



ҚАЗАҚСТАН ҰЛТТЫҚ БАНКІ

Financial Stability Report of Kazakhstan 2025

Astana, 2026

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List of Acronyms and Abbreviations

Agency/AFR	Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market
JSC	a joint-stock company
STB	a second-tier bank
BCBS	Basel Committee on Banking Supervision
BNS RK/ BNS ASPR	Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan
RK	
GDP	gross domestic product
HLA	highly-liquid assets
DL	domestic liabilities
SCB	State Credit Bureau
GSs	government securities
MP	monetary policy
UAPF	“Unified Accumulative Pension Fund” JSC
GFER	gold and foreign exchange reserves
RML	residential mortgage loan
IE	individual entrepreneur
FDI	foreign direct investments
PIT	personal income tax
CPI	consumer price index
IF	investment fund
FSI	financial stability index
FVI	financial vulnerability index
CCB	countercyclical capital buffer
SRC MF RK	State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan
DSTI	debt service to income ratio
PRC	People’s Republic of China
CIT RB	corporate income tax from large businesses to the republican budget
KASE	Kazakhstan Stock Exchange
KDIF	“Kazakhstan Deposit Insurance Fund” JSC
LB	local budget
IMF	International Monetary Fund
MRR	minimum reserve requirements
SME	small and medium-sized enterprises
MF RK	Ministry of Finance of the Republic of Kazakhstan
NBK/National Bank	National Bank of the Republic of Kazakhstan
RK	
VAT	value-added tax
NF RK	National Fund of the Republic of Kazakhstan
OCP	open currency position
FD	financial derivatives
RB	republican budget
RK	Republic of Kazakhstan
RF	Russian Federation
FCC	freely convertible currency
NKR	North Kazakhstan region
IO	insurance organization
Council	Council for Financial Stability of the Republic of Kazakhstan
USA	United States of America

IPM	investment portfolio managers
FI	financial instrument
CSD	“Central Securities Depository” JSC
CCP	central counterparty
ECDCO	export customs duty for crude oil
LE	legal entity/ legal entities
AQR	Asset Quality Review
FRED	Federal Reserve Economic Data
FSAP	Financial Sector Assessment Program
FX LCR	liquidity coverage ratio in foreign currency
EUR	euro
KZT	Kazakhstan tenge
LCR	liquidity coverage ratio
LTV	loan-to-value ratio
NDF	non-deliverable forward
NPL/NPL 90+	loans past due 90+ days on principal and/or interest accrued (non-performing loan)
NSFR	net stable funding ratio
PD	probability of default
PDL	pay-day loans
RUB	Russian ruble
TONIA	Tenge Over Night Index Average
TWINA	Tenge Week Index Average
USD	US dollar
pp	percentage point
y/y	year-on-year
q/q	quarter-on-quarter
sq.m.	square meter
thous.	thousand
mln	mln
bln	bln
trln	trillion

Dear readers,

Please find below the annual Financial Stability Report for 2025, which provides a comprehensive analysis of systemic risks and stability factors in the Kazakh financial market. The report reflects the current situation in the financial and real sectors of the economy, identifies emerging vulnerabilities, and assesses the effectiveness of existing macroprudential instruments. The National Bank of Kazakhstan has been preparing the report since 2006 to ensure the financial system stability and increase the transparency of systemic risk assessments for market participants, government agencies, and the general public.

In 2025, the Kazakh economy demonstrated steady growth, despite persistent inflationary pressures and certain macro-financial vulnerabilities. Financial markets generally remained stable and efficient, ensuring the timely transmission of monetary policy and supporting macro-financial resilience. The residential real estate market served as an additional factor in macro-financial dynamics, showing increased activity driven by the expansion of mortgage lending and the use of pension withdrawals.

The banking sector had retained a high level of soundness and an adequate capital buffer, including under stress scenarios. At the same time, lending to the economy continued to expand, while substantial holdings of highly liquid assets, a stable resource base, and declining dollarization bolstered the banks' resilience against liquidity, funding risks, and exchange rate fluctuations. However, certain segments of the credit market require further attention—specifically unsecured consumer lending, concentration of corporate borrowers, and trends in car lending. In this environment, in 2026 the National Bank went ahead with implementing the macroprudential policy and refine the regulatory framework, aiming to strengthen the country's financial stability.

The National Bank will continue to closely monitor emerging vulnerabilities and improve regulatory instruments, remaining open to dialogue with financial market participants and all stakeholders to further enhance the resilience of the country's financial system.

Respectfully yours,

Timur Suleimenov

Governor of the National Bank of the Republic of Kazakhstan

Executive Summary

MACROECONOMIC CONDITIONS

In 2025, the macro-financial environment was shaped by persisting domestic demand, mounting inflationary pressures, and volatility in external economic conditions. Domestic demand remained a key driver of growth. Real GDP increased by 6.5%, while inflation accelerated to 12.3%, up from 8.6% in 2024. The financial stability index remained within a moderate range throughout the year, whereas the financial vulnerability index trended upward, reflecting the accumulation of macro-financial imbalances.

The money market operated amidst shifts in the structure of short-term liquidity and the transformation of monetary policy instruments. Increases in minimum reserve requirements, restrictions on repo operations, and a reduced role of the National Bank in certain segments led to a redistribution of liquidity across instruments and market participants. The money supply grew by 15.5% to 52.8 trln tenge, driven primarily by credit and fiscal channels, with a limited contribution from the reserve money. Signs of segmentation between the money and foreign exchange markets persisted, including a negative spread between TONIA and NDF rates.

By the end of the year, the official exchange rate stood at 502.57 tenge per US dollar, having appreciated by 4.3% over the year. The exchange rate peaked during the third and fourth quarters, caused by the strengthening of the global US dollar index, falling energy prices, and a contraction of foreign currency liquidity in the domestic market.

Risks within the household sector remain significant. Real growth rates of household income turned negative, reaching -2.3% in the fourth quarter, with the decline observed consistently across all population groups. Slower growth in inflation-adjusted spending contributed to an increased propensity to save. At the same time, the household debt burden continues to rise, and consumption is becoming increasingly reliant on borrowed funds.

The non-oil deficit as a percentage of GDP has decreased, and fiscal rules are being complied with. Tax revenues fell short of projections, resulting in an expenditure shortfall of 460 bln tenge. Withdrawals from the National Fund continue to exceed inflows; however, thanks to high investment income, the Fund's assets have reached a ten-year high. Net financial assets grew by 3.0%, though they remain at a minimal level relative to GDP.

GOVERNMENT SECURITIES AND CORPORATE BOND MARKET

Amid significant debt repayments, the gross financing requirement for the budget increased. The Ministry of Finance raised 6.03 trln tenge through tenge-denominated bonds and 4 bln US dollars through Eurobonds.

A mismatch between market supply and demand persisted in the primary market for government securities. Supply volumes remained high when demand was low, yet contracted as market activity increased. The share of market investors in actual placements fell from 71.3% in 2024 to 47.1% in 2025, increasing the sensitivity of pricing to the strategies of a limited number of major investors.

Despite growing trading volumes in the secondary market, trading activity remains sporadic, event-driven, and highly concentrated. The over-the-counter (OTC) market continued to serve as the primary entry and exit channel for large non-resident investors. The risk-free yield curve underwent several phases throughout the year, with a recurrent amplification of the inversion in the fourth quarter.

The volume of corporate bond issuances in the primary market increased by 36.2%, rising from 3.47 trln to 4.73 trln tenge. Amid the expansion of quasi-fiscal financing, the role of private placements and quasi-government companies increased. Consequently, a significant share of transactions involves bonds from a limited number of issuers and takes place between related parties. Such market structure can lead to distorted market signals, the underestimation of credit risks, and the accumulation of hidden liabilities outside the budget perimeter.

RESIDENTIAL REAL ESTATE MARKET

Increased activity was observed in the residential real estate market in 2025. Price growth rates accelerated throughout the year; in November, for the first time since 2021–2022, they surpassed the inflation rate, reaching 15.7% in the primary market and 14.6% in the secondary market by year-end. The average monthly number of purchase-and-sale transactions rose by 3.6%, while the number of shared construction participation agreements increased by 31%.

Activity was concentrated in Astana and Almaty, where the number of purchase-and-sale transactions hit historic highs, reaching 94,000 and 88,000, respectively. The share of these cities in the total volume of transactions went up from 22.5% in 2015 to 40.3% in 2025.

Mortgage lending increased by 16.7%, although the share of mortgage loans within the total loan portfolio declined to 17.9%. This growth in lending was accompanied by a rise in pension asset withdrawals for improvement of living conditions, totaling 839.4 bln tenge; 37% of these funds were used to replenish deposits at Otbassy Bank. These deposit replenishments create pent-up demand that could drive further price increases in 2026.

Construction activity continued to expand. The construction sector's contribution to real GDP growth was 0.95 percentage points—the highest level observed since 2011.

CAR MARKET

By the end of 2025, the rate of price growth for passenger cars remained below the inflation rate. The vehicle fleet continued to modernize; the share of cars aged seven years or less rose from 14.9% in January 2023 to 24% by August 2025. Approximately 235,000 new cars were purchased through official dealerships during the year, a 14.4% increase compared to 2024. Chinese-made vehicles accounted for 69.2% of total car imports.

Car loan volumes continued to rise. Car loan originations totaled approximately 2.4 trln tenge—a figure comparable to mortgage lending over the same period—while the loan portfolio more than doubled between 2023 and 2025, exceeding 4 trln tenge. Loans with tenors exceeding five years account for 73.1% of the portfolio. In 2025, 50,700 loans were provided for cars costing more than 15 mln tenge, demonstrating a shift in demand towards higher-priced vehicles.

The share of loans 90+ days past due fell from 5% in early 2023 to 4.1% by the end of 2025. At the same time, the share of car loans written off the balance sheet had nearly doubled over the same period, reaching 2.9%—the highest level observed during the period under review.

LOAN PORTFOLIO QUALITY

At the 2025 year-end, the banking sector had retained its soundness, however, the quality of the corporate loan portfolio showed mixed trends. The portfolio structure by IFRS stages remained favorable, with Stage 1 loans accounting for 93% of the total. However, the share of loans 90+ days past due rose from 2.1% to 2.9%, while the provisioning coverage for impaired loans fell by 17.5 pp to 51%. Credit risk concentration is intensifying

in the individual entrepreneur and micro-enterprise segment, which accounts for 53% of impaired loans within the corporate portfolio. Challenges associated with a high concentration of exposure to the largest borrowers and non-residents, as well as the increasing dollarization of debt among large businesses are persisting.

Retail lending continued to grow, albeit at a slower pace of 19.8%. Unsecured consumer loans remain the primary driver of this growth; meanwhile, the role of car lending is expanding—reaching an all-time high in terms of share—whereas the share of mortgage loans is declining. Portfolio quality has weakened slightly, with the share of Stage 3 loans rising from 5.8% to 6.5%, driven largely by the unsecured consumer segment. The growth in car lending, spurred by regulatory easing regarding the debt-to-income (DTI) ratio, creates conditions for a potential future deterioration in the quality of this portfolio.

Regulatory measures continued in 2025, aimed at curbing the excessive growth of unsecured consumer lending and limiting borrowers' debt burdens. The microfinance sector continued to grow dynamically, with the assets of major microfinance organizations increasing by 17.3%. The tightening of unsecured lending terms and the transformation of several large market players into banks contributed to higher levels of collateralization for microloans. Unsecured consumer loans continue to exhibit the highest levels of problem debt.

Overall, the banking sector remains resilient, as confirmed by stress test results showing that the Tier 1 capital adequacy ratio (k1) is complied with even under a stress scenario.

RISKS OF LIQUIDITY AND FUNDING

Throughout 2025, the banking sector remained resilient to liquidity, funding, and foreign exchange risks, with the level of these risks assessed as moderate. Despite structural changes in the composition of high-quality liquid assets—driven by the tightening of monetary policy and adjustments to tax regulations—the banking sector maintained a high level of liquidity and the ability to meet its obligations on time. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) levels remained high during the reporting period, reflecting the banks' robust short- and long-term liquidity positions.

The banking system's funding was characterized by a balanced structure and a stable resource base. Asset growth was driven primarily by deposits and capital, while the high coverage of deposits by highly liquid assets and robust bank capitalization provided an additional buffer against potential shocks. At the same time, the need to monitor funding concentration risks remained, as shifts in concentration within the sector were accompanied by heightened vulnerability among certain small and medium-sized banks. Stress test results also indicated that, under extreme outflow scenarios, some banks could face liquidity shortfalls and breaches of regulatory requirements.

Foreign exchange risks remained limited due to the steady decline in deposit dollarization. A slowdown in the inflow of retail foreign currency deposits helped bring dollarization levels to their lowest point in recent years, thereby bolstering the resilience of the banking system.

Amid rapid growth of consumer lending, macroprudential policy focused on preventing the buildup of systemic risks and maintaining financial stability. To cool down consumer lending, the National Bank activated a sectoral countercyclical capital buffer of 2% on retail loans, effective April 1, 2026.

Thus, a substantial stock of highly liquid assets, a stable funding base, a persisting decline in dollarization, and the timely employment of macroprudential instruments helped retain the banking sector's soundness.

I Macroeconomic Conditions

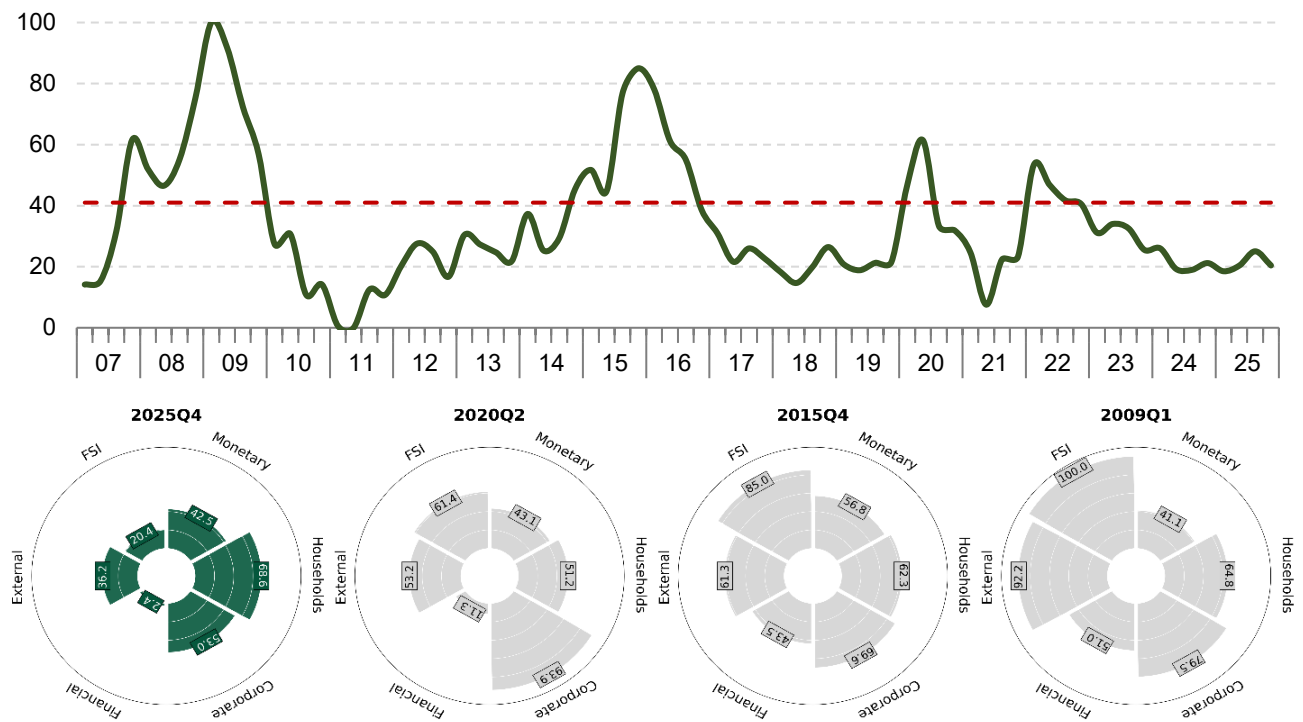
In 2025, the macrofinancial environment in the Republic of Kazakhstan was shaping under persistent domestic demand, elevated inflationary pressures, and volatile external economic market environment. Despite a gradual slowdown in certain segments of economic activity, domestic demand continued to be a key driver of growth, while at the same time intensifying inflationary pressures. Overall, macroeconomic conditions in 2025 remained moderately favorable for the financial sector but created prerequisites for the accumulation of certain macrofinancial imbalances.

In 2025, the Financial Stability Index (the “FSI” hereinafter¹) remained in the moderate zone, without consistently reaching the high-risk threshold. However, the financial vulnerability index (FVI) demonstrated upward dynamics, approaching threshold values, reflecting the strengthening of procyclical factors.

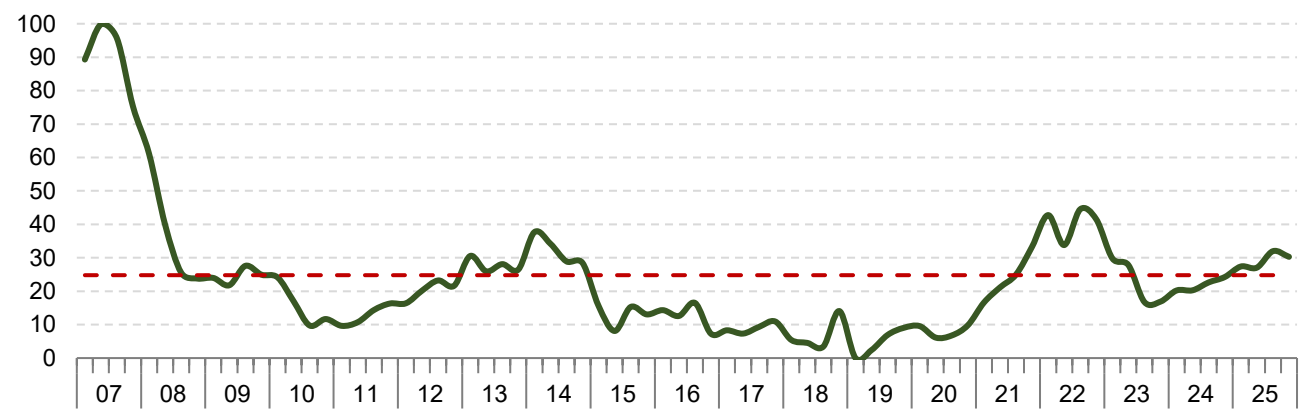
Household sector risks remain significant. The increased risks in this segment are associated with the continued growth of consumer lending, the growing debt burden of the population, and the persistent gap between economic growth and real income dynamics. Despite high GDP growth (6.5%), the increase in disposable income remains limited due to inflationary pressures and rising mandatory household spending. This leads to increased dependence of consumption on borrowed funds and enhances the sector's sensitivity to changes in the cost of credit and deteriorating macroeconomic conditions.

Monetary sector risks remain moderate. In 2025, inflation in Kazakhstan accelerated and reached 12.3% by the end of the year, exceeding the 2024 figure (8.6%). The main price pressure was generated by rising regulated tariffs in the utilities sector and persistent imported inflation. At the same time, deceleration of inflation and stabilization of inflation expectations led to a gradual improvement in monetary conditions. An additional factor was the retention of moderately tight monetary conditions, which limited excessive lending growth and curbed inflationary pressures. Taking together, these conditions contributed to reduced volatility in financial markets and strengthened macro-financial stability.

¹ For more details, see FSR 2023 Box 1.1 Financial Vulnerability Index (FVI) and FSR 2022 Box 1.1 Financial Stability Index (FSI).

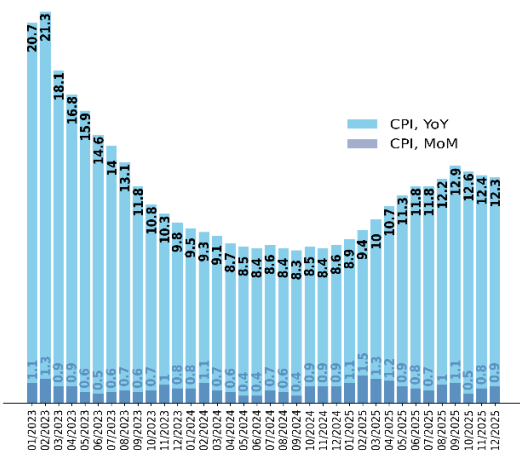
Figure 1.1 Financial Stability Index and components

Source: NBK

Figure 1.2 Financial Vulnerability Index

Source: NBK

Figure 1.3 CPI dynamics, pp



Source: BNS ASPR RK, National Bank computations

Note: To ensure the continuity and methodological comparability of the FSI calculation, certain changes were made to the indicators used in 2025. The business confidence index, previously published by the Bureau of National Statistics, was replaced by the National Bank's Kazakhstan Business Activity Index due to the cessation of publication of the corresponding statistical series. Also, the approach to assessing the dynamics of the KASE index was changed for the financial market volatility indicator. The previously used volatility indicator was replaced by a variation coefficient, which allows for a more accurate accounting of the combined variability of market indicators and the financial market's sensitivity to external and internal shocks. These changes are aimed at maintaining the representativeness of the FSI and improving the quality of systemic risk assessments in the context of changing statistical data availability and financial market transformation.

Corporate sector risks did not show significant growth in 2025. Thus, real industrial production growth rates remained positive throughout 2025, with a slight slowdown in the fourth quarter. Also, real retail turnover growth rates slowed in 2025 compared to 2024, while maintaining positive growth. However, at the end of 2025, purchasing managers' index had shown decline in the mining industry, service sector and construction.

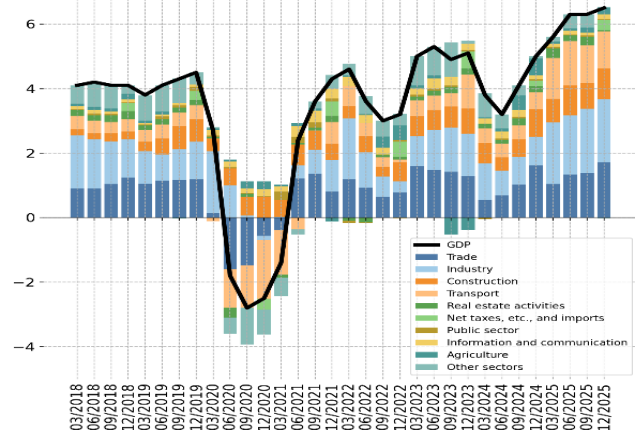
Financial sector risks remain low, owing to stable capitalization and liquidity ratios of financial organizations, declining deposit dollarization, and ongoing compliance with prudential ratios.

External sector risks also remain moderate but continue to be a significant source of potential instability, amid the budget's high dependence on oil revenues and transfers from the National Fund. Volatility in global oil prices, fluctuations in the tenge exchange rate, and heightened geopolitical risks create channels for the pass-through of external shocks to the domestic financial system. However, the current level of external risks remains significantly below those observed during the currency and oil shocks of 2009 and 2015.

Although the FSI remained **within moderate levels and below the elevated risk threshold throughout the year**, the FVI demonstrated **upward momentum**, reflecting the accumulation of macrofinancial imbalances associated with rising household debt burdens and declining real incomes. Meanwhile, current FVI values remain below the peak levels of previous crisis periods, meaning that the system is not overheating. However, the upward trend requires increased attention.

Thus, in 2025, Kazakhstan's financial system was characterized by maintained overall stability, while macrofinancial imbalances, primarily in the household sector, were intensifying. The observed dynamics of the FSI and FVI indicate the emergence of conditions in which current stability is combined with the accumulation of potential risks. Under these conditions, the pursuance of a prudent macroeconomic policy, as well as the taking of preventive macroprudential measures aimed at limiting the accumulation of risks and ensuring long-term financial stability, are particularly relevant.

Figure 1.4 Real GDP growth, Y/Y (by sectors)



1.1 Money Market

In 2025, the Kazakh money market operated amidst a changing short-term liquidity structure and a transformation of monetary policy instruments. Given the raising of minimum reserve requirements, restrictions on repo transactions, and a reduced role for the National Bank in certain market segments, short-term liquidity was redistributed among instruments and market participants.

The changes in the transaction structure were accompanied by an increase in the share of longer-term instruments, including repos and currency swaps, which may indicate a shift by participants toward more active liquidity management and a longer funding horizon.

At the same time, signs of segmentation between the money market and foreign exchange market persisted, reflected in the dynamics of interest rates and spreads, including negative spreads between the TONIA and NDF.

Overall, despite the ongoing liquidity surplus, certain trends in the money market require increased attention in terms of assessing concentration risks, changing participant behavior, and the sustainability of monetary policy transmission mechanisms.

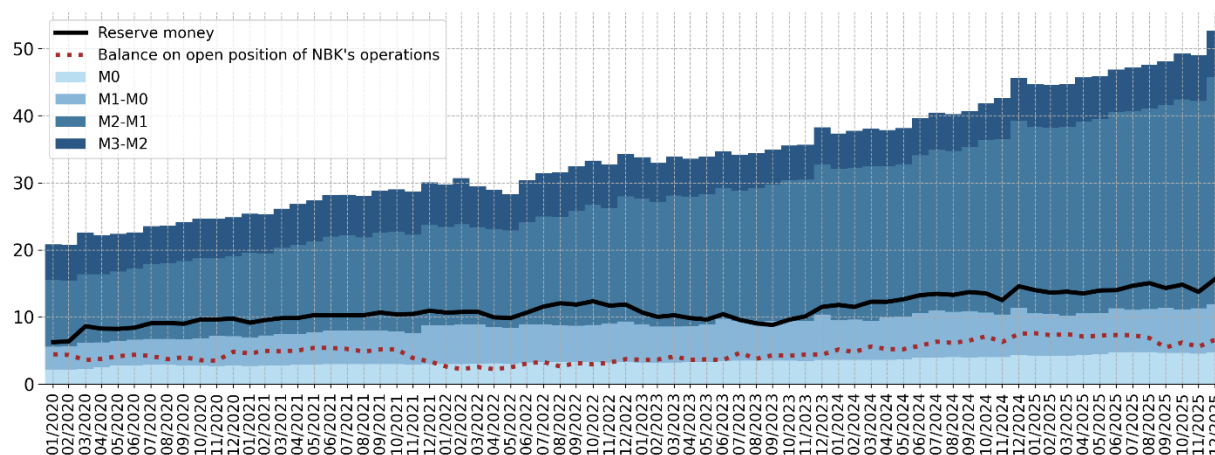
In 2025, the money supply expanded by 15.5%, amounting to 52.8 trln tenge compared to 45.6 trln a year before. Just as in the prior years, **credit channel and fiscal channel** acted as **key factors for the money supply expansion**.

In particular, to finance the budget deficit in 2025, the issuance of government securities was increased, including the placement of Eurobonds. The total volume of government securities issued amounted to 8.1 trln tenge, which is by 26.8% higher than the 2024 figure.

Expanded lending to the economy had an additional impact on the money supply growth. By the end of 2025, loans to the economy increased by 19.1%, or 6.5 trln tenge.

At the same time, the reserve money's contribution to the money supply dynamics remained relatively limited. In 2025, its growth amounted to 1.1 trln tenge, significantly lower than the previous year's figure, when the reserve money growth reached 5.8 trln tenge. **The relatively limited contribution of the reserve money to the money supply expansion indicates that the main drivers of money supply growth in 2025 were the credit and fiscal channels, as well as the banking multiplier mechanism.** This points to a more **endogenous nature of liquidity expansion** in the economy.

Figure 1.5 *Monetary aggregates, trln tenge*



Source: NBK

The tightening of minimum reserve requirements (hereinafter referred to as MRR) in 2025 initially contributed to a reduction in excess liquidity of STB, and, as a consequence, a reduction in the need for the NBK operations on liquidity withdrawal.

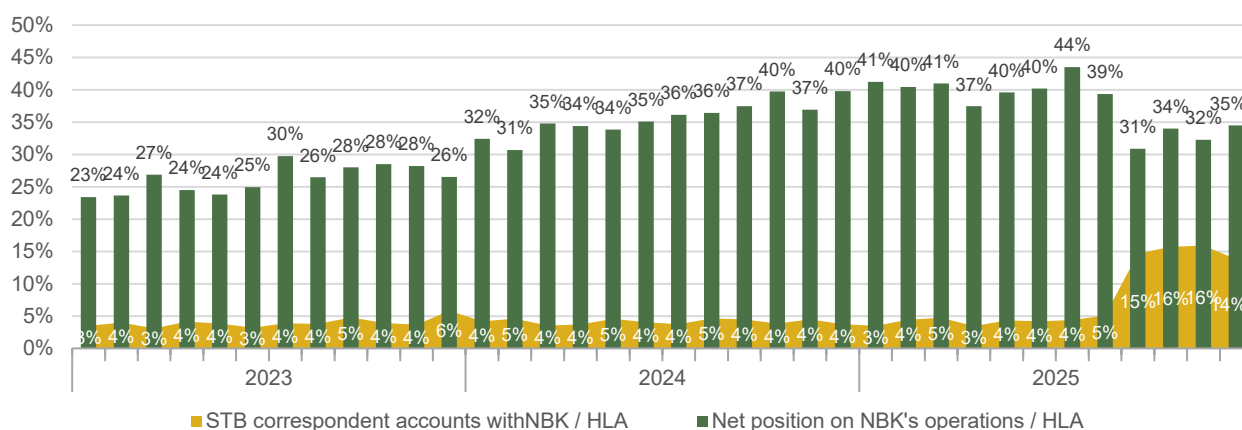
In August 2025, the minimum interest rates were revised: for bank liabilities in the national currency, the requirements were increased to 3.5% (from 2% for short-term and 0% for long-term), for liabilities in foreign currency – to 10% (from 3% for short-term and 1% for long-term liabilities).

The MRR determination period began on **August 5, 2025**, and the initial monthly period for forming reserve assets under the new requirements was set from **September 2 to September 29**. In September, banks began adapting their liquidity positions to the new reserve requirements. This resulted in a significant increase in correspondent account balances with the NBK, while the volume of funds placed in the NBK's open operations decreased.

Thus, **from August 31 to September 2**, the STB balances in correspondent accounts with the NBK in the tenge increased by **1.6 trln tenge** (by **175%**) from **887.7 bln tenge to 2.4 trln tenge**. Concurrently, the balance on the NBK's operations went down by **1.5 trln tenge** (by **21%**) from **6.9 trln tenge to 5.4 trln tenge**.

As a result, **a structural reorganization of the placement of banks' highly liquid assets took place**. The ratio of exposure in the NBK's operations and the STB's highly liquid assets (HLA), which averaged around 40% in 2025, decreased to 31% by the end of September. The ratio of STB's correspondent accounts in NBK and the STB's HLA, which averaged around 4% in 2025, increased to 15% by the end of September.

Figure 1.6 The ratio between a net position on the NBK operations and highly liquid assets of STBs



Source: NBK

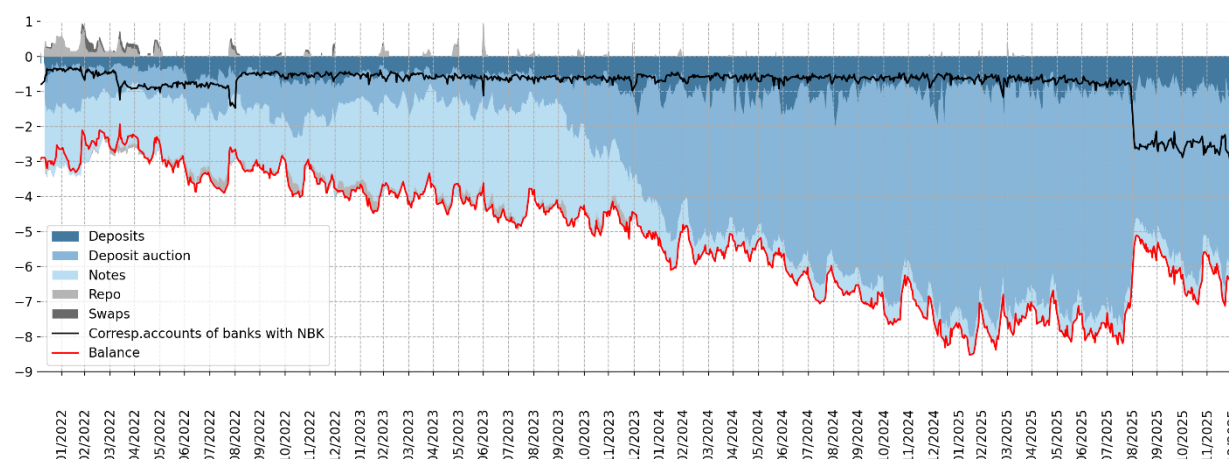
The balance of the NBK's operations, which decreased in September, gradually increased in the months to follow and by the end of the year had almost recovered to the 2024 levels. Thus, at the end of the year, the exposure on the NBK's operations reached 6.7 trln tenge.

At the same time, the volume of STB's money in correspondent accounts with the NBK reached 2.7 trln tenge, which is 3.8 times higher than the figure at the end of 2024. An additional factor in increasing liquidity was the placement of Eurobonds by the Ministry of Finance, accompanied by an inflow of foreign currency and its conversion into the tenge, which led to an expansion of the money supply through the NBK's operations. **The Government's practice of attracting external borrowing** followed by crediting the funds to the NBK's international reserves is typically **accompanied by an increase in excess liquidity in the banking system**. This is driven by the issuance of national currency when the NBK purchases foreign currency coming into the country through external borrowing.

Furthermore, one of the key factors driving the growth of excess liquidity was the decrease in funds in the Single Treasury Account (hereinafter referred to as the STA) from approximately 2,891 billion tenge as of September 30, 2025, to 1,948 billion tenge as of

December 31, 2026. The decrease in the STA by 943 billion tenge increased the liquidity of the banking system through fiscal funds.

