 5334%
- There is a large shareholder with high credit ratings

Factors downgrading rating

- It is not a systemically important bank
- Relatively sharp increase in assets. Assets increased by 42.7%
- Low share of individuals in the structure of deposits - 1.3%



SB "Bank of China in Kazakhstan": A-

5

Factors upgrading rating

- High capital adequacy ratio
- Relatively high liquidity ratio according to prudential standards (K4) - 125%
- According to the authors' calculations, the Bank's liquid assets account for 79.5% of total liabilities
- Relatively high quality of loan portfolio NPL-2.1%
- High profitability of the bank and low level of provisions. Revenue covers provisions by 1055%
- There is a large shareholder with high credit ratings

Factors downgrading rating

- It is not a systemically important bank
- A sharp decline in assets. Assets decreased by 28.3%.
- A sharp increase in the loan portfolio. Portfolio increased by 89.2%
- Low share of individuals in the structure of deposits

THE BANK RATINGS



Halyk Bank Kazakhstan, JSC: BBB-

6

Factors upgrading rating

- It is a systemically important bank
- Capital adequacy K1 at the average market level - 22.4%
- Relatively high liquidity ratio according to prudential standards (K4) - 165%
- According to the authors' calculations, the Bank's liquid assets account for 45.5% of total liabilities
- Relatively high profitability of the bank. Revenue covers provisions by 59.9%
- Moderate asset growth Assets increased by 12.9%
- Moderate growth in the loan portfolio. Portfolio increased by 12.6%
- The share of individuals prevails in the structure of deposits - 51.6%

Factors downgrading rating

- Relatively low quality of loan portfolio NPL-7.1%



Altyn Bank, JSC: BB+

7

Factors upgrading rating

- According to the authors' calculations, the Bank's liquid assets account for 54.6% of total liabilities
- High quality of loan portfolio NPL - 0.4%
- High profitability of the bank and low level of provisions. Revenues cover provisions by 314.7%
- There is a large shareholder with high credit ratings

Factors downgrading rating

- It is not a systemically important bank
- The prudential standard K4 exceeds the regulatory requirement, but at a relatively low level - 87.1%
- Sharp increase in assets. Assets increased by 39.9%
- A sharp increase in the loan portfolio. Portfolio increased by 69.7%
- Relatively low share of individuals in the structure of deposits - 28.6%

THE BANK RATINGS



SB Sberbank of Russia, JSC: BB+

8

Factors upgrading rating

- It is a systemically important bank
- Capital adequacy K1 at the average market level - 14.9%
- Relatively high liquidity ratio according to prudential standards (K4) - 146%
- According to the authors' calculations, the Bank's liquid assets account for 45.5% of total liabilities
- Relatively high profitability of the bank. Revenues cover provisions by 42.4%
- Moderate growth in the loan portfolio. Portfolio increased by 18.3%
- The share of individuals prevails in the structure of deposits - 48.1%
- There is a large shareholder with high credit ratings

Factors downgrading rating

- Relatively low quality of loan portfolio NPL - 5.4%



Housing Construction Savings Bank of Kazakhstan, JSC: BB+

9

Factors upgrading rating

- High capital adequacy ratio K1 - 49.6%
- High liquidity ratio according to prudential standards (K4) - 257%
- High quality of loan portfolio NPL - 0.2%
- Low level of provisions. Revenue covers provisions by 1165%
- The share of individuals prevails in the structure of deposits - 93.1%
- Shareholder represented by the Government of the Republic of Kazakhstan

Factors downgrading rating

- It is not a systemically important bank
- Relatively sharp increase in assets. Assets increased by 26.9%
- A sharp increase in the loan portfolio. Portfolio increased by 56.9%

THE BANK RATINGS



SB Alfa-bank, JSC: BB

10

Factors upgrading rating

- Relatively high liquidity ratio according to prudential standards (K4) - 125%
- According to the authors' calculations, the Bank's liquid assets account for 43.4% of total liabilities
- Relatively high quality of loan portfolio NPL - 4.2%
- High profitability of the bank. Revenue covers provisions by 100.1%