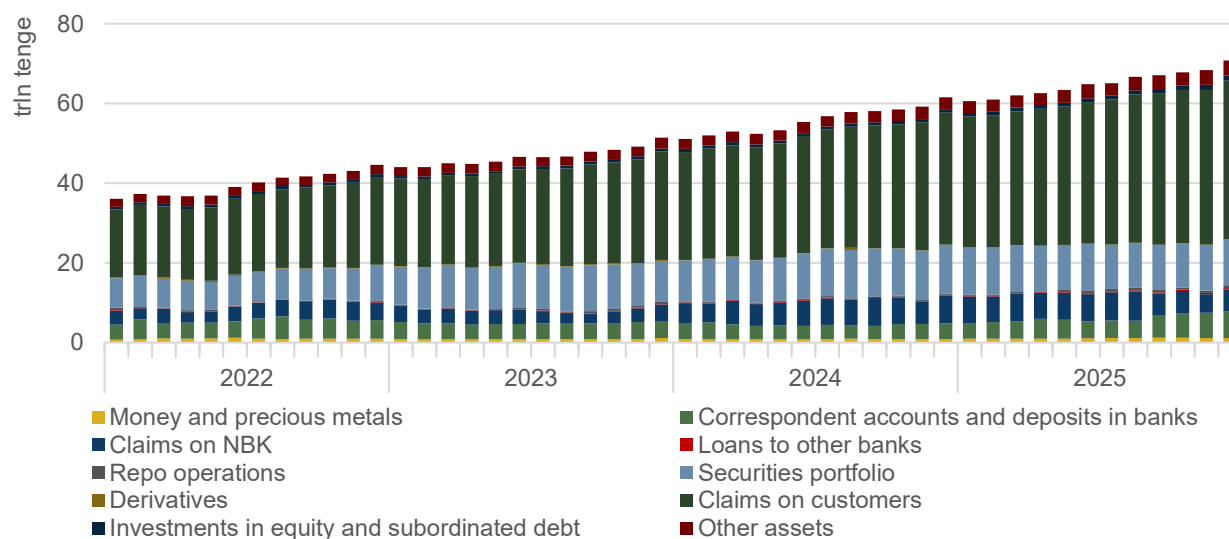
Figure 1.7 Exposure on the NBK's operations, trln tenge



Source: NBK

Despite the tightening of minimum reserve requirements, the banking sector continued to actively expand lending. The growth in claims on clients was accompanied by an increase in the total volume of banking sector assets, indicating the absence of significant liquidity constraints. The expansion of lending was accompanied by the growth in the deposit base and money supply, which generated additional liquidity in the banking system and partially offset the effect of the tightening of reserve requirements.

Figure 1.8 The structure of STB assets, trln tenge



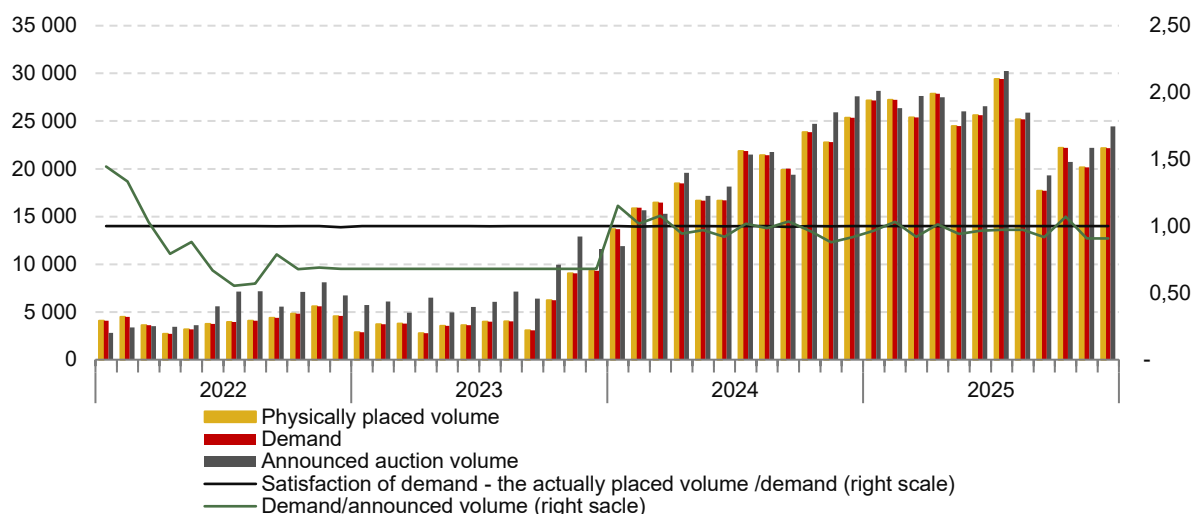
Source: NBK

In 2025, **deposit auctions** remained the NBK's primary tool of liquidity withdrawal. On average, the daily deposit auction position accounted for approximately 80% of the NBK's operating balance in 2025. Deposit auctions were held daily, and the NBK fully satisfied market participants' demand for deposit auctions.

Overnight deposits accounted for approximately 13% of the liquidity withdrawn by the NBK in 2025. Liquidity placement in overnight deposits, as in a separate NBK repo market session, is conducted on a residual basis. The overnight deposit rate is equal to the lower rate of the interest rate corridor, which is lower than the yield potentially obtainable in other markets. However, participants place overnight deposit liquidity due to the transaction

access time. Overnight deposits are available until 5:30 PM, while, for example, the deposit auction time is limited to 9:00 AM and 11:30 AM.

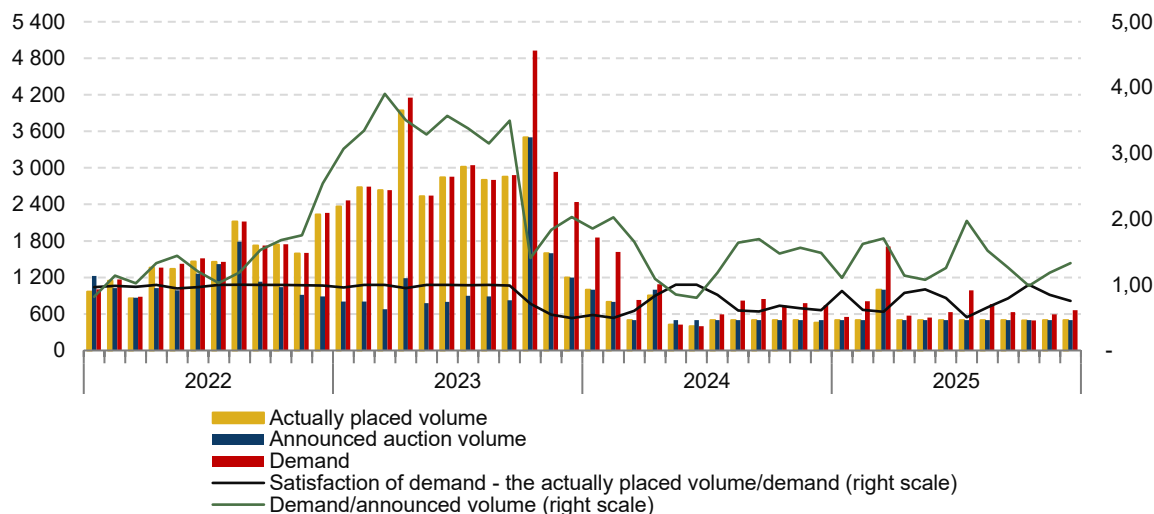
Figure 1.9 The demand for the NBK deposit auctions, bln tenge



Source: NBK

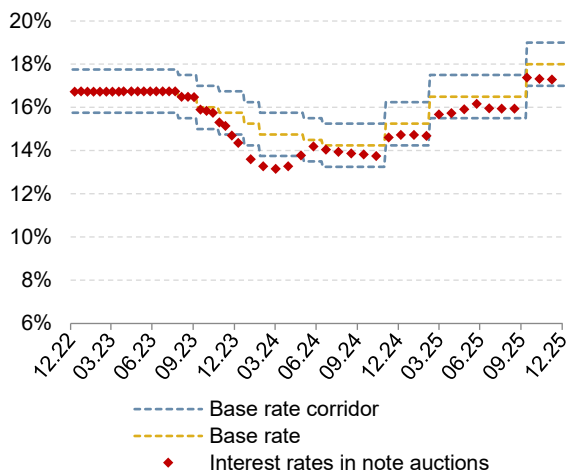
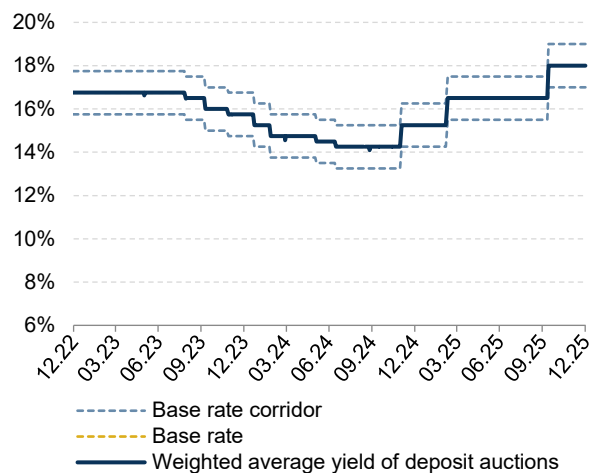
In 2025, the NBK continued to place notes within the 500 bln tenge limit set in 2024. With the exception of March, in 2025 auctions were held once per month. In March, there was a significant increase in demand, and the note auction was held twice. Market participants adapted to the limited volume of note placements, so although the demand exceeded supply, it was much lower than in 2023 and early 2024. A significant share of the note placements went to non-bank organizations.

Figure 1.10 The demand for the NBK notes, bln tenge



Source: NBK

As a reminder, following the announcement of a limit on note issuance volumes in October 2023, the NBK began to satisfy only the best bids, which led to a decline in note yields in the primary market. Throughout 2025, due to the limited note volume and excess demand over supply, the weighted average yield on notes was below the base rate. However, participants had already adapted to the new market conditions, and demand was shifted more toward deposit auctions, which were placed at the base rate.

Figure 1.11 Interest rates on open market operations**Interest rates on note auctions****Interest rates on deposit auctions**

Source: NBK

1.1.1 Repo Market

In January 2025, a limit for repo position was imposed for the second-tier banks by paragraph 10 in the NBK's Resolution of the Board No.317² (as worded in the Resolution of the Agency No.90 dated 27.12.2024). With the introduction of the indicator, **the intensity of repo use became a formal factor in the deterioration of a bank's financial position**, on par with liquidity, asset quality, and capital. Thus, the AFR began to view repos not simply as a liquidity management tool, but as **a quantitative indicator of supervisory risk**.

The formula for calculating this indicator is the ratio of the average monthly value of repo transactions with securities and the average monthly value of total liabilities. The repo position limit is reduced in stages, starting **from 45%** and decreasing **to 25%**:

Period	Limit
from 01.02.2025	≤ 45%
from 01.07.2025	≤ 40%
from 01.01.2026	≤ 35%
from 01.07.2026	≤ 25%

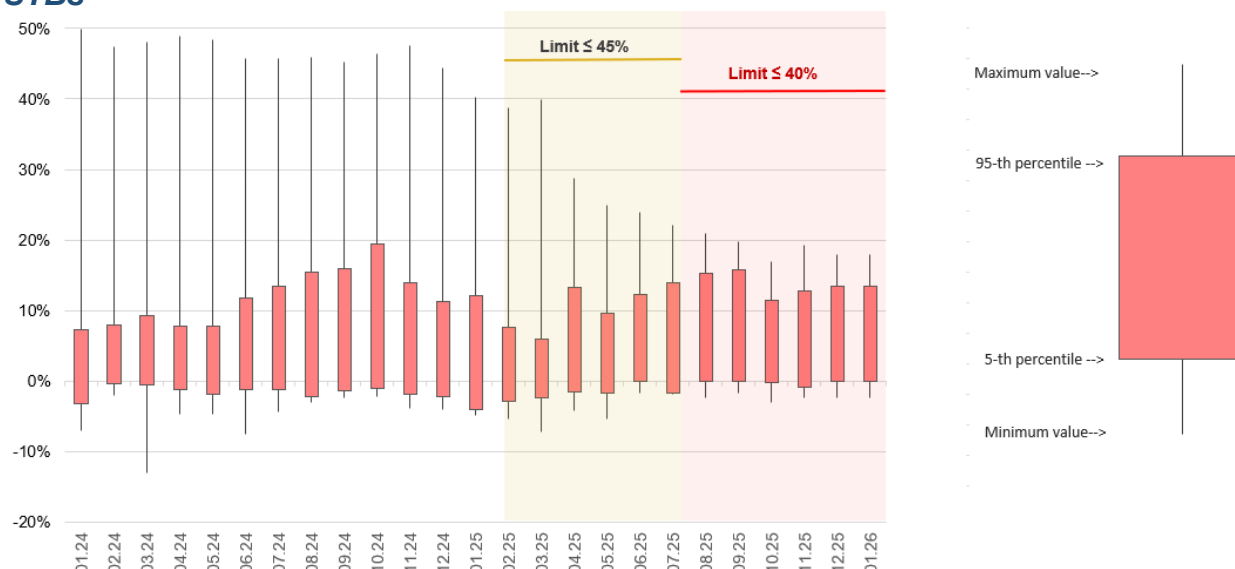
Thus, starting in February 2025, STBs were required to comply with the introduced restriction. However, examining the distribution of the repo position to liabilities ratio of STBs in 2024 and 2025 (Figure 1.12), we see that the introduction of the restriction on repo position affected only one bank. In 2024, the average net repo position ratio in the banking sector was 3.6%, with the 95th percentile value not exceeding 20%. However, the maximum value of the ratio, which exceeded the repo position limit of 45% in 2024, was observed at only one bank. This bank had the maximum repo position throughout the entire period under review (2024-2025).

Thus, the distribution of the net repo position points to a concentration of regulatory risk at an individual participant in the absence of a systemic nature of this risk at the banking sector level. Beginning in December 2024, the bank gradually reduced its repo position, and

² Resolution of the Board of the National Bank of the Republic of Kazakhstan No. 317 dated December 28, 2018 — "On the establishment of factors causing deterioration in financial position of a bank and a bank conglomerate, a branch of a non-resident bank of the Republic of Kazakhstan, as well as approval of the Rules for approving an action plan providing for early response measures, and the Methodology for determining factors causing the deterioration in financial position of a bank (bank conglomerate), a branch of a non-resident bank"

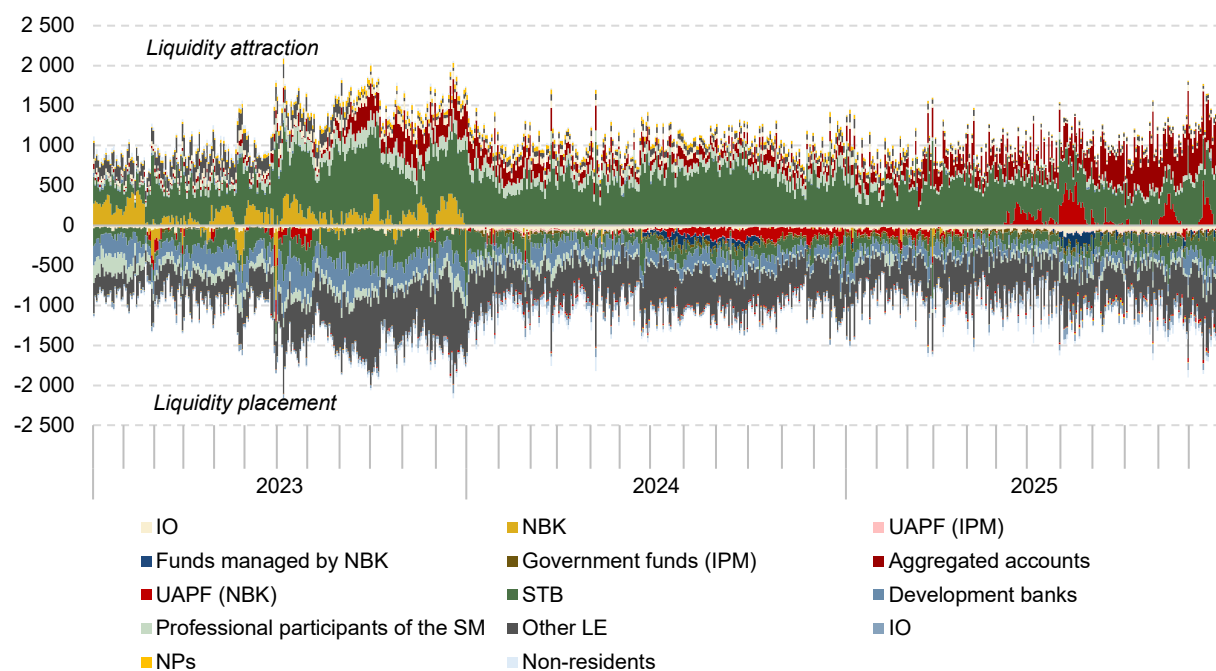
by February 1, 2025, its position was within the limit, reaching 38.7% (with a cap of 45%). Throughout 2025, the bank continued to reduce its repo position and comply with the imposed limit.

Figure 1.12 *The distribution of the net position ratio on repos to total liabilities of STBs*



Source: NBK computations

The limitation of repo position for STBs initially reduced transaction volumes in the repo market, however, they subsequently recovered. A decline in overall repo market volumes was observed in the first three months of 2025; overall, monthly volumes in the first half of the year were lower than in the same months of the previous year. Beginning in March, another major non-bank liquidity buyer entered the repo market, which was therefore exempt from the imposed restrictions. Due to the demand for liquidity, there was no significant decline in repo transactions. **By the end of the year**, on the contrary, given the tax payout season, **repo market volumes increased**. Thus, in November, monthly volumes increased by 30%, with the transaction volume during November amounting to 29.9 trln tenge, while in December, the transaction volume amounted to 28.3 trln tenge.

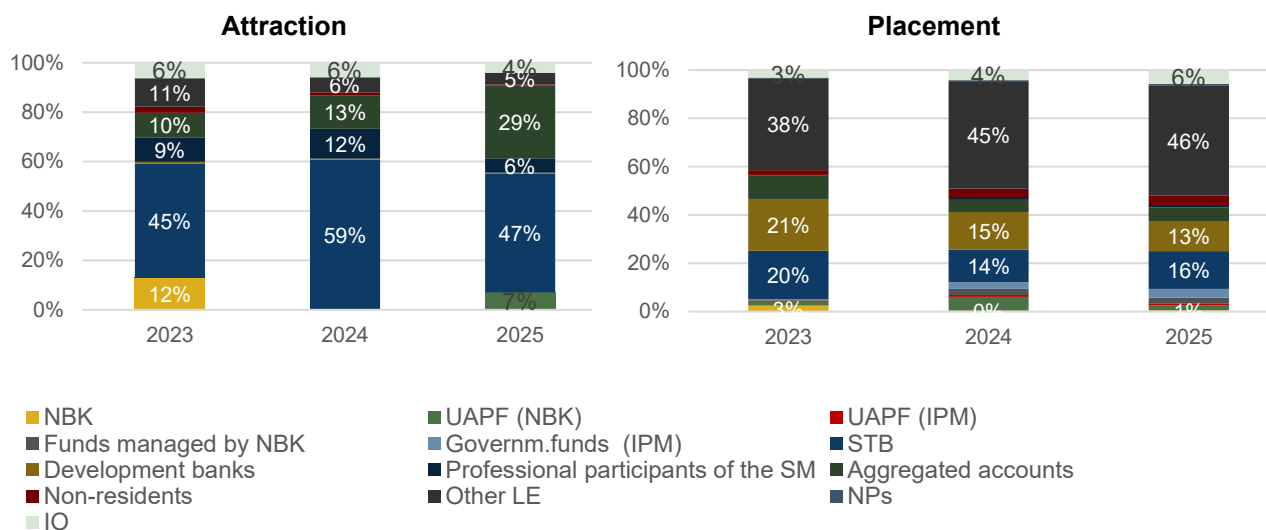
Figure 1.13 Daily volumes of the repo market, in bln tenge

Source: KASE, NBK computations

Due to the imposed limit on repo positions of **STBs**, their share on the liquidity side has significantly decreased. However, **STBs** remained the largest buyer of liquidity, with their share in 2025 amounting to **47%** (down from **59%** in 2024). The decline in STBs' share in 2025 was accompanied by an increase in the share of brokerage firm clients with aggregated accounts, which rose to **29%** in 2025 from **13%** in 2024. The decline in banks' share of liquidity, coupled with an increase in the share of non-bank participants, may indicate a shift in liquidity risk beyond the banking sector, which requires additional monitoring.

In 2025, the NBK continued to participate only on the liquidity provision side. Meantime, in 2025 the UAPF's share on the side of liquidity attraction in the repo market was 7%.

Other legal entities still account for the largest share of liquidity placement in the repo market – 46%, and STBs and development banks – for 16%.

Figure 1.14 Shares of liquidity buyers and sellers in the repo market

Source: KASE, NBK computations

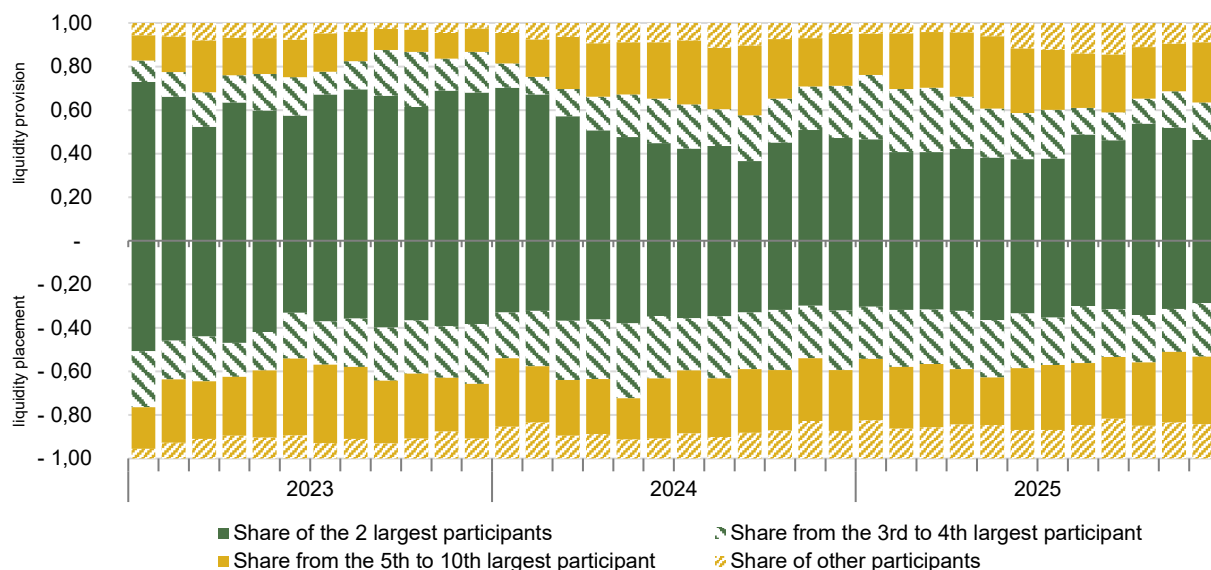
Note: The 2025 FSR revised the approach to classifying participants. The following groups were added: "Aggregated Accounts," "Non-Residents," "Government Funds (IPM)," and "NP" (natural persons). Aggregated accounts are accounts opened by CD depositors (i.e., clients of the Central Depository) to record clients' securities in aggregate, without detailing each ultimate owner in the issuer's register. The UAPF portfolio was divided into pension and own portfolios, and the portfolios were further divided depending on the managing company. The UAPF's own portfolio managed by the NBK was included in the "Funds managed by the NBK" group. The UAPF's own portfolio managed by third-party managers was included in the "Government Funds (IPM)" group. The pension portfolio managed by management companies is classified as "UAPF (IPM)," and the pension portfolio managed by the NBK is classified as "UAPF (NBK)".

In 2025, **significant concentration persisted in the repo market**. The highest concentration remained on the liquidity side. Significant liquidity demand was primarily observed among the same market participants, and certain participants remained to be the primary providers of liquidity. Thus, the share of the two largest liquidity buyers fluctuated between 37% and 52% per month, while that of the four largest buyers ranged from 59% to 76%.

There was also significant concentration on the placement side. The two largest sellers accounted for between 29% and 37% of the monthly placed liquidity, while the four largest sellers accounted for between 54% and 63% of the monthly liquidity.

The high concentration of activity on both the attraction and placement sides of liquidity increases the market's vulnerability to shocks related to the behavior of individual participants.

Figure 1.15 *Equity share in the market of the tenge repos by large participants in a month, pp*

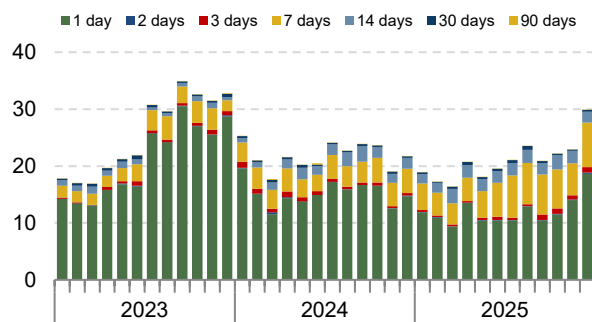


Source: KASE, NBK computations

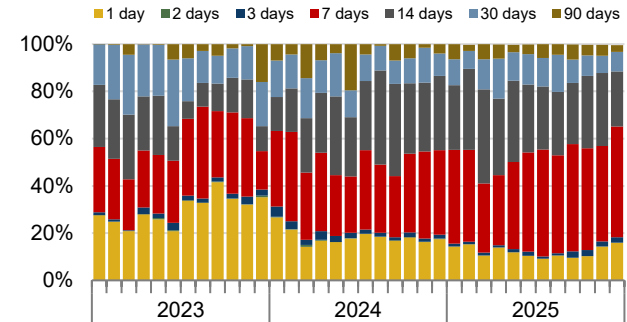
When comparing repo transaction volumes in 2025, the overnight repo market remained the most active, but its share of the overall transaction volume continued to decline (from 70% of average monthly volumes to 57%). At the same time, the share of 7-day and 14-day repos kept increasing. Thus, in 2025, the share of average monthly volumes of 7-day and 14-day repos was 27% and 10%, respectively, increasing from 17% and 8% in 2024. When weighted by maturity, we see that the majority of liquidity in the repo market in 2025 was placed for 7- and 14-days (40% and 30% on average per month), while the share of 1-day repos, when weighted, decreased to 12%.

Figure 1.16 The volume of repo operations by maturities

The volume of automatic repo operations by maturities, trln tenge



Volumes of the repo market as weighted by maturities



Source: KASE, NBK computations

In 2025, the NBK continued to pursue monetary policy in accordance with inflation targeting principles. In 2025, the National Bank raised the base rate twice. In March 2025, amid increasing inflationary pressures, the Monetary Policy Committee of the National Bank decided to raise the base rate to 16.5% per annum (from 15.25%). Beginning in April, the Monetary Policy Committee of the National Bank on several occasions made decisions to maintain the base rate at the existing level. However, in October, due to increased inflation forecasts, it decided to raise the base rate to 18%.

In view of the existing liquidity surplus, the TONIA and TWINA interest rate indicators on the repo market remained below the base rate for most of 2025. In May and June 2025, repo rates repeatedly (from May 28 to 30, and from June 3 to 10) fell below the lower bound (15.5%). On June 11, rates rose above the lower bound but continued to be traded close to it. The following factors primarily contributed to the rate decline: a liquidity surplus in the financial sector, the NBK's cessation of liquidity withdrawals in the repo market, and the imposition of a limit on repo positions. As a reminder, starting in 2024, the NBK stopped participating in the main session of the repo market, preserving participation only in a special additional session on the liquidity side.

Figure 1.17 Interest rates in the repo market

Source: KASE, NBK

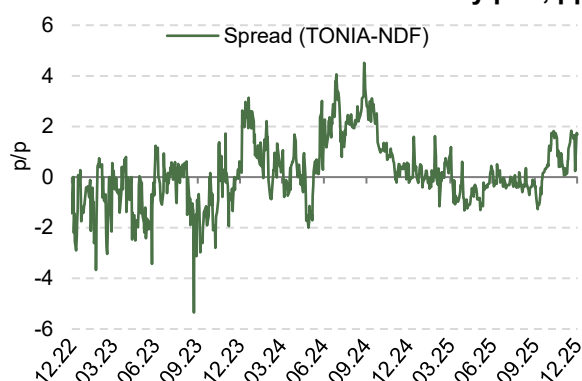
From January 2025 until October 2025, the spread between the TONIA rate and the NDF rate on the USD/KZT currency pair was negative on multiple occasions. The negative spread between the TONIA and NDF reflected a combination of excess liquidity in the domestic money market and elevated expectations of a weakening tenge in the foreign exchange market. The latter factor was significant, indicating the presence of a risk premium and expectations of a weakening tenge, despite episodes of actual appreciation.

The presence of a **negative spread** between the TONIA and NDF may create **preconditions for carry trades**, but also **reflects segmentation and inefficiencies between markets**.

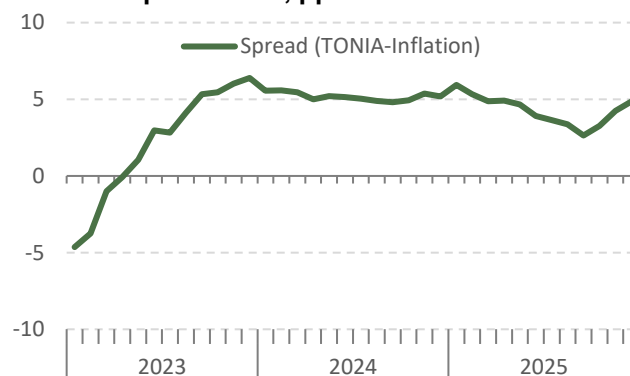
A **positive spread between the TONIA rate and inflation** that emerged in 2023 persisted also in 2024 and in 2025. The positive spread between the TONIA rate and inflation is a sign of **persisting positive real rates** and, consequently, **tight monetary conditions**. This creates **prerequisites for curbing inflation and supporting the national currency**, but does not rule out expectations of a tenge depreciation reflected in the currency derivatives segment.

Figure 1.18 The spread between the TONIA and the NDF rate on the USD/KZT currency pair

The spread between the TONIA rate and the NDF 3M rate on the USD/KZT currency pair, pp



The spread between the TONIA rate and the consumer price index, pp



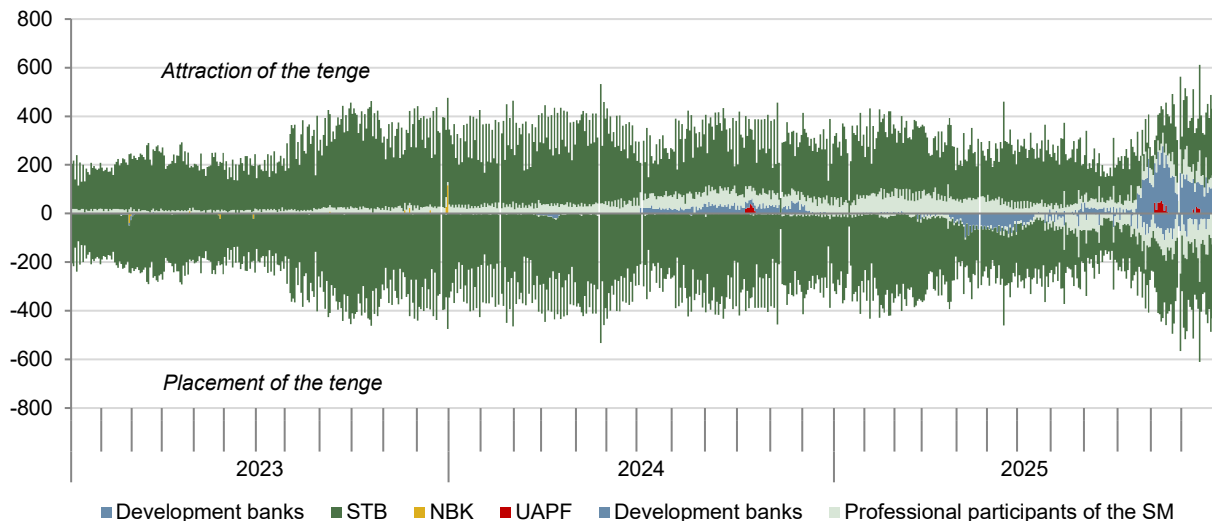
Source: KASE, Bloomberg, BNS ASPR RK, National Bank computations

Note: when calculating the spread between the TONIA rate and the consumer price index, the monthly weighted average TONIA was used.

1.1.2 FX Swap Market

The volume of the FX swap market accounts for about 30% of the repo market, which means that in the current reality **securities are a preferable collateral instrument**. This is nurtured by the **low level of deposit dollarization** compared to historical values. However, for the Kazakh market, the repo and swap markets share one key difference: the repo market is primarily driven by the need for the tenge liquidity, not by the need for securities. The **swap market can be driven by both factors: the need for the tenge liquidity, given the presence of excess dollar liquidity** in financial organizations, and **the need for foreign currency liquidity**.

In 2025, there was a slight decline in the volume of transactions in the USD/KZT currency swap market. Volumes decreased by 5.9% compared to 2024, amounting to 71.2 trln tenge per year. Average monthly volumes decreased from 6.3 trln tenge to 5.9 trln tenge per month.

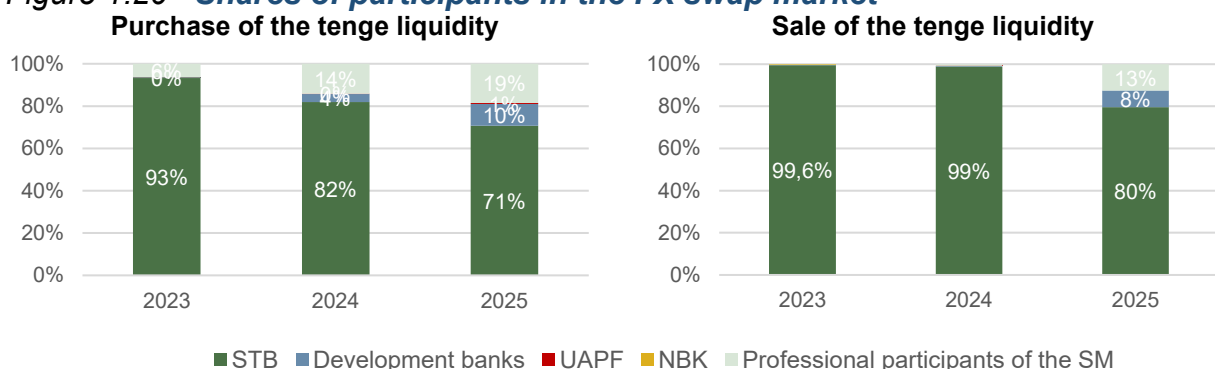
Figure 1.19 The volume of the USD/KZT swap market, bln tenge

Source: KASE, NBK computations

Second-tier banks are the key players in the market of USD/KZT currency swaps; they accounted for 71% of the tenge liquidity attraction (or dollar liquidity placement, respectively) and 80% of the tenge liquidity placement in 2025.

In 2025, development banks were more active in the USD/KZT currency swap market. On the tenge liquidity attraction side, their share ballooned in the last three months of 2025 (their share of total transaction volumes was: 23% in October, 41% in November, and 28% in December), which significantly contributed to the ramp-up in overall market volumes (7 trln in November, 8.8 trln in December). On the side of tenge liquidity placement, activity peaked in May and June 2025 (their share of total transaction volumes was 22% in May and 22% in June).

In the first half of the year, professional participants primarily participated on the liquidity attraction side of the tenge market, but starting in the second half of the year, they also began to participate on the liquidity placement side. Overall, in 2025, their share on the liquidity attraction side amounted to 19%, and on the placement side – 13%.

Figure 1.20 Shares of participants in the FX swap market

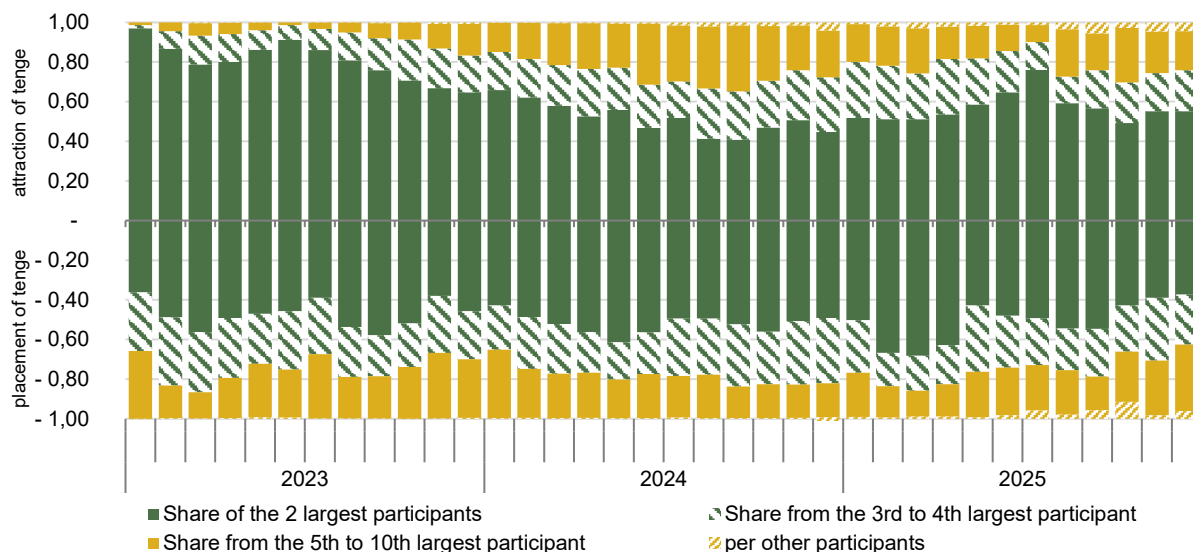
Source: KASE, NBK computations

In 2025, the FX swap market remained highly concentrated on both the attraction and placement sides. On the attraction side, the two largest buyers of the tenge liquidity accounted for approximately 55% of transaction volumes on average in 2025. The four largest buyers accounted for an average of 78% of transaction volumes in the month, and this share increased to 90% in July.

On the side of the tenge liquidity placement, the two largest sellers of the tenge liquidity covered approximately 51% of monthly transaction volumes on average. The four

largest sellers of the tenge accounted for an average of 75% of monthly transaction volumes. The peak concentration occurred between February and April, when the four largest sellers of the tenge covered between 83% and 86% of monthly transaction volumes.

Figure 1.21 FX swap market concentration

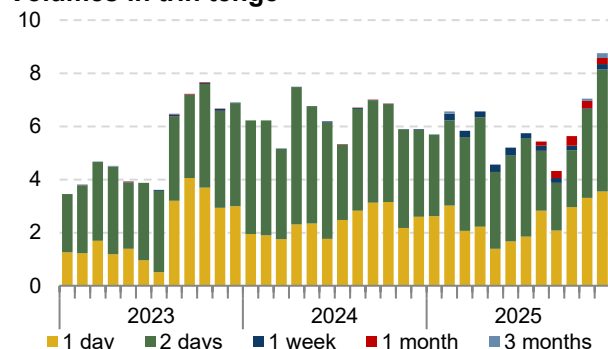


Source: KASE, NBK computations

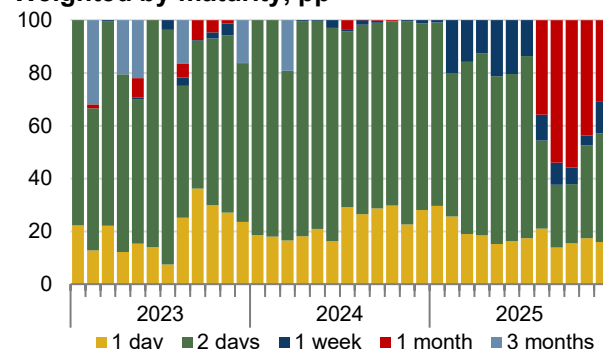
In 2025, longer-term FX swap volumes have increased. The bulk of transactions in the USD/KZT currency swap market are for 1-day and 2-day swaps. The volume of 1-day swaps in 2025 was 29.6 trln tenge, while 2-day swaps were 37.9 trln tenge. In comparison, weekly and monthly swap volumes were significantly lower (2.6 and 1.3 trln tenge, respectively). However, when weighted by maturity, we see that the share of weekly swaps increased from 1% in 2024 to 11% in 2025, while the share of monthly swaps increased from 0.3% to 24%. **The growth in the share of longer-term FX swaps** may reflect both **the increasing predictability of liquidity** and **the growing necessity for currency risk hedging**.

Figure 1.22 The volume of the USD/KZT swap market broken down by maturities

Volumes in trln tenge

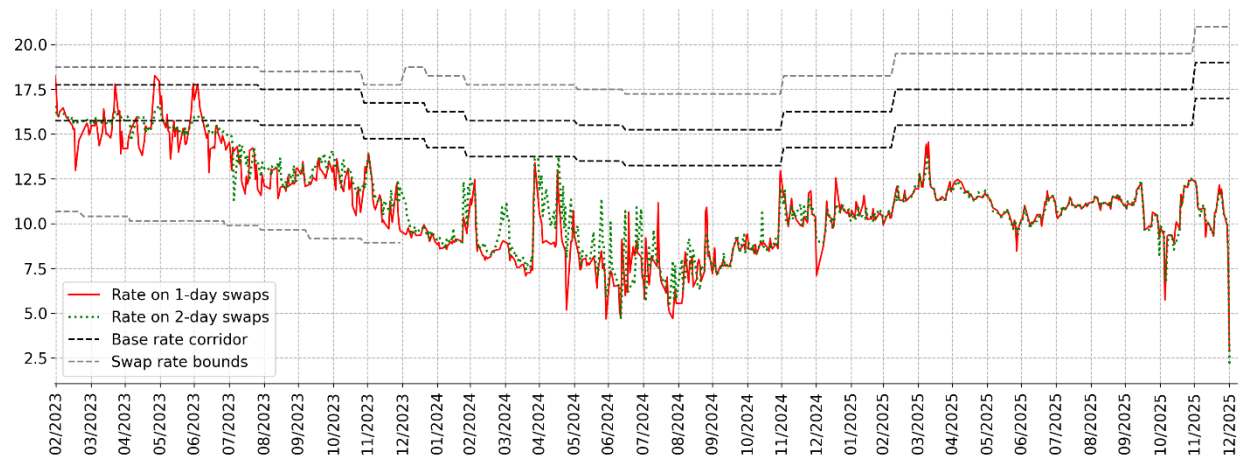


Weighted by maturity, pp



Source: KASE, NBK computations

Rates in the FX swap market remained below the repo rate corridor, **reflecting an excess tenge liquidity**. However, the increase in rates compared to **the previous year** may be an evidence of a **gradual increase in the cost of foreign currency funding** or **a growing currency risk premium**. Taken together, the observed dynamics of terms and rates in the currency swap market may reflect **a changing structure of liquidity demand** and **the increasing role of the foreign exchange segment in shaping funding conditions**.

Figure 1.23 Interest rates in the FX swap market**Source:** KASE, NBK

1.2 Foreign Exchange Market

At the end of 2025, the official dollar-tenge exchange rate was 502.57 tenge, having appreciated by 22.5 tenge, or 4.3% year-on-year. The maximum official exchange rate was 549.15 tenge/dollar, while the minimum was 488.5 tenge/dollar. Despite the tenge's strengthening toward the end of the year, the national currency exchange rate peaked in the third and fourth quarters amid a strengthening global US dollar index, falling energy prices, and reduced foreign exchange liquidity in the domestic market. Under a free-floating exchange rate regime, the national currency was affected by both external shocks and domestic imbalances. To ensure foreign exchange supply, the National Bank of Kazakhstan (NBK) conducted foreign exchange interventions totaling USD125.6 mln at the end of July.

The average daily trading volume on the Kazakhstan Stock Exchange (KASE) in 2025 was USD 255 mln, with a peak of over USD 521 mln. The absolute growth in trading volume on the KASE is partly driven by the growing number of bidders due to the exchange's dominant position in the region.

Off-exchange market volumes have grown across all currencies from 2021 to 2025, with the USD/KZT pair dominating. Excluding a major OTC market participant due to its intra-company transactions, the OTC market is comparable in volume to the on-exchange market.

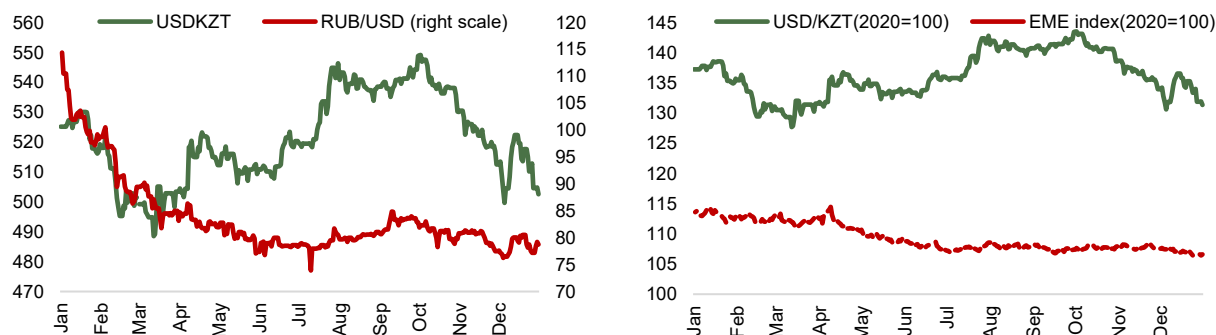
1.2.1 Dynamics of the National Currency Exchange Rate and Foreign Exchange Market

In 2025, the US dollar had appreciated against the tenge by 22.5 tenge, or by 4.3% (Dec/Dec) (*Figure 1.24a*), in particular, in the second half of the year. During a separate period in April-May, the exchange rate strengthened to 488.5 tenge. By the end of the year, the exchange rate depreciated to 502 tenge per dollar amid a general increase in foreign exchange liquidity, mirroring transactions, and a decline in business activity. During this same period, the annual maximum was reached – 524.66 tenge per US dollar. The tenge's dynamics correlate with the dynamics of the main trading partner's currency. The exchange rate of the ruble against the US dollar strengthened given the Bank of Russia's tight monetary policy, a reduction in foreign exchange outflow, and an inflow of foreign exchange proceeds.

Despite fluctuations in oil prices and a slight decline in the dollar index against emerging market currencies (EME index) during the year, the USD/KZT exchange rate was subject to greater volatility due to domestic factors (*Figure 1.24b*). In the second half of 2025, the USD/KZT exchange rate was weakening under the pressure from both market sentiment and structural factors in the country's economy.

Figure 1.24 External factors had less impact on the exchange rate of the national currency against the US dollar.

a) USD/KZT and USD/RUB exchange rates in 2025 **b) USD/KZT and EME indices in 2025**

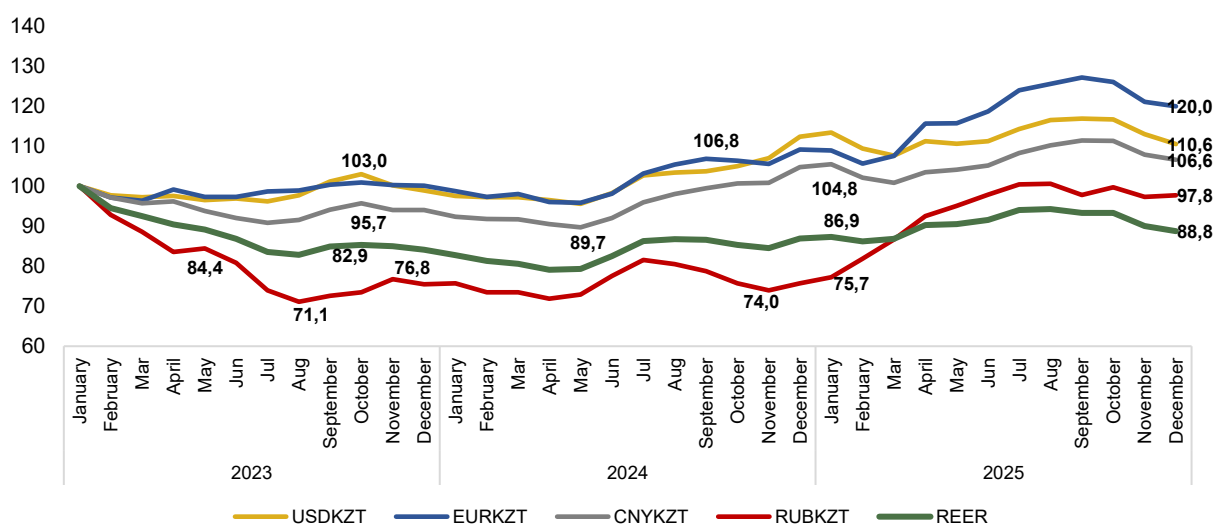


Source: NBK, Bloomberg

Note: EME index – US Federal Reserve's Nominal Emerging Market Economies US Dollar Index. The growth in the rate points to the US dollar appreciation.

The real effective exchange rate (REER) strengthened in the second half of 2025, driven by the tenge's appreciation against the currencies of its major trading partners (*Figure 1.25*). Thus, given the trend toward real appreciation in 2025, the exchange rate of the national currency influences the relative demand for the national currency compared to other currencies.

Figure 1.25 Exchange rates and the real effective exchange rate in 2023-2025



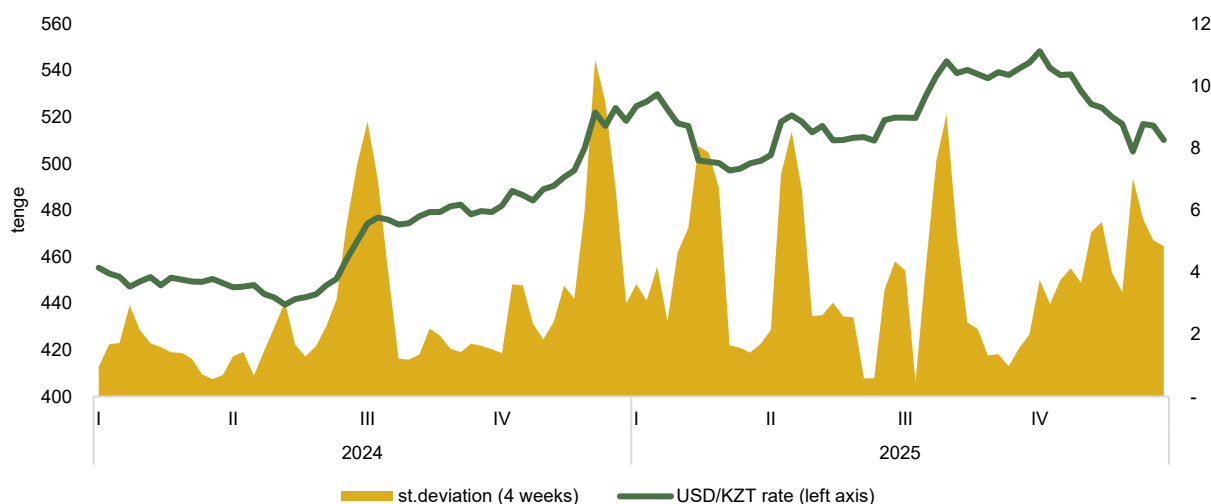
Source: NBK computations

Note: REER – real effective exchange rate. Exchange rates of currencies and REER are indexed (January 2023 = 100).

When analyzing the 2024-2025 period, frequent short-term volatility with the exchange rate growth is observed. Assessing the dynamics of the USD/KZT exchange rate, the highest volatility during the year was observed in the first half of 2025, including the beginning of the third quarter (*Figure 1.26*). High volatility in the dollar-tenge exchange rate was associated with seasonal demand for foreign currency, budgetary funds utilization, reduction in the supply of foreign exchange proceeds from the quasi-public sector, and expectations about the national currency depreciation. To support the supply of foreign

currency, at the end of July, the NBK conducted foreign exchange interventions totaling USD 125.6 mln.

Figure 1.26 The year 2025 is characterized by sporadic volatility. The weighted average weekly USD/KZT exchange rate and its volatility in 2024-2025



Source: NBK computations

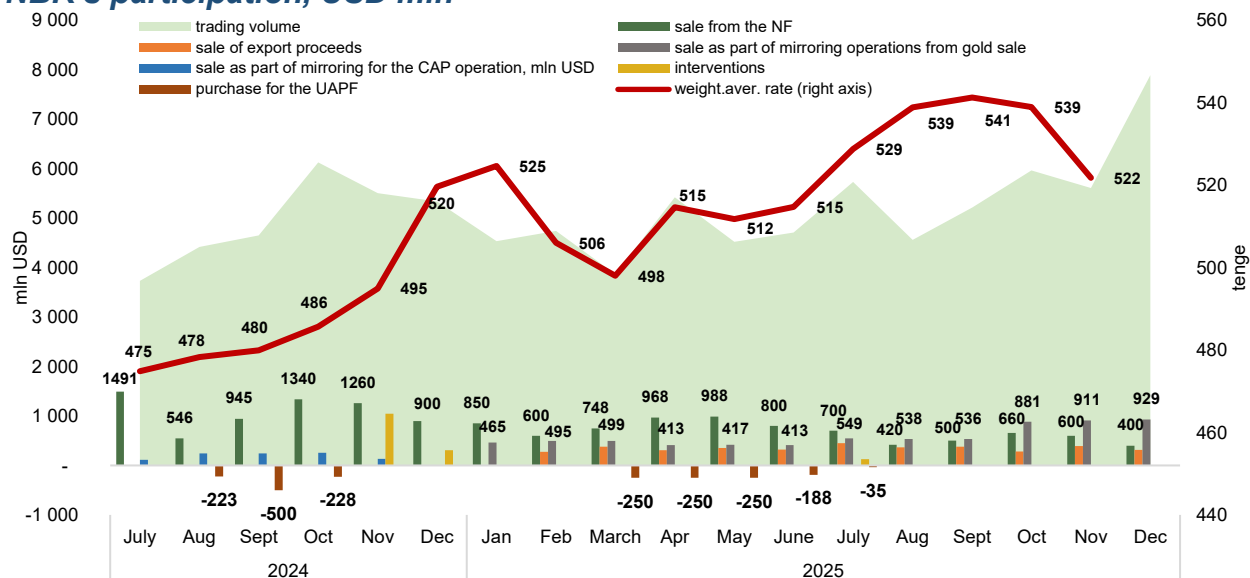
Note: Standard deviation is the root-mean-square deviation from the arithmetic mean. A 4-week rolling standard deviation was used.

The sale of currency from the National Fund of the Republic of Kazakhstan (NF RK) was carried out as part of attracting transfers to the national budget, of which guaranteed and earmarked transfers together amounted to 5.325 trln tenge in 2025. The volume of conversions from the NF RK decreased by more than 6% in 2025 compared to 2024, which is in line with the fiscal compression plan (*Figure 1.27*). The total volume of conversions amounted to USD8.2 bln in 2025 and USD11.2 bln in 2024.

A significant reduction in the volume of currency sales is associated with the completion of transactions for the acquisition of shares of NAC “Kazatomprom” by the National Fund in 2024. To implement this transaction, the purchase of foreign currency assets of the National Fund was made in the gold and foreign exchange reserves of the National Bank with subsequent mirroring³. In 2025, mirroring operations were conducted involving the purchase of gold for the country's foreign exchange reserves. This volume was presented on the market on the supply side of the currency, observing the principle of market neutrality. As a buyer, the UAPF acquired less than USD1 bln to maintain the foreign exchange portion of its portfolio.

³ <https://nationalbank.kz/ru/news/informacionnye-soobshcheniya/16862>

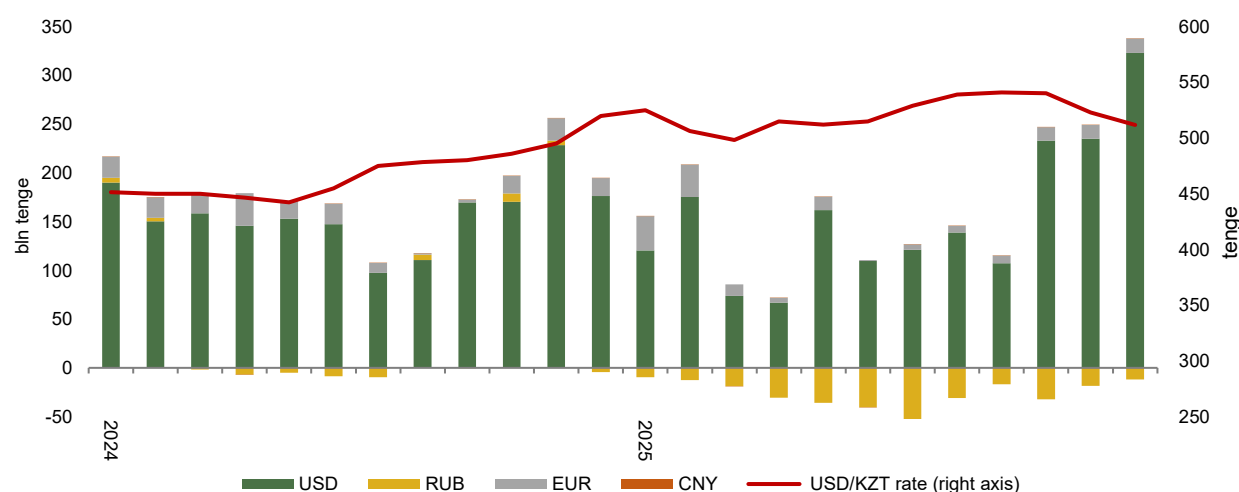
Mirroring operations are operations of the National Bank to buy/sell foreign currency in the domestic market, mirroring operations on the use of the National Fund resources to neutralize the impact of budget flows.

Figure 1.27 The volume of foreign currency sale from the National Fund and the NBK's participation, USD mln

Source: NBK web site

Note: From July to December 2024, sales were made from the NBK's gold and foreign exchange reserves to mirror the volume acquired in the foreign exchange market for the purchase of shares of NAC "Kazatomprom" JSC from the NF RK. Since 2025, the NBK has been conducting liquidity mirroring operations related to gold purchases.

In 2025, the overall volume of net sales by exchange offices in five currencies, US dollar in particular, declined by 10% compared to the past year (Figure 1.28). Net transactions by currency amounted to: US dollars – 1,864 bln tenge, euros – 163 bln tenge, rubles – (-)311 bln tenge, British pounds – 3.9 bln tenge, and yuan – 1.7 bln tenge. Aside from the syuan and ruble, sales in other currencies showed a decline. Net purchases of rubles by exchange offices increased 34-fold, which is due to a rapid decline in interest in the currency. In turn, the growing net purchase of the yuan by the population is driven by the development of trade and travel connections and interest in the yuan for the purpose of diversifying savings.

Figure 1.28 Net purchases(-)/sales(+) of foreign exchange by exchange offices, bln tenge

Source: NBK

It's worth mentioning that despite a decline in net transactions at exchange offices, cross-border transactions using payment cards and money transfer systems grew throughout 2025. In particular, businesses are increasing the share of yuan in their

payments, especially in the manufacturing industry. In the mining, trade, and agriculture sectors, the US dollar and ruble dominate in payments.

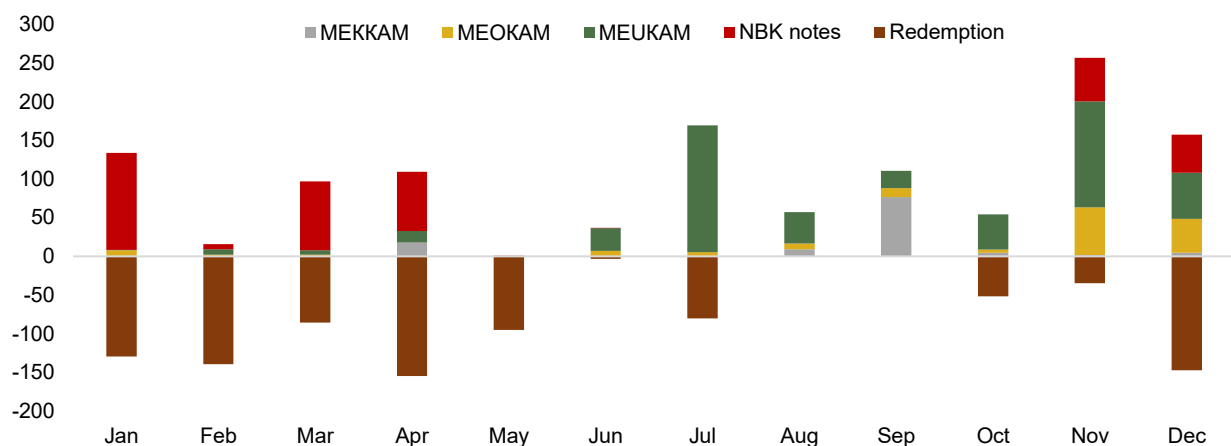
1.2.2 Channels for Shaping of Demand and Supply of Foreign Currency

The country's foreign exchange market is traditionally formed through the supply of export foreign exchange proceeds, transfers from the National Fund, external borrowing, the inflow of foreign direct investment, and demand for foreign currency through import channels, as well as external debt servicing. In 2025, additional supply channels included mirroring transactions from gold sales and the inflow of non-residents into the government securities market.

Portfolio Investments

In 2025, non-resident investments in Kazakhstan's government securities reached 2 trln tenge, which exceed the figure at the beginning of the year by more than 80%. The bulk of investments was made in the second half of the year, reflecting the increase in the base rate to 18%, the announcement of its retention, and growing investor interest in emerging markets. Long-term MEUKAM instruments became the most popular instrument for non-residents, demonstrating a strategic presence in the market. Regarding currency demand, the share of securities redemptions in 2025 was less than 1 trln tenge (*Figure 1.29*).

Figure 1.29 Foreign currency flow through the securities market

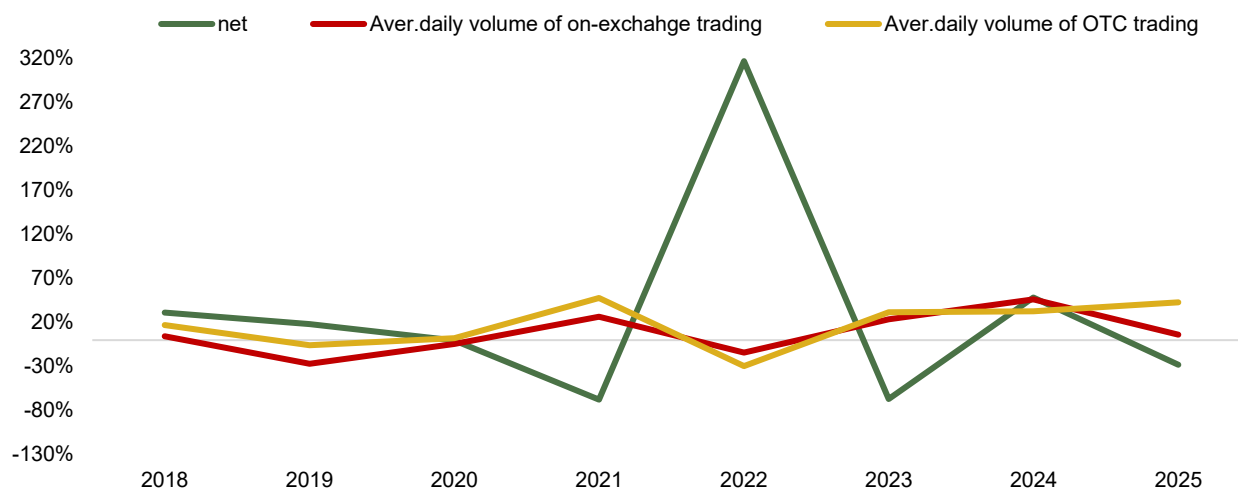


Source: KASE, CSD

Direct Investments

In 2025, a decline in foreign direct investments in the country has been observed, reducing the supply of foreign currency into the country. At the same time, resident investment abroad has increased, increasing the net outflow of foreign direct investment. Due to the downward trend in direct investment in the country and the continued pace of income payments to investors, higher demand for foreign currency is emerging (*Figure 1.30*). The divergent dynamics of net FDIs and average daily trading volumes are explained by external factors, in particular the geopolitical conflict, as a result of which Kazakhstan subsequently became the main platform for market activity in the region.

Figure 1.30 Net operations on foreign direct investments and average daily volume of USDKZT trades, % change, y/y.



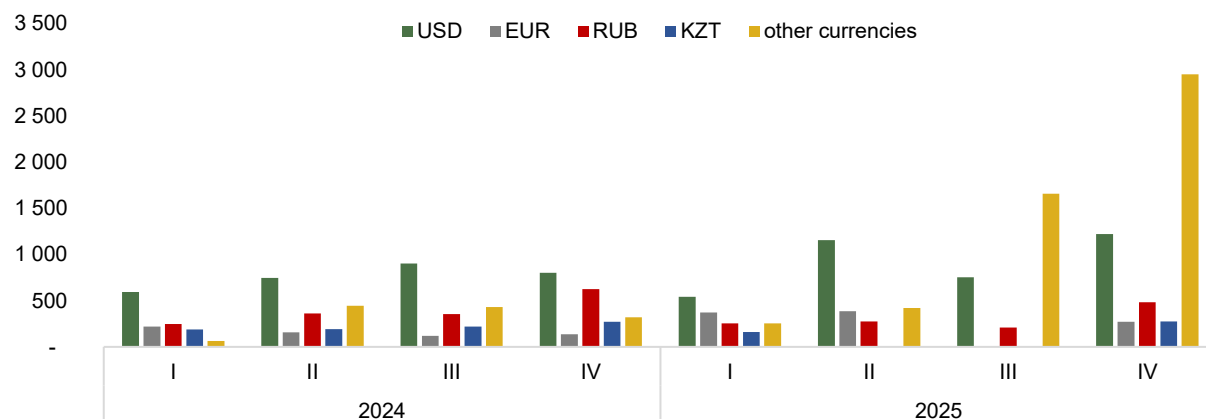
Source: NBK, KASE

Note: Net FDI is the difference between direct investment abroad and direct investment in Kazakhstan. (y/y).