Factors downgrading rating

- It is not a systemically important bank
- Relatively sharp increase in assets. Assets increased by 57.7%
- A relatively sharp increase in the loan portfolio. Portfolio increased by 21.2%
- Relatively low share of individuals in the structure of deposits - 28.1%



ForteBank, JSC: B

11

Factors upgrading rating

- It is a systemically important bank
- Relatively high liquidity ratio according to prudential standards (K4) - 178%
- According to the authors' calculations, the Bank's liquid assets account for 45.8% of total liabilities
- Relatively high profitability of the bank. Revenue covers provisions by 54.4%
- Moderate asset growth Assets increased by 17.8%
- The share of individuals prevails in the structure of deposits - 41%

Factors downgrading rating

- Relatively low quality of loan portfolio NPL - 6.8%
- Loan portfolio reduction by 0.4%

THE BANK RATINGS



SB Bank Home Credit, JSC: B-

12

Factors upgrading rating

- High liquidity ratio according to prudential standards (K4) - 1123%
- Relatively high quality of loan portfolio NPL- 3%
- High profitability of the bank. Revenue covers provisions by 258.9%
- The share of individuals prevails in the structure of deposits - 65.6%

Factors downgrading rating

- It is not a systemically important bank
- Capital adequacy K1 is below the average market level - 13.2%
- Relatively sharp increase in assets. Assets increased by 21.8%



KASPI BANK, JSC: B-

13

Factors upgrading rating

- It is a systemically important bank
- High liquidity ratio according to prudential standards (K4) - 217%
- According to the authors' calculations, the Bank's liquid assets account for 40.4% of total liabilities
- High profitability of the bank. Revenue covers provisions by 145.1%
- The share of individuals prevails in the structure of deposits - 90.5%

Factors downgrading rating

- Capital adequacy K1 is below the average market level - 13.1%
- Relatively low quality of loan portfolio NPL - 7.1%
- Relatively sharp increase in assets. Assets increased by 24.3%
- A relatively sharp increase in the loan portfolio. Portfolio increased by 26.6%

THE BANK RATINGS



Bank Kassa Nova, JSC: B-

14

Factors upgrading rating

- High liquidity ratio according to prudential standards (K4) - 254%
- Relatively high profitability of the bank. Revenue covers provisions by 58.5%
- The share of individuals prevails in the structure of deposits - 44.8%

Factors downgrading rating

- It is not a systemically important bank
- Relatively low quality of loan portfolio NPL - 6.2%
- A sharp decline in assets. Assets decreased by 10.6%.
- Loan portfolio reduction by 2.9%



SB National Bank of Pakistan, JSC: B-

15

Factors upgrading rating

- Relatively high liquidity ratio according to prudential standards (K4) - 115%
- According to the authors' calculations, the Bank's liquid assets account for 501.2% of total liabilities
- Moderate asset growth Assets increased by 6%

Factors downgrading rating

- It is not a systemically important bank
- Low quality of loan portfolio NPL - 24%
- A relatively sharp reduction in the loan portfolio. Portfolio decreased by 7.4%.
- Relatively low share of individuals in the structure of deposits - 23.9%

THE BANK RATINGS



SB Kazakhstan-Ziraat
International Bank, JSC: B-

16

Factors upgrading rating

- High capital adequacy ratio K1 - 33.6%
- According to the authors' calculations, the Bank's liquid assets account for 44.4% of total liabilities
- High quality of loan portfolio NPL - 0.8%
- Relatively high profitability of the bank. Revenue covers provisions by 66.8%

Factors downgrading rating

- It is not a systemically important bank
- The prudential standard K4 exceeds the regulatory requirement, but at a relatively low level - 61.4%
- Relatively sharp increase in assets. Assets increased by 34.6%
- A sharp increase in the loan portfolio. Portfolio increased by 35.3%
- Low share of individuals in the structure of deposits - 15.9%



BTB Subsidiary JSC Bank VTB
(Kazakhstan): B-

17

Factors upgrading rating

- Relatively high liquidity ratio according to prudential standards (K4) - 174%
- According to the authors' calculations, the Bank's liquid assets account for 53% of total liabilities
- Relatively high quality of loan portfolio NPL - 5.5%