Foreign Borrowing

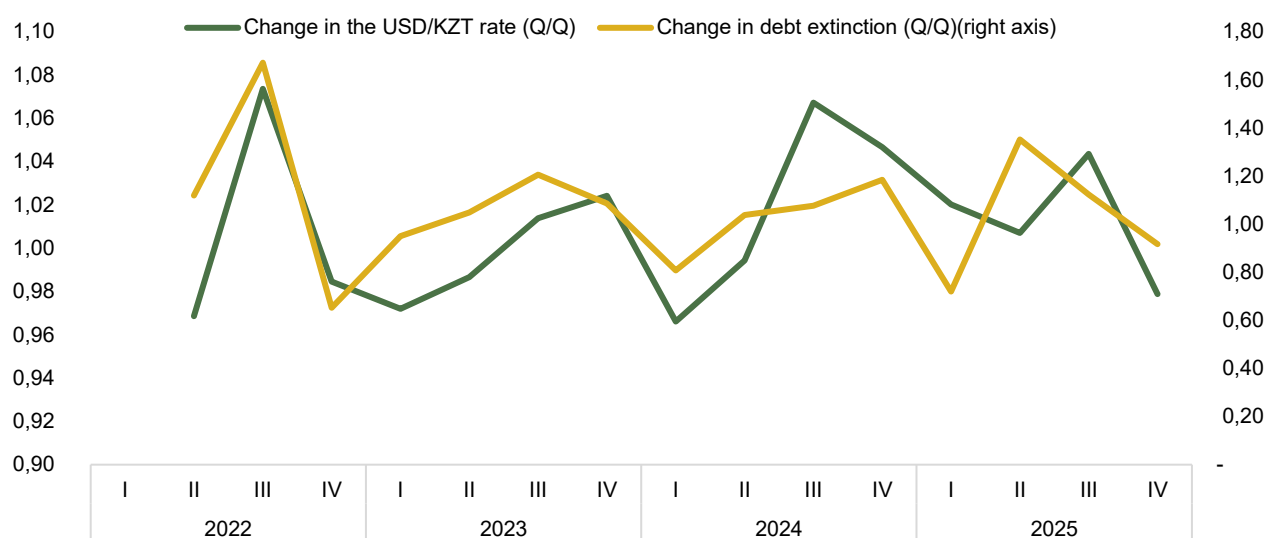
Kazakhstan's external debt ratio is moderate, but debt servicing is an important factor when analyzing the foreign exchange market from the demand side ([Figure 1.9](#)). Analyzing the second half of 2025, one of the factors driving the decline in foreign currency demand was the decline in external debt servicing. On the supply side, foreign debt raising also plays a role ([Figure 1.31](#)). Despite raising long-term external funding, when funds arrive, they are converted and support the national currency.

Figure 1.31 Raised external debt in currencies.



Source: NBK

Figure 1.32 External debt repayment in accordance with the schedule (short-term and long-term portions) and the exchange rate



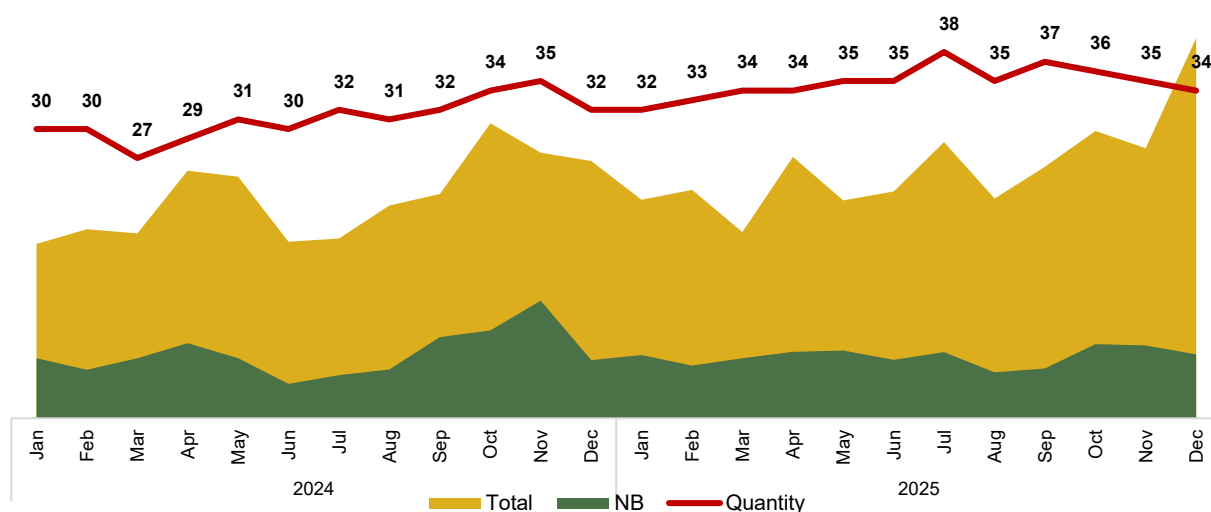
Source: NBK

Analyzing the effect of external debt on the dollar-tenge exchange rate, we observe similar dynamics between the exchange rate and external debt repayment. In other words, external debt repayment creates a demand channel for foreign currency, which is aligned with the rising exchange rate.

1.2.3 On-Exchange Market of USD/KZT

Average daily volume in 2025 was USD255 mln, with a peak of over USD521 mln. The absolute increase in trading volume on the KASE is partly driven by the growing number of traders due to the exchange's dominant position in the region and persisting sanctions pressure on the Russian Federation (*Figure 1.33*).

Figure 1.33 The number of active participants in the KASE trades and trading volumes in the on-exchange spot market in mln US dollars



Source: KASE

In the on-exchange spot market, the ratio of the USD/KZT, RUB/KZT, EUR/KZT, and CNY/KZT currency pairs remains stable during 2023–2025, with the US dollar remaining dominant (*Table 1*). The US dollar's share will decline slightly from 2023 onward, while the

shares of other currencies, such as RUB/KZT and CNY/KZT, will increase. The increase in the shares of the ruble and yuan in 2025 is caused by the ongoing geopolitical conflict, the structure of foreign trade, and a slight increase in Chinese investment in the country.

Table 1 *Share of currencies in the trading volume in the on-exchange FX market*

	USDKZT	RUBKZT	EURKZT	CNYKZT
2023	87%	10%	2.5%	1%
2024	84%	13%	1.5%	1%
2025	81%	16%	1%	2%

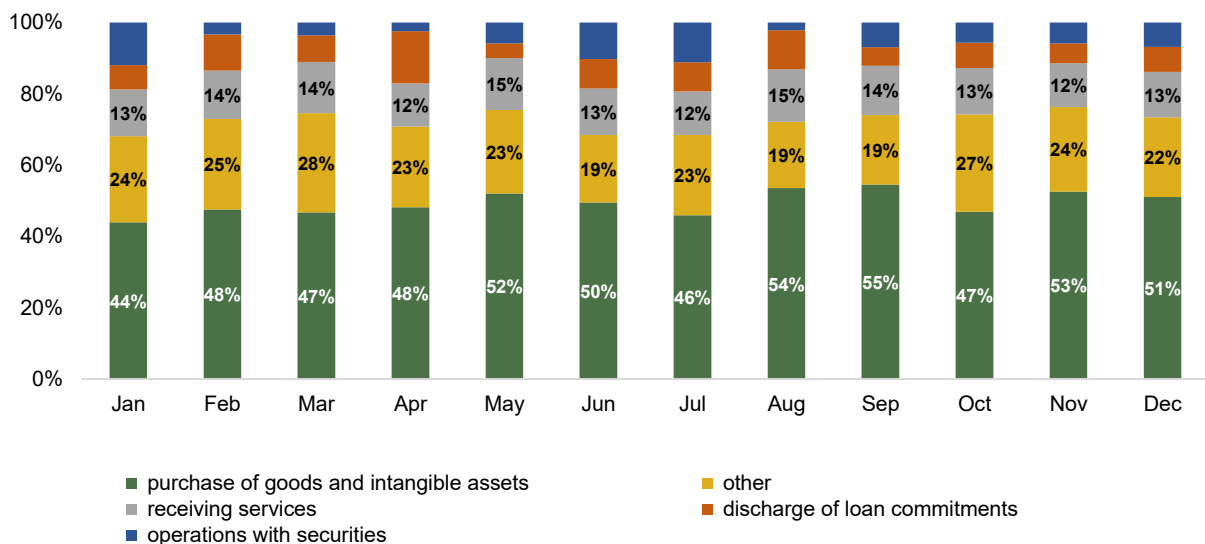
Source: KASE, NBK computations

Second-tier banks (STBs) remain key players among the traders on the KASE. In 2025, STBs were net buyers of foreign currency, maintaining a similar trend from 2023. In 2025, along with the growth in trading volume, the share of other participants, such as brokerage firms, also increased. The share of other participants in foreign currency sales exceeds their share in foreign currency purchases, as was the case in 2023-2024.

The share of foreign currency sales by the NBK and its clients in total trading volume was 25% in 2025 (29% in 2024). The total USD/KZT trading volume on the KASE in 2025 amounted to USD 62.7 bln, compared to USD 55 bln in 2024, an increase of 14%. The increase in volume was driven by enhanced market activity, the sale of foreign currency proceeds by exporters, and mirroring operations by the National Bank. Despite the growth of trading and the activity of the National Bank in the market, the total volume of the NBK participation in 2025 has been lower than in the previous period.

By analyzing the demand for foreign currency, legal entities determine the demand for foreign exchange for current operations, i.e., the purchase of goods and services (*Figure 1.34*). The increasing dynamics of demand correlate with seasonality, business activity, and budget utilization.

Figure 1.34 *The volume of demand for foreign exchange from legal entities broken down by purposes in 2025, bln tenge*



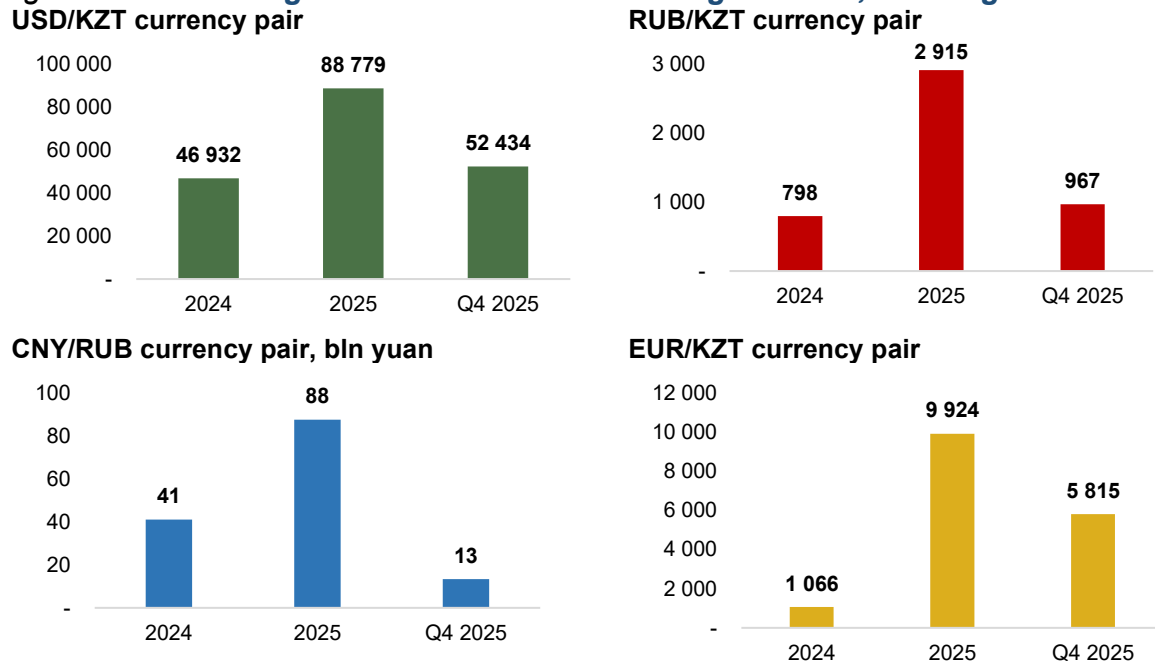
Source: NBK

1.2.4 Off-Exchange Market

Off-exchange market volumes for all currencies more than doubled from 2023 to 2025, from 52,794 to 100,675 bln tenge. Similar to the on-exchange market, the USD/KZT pair remains dominant among currencies (*Figure 1.35*). Due to geopolitical shocks and currency restrictions in the region, which triggered demand for the yuan in both the on-exchange and OTC markets, the ratio of currency pairs in the OTC market shifted slightly. CNY/RUB volume increased exponentially in 2025, reaching 88 bln tenge, almost double

the previous period. CNY/KZT trading volume reached its lowest levels in 2025, declining sharply since 2022. The EUR/KZT pair showed growth in over-the-counter trading among certain participants, which is associated with their foreign operations and the need to convert currency for the domestic market.

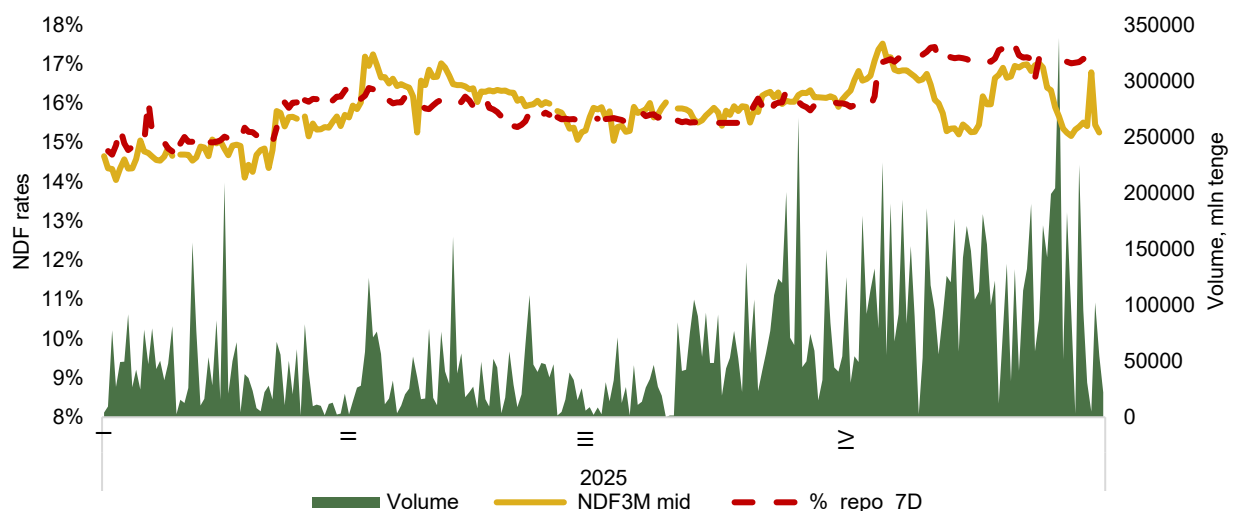
Figure 1.35 Trading volumes in the off-exchange market, bln tenge



Source: KASE, NBK computations

Banks' hedging operations impact both on-exchange and OTC foreign exchange markets. For example, the tenge/dollar exchange rate weakened significantly in mid-year, which was subsequently accompanied by high purchase volumes by non-residents, averaging approximately 51 bln tenge per day (Figure 1.36). In the fourth quarter, there were periods of widening spreads between the 7-day repo rate and the 3-month USD/KZT NDF rate, which may point to the improved external expectations for the dollar-tenge exchange rate while domestic liquidity conditions, i.e., the 7-day repo rate, persist.

Figure 1.36 Trading volumes in the NDF market in 2025, mln tenge



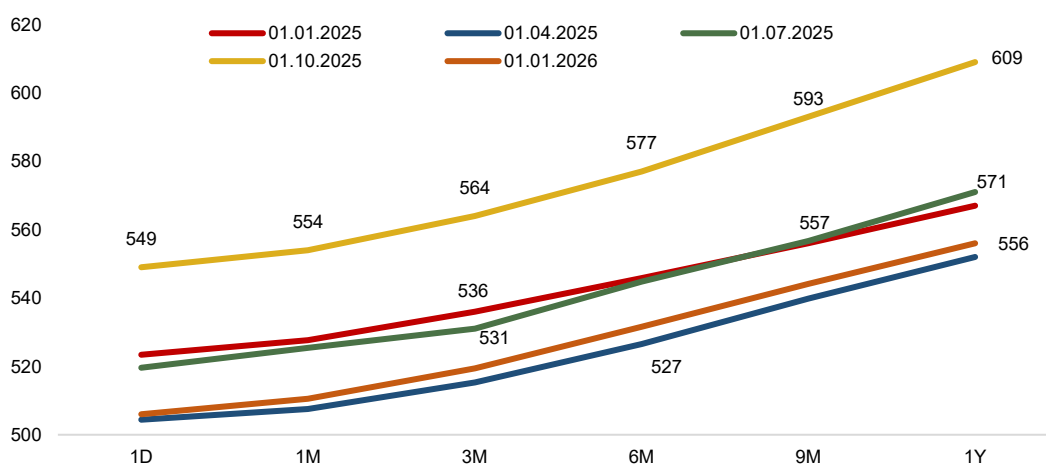
Source: Bloomberg, Refinitiv

Note: NDF rates for 3 months are used. A non-deliverable forward contract is an over-the-counter instrument in which two counterparties agree to deliver the difference between exchange rates at a future date. With this arrangement, settlement risk is minimized to the amount of exchange rate risk that may arise between the

agreement date and the currency delivery date. This difference is calculated and paid in the US dollars. Most non-deliverable forwards include the US dollars as the second (base) currency. Contracts with terms of 1 month to 1 year are most commonly used.

Rising expectations for the dollar-tenge exchange rate are observed for all cutoff dates over a horizon of up to one year (*Figure 1.37*). The dynamics of quotes reflect not only the interest rate differential but also changes in expectations for the dollar-tenge exchange rate and the currency risk premium. In the first half of the year, forward rates declined across all maturities, indicating weakening demand for currency hedging and improved currency liquidity. However, at the end of the third quarter, the curve shifted sharply upward, accompanied by a rise over the entire horizon, indicating increased devaluation expectations. By the beginning of 2026, the curve values had become lower across the entire horizon, owing to appreciation of the national currency due to foreign exchange supply, investor interest, and persistent profitability of Kazakhstani financial instruments.

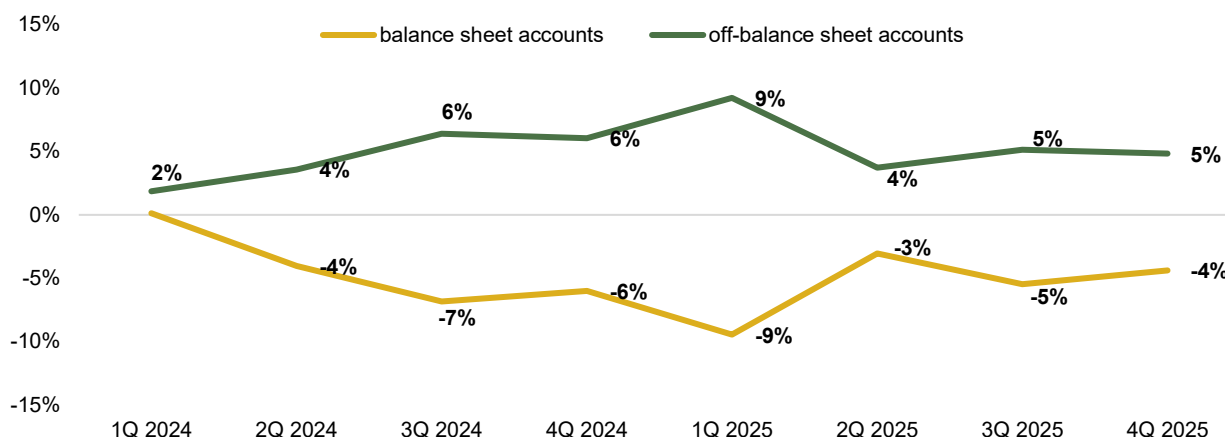
Figure 1.37 The offer price in the NDF market in 2025, tenge



Source: Refinitiv, USD/KZT FX NDF outright bid

1.2.5 Open Currency Position

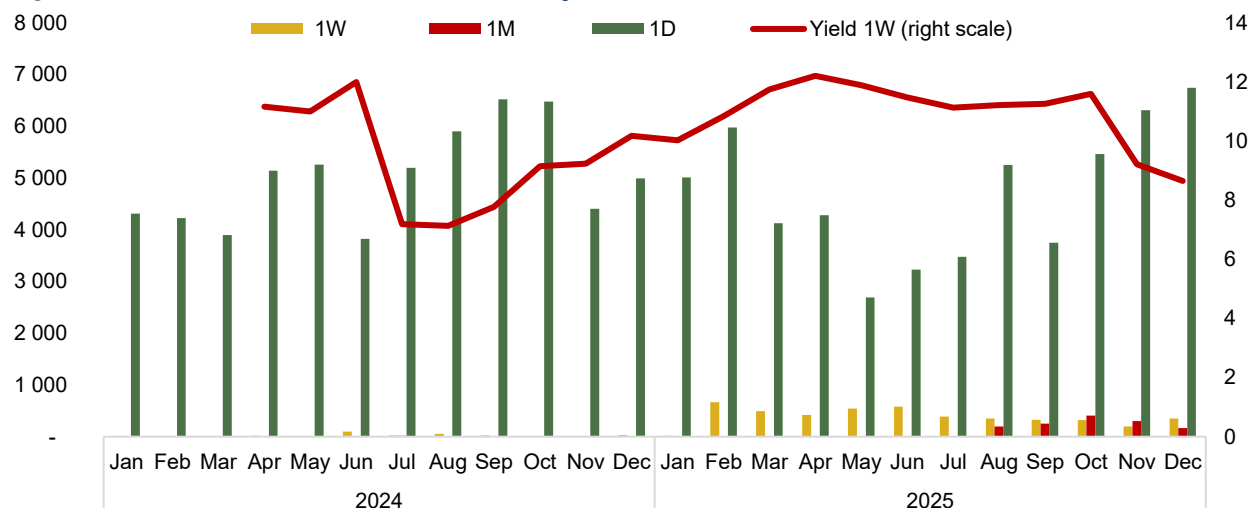
An analysis of the balance sheet open currency position (OCP) during 2024-2025 demonstrates a predominance of assets over liabilities, although the gap is narrowing (*Figure 1.38*). The absolute values of the OCP indicators for the reporting period show a predominantly short position in the US dollar. In general, a prolonged short OPC may indicate the presence of certain currency risks. If the foreign currency exchange rate strengthens, the revaluation of liabilities denominated in that currency will lead to an increase in liabilities.

Figure 1.38 Currency position to owner's equity of the second-tier banks for the US dollar, %

Source: NBK computations

Hedging short-term on-balance-sheet OCP with off-balance-sheet OCP mitigates currency risks. At the end of 2025, despite a negative on-balance-sheet OCP of -4% of capital, the bank has a positive off-balance-sheet foreign exchange position of +5%, resulting in a negligible total long position in the US dollar of approximately 1%.

At the instrument level, there was a significant increase in weekly swap instruments, meaning that each bank borrowed foreign currency for a short term ([Figure 1.39](#)). Having increased its positions in foreign debt instruments, the bank used short-term currency swaps to manage its foreign currency liquidity. The increase in weekly swap volumes, given the decline in yields, redistributed liquidity from overnight instruments.

Figure 1.39 Dollar-denominated swap instruments in 2024-2025

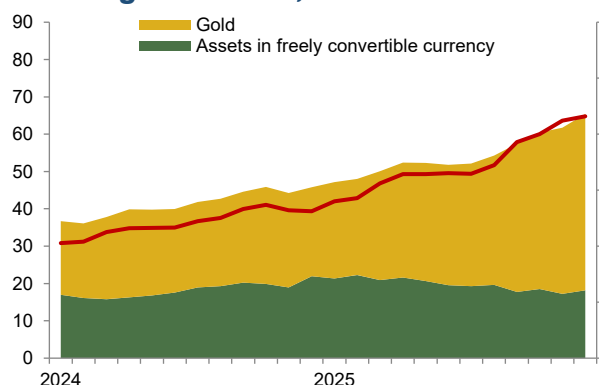
Source: NBK computations

1.2.6 Gold and Foreign Exchange Reserves

During 2025, the NBK's foreign currency assets decreased by almost 25%, reaching USD16 bln at the end of the year. At the same time, the volume of gold in its international reserves doubled to USD55 bln, reflecting a strategy to increase gold holdings amid rising gold prices ([Figure 1.40](#)). In 2025, the NBK, along with the central banks of Poland and Azerbaijan, became the largest gold buyer. The physical volume of gold purchased amounted to 57 tons. The price per ounce increased throughout 2025, reaching USD4,319 per ounce at the end of the year, almost 65% higher than the price at the end of 2024. This

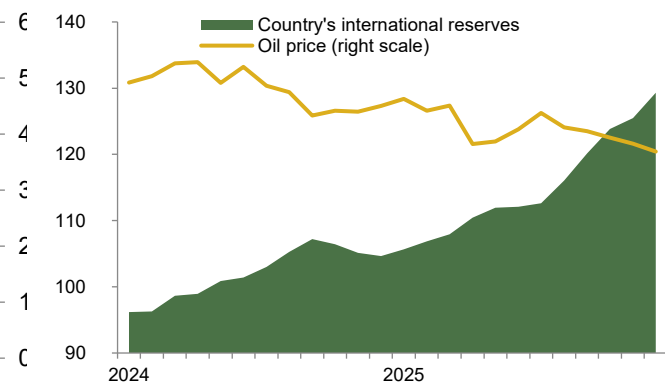
strategic decision allowed the country to increase its international reserves despite the decline in oil prices, offset external turbulence through a safe haven asset, and positively impacted its international investment position (*Figure 1.41*). Increased volumes of gold purchases correspondingly increased the volume of foreign exchange supply within the framework of monetary neutrality, supporting the exchange rate (*Figure 1.4*).

Figure 1.40 NBK's gold and foreign exchange reserves, bln US dollars



Source: NBK, Bloomberg

Figure 1.41 The country's international reserves, bln US dollars



1.3 Households

In 2025, the growth rate of real household income showed deceleration, reaching -2.3% in the fourth quarter of 2025. Given reduction in the R/P 10% ratio, the decline in real household income was evenly distributed across all population groups. Along with the decline in real income growth, the growth rate of household spending also demonstrated deceleration, adjusted for inflation. This contributed to a significant increase in the population's propensity to save, which was also furthered by the National Bank of Kazakhstan's restrictive monetary policy aimed at stimulating household savings and reducing inflationary pressures.

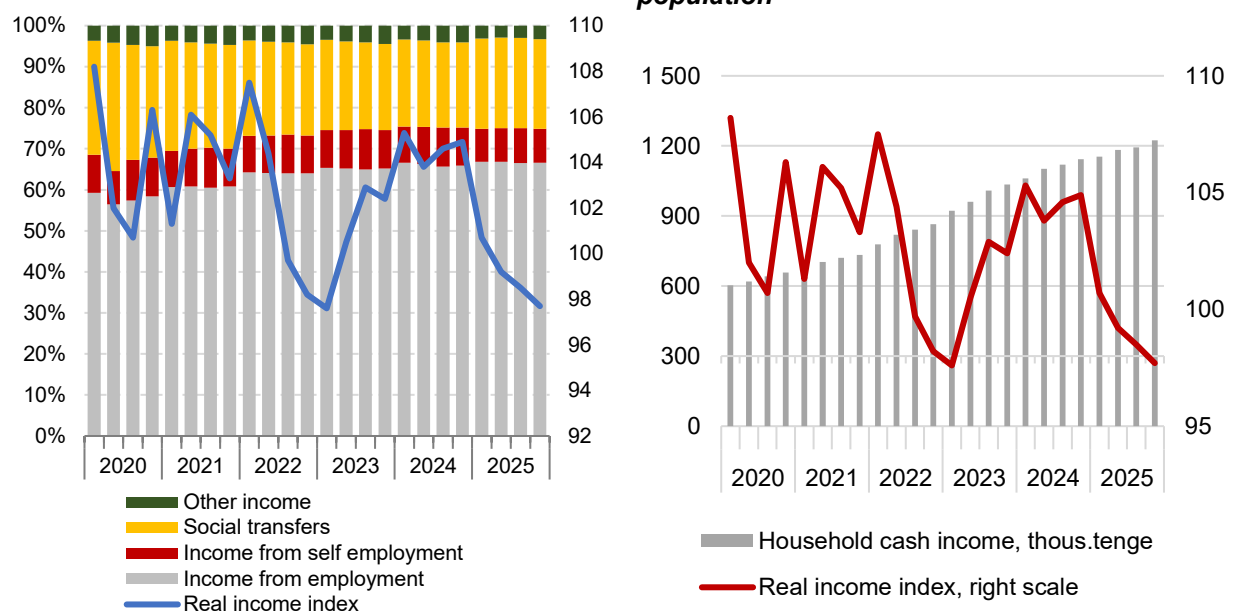
Despite the increased propensity to save, the household debt burden continues to grow. Given the high dependence of income on external factors, as well as fiscal stimulus, systemic risks in the household sector remain significant.

The real cash income index in 2025 shows a downwards trend: 100.7% in Q1, 99.2% in Q2, 98.5% in Q3, and 97.7% in Q4. This indicates that nominal income growth is not offsetting inflationary pressures, and the real purchasing power of households is declining.

Figure 1.42 *The population's real cash income dropped to -2.3% by the end of 2025*

Structure of household cash income

Household income and real income of the population



Source: BNS ASPR RK, National Bank computations

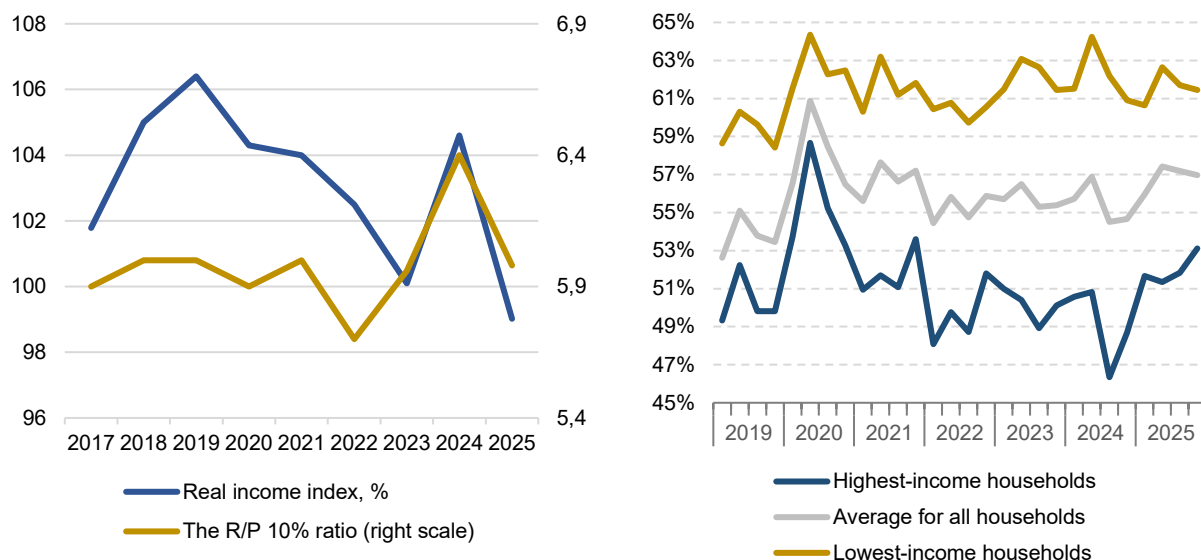
Note: The "other income" category includes income received from property, from renting of apartments, interest on bank deposits, lottery winnings, inheritance, etc.

Cash income of households in 2025 demonstrated growth of 7.4% and amounted to 1.2 mln tenge by the fourth quarter. Income from employment remains the dominant source of household income and amounted to 66.7% in 2025, which is higher than the 2024 level of 66.1%. Social transfers increased slightly to 21.98% compared to 20.9% in 2024, reflecting an ongoing government support for vulnerable groups. The share of income from self-employment decreased to 8.2%, which is an evidence of a slight weakening of entrepreneurial activity. The share of the "Other income" category decreased by 0.7 percentage points to 3.08%. This category includes, among other things, financial aid from relatives, income from property, renting of apartments, and interest on bank deposits.

One of the income inequality metrics is the R/P 10% ratio. This metric is looked at as the ratio between average cash income of the richest 10% of the population and average

cash income of the poorest 10%. This ratio was relatively stable, but in 2024, it increased significantly to 6.4, which could reflect growing social inequality. However, in 2025, this indicator returned to its historical average of 5.98.

Figure 1.43 The level of household income differentiation is narrowing
R/P 10% ratio and real income of the population **The share of household spending on food in consumer spending**



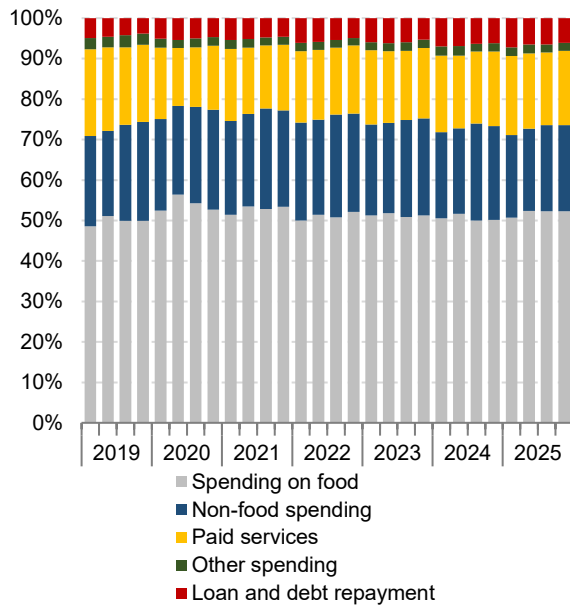
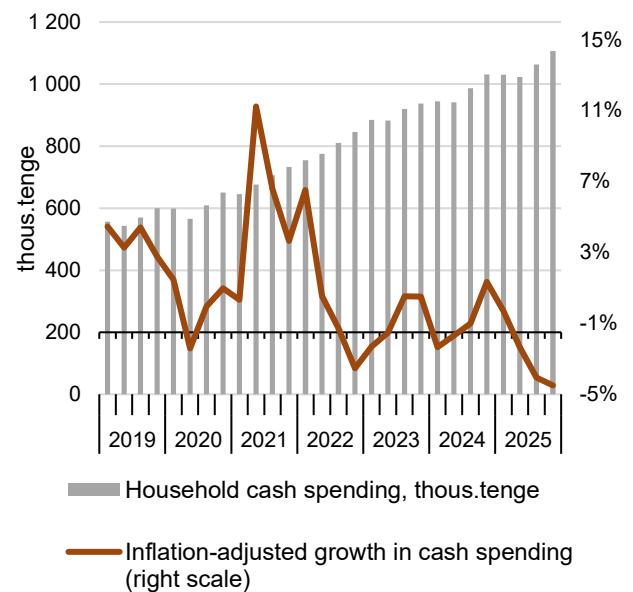
Source: BNS ASPR RK

Note: The R/P 10% ratio is calculated as the ratio between average cash income of the richest 10% of the population and the income of the 10% of the poorest population.

Households with the lowest income consistently spend a significantly higher share of their budget on food (approximately 60-64%) than households with the highest income (50-53%). In 2025, the gap remains: for the wealthiest households, this figure was 52%, while for the least wealthy, it was 61.6%. A high share of food expenditures among low-income households is a classic sign of limited financial resources and vulnerability to food inflation. This gap has not significantly narrowed since 2019, pointing to the structural nature of the problem.

In 2025, the rate of growth of household spending, adjusted for inflation, demonstrated a significant decline compared to prior years, indicating persistent inflationary pressures on consumer spending. By the fourth quarter of 2025, the growth rate of spending was -4.4%.

The share of non-food expenditures in 2025 decreased to 20.8% from 22.4% in 2024, which may reflect a decline in real purchasing power for durable goods. The share of paid services increased slightly to 18.6%, while loan repayments accounted for 6.6%.

Figure 1.44 Household cash expenditures are decreasing**Structure of household spending****Household spending, thous.tenge**

Source: BNS ASPR RK, National Bank computations

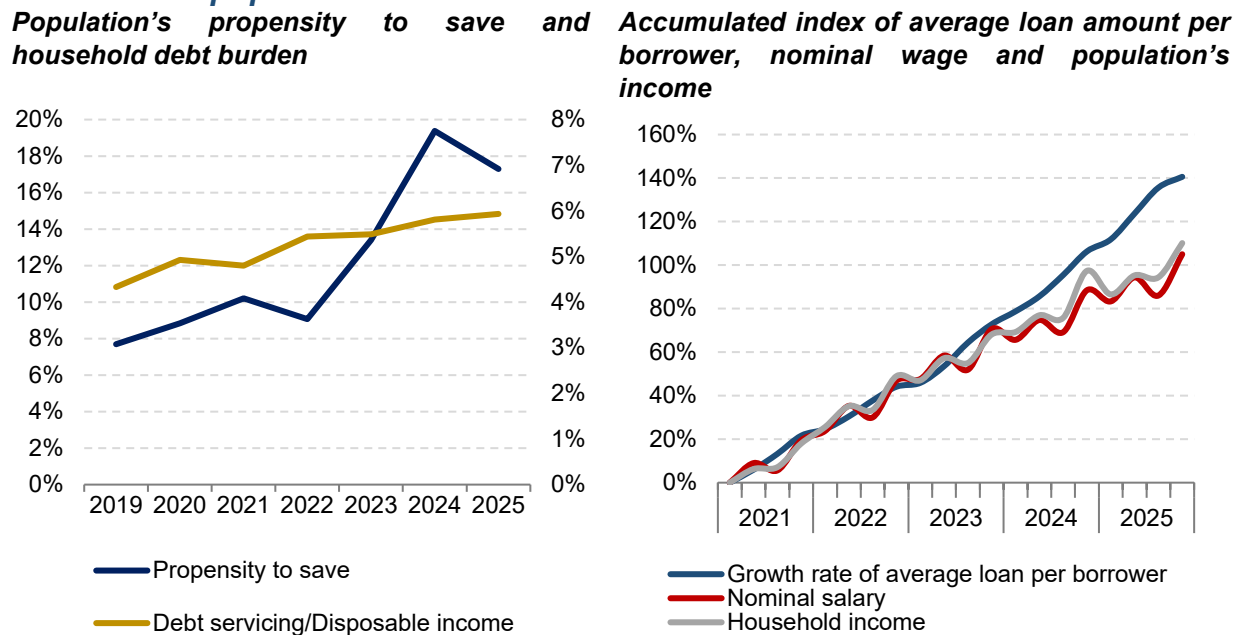
In 2025, nominal consumer spending grew by 8.2%, driven by the increased spending on paid services, taxes, and other mandatory payments, as well as financial aid to relatives, friends, and alimony.

Figure 1.45 reflects two key indicators of household financial position: the savings rate (the ratio of savings to disposable income) and the share of debt servicing in disposable income. It also shows the dynamics of nominal growth rate of the average loan amount per borrower compared to the growth of nominal wages and nominal income.

The estimated propensity to save indicator, after peaking at 19.4% in 2024, adjusted to 17.3% in 2025, which nevertheless significantly exceeds the levels of 2020-2022. The increase in the savings rate indicates increased financial caution among households, including due to the influence of economic uncertainty.

Despite a significant increase in the population's propensity to save, there has also been a significant growth in the population's debt burden. The share of debt servicing in disposable income is gradually increasing: from 4.3% in 2019 to 5.9% in 2025. Despite the relatively moderate absolute level of the debt burden, this upward trend raises concerns in the context of increasing household indebtedness. Importantly, the growth of average loan per borrower (+112–141% compared to the 2021 base in 2025) significantly outpaces the growth of nominal wages (+83–105%), indicating a growing disparity between the debt burden and solvency.

Figure 1.45 Population's propensity to save remains high, against the growing debt burden of the population



Source: National Bank computations, BNS ASPR RK, Credit Register

Note: Households with the lowest income are those in Decile 1. Households with the highest income are those in Decile 10.

The propensity to save (α) is calculated as: $\alpha = 1 - \frac{\beta}{\gamma}$, where:

β – is household consumer spending

γ – is household disposable income, i.e., income minus taxes, fines, mandatory payments, and financial aid to relatives.

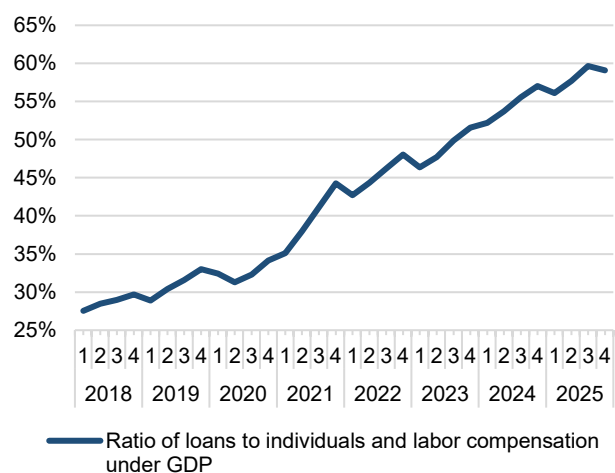
Figure 1.46 The ratio between retail loans and labor compensation under the GDP method

Retail loans have been demonstrating steady growth over the entire period: from 2.1 trln tenge in 2011 to 27.9 trln tenge in the 4th quarter of 2025. The loan-to-GDP ratio had gone up from 8.3–9.2% in 2011 to 17.5% in the 4th quarter of 2025 – i.e. had more than doubled.

The ratio of loan-to-labor compensation under the GDP method had grown from 26-29% in 2011–2016 to 60% in 2025.

Consequently, the level of personal debt has reached all-time highs. The loan portfolio growth is outpacing household income growth, creating systemic risks to household financial stability. In the event of an economic slowdown or rising unemployment, a significant portion of borrowers could find themselves in a zone of increased vulnerability.

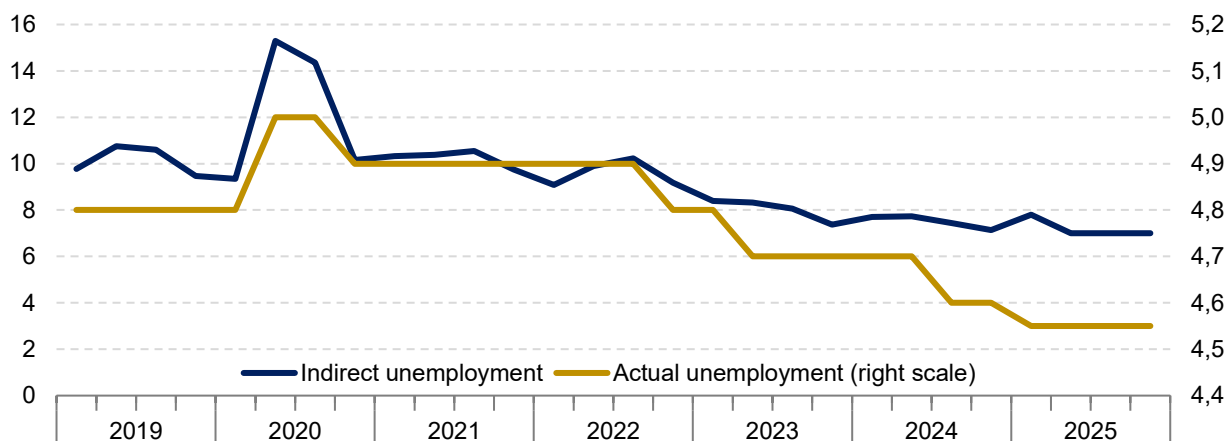
When analyzing the unemployment rate among the population, a clearly pronounced downward trend is observed in the medium term. Official unemployment in 2025 stabilized at 4.55%, the lowest level over the entire analyzed period. For comparison, in 2018-2021 it



Source: BNS ASPR RK, NBK computations

was 4.8-4.9%, and in 2022-2024 it consistently decreased from 4.9% to 4.6%. This trend shows a steady improvement in the labor market situation, and greater labor force participation in the economic activity has a positive effect both on the well-being of the population and on the long-term productivity and stability of the rest of the economy. It is also important to mention the indirect unemployment, which dropped to 7.0% by the fourth quarter of 2025, reflecting the normalization of the labor market, although it also indicates a persistent reserve for underemployment.

Figure 1.47 *The downward trend in the unemployment rate is persisting*



Source: BNS ASPR RK

Note: The level of indirect unemployment includes the unemployed population, part of the economically inactive population, part of the temporarily unemployed individuals and forced underemployment.

1.4 Fiscal Policy

In 2025, the non-oil deficit as a percentage of GDP is expected to decrease, which is a sign of improved fiscal performance. Budget rules are being met, but tax revenues are below target, resulting in a 460 bln tenge expenditure shortfall. Meanwhile, spending on transportation and communications is increasing.

Withdrawals from the National Fund continue to exceed revenues, but thanks to high investment income, the fund's assets have reached a 10-year high. Government debt growth has slowed, and net financial assets have increased by 3.0%, although their share of GDP is minimal.

The new tax code aimed at increasing non-oil revenues will strengthen the fiscal sustainability of public finances and diversify revenue sources, improving the country's financial stability.

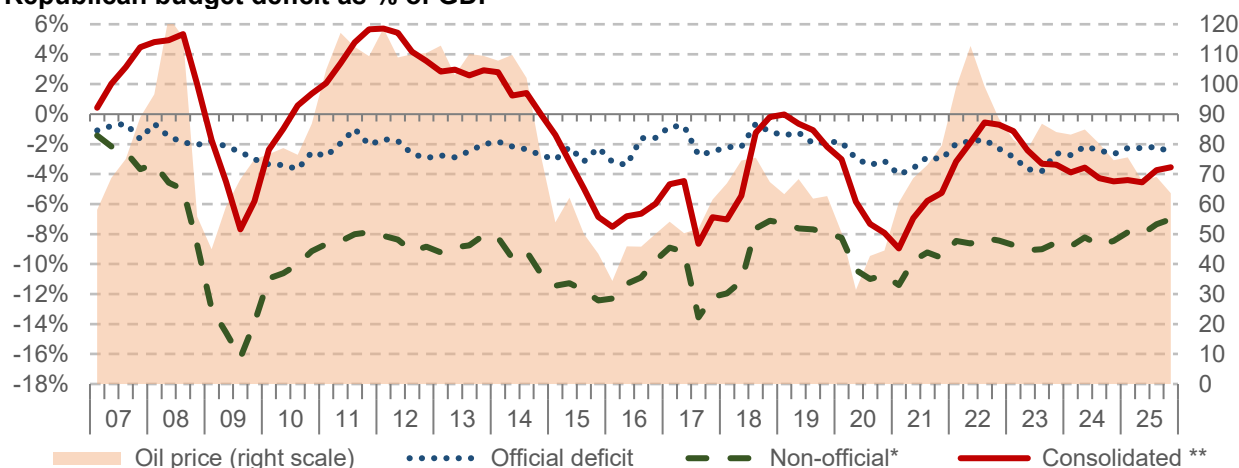
By the end of 2025, the republican budget deficit amounted to 4 trln tenge, or 2.5% of GDP. Compared to 2024, its nominal value increased by 11%, due to the faster growth of expenditures compared to budget revenues. However, despite the increase in the nominal deficit, its share of GDP decreased by 0.2 pp compared to the previous year. Furthermore, the deficit level did not exceed the threshold set in the Concept of Public Finance Management until 2030, which is set at 2.7% of GDP for 2025.

The non-oil deficit of the republican budget, including the additional use of foreign exchange assets from the National Fund of the Republic of Kazakhstan in 2025, amounted to 11.2 trln tenge, or 7.0% of GDP, which is by 0.4 trln tenge, or 1.0 pp, lower than the corresponding figure for the previous year. On the other hand, excluding the additional use of foreign exchange assets from the NF RK for bond loans, the non-oil deficit amounted to 11.1 trln tenge, which is by 228 bln tenge more than in 2024. As a percentage of GDP, the non-oil deficit showed a decrease and amounted to 6.9% of GDP, which is higher than the threshold for 2025 set in the 2030 CPFM of 6.0% of GDP. Despite the fact that the set non-oil deficit threshold was exceeded, keeping the official deficit within the established limits as well as the downward trend in the non-oil budget deficit are the evidence of improved fiscal discipline.

Budget rules for limiting the growth rate of budget expenditures and the size of the guaranteed transfer were observed during the compilation and revision of the 2025 republican budget. During the preparation of the 2025 republican budget, the expenditure ceiling was 26 trln tenge with a growth rate of 8.3%, and approved expenditures amounted to 25.75 trln tenge. The maximum guaranteed transfer, based on an oil price of USD43.2 per barrel, was 2.74 trln tenge, and the approved transfer for 2025 was set at 2 trln tenge.

Figure 1.48 The non-oil deficit is comparable with that of 2024, despite its decline as % of GDP

Republican budget deficit as % of GDP



Source: MF RK, BNS RK, World Bank, National Bank estimates

Note: *the non-oil deficit was calculated taking into account the additional use of foreign currency assets of the NF RK for the purchase of shares and bonds of the quasi-public sector;

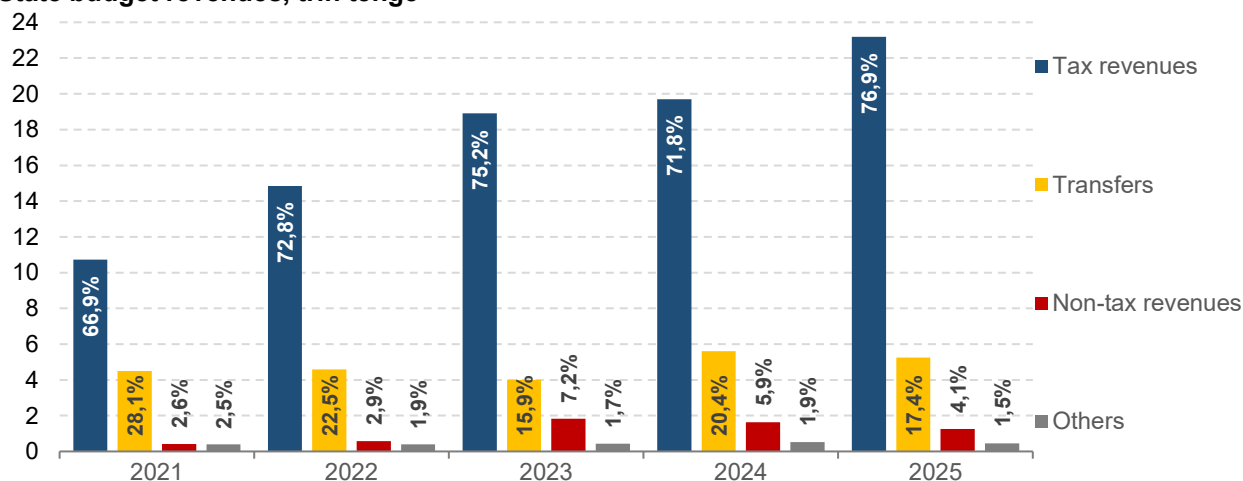
**the consolidated deficit of the RB was calculated as the official deficit minus transfers from the NF RK plus receipts to the NF RK from oil sector organizations

1.4.1 State Budget Revenues

In 2025, the share of tax revenues in the state budget revenue structure is expected to go up. State budget revenues in 2025 amounted to 30.1 trln tenge, a 9.8% increase compared to 2024. This ramp-up in revenues was driven by the growth in tax revenues, which amounted to 23.2 trln tenge, an increase of 17.7% compared to the previous year. At the same time, non-tax revenues decreased by 23% compared to 2024. However, in 2025, non-tax revenues showed over-fulfilment of 430 bln tenge due to other non-tax revenues of a one-off nature. Transfers were also lower than last year's figure because of reduction in earmarked transfers.

Figure 1.49 The share of tax revenues to the state budget went up

State budget revenues, trln tenge



Source: MF RK

In 2025, all types of tax revenues will increase compared to the previous year. The largest contribution to the growth in tax revenues came from the VAT – 4.7%, or 933 bln tenge, and CIT RB – 4.5%, or 880 bln tenge.

Despite the increase in tax revenues, there has been deceleration in the following types of taxes: personal income tax, social tax, CIT LB, natural resource tax, and property tax.

Table 2 All types of tax revenues show growth**Tax revenues to the state budget**

	2023		2024		2025	
	bln tenge	% Y/Y	bln tenge	% Y/Y	bln tenge	% Y/Y
VAT	5 674.1	34.3%	5 179.4	-8.7%	6 111.8	18.0%
CIT RB	3 889.6	33.2%	3 653.2	-6.1%	4 533.0	24.1%
PIT	1 992.4	32.9%	2 451.6	23.1%	2 859.2	16.6%
ECD	1 643.1	1.3%	1 598.4	-2.7%	1 759.6	10.1%
Social tax	1 321.3	27.6%	1 579.3	19.5%	1 866.7	18.2%
CIT LB	1 156.1	11.0%	1 560.1	34.9%	1 789.6	14.7%
Natural resources*	1 066.3	46.3%	1 247.3	17.0%	1 441.7	15.6%
Others	840.1	50.8%	884.6	5.3%	952.4	7.7%
Excises	840.2	11.0%	844.9	0.6%	1 040.0	23.1%
Property tax	489.0	7.4%	701.6	43.5%	834.0	18.9%
Total	18 912.2	27.4%	19 700.5	4.2%	23 188.2	17.7%

Source: MF RK**Note:** *Receipts from the use of natural and other resources

Despite the increase in VAT and CIT revenues to the RB, the total shortfall in these revenues amounted to 953 bln tenge, or 6% and 11%, respectively. There was also a shortfall of 33 bln tenge, or 3.1%, in excise taxes. Meanwhile, other tax revenues exceeded the revised and adjusted amounts. The largest over-fulfillment was observed for revenues from the use of natural and other resources (fulfillment was 111.8% of the plan) and CIT (107.6% of the plan). However, due to the shortfall in these areas, total tax revenues fell short of the adjusted amounts by 404 bln tenge, or 1.7%, despite exceeding the approved amounts by 2.7%.

Overall, the forming structure of budget revenues in 2025 reflects the increasing role of tax revenues. At the same time, further strengthening of this trend is expected in connection with the introduction of the new Tax Code from 2026, whose provisions are aimed at increasing non-oil budget revenues, narrowing the deficit and reducing vulnerability to external shocks, as well as supporting priority sectors of the economy.

Table 3 Revenues from CIT RB and VAT appeared to be less than planned
Fulfillment of tax revenues to the state budget in 2025, bln tenge

	Actual	Approved	Amended	Corrected
VAT	6 112	6 510.0 -6.1%	6 510.0 -6.1%	6 510.0 -6.1%
CIT RB	4 533	5 087.5 -10.9%	5 087.5 -10.9%	5 087.5 -10.9%
PIT	2 859	2 429.4 17.7%	2 791.1 2.4%	2 788.7 2.5%
ECD	1 760	1 649.7 6.7%	1 649.7 6.7%	1 649.7 6.7%
Social tax	1 867	1 606.8 16.2%	1 799.8 3.7%	1 799.7 3.7%
CIT LB	1 790	1 486.1 20.4%	1 665.7 7.4%	1 662.9 7.6%
Natural resources*	1 442	1 252.9 15.1%	1 289.4 11.8	1 289.9 11.8
Others	952	895.9 6.3%	924.4 3.0%	924.4 3.0%
Excises	1 040	931.0 11.7%	1 076.2 -3.4%	1 073.4 -3.1%
Property tax	834	718.8 16.0%	805.8 3.5%	805.7 3.5%
Total	23 188	22 568.2 2.7%	23 599.7 -1.7%	23 592.0 -1.7%

Source: MF RK

Note: The percentage values in the table indicate the deviation of the actual value from the approved, revised, and adjusted budget.

*Revenues from the use of natural and other resources

Box 1.1 Tax Code of Kazakhstan

From January 1, 2026, a new Tax Code that makes complex amendments into the taxation system has come into effect in Kazakhstan.

The main changes in the Tax Code include:

1. Progressive PIT, where income of up to 8 500 MCIs is taxed at 10%, and income above that amount – at 15%.
2. The corporate income tax rate remains at 20%, but rates have been lowered for the agricultural sector and social organizations (except non-profit organizations). Meanwhile, rates for banking (except for income from lending to businesses) and gambling have increased to 25%.
3. The VAT rate was raised from 12% to 16%. The VAT registration threshold has been lowered from 20,000 MCIs to 10,000 MCIs, increasing the number of entities subject to mandatory VAT registration. Due to the Tax Code expanding the list of activities for which the special tax regime is prohibited, the number of SMEs that will not be able to operate under the special tax regime based on a simplified declaration has increased. This means that more SMEs will become VAT payers. Reduced rates also apply to medicines, medical devices, and licensed medical services (5% from January 1, 2026, 10% from January 1, 2027).
4. The social tax has been lowered from 11% to 6%, with agricultural producers paying 1.8%. The social tax will not be reduced by the amount of the social contribution, meaning the tax amount will remain essentially unchanged.
5. A 10% tax rate is applied to investment income of individuals if **the coupon yield** does not exceed 8,500 MCIs (**5% for dividends below 230,000 MCIs**) and 15% (**for dividends above 230,000 MCIs**). Since 2024, the progressive

tax rate has only been applicable to the excess income. Profit from the sale of securities is taxed at a 15% rate. Meanwhile, the following benefits apply: income from the sale of government securities and units of open-end and interval investment funds, as well as the sale of securities of resident companies listed on the KASE/AIX, that have been owned for more than three years, and the company is not a subsoil user, is not taxed.

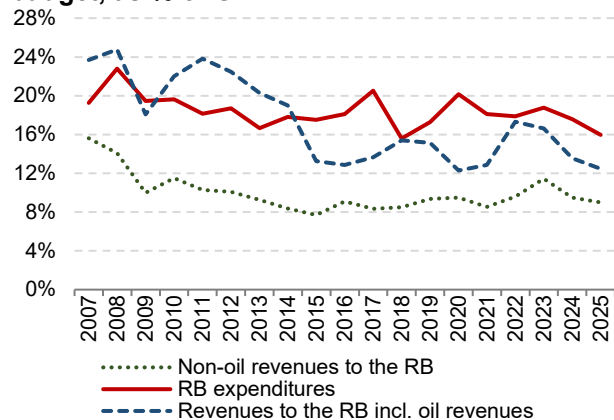
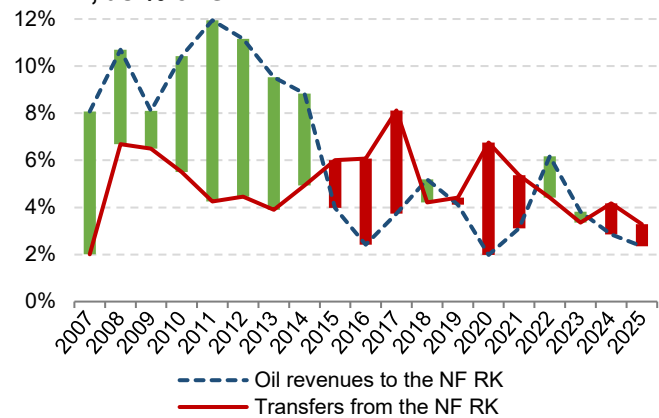
In case of legal entities, investment income is taxed at 20%.

6. Other changes affect excise taxes (changes in the list of payers and excisable goods, an increase in rates on alcohol and tobacco products), taxation of non-residents (a progressive scale of individual income tax is introduced for certain types of income), special tax regimes (for approved types of activities, the STR applies: for the self-employed – individual income tax of 0% and a social payment of 4%, for individual entrepreneurs and resident legal entities based on a simplified declaration – PIT/CIT of 4%, for peasant or farm households – individual income tax of 0.5%).

Expenditures and revenues of the republican budget, including oil organizations, as a percentage of GDP continue to decline, but the gap between expenditures and revenues remains significant. Oil revenues to the NF RK continue to decline from their peak of 2022 and amounted to 3.7 trln tenge, or 2.4% of GDP, in 2025, down 2% or 0.5 pp from the last year's figure. Meanwhile, transfers from the NF RK, despite compliance with the budget rule regarding the size of the guaranteed transfer, remain high because of earmarked transfers. Thus, guaranteed and earmarked transfers amounted to 2 trln and 3.25 trln tenge, respectively. As a percentage of GDP, oil revenues to the NF RK and transfers from the NF RK showed a decline in 2025, amounting to 2.4% and 3.3%, respectively.

Thus, despite the decreased withdrawals from the NF RK, the gap between oil revenues to the NF RK and transfers remains significant due to the reduction in revenues to the NF RK, although a narrowing trend is observed. Thus, withdrawals of oil proceeds from the NF RK exceeded tax revenues to the NF RK by 1.5 trln tenge, or 0.9% of GDP, which is 290 bln tenge less than in 2024. At the same time, the NF RK's foreign exchange assets at the end of 2025 amounted to USD63.8 bln, which is the highest value in the past 10 years. The increase in foreign exchange assets was driven by the NF RK's investment income, which in 2025 amounted to USD8.7 bln US dollars (or 15% per annum), which is the highest figure since the inception of the NF RK.

Despite the ongoing decline in oil revenues to the National Oil Fund of the Republic of Kazakhstan and a significant gap between withdrawals of oil proceeds and transfers, the situation is gradually improving. The narrowing gap between the fund's revenues and expenditures, as well as record growth in foreign currency assets and investment income, point to positive dynamics in the management of the NF RK assets.

Figure 1.50 Gap between the republican budget revenues and expenditures remains significant**Expenditures and revenues of the republican budget, as % of GDP****Transfers from the NF RK and tax revenues to the NF RK, as % of GDP****Source:** MF RK, BNS RK, National Bank computations

Note: RB revenues, including oil revenues, are calculated as RB revenues minus transfers from the NF RK plus revenues from oil sector organizations. Non-oil revenues are calculated as official revenues minus transfers from the NF RK and the ECD. In 2009, the CIT rate was lowered from 30% to 20%. The VAT rate was gradually lowered from 14% to 12% from 2007 to 2009.

1.4.2 State Budget Spending

In 2025, the state budget spending totaled 34.5 trln tenge, an 11% increase compared to the previous year. However, as a percentage of GDP, expenditures decreased by 2 pp, reaching 21%. Overall, the growth rate of state budget spending has remained stable over the past two years, indicating the balanced expenditure planning. The largest contributors to the state budget expenditure growth were transportation and communications, social welfare, each adding 2.2% to overall growth, and debt servicing (1.4%).

In 2025, 48% of all state budget expenditures were allocated to education, social welfare, and healthcare, reflecting the priority of these areas in the government policy. However, in the past two years, the growth rate of expenditures in these areas, with the exception of healthcare, has begun to slow. Meanwhile, expenditures on transportation and communications are growing noticeably rapidly.

Spending on utilities and debt servicing continue to grow, increasing by 13% and 19%, respectively. However, growth rates in both categories have slowed over the past two years, which may be a sign of stabilization of spending in these areas, though their role in the budget remains significant.

At the same time, a decline in spending on other expenditure items, industry, and construction activities will continue to be observed in 2025.

Table 4 Spending on education and social welfare remains high**State budget spending by areas in 2025, bln tenge**

	2023	2024	2025
Education	5 811	6 707	7 101
	28.4%	15.4%	5.9%
Social welfare and social security	5 313	6 035	6 703
	18.2%	13.6%	11.1%
Transport and communications	1 801	2 195	2 875
	30.5%	21.8%	31.0%
Healthcare	2 503	2 500	2 847
	18.5%	-0.1%	13.9%
Public utilities	1 958	2 457	2 786
	41.5%	25.5%	13.4%

Debt servicing	1 866	2 232	2 661
	37.4%	19.7%	19.2%
Public services of general nature	1 489	1 776	1 878
	22.9%	19.3%	5.8%
Public order, safety, etc.*	1 612	1 671	1 823
	21.4%	3.6%	9.1%
Agriculture and environment protection**	1 375	1 386	1 707
	28.7%	0.8%	23.1%
Defense	1 170	1 184	1 318
	5.1%	1.3%	11.3%
Culture, sports, tourism and information space	878	1 082	1 231
	26.8%	23.3%	13.7%
Others	1 582	1 103	1 008
	57.2%	-30.3%	-8.7%
Fuel and energy complex and sub-soil use	344	434	447
	52.3%	26.4%	3.0%
Industry and construction activities***	275	278	145
	-47.7%	0.9%	-47.9%
Expenditures	27 980	31 042	34 530
	24.7%	11.0%	11.2%

Source: MF RK

Note: Values in % reflect growth compared to the previous year.

Full names of republican budget expenditure categories:

*Public order, security, legal, judicial, and penal activities

**Agriculture, water, forestry, fisheries, specially protected natural areas, environment and wildlife protection, land relations

***Industry, architectural, urban planning, and construction activities

Despite the under-fulfillment of tax revenues, actual state budget expenditures fell short of the adjusted and revised targets by 1,728 bln tenge and 460 bln tenge, respectively. At the same time, actual expenditures slightly exceeded the approved plan. Thus, with actual expenditures amounting to 34.5 trln tenge, the deviation from the approved plan was 0.27%.

Under-fulfillment was observed across all expenditure categories, with the largest underfunding observed in healthcare, where actual expenditures fell short of the adjusted plan by 141 bln tenge, or 4.7%. Under-fulfillment also occurred in agriculture and environment protection, where expenditures fell short of the adjusted plan by 72 bln tenge, or 4.1%.

In the course of expenditure fulfillment, budget funds were redistributed, resulting in reduced spending on education, social welfare, healthcare, and other expenditures. Thus, adjusted expenditures on education and social welfare were lower than the approved amounts by 370 bln tenge (a 5% decrease for each item), on healthcare – by 85 bln tenge (a 3% decrease), and other expenditures were reduced by 594 bln tenge (including 376 bln tenge due to the unallocated balance of the Governmental Reserve of the RK), which amounts to 36%.

At the same time, during the budget adjustment, the largest expenditure increases were recorded in the following areas: expenditures on transportation and communications were increased by 202 bln tenge, on the utilities sector – by 633 bln tenge, and on general government services – by 428 bln tenge.

Table 5 State budget spending has slightly exceeded the planned figures

Execution of SB spending by areas in 2025, bln tenge

	Actual	Approved	Amended	Corrected
Education	7 101	7 493	7 658	7 124
		-5.2%	-7.3%	-0.3%
Social welfare and social security	6 703	7 035	6 914	6 705
		-4.7%	-3.0%	0.0%
Transport and communications	2 875	2 686	2 998	2 888
		7.0%	-4.1%	-0.4%
Healthcare	2 847	3 073	3 131	2 988
		-7.3%	-9.1%	-4.7%
Public utilities	2 786	2 204	3 043	2 837
		26.4%	-8.5%	-1.8%
Debt servicing	2 661	2 554	2 555	2 667
		4.2%	4.1%	-0.2%
Public services of general nature	1 878	1 470	1 592	1 898
		27.8%	18.0%	-1.0%
Public order, safety, etc.*	1 823	1 740	1 774	1 837
		4.8%	2.8%	-0.8%
Agriculture and environment protection**	1 707	1 669	1 710	1 779
		2.3%	-0.2%	-4.1%
Defense	1 318	1 341	1 390	1 377
		-1.7%	-5.2%	-4.3%
Culture, sports, tourism and information space	1 231	1 097	1 230	1 243
		12.2%	0.0%	-1.0%
Others	1 008	1 645	1 679	1 051
		-38.7%	-40.0%	-4.1%
Fuel and energy complex and sub-soil use	447	330	453	450
		35.7%	-1.2%	-0.6%
Industry and construction activities***	145	99	130	150
		45.8%	11.8%	-3.4%
Total	34 529	34 435	36 257	34 991
		0.3%	-4.8%	-1.3%

Source: MF RK

Note: Values in % reflect growth compared to the previous year.