Factors downgrading rating

- It is not a systemically important bank
- Relatively low profitability of the bank. Revenues cover provisions by 45%
- Relatively sharp increase in assets. Assets increased by 58.6%
- A relatively sharp increase in the loan portfolio. Portfolio increased by 29.9%
- Relatively low share of individuals in the structure of deposits - 20.4%

THE BANK RATINGS



"Zaman-Bank" Islamic Bank,
JSC: CCC+

18

Factors upgrading rating

- High capital adequacy ratio K1 - 49.1%
- Relatively high liquidity ratio according to prudential standards (K4) - 160%
- Relatively high quality of loan portfolio NPL - 3.2%

Factors downgrading rating

- It is not a systemically important bank
- Low profitability of the bank. Revenues cover provisions by 6.8%
- Assets decreased by 7.1%.
- Loan portfolio reduction by 1%
- Low share of individuals in the structure of deposits - 1.8%



Nurbank, JSC: CCC

19

Factors upgrading rating

- Относительно высокий показатель ликвидности согласно пруденциальным нормативам (K4) – 151%
- Согласно расчетам авторов, ликвидные активы Банка составляют 42.8% совокупных обязательств
- Умеренный рост активов. Активы выросли на 18.2%

Factors downgrading rating

- It is not a systemically important bank
- Capital adequacy K1 is below the minimum recommended value -10.4%
- Relatively low quality of loan portfolio NPL - 9.6%
- Low profitability of the bank. Revenues cover provisions by 12.3%
- Loan portfolio reduction by 4%
- Relatively low share of individuals in the structure of deposits - 33.8%
- Assistance was provided in 2019/2020

THE BANK RATINGS



First Heartland Jýsan Bank,
JSC: CCC

20

Factors upgrading rating

- High capital adequacy ratio K1 - 49.6%
- High liquidity ratio according to prudential standards (K4) - 713%
- According to the authors' calculations, the Bank's liquid assets account for 84.8% of total liabilities
- The share of individuals prevails in the structure of deposits - 56.2%

Factors downgrading rating

- It is not a systemically important bank
- Low quality of loan portfolio NPL - 37.6%
- Low profitability of the bank. Revenues cover provisions by 5.5%
- Relatively sharp increase in assets. Assets increased by 33.5%
- A sharp reduction in the loan portfolio. Portfolio decreased by 25.8%.
- Assistance was provided in 2019/2020



Bank CenterCredit, JSC: CCC

21

Factors upgrading rating

- It is a systemically important bank
- According to the authors' calculations, liquid assets
- Moderate asset growth Assets increased by 7.1%
- Moderate growth in the loan portfolio. Portfolio increased by 3.7%
- The share of individuals prevails in the structure of deposits - 59.2%

Factors downgrading rating

- Capital adequacy K1 is below the minimum recommended value -9.2%
- Relatively low quality of loan portfolio NPL - 6.7%
- Low profitability of the bank. Revenues cover provisions by 1.26%
- Assistance was provided in 2019/2020

THE BANK RATINGS



RBK Bank, JSC: CCC

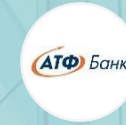
22

Factors upgrading rating

- High liquidity ratio according to prudential standards (K4) - 446%
- According to the authors' calculations, the Bank's liquid assets account for 41% of total liabilities
- Moderate asset growth Assets increased by 14.5%
- The share of individuals prevails in the structure of deposits - 60.8%

Factors downgrading rating

- It is not a systemically important bank. Low quality of the loan portfolio. NPL- 14.8%
- Low profitability of the bank. Revenues cover provisions by 22.3%
- A sharp increase in the loan portfolio. Portfolio increased by 51.7%



ATF Bank, JSC: CCC

23

Factors upgrading rating

- It is a systemically important bank
- Moderate asset growth Assets increased by 4.4%
- Moderate growth in the loan portfolio. Portfolio increased by 3%

Factors downgrading rating

- Capital adequacy K1 - 10.5% (minimum recommended value)
- Relatively low quality of loan portfolio NPL- 8%
- Low profitability of the bank. Revenues cover provisions by 7.9%
- Relatively low share of individuals in the structure of deposits - 39.8%
- Assistance was provided in 2019/2020