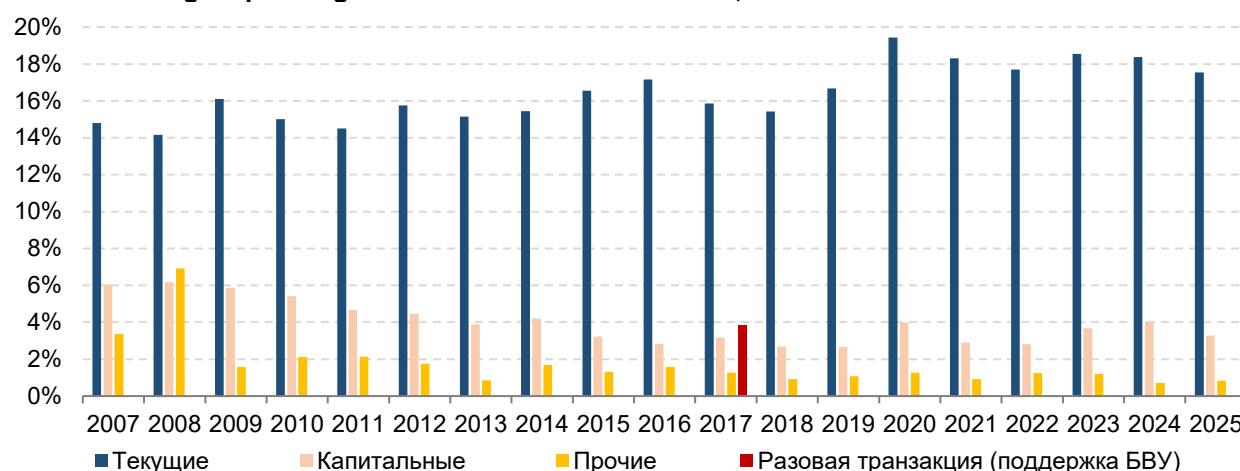
Full names of republican budget expenditure categories:

*Public order, security, legal, judicial, and penal activities

**Agriculture, water, forestry, fisheries, specially protected natural areas, environmental and wildlife protection, land relations

***Industry, architectural, urban planning, and construction activities

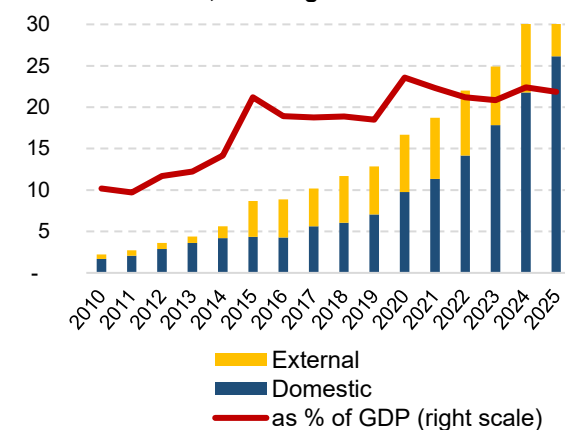
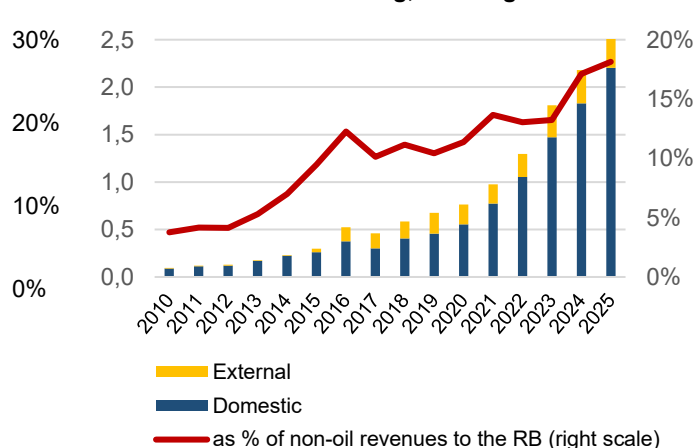
Current expenditures still constitute the main share of state budget expenditures. Current expenditures in 2025 increased by 13% compared to the previous year and amounted to 28 trln tenge. However, current expenditures as a percentage of GDP amounted to 17.5%, slightly lower than the 2024 figure. Meanwhile, capital expenditures decreased both in nominal terms and as a percentage of GDP. Thus, capital expenditures amounted to 5.2 trln tenge, or 3.3% of GDP.

Figure 1.51 The share of current expenditures keeps expanding**The state budget spending in the economic classification, as % of GDP****Source:** MF RK, BNS RK, National Bank computations

1.4.3 Net Financial Assets

Government debt at the year-end 2025 amounted to 34.8 trln tenge, a 16% increase from last year's value, despite a decline in its ratio to GDP (21.8%). Domestic debt contributed the most to the increase in government debt, at 14.6%. However, a slowdown in debt growth has been observed.

Government debt servicing costs in 2025 amounted to 2.6 trln tenge, being by 20% higher than 2024 expenditures. At the same time, government debt servicing as a percentage of non-oil revenues to the RB amounted to 18.1%ss

Figure 1.52 Government debt remains stable relative to GDP, but the debt burden on the budget has increased significantly**Government debt, trln tenge****Government debt servicing, trln tenge****Source:** MF RK, BNS RK, National Bank computations

In 2025, the growth in external debt servicing costs accelerated. At the same time, the growth rate of interest expenses on domestic debt slowed from 21.7% in 2024 to 18.7% in 2025. The main factor behind this slowdown was the reduced rate of growth of domestic government debt.

Despite the raising of the base rate and the rise in market interest rates, the contribution of effective interest rates to the dynamics of costs for domestic debt servicing remained negative at -0.3%. This is associated with the practice of additional placements of government securities employed by the Ministry of Finance. Specifically, additional placements of previously issued securities with fixed lower coupon rates were carried out.

Thus, debt was raised through instruments with relatively low coupon rates but at higher placement yields, which curbed the growth of current interest expenses. At the same time, this practice creates deferred risks: in the future, higher volumes of principal repayment may lead to an increase in the debt burden compared to an alternative scenario involving the issuance of securities with coupon rates corresponding to current market conditions.

Figure 1.53 The effective rate's contribution to the growth in spending remains low and negative

Decomposition of the growth in spending on domestic government debt servicing



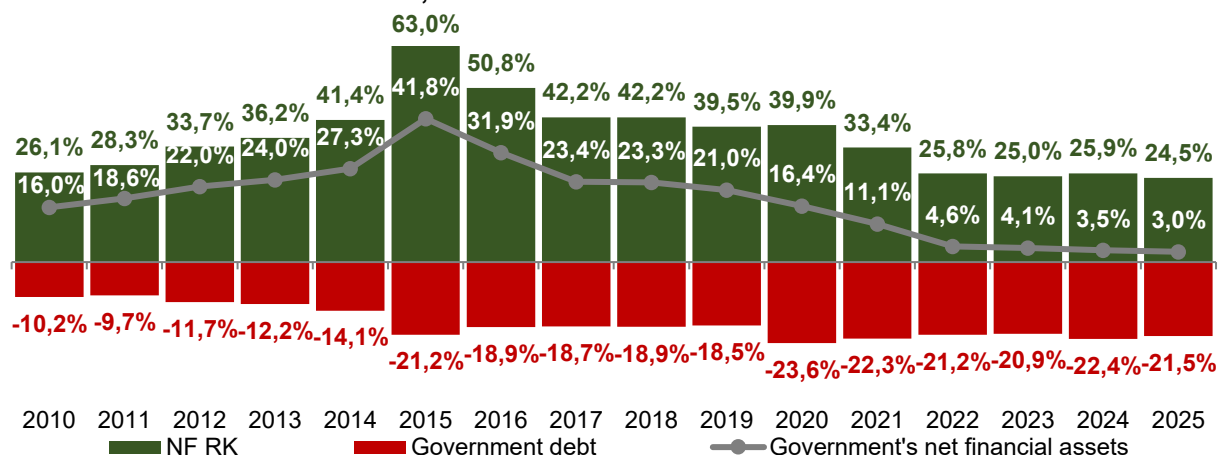
Source: MF RK, National Bank computations

Note: To assess the contribution, growth rates were estimated as the difference in the logarithms of the variables. The effective rate is calculated as the ratio of debt servicing costs to the average debt for the current and previous years.

Thus, due to the growth of the NF RK assets and a slowdown in government debt growth, the government's net financial assets increased by 3.1% in 2025, reaching 4.8 trln tenge. However, in relation to GDP, the government's net financial assets fell to 3.0% of GDP, representing an all-time low. The decrease in net financial assets to GDP was driven by the reduction in the share of the NF RK assets in GDP. Despite the NF RK's record investment income in 2025 of USD8.7 bln, the NF RK assets grew slower than the nominal GDP growth rate.

Figure 1.54 Net financial assets continue to decline

Government's net financial assets, as % of GDP



Source: MF RK, BNS RK, National bank computations

Note: Government's net financial assets are calculated as assets of the NF RK minus government debt.

Thus, a more balanced fiscal policy is expected in 2025, reflected primarily in a reduction in the non-oil budget deficit to GDP, an increase in the NF RK's foreign currency assets, and a slower growth rate of government debt. Measures in the new Tax Code, which

comes into force in 2026 and is aimed at increasing non-oil tax revenues, will contribute to the sustainability of public finances.

Nevertheless, the growing role of quasi-fiscal financing is noteworthy. The transfer of liabilities from the state budget to the balance sheets of quasi-public sector companies will only formally ensure compliance with budget rules. Currently, official consolidated financial statements for the general government sector, which include revenues, expenditures, and liabilities of the quasi-public sector, are not published. However, it is worth considering that the expanding role of the quasi-public sector is an implicit commitment for fiscal policy and, in the event of unforeseen shocks, will directly impact the sustainability of public finances.

II Government and Corporate Securities Market

2.1 Government Securities Market

In 2025, amid substantial debt redemptions, the government's gross financing needs increased. The MoF raised KZT 6.03 trln through the tenge-denominated bonds and USD 4 bln through Eurobonds.

During the year, a mismatch was observed between market demand and supply in the primary market: issuance volumes remained high when demand was weak, while supply declined when market activity strengthened. In the first three quarters, market demand fell significantly due to elevated inflation expectations and tighter regulatory liquidity-management requirements. The share of market investors in actual placements of tenge-denominated GS issued by the MoF declined from 71.3% in 2024 to 47.1% in 2025. Thus, given the concentrated demand structure, price formation at auctions became more dependent on the behavior of a limited number of participants, increasing the primary market's sensitivity to the individual strategies of major investors.

Despite the growth in trading volumes in secondary GS markets, trading remains irregular, event-driven, and highly concentrated. At the same time, the over-the-counter market remained the primary channel for large non-residents to enter and exit the GS market, despite their access to auctions and exchange trading.

In 2025, the risk-free yield curve went through several phases: a parallel upward shift in yields in the first quarter, a stronger inversion driven by rising short-term rates in the second quarter, partial normalization in the third quarter, and a renewed steepening of the inversion in the final quarter as long-term yields declined more rapidly.

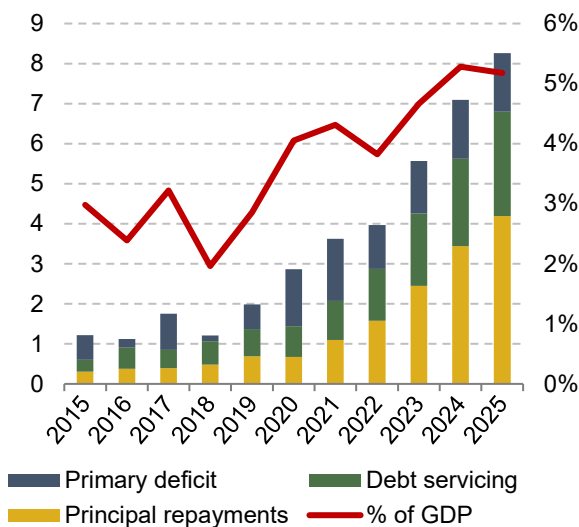
2.1.1 Government Debt

In 2025, the government's gross financing needs were driven by the primary budget deficit (KZT 1.46 trln), debt servicing costs (KZT 2.61 trln), and substantial government debt redemptions (KZT 3.82 trln), representing one of the highest redemption volumes in recent years. A significant share of repayments was attributable to the 10-year Eurobonds issued in 2015 (35% of total redemptions, USD 2.5 bln) and tenge-denominated government bonds issued in 2024 (22%), when market demand was concentrated primarily in the short- and medium-term segments (*Figure 2.1*).

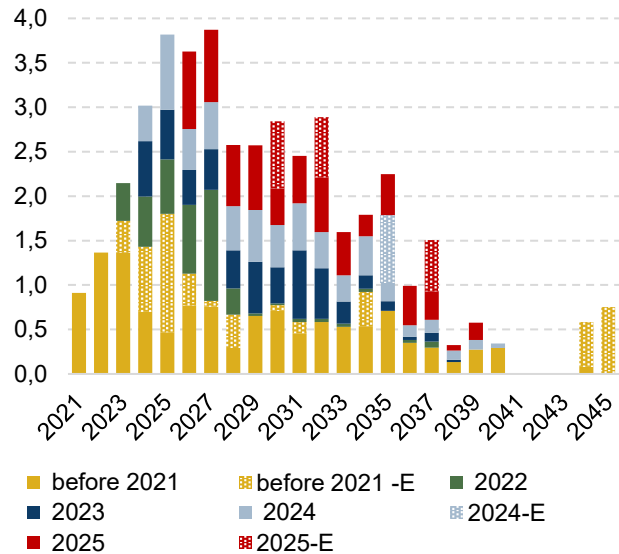
Under these conditions, the MoF implemented a combined financing strategy for 2025, initially planning the placement of the tenge-denominated GS in the amount of KZT 6.93 trln and the issuance of Eurobonds in the amount of USD 2.5 bln. Thus, on June 24, 2025, Eurobonds were placed in two tranches: a 7-year issue of USD 1.35 bln with a coupon rate of 5% per annum and a 12-year issue of USD 1.15 bln with a coupon rate of 5.5% per annum. Subsequently, the financing strategy was adjusted to reflect weaker domestic market demand. The Ministry reduced planned issuance of tenge-denominated GS to KZT 6.03 trln—13% below the original target—and raised an additional USD 1.5 bln through a further Eurobond issuance (*Figure 2.2*).

Figure 2.1 Rising principal repayments became the main driver of the government's financing needs

Gross government financing needs, KZT trln



Redemption profile of MoF GS by issuance period, KZT trln



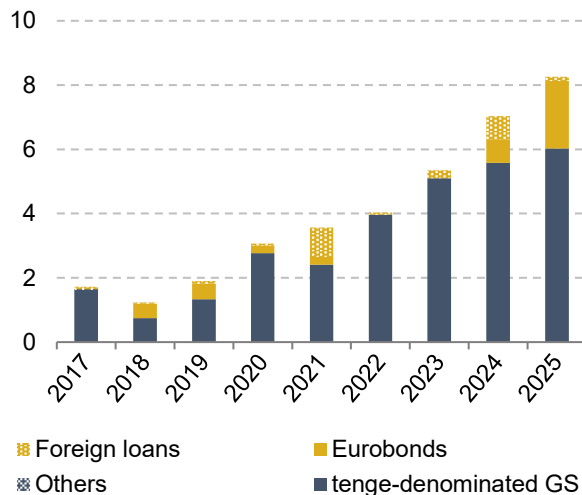
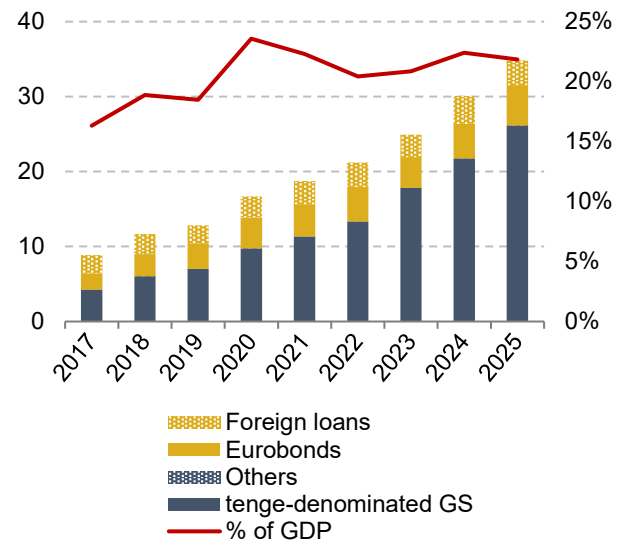
Source: MoF, BNS RK, CSD, National Bank computations

Note: 1) Solid fill – the tenge-denominated securities, patterned fill – Eurobonds; 2) the principal amount of Eurobonds is converted into tenge at the official exchange rates at the time of actual repayment or at the end of the reporting period

The decision to refinance foreign-currency liabilities in June through rollover was justified given the limited appetite of domestic market investors in 2025. A substantial increase in tenge-denominated bond issuance could have put additional upward pressure on domestic interest rates and further increased concentration among a limited number of investors.

However, given Kazakhstan's dependence on energy exports and the volatility of commodity prices, foreign-currency borrowing remains sensitive to exchange-rate movements. For example, despite the relatively low nominal coupon rate on the Eurobonds redeemed in 2025 (5.125% per annum in US dollars), the effective cost of borrowing in national-currency terms over the life of the bonds amounted to approximately 18.7% per annum, significantly exceeding the yield on comparable 10-year tenge-denominated government securities (7.2% per annum). This episode illustrates the materialization of an adverse scenario for foreign-currency borrowing and demonstrates that foreign-currency instruments with low coupon rates may generate substantial implicit costs for the budget and transform foreign-exchange risk into fiscal risk.

At end-2025, the total stock of outstanding government debt amounted to KZT 34.8 trln. Tenge-denominated government securities accounted for 75.04% of the total, up 27.09 percentage points from 47.95% in 2017. Eurobonds accounted for 15.49%, while the share of external borrowing declined to 9.47% from 27.65% in 2017, confirming the continued shift toward domestic financing and reduced reliance on external debt (*Figure 2.2*).

Figure 2.2 Government debt stood at 21.5% of GDP**Government debt issuance, KZT trln****Outstanding government debt, KZT trln****Source:** MoF, BNS RK, National Bank computations

Thus, we believe that despite the objective advantages of foreign currency borrowings – diversification of the investor base, expansion of demand, the possibility of placement for longer terms and relatively low nominal rates – the priorities of debt policy should still be the development of the domestic GS market, smoothing out of foreign currency repayments and the systemic integration of foreign exchange risks into the public debt management strategy.

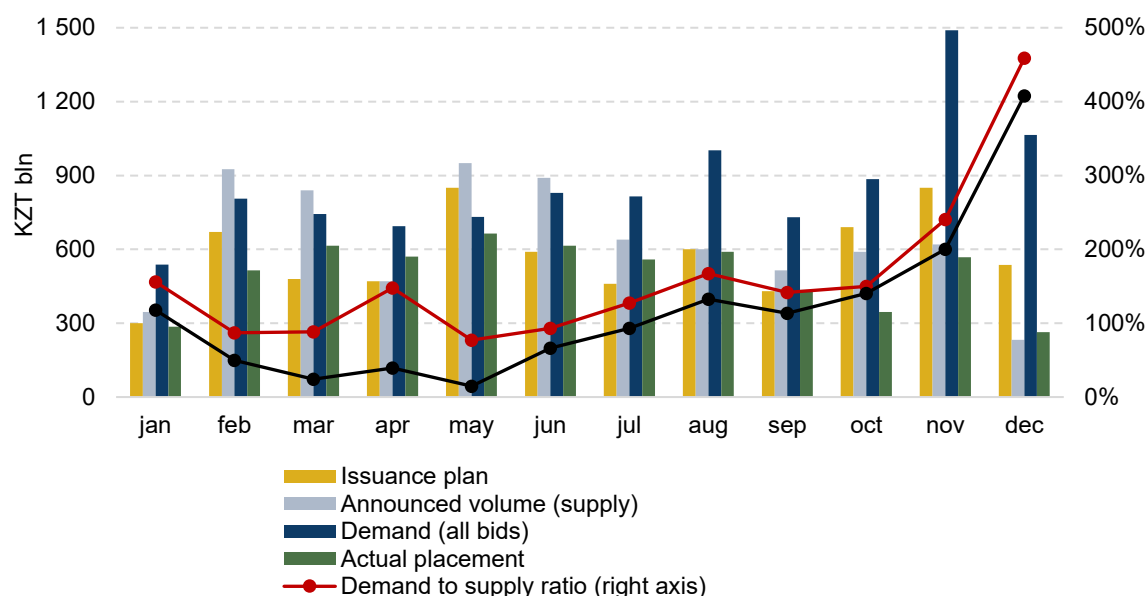
2.1.2 Microstructure of the Government Securities Market

Demand and Supply in the GS Market

According to the original GS issuance schedule for 2025, the MoF planned to issue KZT 6.93 trln of GS. Through the end of the third quarter, actual volumes offered at GS auctions exceeded the planned amounts, while demand was concentrated among captive market participants. At the end of October 2025, an additional USD 1.5 bln Eurobond issuance, which had not been envisaged in the original plan, was carried out. As part of the financing needs were covered through Eurobond issuance, the MoF substantially reduced the actual supply of tenge-denominated GS.

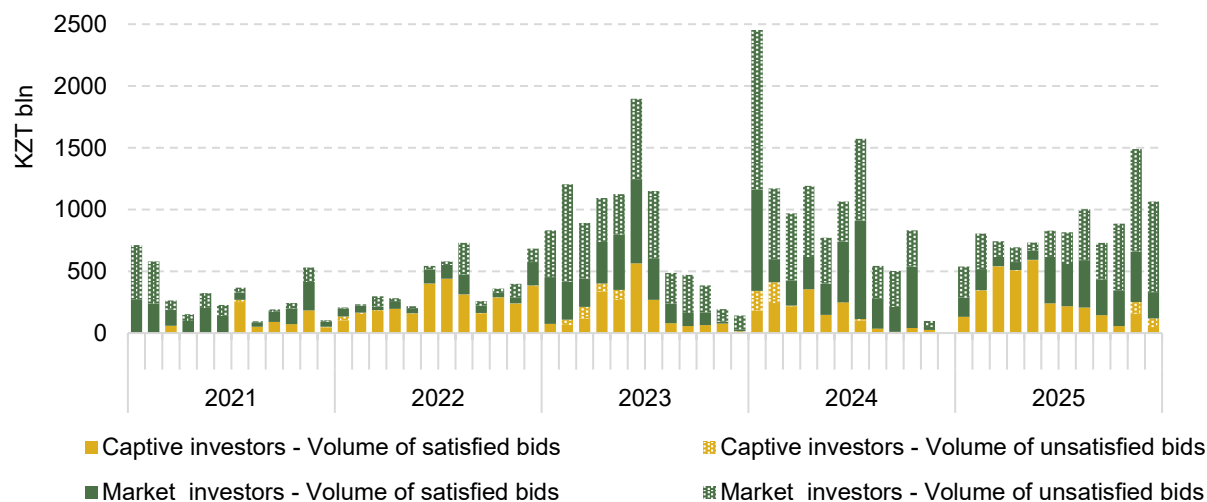
In the fourth quarter of 2025, the GS market experienced a sharp increase in demand: the total volume of submitted bids reached a record high for the year of KZT 3.44 trln, while the average bid-to-cover ratio for the quarter reached 283%. At the same time, actual placement volumes remained close to the announced offering amounts (*Figure 2.3*).

Thus, in 2025, market demand and issuance volumes were not fully synchronized: during periods of relatively weak demand, supply remained elevated, whereas announced issuance volumes declined as market activity strengthened. This asymmetry may indicate an information gap between market expectations and the MoF. We believe that developing more systematic and regular communication with market participants could improve the responsiveness of debt management policy to changing market conditions and facilitate more precise calibration of issuance volumes and the maturity structure of placements.

Figure 2.3 Imbalance between the market demand and supply in the primary MoF GS market**MoF GS issuance schedule, KZT bln****Source:** MoF, KASE, National Bank computations

Demand Structure

In 2025, participants submitted bids for the purchase of GS in the primary market totaling 10.33 trln tenge, which is by 8.1% lower than in 2024. At the same time, the share of demand from market participants decreased from 82.5% to 67.5%, where market participants reduced their participation in auctions by 24.34% compared to the previous year (Figure 2.4).

Figure 2.4 Activity of the market participants in the primary GS market declined
Satisfied and unsatisfied bids, bln tenge**Source:** KASE

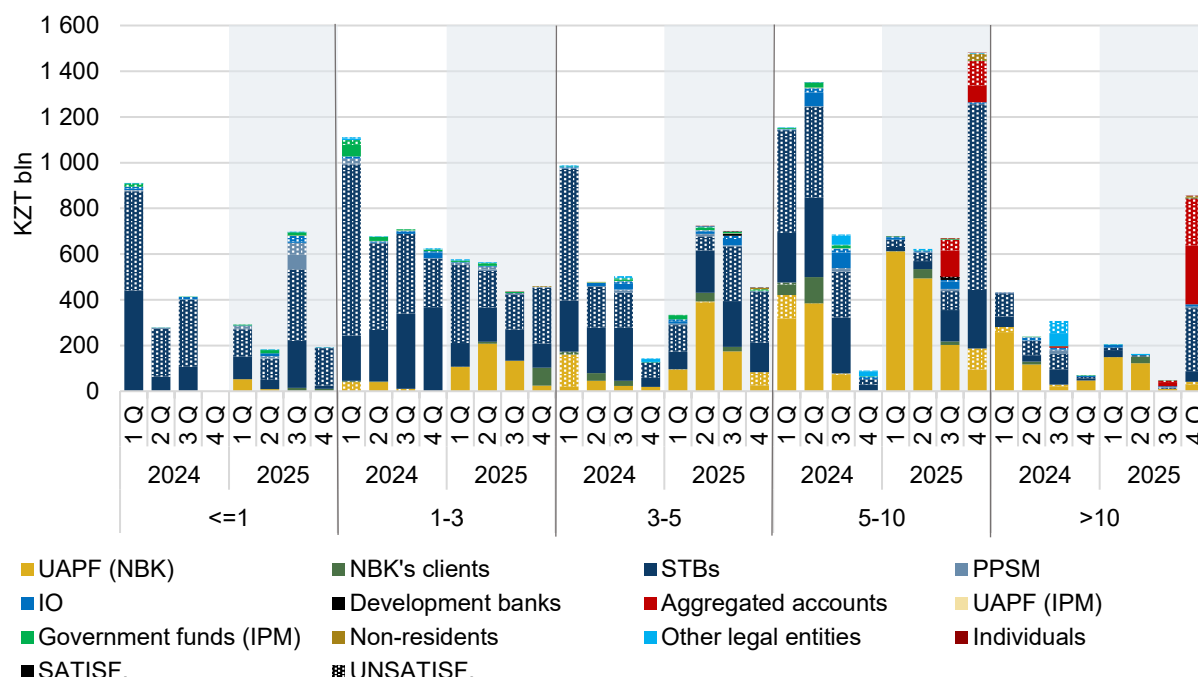
The structure of demand in the context of participants varied throughout the year. In the first half of 2025, captive participants were the main drivers of demand. Market participants' activity remained low, driven by a number of regulatory factors. The expectations of changes to tighten minimum reserve requirements⁴, tax regime that provides for a 50% taxation of the realized yield on GSs in the reporting period⁵ exerted significant

⁴ MRR levels are defined in accordance with the NBK's Board Resolution No. 118 of July 2, 2019

⁵ The Tax Code dated 18.07.2025 No.214-VIII, Chapter 34, Article 337

effect, thus reducing the attractiveness of GS operations for legal entities. Additional pressure was generated by the imposition of limitations for positions on repo operations for the second-tier banks⁶, where the MoF GS serve as the main type of collateral.

Figure 2.5 Demand for longer-term securities increased toward year-end
Demand structure by market participant and maturity, KZT bln



Source: KASE

Starting in June 2025, demand from market participants began to increase gradually, while captive participants reduced their participation in auctions of tenge-denominated MoF GS. In the first two quarters of 2025, the declining trend in demand for long-term securities observed in 2024 persisted, with market investor demand concentrated in the short- and medium-term segments. From August onward, however, demand became more evenly distributed across maturities and gradually shifted toward longer-dated securities. As a result, in the fourth quarter, 67.8% of all bids submitted at GS auctions were for securities with maturities of more than five years.

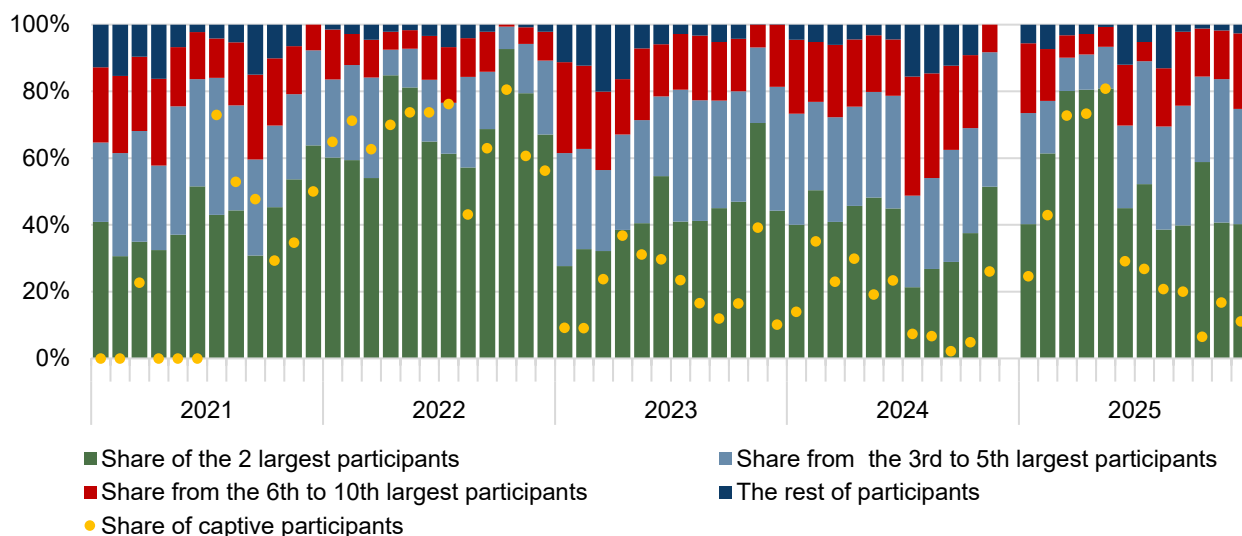
STBs remained the main market buyers, accounting for 50.68% of total demand in 2025. Among STBs, banks with foreign participation showed particularly strong interest in GS auctions, effectively acting as intermediaries by redistributing securities to non-residents in the OTC market. Participation through omnibus accounts also increased in the third quarter, where clients' securities are recorded on an aggregated basis without identification of each ultimate beneficial owner (Figure 2.5).

Thus, the limited participation of non-captive investors resulted in a more concentrated demand structure. In the first half of 2025, the average monthly share of the two largest buyers amounted to 64.7%, compared with 39.4% in 2024 (Figure 2.6).

⁶ Resolution of the NBK's Board No. 317 dated December 28, 2018 — "On the establishment of factors causing the deterioration in financial position of a bank and a bank conglomerate, a branch of a non-resident bank of the Republic of Kazakhstan, as well as approval of the Rules for approving an action plan providing for early response measures, and the Methodology for determining factors causing the deterioration in financial position of a bank (bank conglomerate), a branch of a non-resident bank"

Figure 2.6 The role of a limited number of large participants increased in the first half of 2025

Share of major participants in the primary GS market

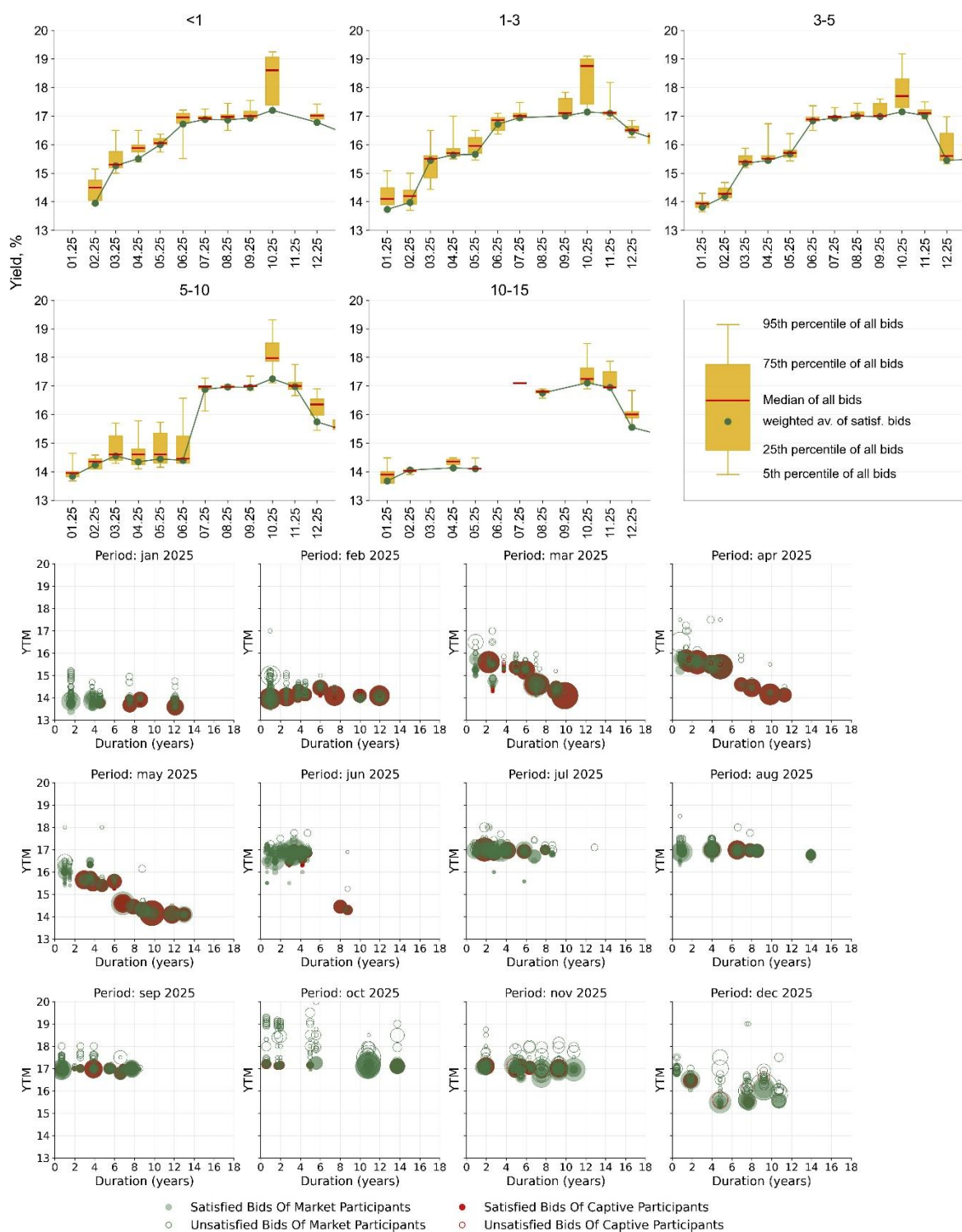


Source: KASE, National Bank computations

During the first three quarters of 2025, bid yields at GS auctions increased across all maturity segments. For most maturities, yields ranged from 13.5% to 17.15%, while the upper bound reached 19.2% when rejected bids were taken into account.