THE BANK RATINGS



Eurasian Bank, JSC: CCC

24

Factors upgrading rating

- Relatively high liquidity ratio according to prudential standards (K4) - 143%
- Moderate growth in the loan portfolio. Portfolio increased by 4.8%
- The share of individuals prevails in the structure of deposits - 57.8%

Factors downgrading rating

- It is not a systemically important bank
- Capital adequacy K1 is below the minimum recommended value -9.2%
- Low quality of loan portfolio NPL - 9.5% Low profitability of the bank. Revenues cover provisions by 5.9%
- Assets decreased by 1.9%.
- Assistance was provided in 2019/2020



Tengri Bank, JSC: D

25

Factors downgrading rating

- It is not a systemically important bank
- Capital adequacy K1 is below the average market level - 13.2%
- The prudential standard K4 exceeds the regulatory requirement, but at a relatively low level - 33.1%
- According to the authors' calculations, the Bank's liquid assets account for 5.8% of total liabilities
- Low quality of loan portfolio NPL- 10.3%
- The bank has almost no income to cover provisions
- Assets decreased by 8.2%.
- Loan portfolio reduction by 0.5%
- Relatively low share of individuals in the structure of deposits - 39.6%

THE BANK RATINGS



AsiaCredit Bank, JSC: D

26

Factors upgrading rating

- The share of individuals prevails in the structure of deposits - 76.9%

Factors downgrading rating

- It is not a systemically important bank
- The prudential standard K4 is below the regulatory requirement - 6%
- According to the authors' calculations, the Bank's liquid assets account for 3.3% of total liabilities
- Low quality of loan portfolio NPL - 47.2%
- Negative return. Provisions are not covered by revenues
- A sharp decline in assets. Assets decreased by 40.8%.
- A sharp reduction in the loan portfolio. Portfolio decreased by 36.3%.



Capital Bank Kazakhstan, JSC: D

27

Factors downgrading rating

- It is not a systemically important bank
- The prudential standard K4 is below the regulatory requirement - 5.5%
- According to the authors' calculations, the Bank's liquid assets account for 3.4% of total liabilities
- Low quality of loan portfolio NPL - 90%
- Negative return. Provisions are not covered by revenues
- A sharp decline in assets. Assets decreased by 13.2%.
- A sharp reduction in the loan portfolio. Portfolio decreased by 14.5%.
- Low share of individuals in the structure of deposits - 10.4%

CONCLUSION

In the short term, the banking sector remains relatively stable, even taking into account the impact of COVID-19 on the country's economy. Asset quality is expected to deteriorate in a number of banks, but the banks with low levels of risk are expected to recover to the levels that were before the pandemic by the end of Q3.

In the long run, the banking sector remains vulnerable to external and internal shocks. Most banks have the geographical concentration which limits the diversification of risks. Despite recent government assistance to four banks with zero or negative equity (according to AQR estimates), in the medium-term perspective, banks once more may be in a critical situation in which government assistance may be needed again.

Banks

Out of twenty seven presented in this report, D rating was assigned to three banks. These banks require immediate additional capitalization.

Banks of the CCC category need to improve the quality of their loan portfolio and, if necessary, increase the level of capitalization.

Banks in the B- category also need to take measures to clear the loan portfolio from non-performing loans and create additional provisions in view of the impact of COVID-19.

All banks need to increase the level of corporate governance and, mainly, risk management systems. Moreover, it is necessary to change the approaches for recruitment of independent Board of Directors members, and also, together with the Regulator, determine the minimum level of their competencies. It is important to ensure a high level of transparency in the banking sector and disclosure in IFRS reporting. Another important aspect is deliberateness in stress testing and appropriate analysis of the results.

Regulator

The Regulator should develop a post-pandemic plan and reform supervision approaches. First of all, it is important to stop significant deviations of provisions and a number of other indicators in inter-quarter reports. Among other things, the Regulator needs to tighten supervision over SIFI and introduce the practice of helping banks per-to-peer. This will force banks to be more careful about systemic risks and will not allow individual banks to take on additional risks.

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Will Rogers:

From the beginning of time there have been three great inventions: fire, wheel, and central banking system