October was characterized by a marked increase in both yield levels and their within-month dispersion, indicating greater divergence in pricing expectations. However, starting from November 2025, yields began to decline gradually, particularly in the medium- and long-term segments.

In almost every month, the MoF accepted bids at yield levels below the median of the distribution, while in the final quarter accepted yields shifted toward the lower end of the distribution, reaching levels close to the 5th percentile (*Figure 2.7*).

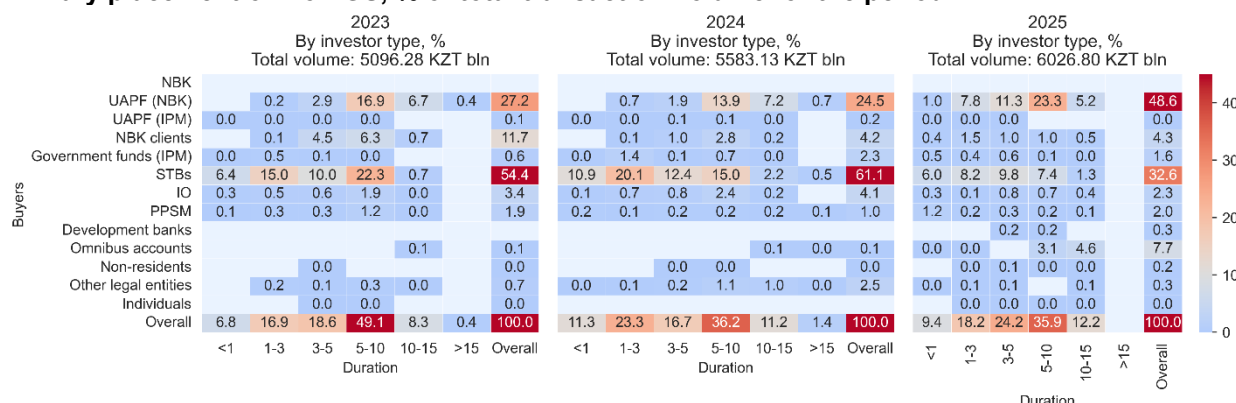
Figure 2.7 The distribution of bid yields in GS auctions in 2025

Source: KASE, National Bank computations

Thus, the decline in bid volumes on the part of market participants, as well as the misalignment of interest rate expectations between the MoF and investors, led to a reduction in the share of market investors in actual GS placements from 71.3% in 2024 to 47.1% in 2025 (Figure 2.8). Although banks continued to be the main buyers among market participants, their share almost halved—from 61.1% to 32.6%.

Figure 2.8 In 2025, banks' share in primary placements of the MoF GS fell nearly by half

Primary placement of MoF GS, % of total transaction volume for the period



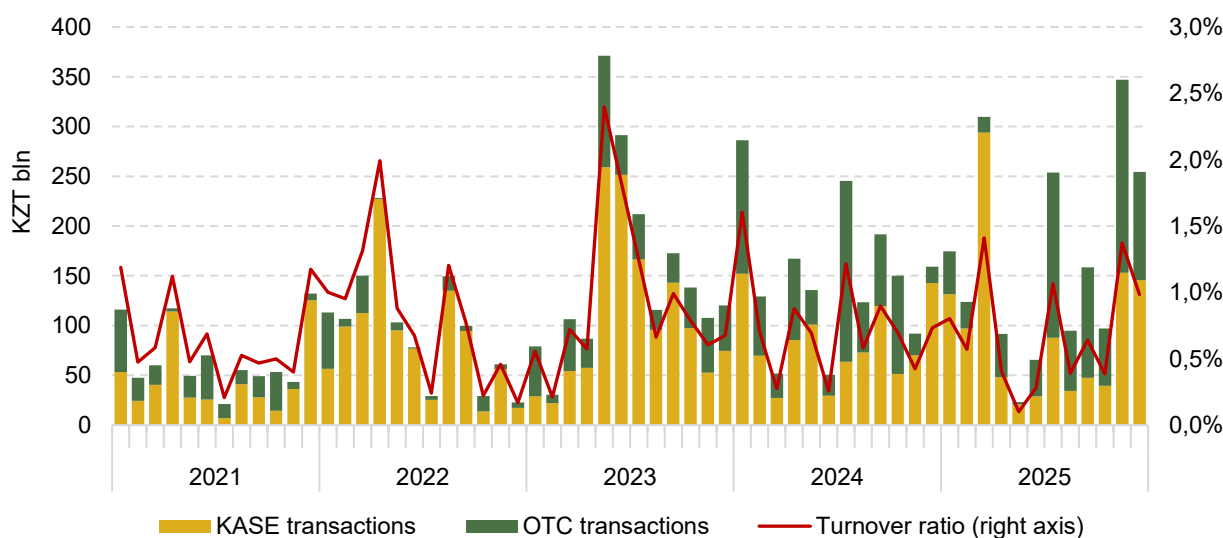
Source: KASE, National Bank computations

2.1.3 Secondary GS Market

The average turnover ratio in the secondary market for MoF GS declined from 0.75% in 2024 to 0.7% in 2025. Nevertheless, trading volumes increased by 11.9% to KZT 2 trln. Trading activity was almost evenly distributed between the organized and OTC markets: 56.6% of transactions were conducted on KASE and 43.4% in the OTC market (*Figure 2.9*).

Figure 2.9 Activity in the secondary market remains irregular

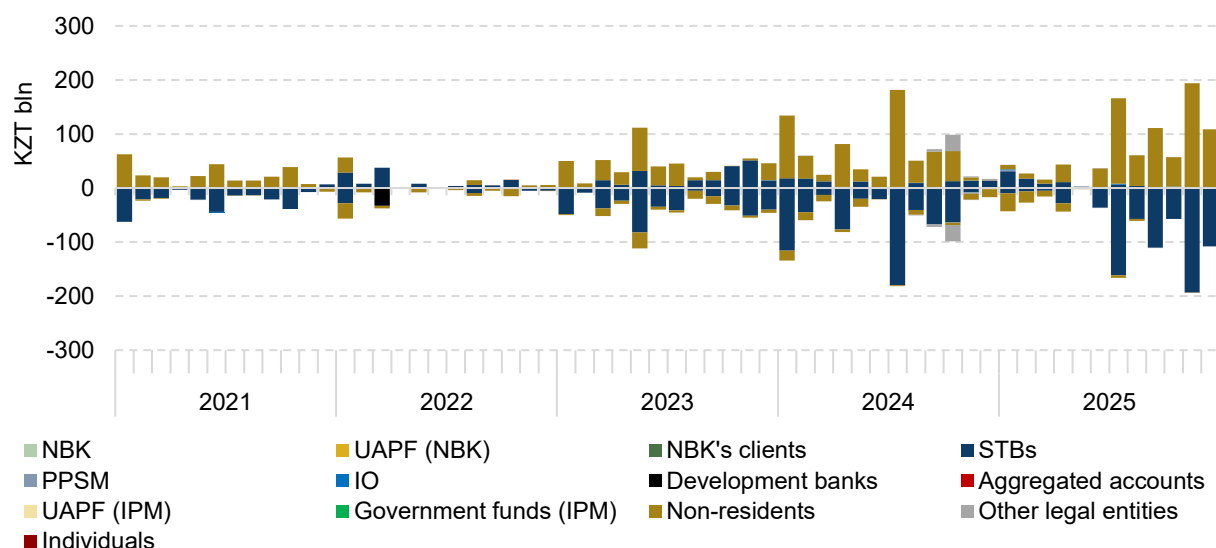
Exchange-traded and OTC transactions in the secondary market, KZT bln



Source: KASE, National Bank computations

In 2025, OTC transaction volumes reached KZT 865 bln, up 8.6% compared with the previous year. During the first half of the year, monthly OTC trading volumes did not exceed KZT 50 bln, while non-residents were net sellers in the first quarter. However, from mid-June through the end of the year, non-resident demand for medium- and long-term GS increased significantly, with purchases of MoF GS exceeding KZT 700 bln (*Figure 2.10*). It is also worth noting that more than 60% of transactions during the year were conducted between participants belonging to the same financial group, indicating a high concentration of trading within a limited group of market participants.

As a result, the share of non-residents in the total amount of GS outstanding increased from 4.3% at end-2024 to 6.5% at end-2025.

Figure 2.10 Banks and non-residents remain the leading participants in the OTC market**Transaction volumes in the OTC secondary market, KZT bln****Source:** CSD

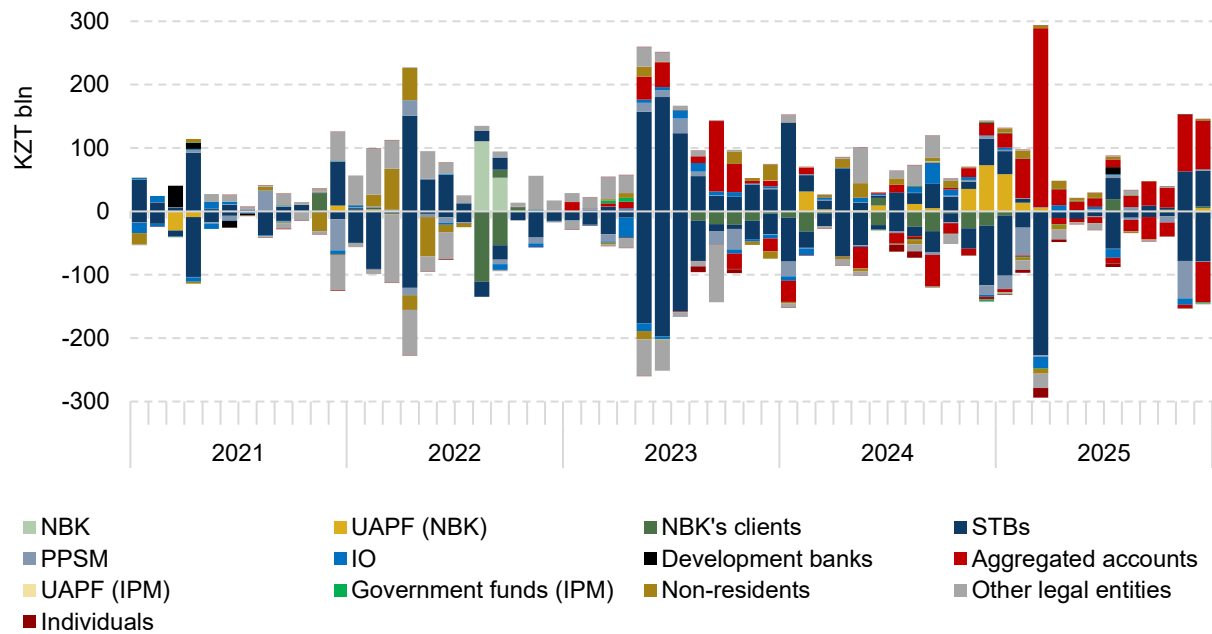
In 2025, activity in the secondary market for MoF GS increased, although trading remained largely event-driven. The highest trading volumes were observed in the first and fourth quarters (*Figure 2.11*).

In January, 63.77% of total sales volume was attributable to banks with foreign participation, which acted as intermediaries in transactions where the ultimate sellers were non-residents.

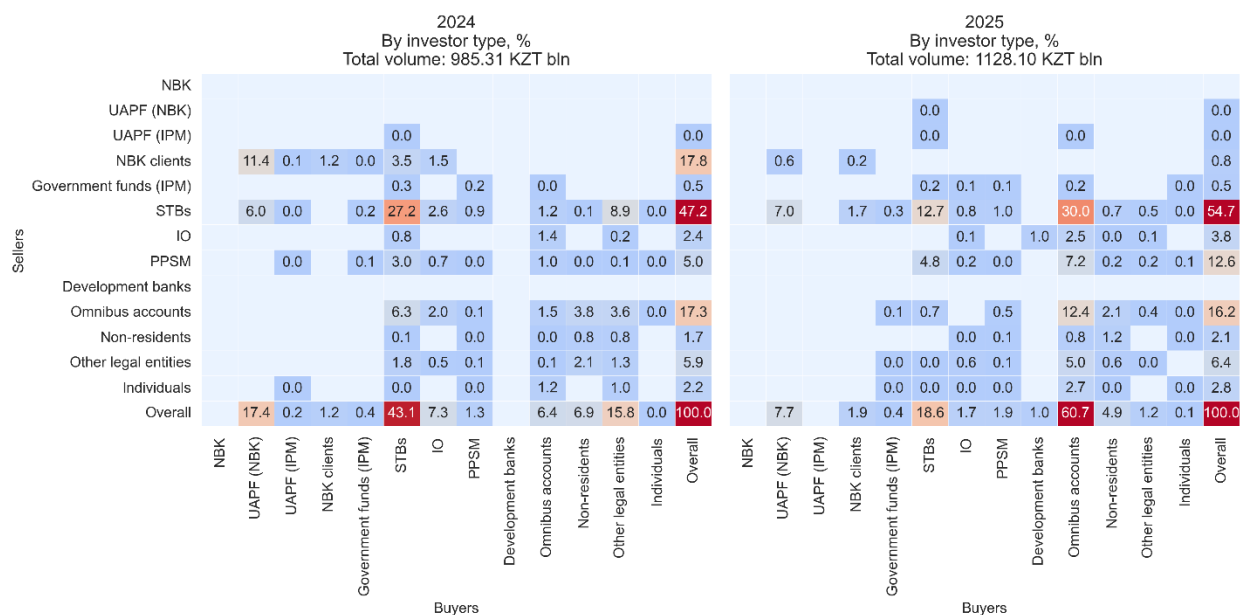
Record monthly trading volumes of KZT 293 bln were recorded in March 2025, with 75% of transactions conducted between two participants. The substantial volume of GS sales by one seller reflected adjustments to its liquidity management strategy and asset structure following the introduction of repo position limits for STBs.

In the fourth quarter, STBs and participants operating through omnibus accounts were particularly active. On the buy side, 58.3% of transactions were conducted through omnibus accounts and 36.5% by STBs. On the sell side, STBs accounted for 47.8% of transactions, while 26.7% were conducted through omnibus accounts.

It should also be noted that around 24.8% of transactions were conducted between participants using the same broker.

Figure 2.11 Transaction volumes in the organized secondary market, KZT bln

Source: KASE

Figure 2.12 Transactions in the organized secondary market for the MoF's GSs, % of the total transaction volume over the period

Source: KASE, National Bank computations

To summarize the structure of transactions in the GS market, a network visualization of transaction flows between market participants in the primary market, the secondary market of the KASE, and the OTC market is presented ([Figure 2.13](#)). Overall, the general patterns were as follows:

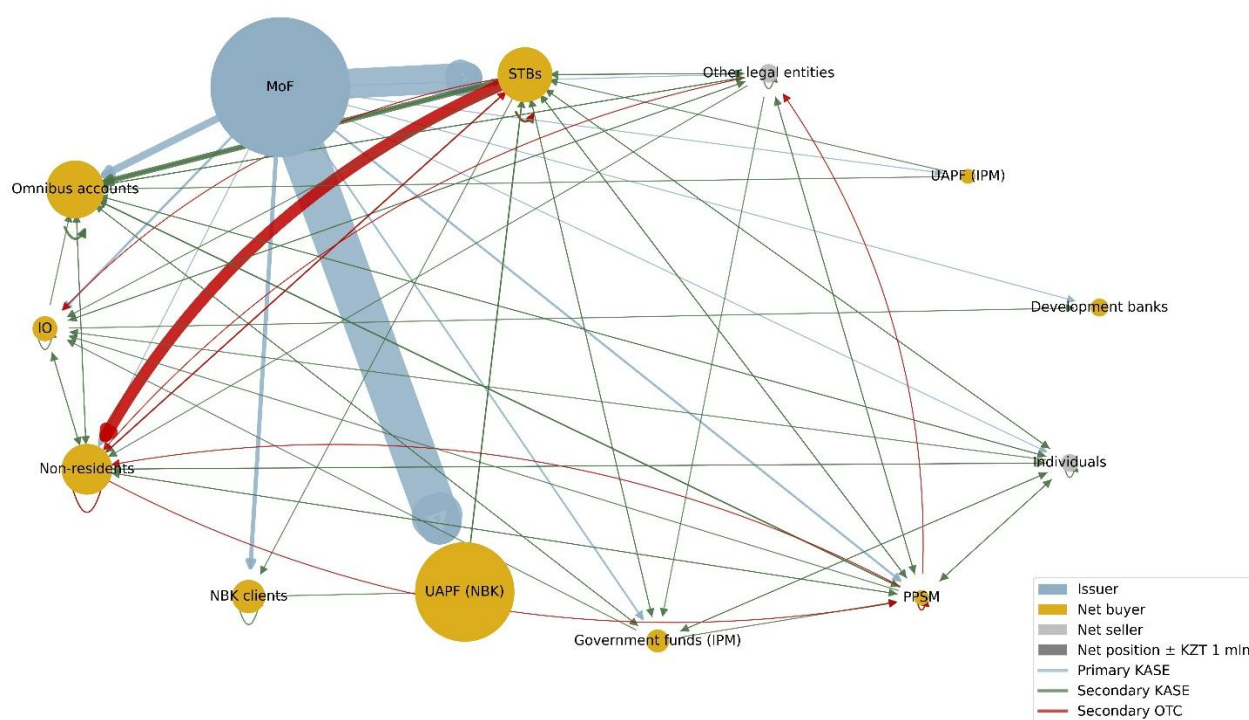
1) In the primary market, the main buyers were the UAPF managed by the NBK and the STBs. In addition, in the last quarter, activity increased among participants conducting transactions through aggregated accounts, which accounted for 28.2% of actual placements during the period;

2) The exchange-traded market exhibited a concentrated trading structure, with STBs and participants operating through omnibus accounts playing a key role;

3) On the OTC market, banks with foreign participation largely redistributed the securities they received to non-residents.

Thus, captive investors remain the main holders of tenge-denominated MoF GS. However, from 2021 to 2026, their share in the holder structure of GS declined significantly, from 71.2% in 2021 to 55.3% in 2026. Holdings of GS by the UAPF under NBK management more than doubled, while the share of these investors declined from 50.0% in 2020 to 43.6% in 2025. The share of non-residents in the holder structure of MoF GS increased from 0.6% in 2020 to 6.5% in 2025, with 53.5% of their holdings (KZT 902.5 bln) concentrated in medium- and long-term securities (*Table 6*).

Figure 2.13 Liquidity flows among participants in the market for tenge-denominated MoF GS in 2025



Source: KASE, CSD, NBK computations

Note: Tenge-denominated bonds only

The size of the nodes reflects the scale of the participants' net position, and the color of the nodes indicates the direction of the position (net buyer or net seller).

The thickness of the lines corresponds to the trading volume, and the color of the lines corresponds to the market segment (primary, secondary KASE, secondary OTC)

Table 6 The structure of holders of the tenge-denominated MoF GS

	01.01.2021		01.01.2025		01.01.2026	
	KZT bln	share, %	KZT bln	share, %	KZT bln	share, %
Captive investors	7040.2	71.2%	12256.5	56.3%	14445.6	55.3%
NBK	478.2	4.8%	432.6	2.0%	429.7	1.6%
UAPF (NBK)	4939.8	50.0%	9514.6	43.7%	11398.9	43.6%
NBK clients	1622.2	16.4%	2309.3	10.6%	2617.0	10.0%
Market investors	2846.1	28.8%	9506.4	43.7%	11670.0	44.7%
STBs of the RK	2510.9	25.4%	5213.1	24.0%	5462.6	20.9%
Aggregated accounts	0.0	0.0%	49.4	0.2%	114.3	0.4%
Insurance organizations	172.5	1.7%	568.6	2.6%	595.4	2.3%
PPSM	4.8	0.0%	44.5	0.2%	43.5	0.2%
Development banks	7.4	0.1%	394.7	1.8%	481.1	1.8%
Government funds (IPM)	8.8	0.1%	459.7	2.1%	580.8	2.2%
UAPF (IPM)	0.0	0.0%	17.6	0.1%	20.1	0.1%
Others	80.8	0.8%	1827.1	8.4%	2686.5	10.3%
Non-residents	60.9	0.6%	931.7	4.3%	1685.8	6.5%
Total	9886.3	100.0%	21762.9	100.0%	26115.6	100.0%

Source: CSD

The above statistics on market participants' holdings, based on CSD data, also capture movements of securities related to repo transactions. Therefore, an additional analysis of banks' balance sheets was conducted to assess their actual holdings of GS.

The nominal amount of GS held in banks' portfolios declined from KZT 6.37 trln at end-2024 to KZT 5.66 trln at end-2025. During the period, positions in certain issues increased by approximately KZT 1.63 trln; however, this increase was fully offset by substantial redemptions (KZT 1.31 trln) and reductions in positions in other GS (KZT 1.03 trln). As a result, banks' aggregate GS position declined.

It should be noted that the dynamics were different in previous years: increases in banks' GS positions generally exceeded reductions and redemptions, resulting in an expansion of the overall portfolio.

These developments may indicate a decline in banks' demand for GS as a liquidity placement instrument and a reallocation of part of their funds toward alternative investment opportunities. One of the contributing factors may have been the regulatory changes described above in the "Demand Structure" section. Following the introduction of the relevant restrictions, banks generally remained active in the money and credit markets, while demand for GS proved more sensitive to these measures.

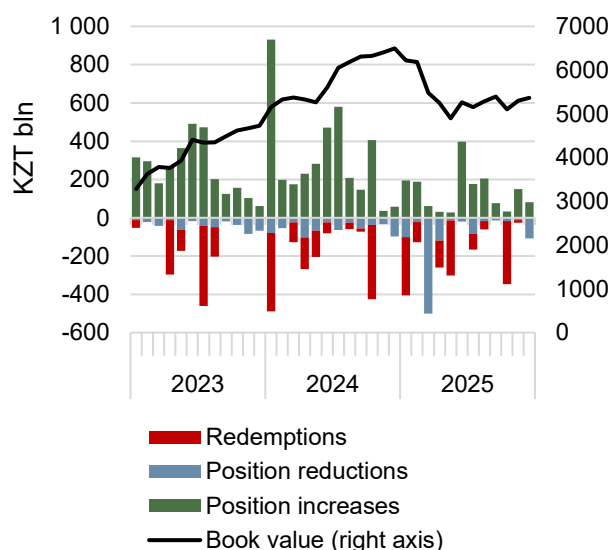
By accounting classification, at end-2024 banks classified 69.27% of GS at fair value through other comprehensive income (FVOCI), 11.79% at fair value through profit or loss (FVPL), and 18.77% at amortized cost (HTM). By end-2025, the portfolio structure had shifted: the share of securities classified as FVOCI increased to 71.59%, the share measured at amortized cost rose to 26.97%, while the share measured at FVPL declined to 1.45% (Figure 2.14).

These changes were largely driven by the recognition of valuation losses. Negative revaluation is particularly relevant for securities classified as FVPL, since both realized and unrealized changes in fair value are recognized directly in the income statement, putting

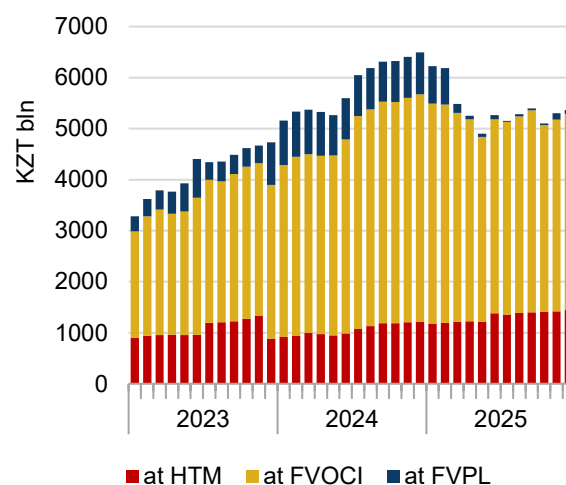
pressure on banks' financial results. In an environment of rising interest rates, banks therefore sought to reduce the share of such instruments in their portfolios.

Figure 2.14 Banks' GS portfolios declined in 2025

Decomposition of the change in the GS nominal value in bank portfolios



Carrying amount of GS by accounting classification



Source: National Bank, National Bank computations

Note: The increase and reduction in positions are calculated based on changes in balances for individual issues of GS and reflect net purchases and sales of banks over the month for the relevant securities.

The high concentration and structural homogeneity of the investor base in the GS market is due not so much to the limited volume of liquidity in the financial system, but to the institutional features of the financial market, namely:

- The concentrated and captive nature of large fund management, which, combined with narrow investment mandates, results in synchronized investment decisions. At the same time, any strategic shift affects substantial amounts of capital and may have a disproportionate impact on market yields;
- The limited development of the non-bank financial sector, including the limited presence of insurance companies, low activity of professional securities market participants, and weak retail investor interest, which constrain the diversification of demand;
- Insufficient depth of the secondary market, including low trading volumes and underdeveloped hedging instruments, which limits the participation of investors with short-term and arbitrage-oriented strategies;
- The episodic and procyclical nature of international investor participation, which tends to increase during periods of favorable external conditions and wider yield differentials, limiting their contribution to the development of a stable and competitive environment in the GS market.

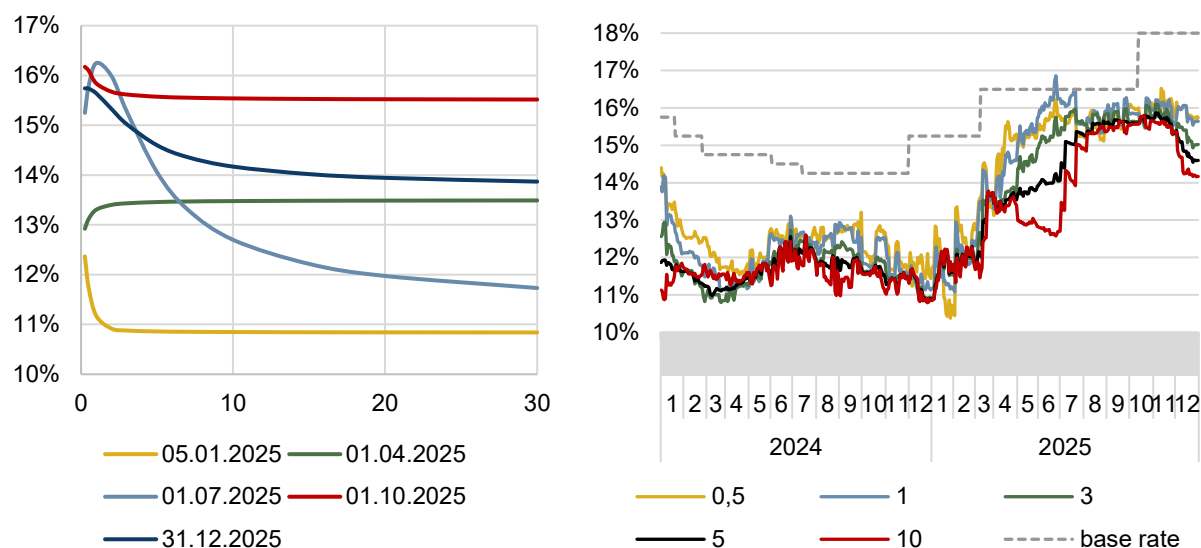
Taken together, these factors form an interdependent system of constraints in which limited diversification of the investor base reduces market depth, while insufficient market depth, in turn, constrains a stable inflow of participants, including international investors, thereby slowing the structural development of the GS market.

Against this backdrop, in December 2025 the National Bank of Kazakhstan, jointly with the Government, established the Public Debt Management Council. Its key objectives are to ensure coordinated decision-making on public debt management, the development of the GS market, and the formulation of issuance policy in domestic and external markets, taking into account macroeconomic conditions and debt sustainability.

2.1.4 Yield Curve

In 2025, the risk-free yield curve was characterized by high volatility and heterogeneous shifts across maturity segments, reflecting successive revisions in interest rate expectations and changes in liquidity conditions.

Figure 2.15 In 2025, the yield curve was volatile, with uneven shifts across maturities



Source: KASE

At the beginning of the year, yields across all maturity segments increased broadly in parallel following the increase in the base rate. The shape of the curve remained relatively flat, indicating broadly balanced expectations regarding short- and long-term interest rate dynamics. The main adjustment therefore occurred through an upward shift in the overall level of the yield curve.

Starting in April, short-term yields began to rise faster than long-term yields. The short end of the curve responded more quickly to tighter monetary conditions, resulting in a widening of the negative spread between short- and long-term GS. By the end of June, the spread between 10-year and 1-year GS reached -4.29 p.p., indicating a further inversion of the yield curve. This development was partly associated with lower activity of market participants in both the primary and secondary markets, as a result of which yields increasingly reflected the positioning of a limited number of institutional investors.

In the third quarter, the curve began to flatten: yields across different maturities converged, while the pace of increase in rates slowed. This indicated a partial stabilization of interest rate expectations and an adjustment by market participants to the new level of the base rate.

In the fourth quarter, yields declined gradually across the curve, although the pace of decline varied by maturity. The decrease was more pronounced at the long end, while short-term yields declined more slowly. As a result, the negative spread between 6-month and 10-year GS widened from 0.41 p.p. in November to 1.5 p.p. in December, indicating a renewed inversion of the yield curve toward year-end.

2.2 Corporate Bond Market

In recent years, the primary corporate bond market has expanded significantly. Against the backdrop of growing quasi-fiscal financing, accompanied by a shift of obligations from the state budget to the balance sheets of quasi-public sector companies, the private placement segment expanded and the role of quasi-public companies increased. This resulted in a market structure in which a substantial share

of transactions involves bonds issued by a limited number of issuers and is conducted between related parties.

The increase in secondary market turnover, in turn, largely reflected early repayment of obligations by banks and the reallocation of funds within financial groups. Taken together, these developments point to persistent market segmentation and limited depth of market-based price discovery, reducing the market's effectiveness as a channel for risk redistribution and the formation of representative pricing benchmarks.

Such a market structure can contribute to the distortion of market signals, the underestimation of credit risks, and the accumulation of hidden liabilities outside the budget perimeter, which potentially creates additional risks.

The presented analysis is based on the KASE data and reflects only the exchange-traded segment of the corporate bond market.

2.2.1 Primary Corporate Bond Market

In 2025, the total volume of primary corporate bond placements increased by 36.2%, from KZT 3.47 trln to KZT 4.73 trln. Corporate bonds on KASE are placed through two main mechanisms: public placements, offered to a broad range of investors, and private placements, offered to a limited group of investors.

Box 2.1 Private Placements

Since 2021, alongside public offerings to an unrestricted group of investors, KASE has operated a private placement mechanism that allows issuers to raise financing under a simplified procedure.

A private placement is a non-public offering of non-government bonds to a limited group of qualified investors, not exceeding 50 participants. The terms of the issue are set out in a private placement memorandum, following the registration of which the issuer may proceed with the listing process.

A key feature of this mechanism is the absence of certain qualitative requirements applicable to the public market. In particular, there are no requirements regarding the availability of a credit rating or minimum financial indicators, such as revenue or total assets.

Thus, the requirements are primarily infrastructural in nature and include the availability of financial statements, an audit performed by a recognized auditor, and registration of securities with the Central Securities Depository, while the assessment of investment risks is largely shifted to investors. The simplified issuance and placement procedure reduces the time required to raise financing and lowers transaction costs for issuers.

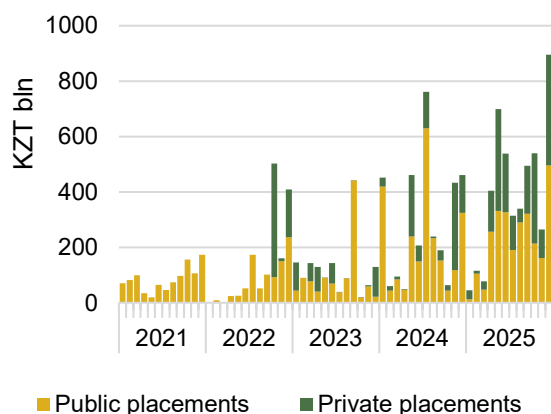
Bonds issued through private placements may trade in the secondary market; however, trading is conducted predominantly through negotiated transactions rather than through the exchange order book, which contributes to their low liquidity.

The volume of public placements increased by 10.82%, from KZT 2.48 trln to KZT 2.75 trln in 2025. At the same time, the key driver of market growth was the expansion of the private placement segment: its volume doubled from KZT 985.45 bln in 2024 to KZT 1,974.28 bln in 2025, while its share in total primary market placements increased from 28.4% to 41.8%.

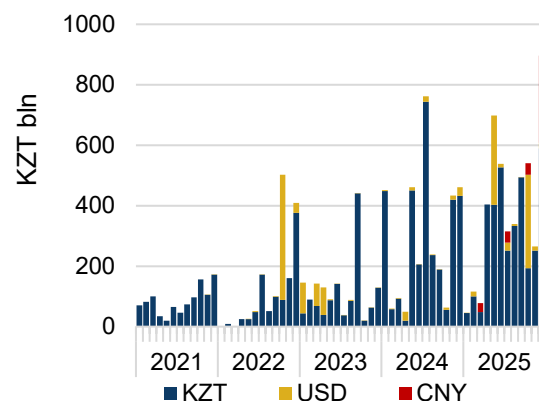
Foreign-currency placements exceeded KZT 1 trln, of which 64.1% was raised in US dollars (KZT 697.7 bln) and 35.9% in Chinese yuan (KZT 391.4 bln). At the same time, 84.4% of foreign-currency borrowing was undertaken by quasi-public sector companies through private placements (*Figure 2.16*).

Figure 2.16 Primary corporate bond market: structure of placements by type and currency

Structure of placements by type



Structure of placements by the currency of issuance



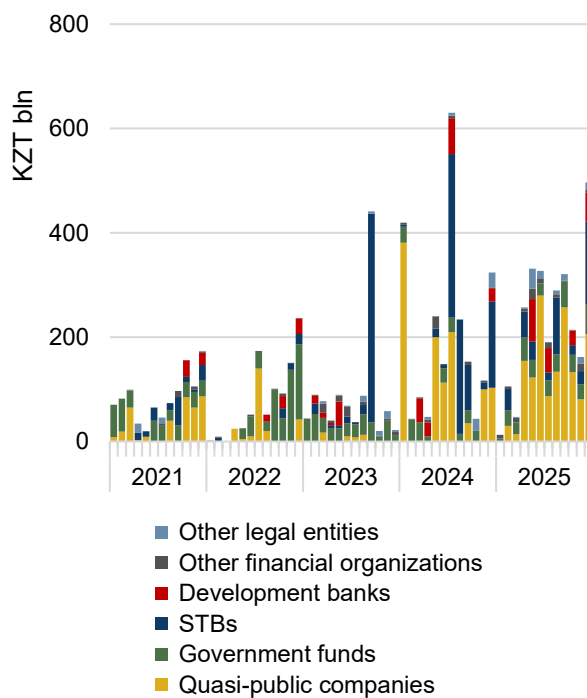
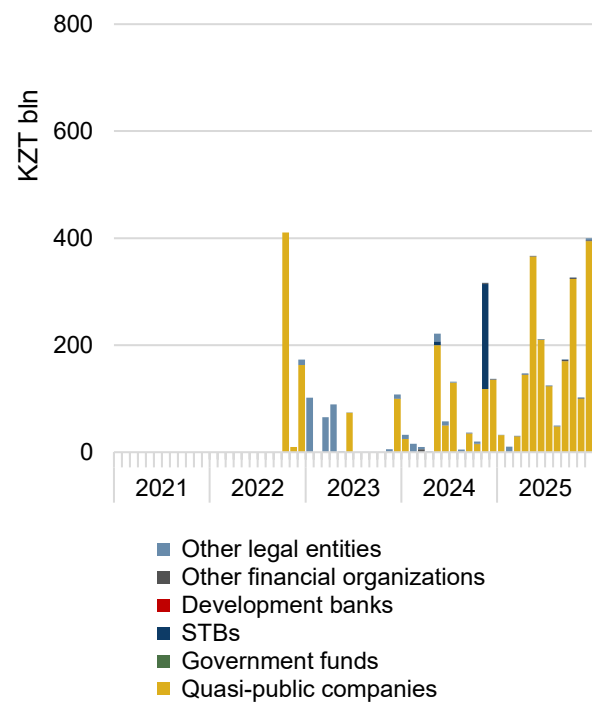
Source: KASE, National Bank computations

The supply structure in the primary market differed by placement type: the public placement segment was more diversified, while private placements were highly concentrated.

Among issuers in the public placement segment, quasi-public sector companies predominated, with placements totaling KZT 1.5 trln, or 54% of the total volume. Of these placements, 62.54% were attributable to parent companies.

In the banking sector, debt issuance activity on KASE declined: the volume of public placements by STBs decreased from KZT 825.54 bln in 2024 to KZT 453.74 bln in 2025. At the same time, 61.16% of placements by STBs consisted of social (agency) bonds issued by Otbasny Bank JSC, intended to finance mortgage programs and benefiting from tax incentives, which supported demand from market investors (*Figure 2.17*).

The private placement market, in turn, was characterized by extremely high concentration: 98.3% of the total volume of private placements was attributable to bonds issued by subsidiaries of Baiterek National Managing Holding JSC and Samruk-Kazyna JSC.

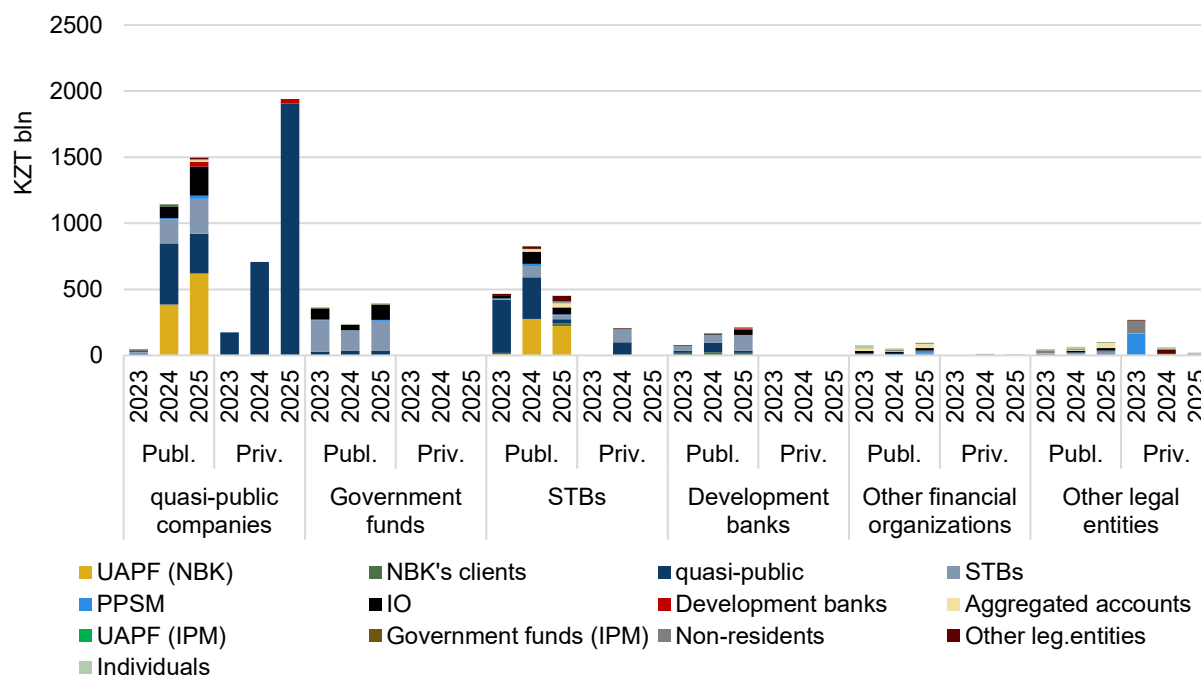
Figure 2.17 Primary corporate bond market by issuers**Public placements****Private placements**

Source: KASE, National Bank computations

Note: 1) The quasi-public sector includes national companies and their subsidiaries and affiliates that are under direct or indirect control of the government, regardless of the level of ownership; 2) Government funds include organizations associated with the public sector, including entities affiliated with the National Bank of Kazakhstan; 3) Development banks include the Development Bank of Kazakhstan and the Eurasian Development Bank.

On the demand side, the investor base in the primary market remained concentrated. In the public placement segment, demand was driven by affiliated (intra-group) investors as well as funds under NBK management. Among market buyers, activity by STBs and insurance companies increased. The share of STBs rose from 20.01% to 24.91%, while the share of insurance companies increased from 10.51% to 16.94% between 2024 and 2025 (Figure 2.18).

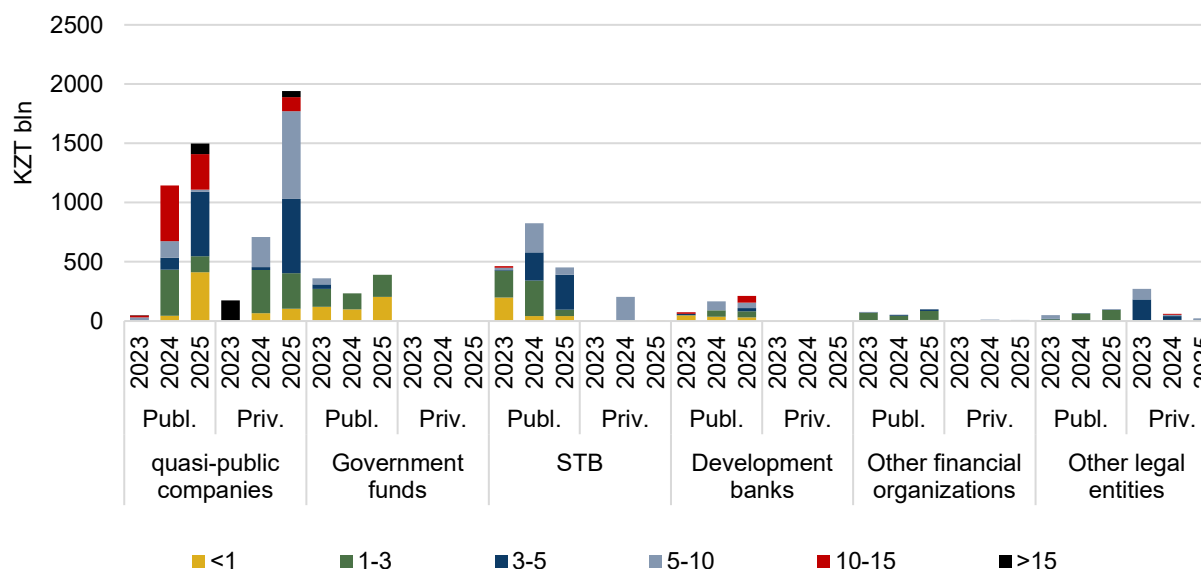
In the private placement segment, concentration was even higher: 96.56% of issues were purchased by Baiterek National Managing Holding and Samruk-Kazyna. At the same time, a significant part of their participation in private placements was accompanied by their own borrowing in the public market, indicating the presence of interconnected intra-group financing flows.

Figure 2.18 Primary corporate bond market by investors

Source: KASE, National Bank computations

Note: 1) The quasi-public sector includes national companies and their subsidiaries and affiliates that are under direct or indirect control of the government, regardless of the level of ownership; 2) Government funds include organizations associated with the public sector, including entities affiliated with the National Bank of Kazakhstan; 3) Development banks include the Development Bank of Kazakhstan and the Eurasian Development Bank

By maturity, private placements were characterized by a larger share of long-term instruments, with 46.91% of issues having maturities of more than five years. Public placements, by contrast, were concentrated mainly in the short- and medium-term segments: 78.91% of issues had maturities of up to five years, reflecting issuers' preference to avoid locking in interest expenses for longer periods (*Figure 2.19*).

Figure 2.19 Primary corporate bond market by maturity

Source: KASE, National Bank computations

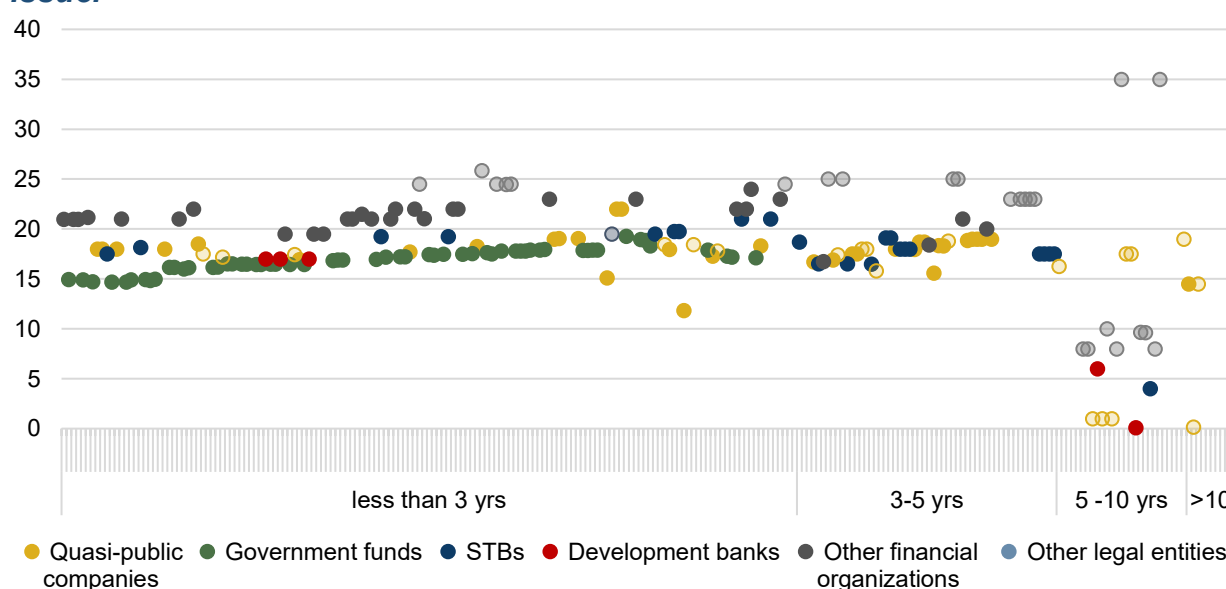
In 2025, yields in the primary corporate bond market ranged from 14% to 25%. The lowest yields were observed on bonds issued by government funds and quasi-public sector companies, reflecting their lower perceived credit risk and higher investor confidence.

Overall, there were no material differences between public and private placements, with yields on both types of placements generally falling within comparable ranges.

At the same time, individual extreme yield observations were recorded in both the private and public placement segments. Among non-government issuers, such deviations were generally associated with the negotiated nature of transactions and reflected transaction-specific placement terms.

For quasi-public sector issuers, deviations in yields were associated with the implementation of financing objectives aimed at supporting priority areas of economic development, including infrastructure projects and support for the financial sector, where the main investors were often related entities (Figure 2.20).

Figure 2.20 Yields in the primary market for tenge-denominated corporate bonds by issuer



Source: KASE, National Bank computations

Note: 1) The figure shows the weighted average rates for each issue of fixed-coupon bonds; 2) The marker color reflects the type of issuer; 3) Rates for public placements are indicated by markers with a solid fill, and private placements by a translucent fill

2.2.2 Secondary Corporate Bond Market

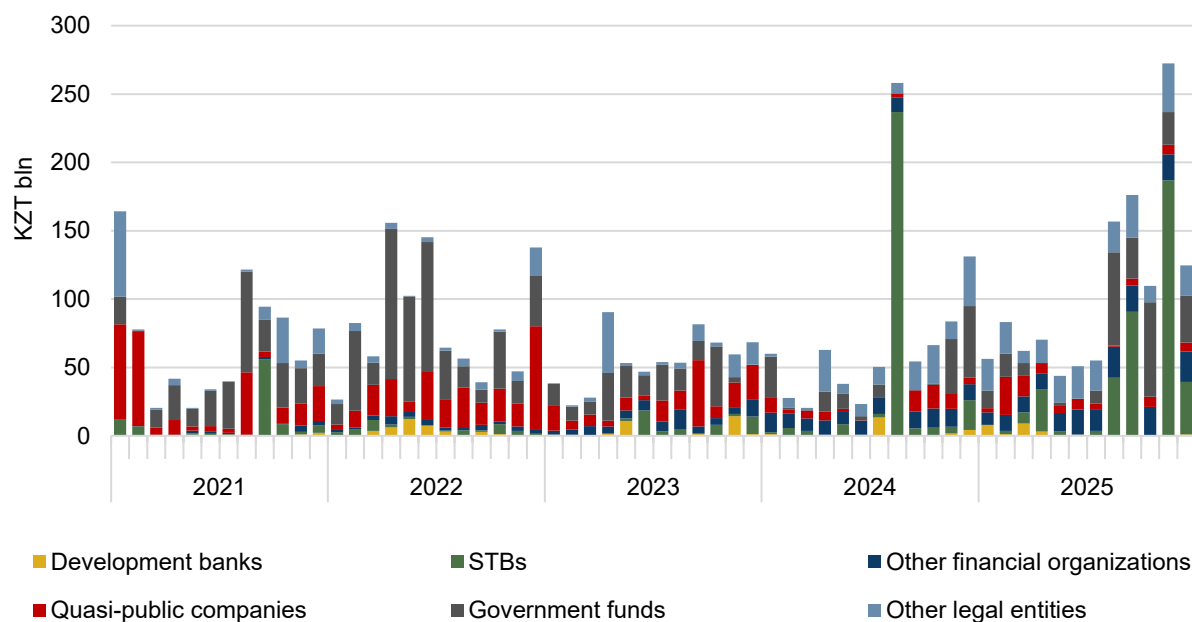
Trading volumes in the secondary corporate bond market increased by 43.92%, from KZT 876.37 bln in 2024 to KZT 1,261.28 bln in 2025. It should be noted that despite the formal increase in trading activity, a substantial share of turnover was generated by specific transactions involving individual market participants.

A significant share of transactions involved bonds issued by the banking sector: 32.2% of trades were conducted in STB bonds (Figure 6). At the same time, 88.9% of this trading represented repurchases of bonds by the issuing banks themselves. Importantly, most of these transactions were related to the early repayment of obligations to government entities that had previously provided subordinated debt to banks in 2017–2019 as part of anti-crisis measures aimed at supporting financial sector stability (Figure 2.21).

Bonds issued by the Kazakhstan Sustainability Fund were also highly active, accounting for 21.95% of secondary market turnover. However, more than 70% of transactions were conducted between affiliated participants within the same financial group.

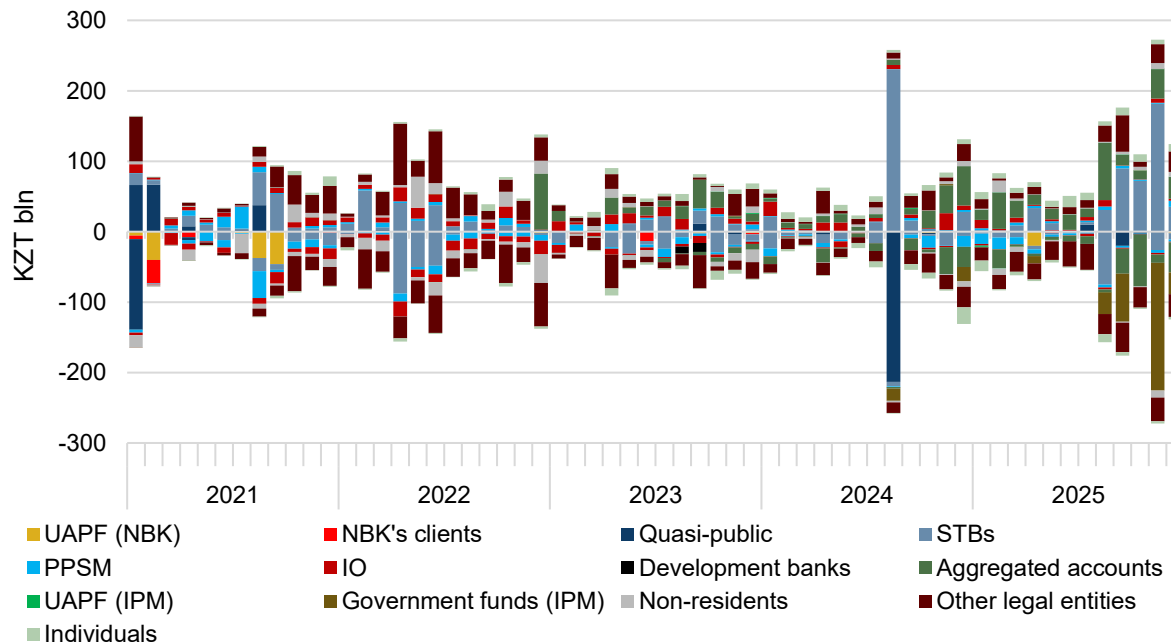
Thus, turnover dynamics were driven primarily by specific categories of transactions and individual participants, limiting their representativeness as an indicator of market liquidity and depth.

Figure 2.21 Secondary corporate bond market transactions by issuer



Source: KASE, National Bank computations

Figure 2.22 Secondary corporate bond market transactions by investor



Source: KASE, National Bank computations

III Residential Real Estate Market

In 2025, activity in the residential real estate market increased. Price growth in both the primary and secondary markets accelerated throughout the year, and in November, for the first time since 2021-2022, exceeded inflation. There was also an increase in the number of real estate transactions. Compared to the last year, the average monthly number of purchase and sale transactions and concluded equity participation agreements increased by 3.6% and 31%, respectively.

Most of the activity occurred in Astana and Almaty – the number of purchase and sale transactions in these cities once again reached an all-time high of 94 and 88 thousand, respectively. It is noteworthy that there is an upward trend toward in the share of these cities in the total number of transactions. While the average annual share of Astana and Almaty was only 22.5% in 2015, in 2025 it went up to 40.3%.

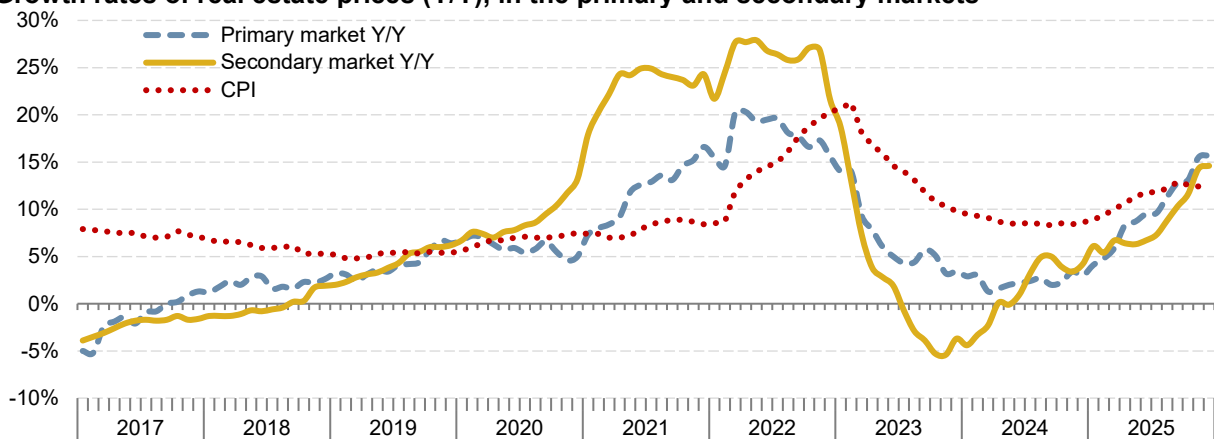
Compared to 2024, the origination of mortgage loans increased by 16.7%. The increase in loan originations was accompanied by a growth in the withdrawal of pension assets for improvement of living conditions—withdrawals in 2025 amounted to 839.4 bln tenge. Notably, 37% of these withdrawals for improvement of living conditions were used to replenish deposits at the Otbasyl Bank. Replenishing deposits creates pent-up demand, which could lead to further price increases in 2026.

3.1 Activity in the Real Estate Market

Real estate price growth rates in the primary and secondary markets showed significant acceleration in 2025. Real estate price growth accelerated throughout the year and exceeded inflation in November—a trend last observed in 2021–2022. At the end of the year, real estate price growth rates reached 15.7% and 14.6% in the primary and secondary markets, respectively.

Figure 3.1 Growth rates of real estate prices exceeded the inflation rate

Growth rates of real estate prices (Y/Y), in the primary and secondary markets

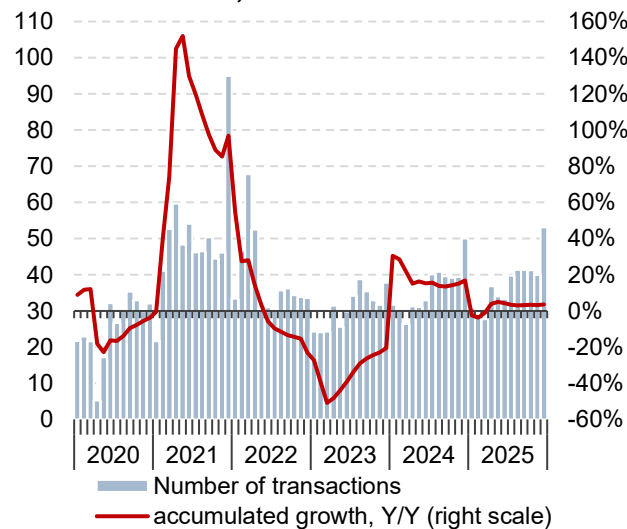


Source: BNS RK

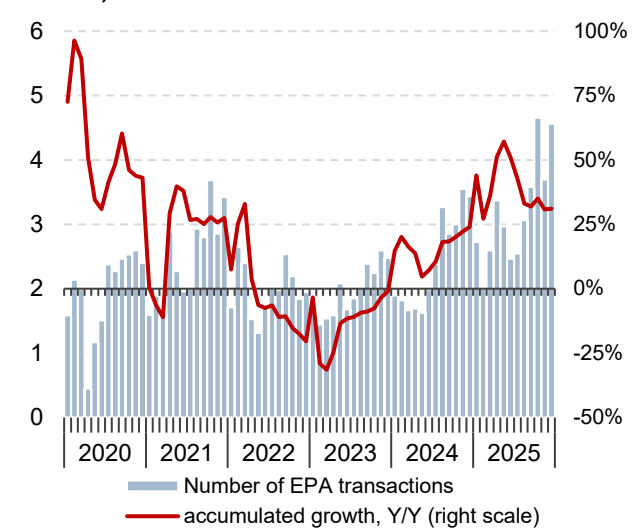
Along with rising prices, the number of transactions in the real estate market also increased. The average monthly number of purchase and sale transactions in 2025 was 37.4 thousand, up 3.6% year-on-year. The number of equity participation agreements (EPAs) concluded demonstrates similar dynamics. The average monthly number of EPAs in 2025 was 3.19 thousand, representing a 31% increase compared to 2024. Notably, the peak in purchase and sale transactions and concluded equity participation agreements occurred in the fourth quarter of 2025, indirectly indicating that the price growth at the end of the year was driven by increasing demand for real estate.

Figure 3.2 The number of transactions and EPA deals was showing an increase in the 4th quarter of 2025

The number of purchase/sale transactions in the real estate market, in thousands



The number of concluded EPAs in the real estate market, in thousands



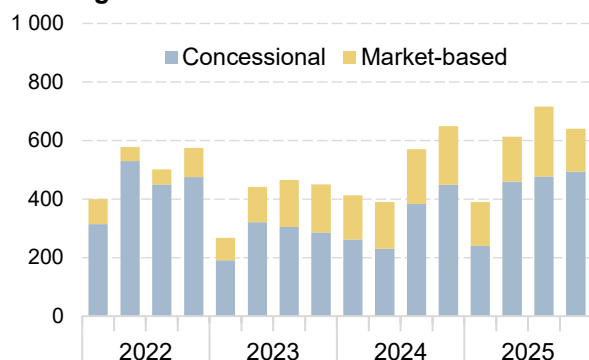
Source: BNS RK, National Bank computations

Ramping up activity in the residential real estate market is also evident from the mortgage loan origination data. Subsidized mortgage loan origination increased significantly in the second quarter of 2025, driven by the implementation of the “Nauryz” and “Nauryz Jumysker” government programs. In subsequent quarters, loan origination increased slightly, reaching 494 bln tenge in the final quarter of the year. This trend is explained by the additional intake of applications under subsidized mortgage programs as part of the government's anti-crisis measures. Origination of market-based mortgage loans remained relatively stable – around 150 bln tenge per quarter. The exception was Q3 2025, when market-based originations reached a record 239 bln tenge. This is likely due to the market's reaction to news of the lowering of the AEIR, expectations of further reductions in market mortgage programs, changes to the tax system in 2026, as well as the introduction of a new mortgage product by a certain second-tier bank.

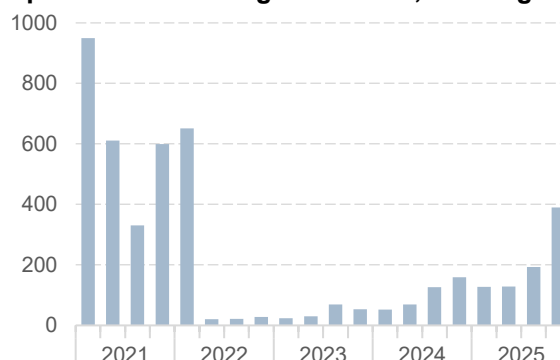
Withdrawals of pension assets for improvement of living conditions demonstrated quarterly growth and amounted to 839.4 bln tenge at the end of the year. The majority of withdrawals, namely 389.7 bln tenge, happened in the fourth quarter, 59% of which were used in December. The increase in withdrawals is most likely caused by a reaction to rising real estate prices, the introduction of the new tax code, and expectations of further increases in withdrawal thresholds for pension savings.

Figure 3.3 In the second half of the year, volumes of originated mortgage loans and withdrawn pension savings increased

Volumes of originated mortgage loans, bln tenge



Withdrawals of pension savings for improvement of living conditions, bln tenge

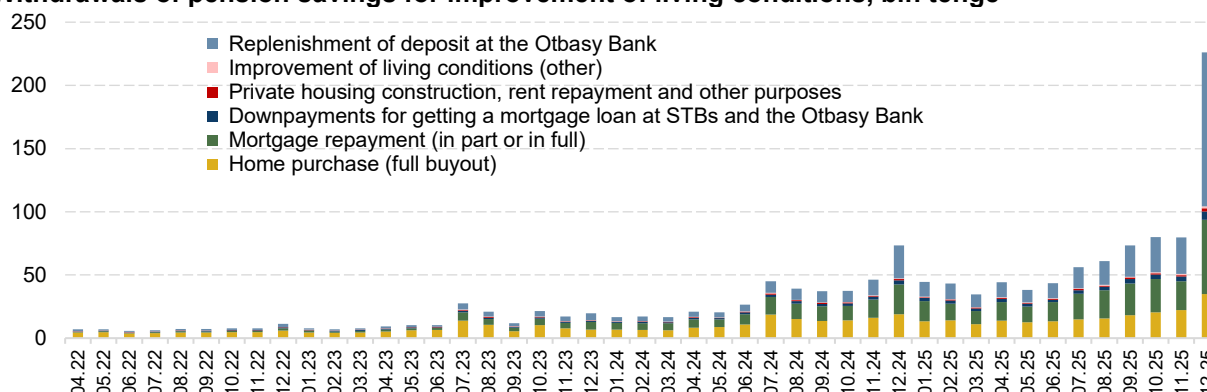


Source: STB reports, UAPF

An analysis of the structure of savings withdrawals for improvement of living conditions indicates that depositors' funds were primarily used for direct housing purchases, mortgage repayments, and replenishing deposits with the Otbasys Bank. In 2025, the share of these categories was 25%, 31%, and 37%, respectively. The high share of funds used to replenish deposits with the Otbasys Bank creates pent-up demand in the residential real estate market, which could lead to further price increases in 2026.

Figure 3.4 In 2025, 37% of pension savings withdrawn for improvement of living conditions were used to replenish a deposit with the Otbasys Bank

Withdrawals of pension savings for improvement of living conditions, bln tenge



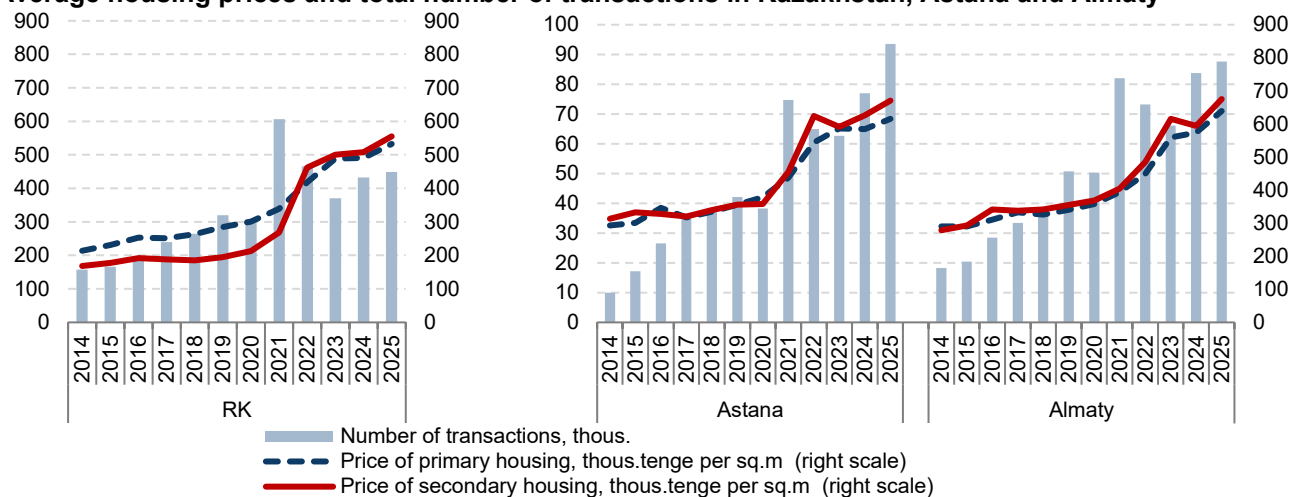
Source: UAPF reports, National Bank computations

In 2025, the average price per square meter of new housing across the country, in Astana, and Almaty, was 532.6, 615.7, and 639 thousand tenge, respectively. In the secondary market, average annual prices across Kazakhstan were 555.1 thousand tenge, while prices in Astana and Almaty rose to 670.3 and 675.2 thousand tenge, respectively.

The upward trend in the number of transactions in metropolitan areas continued. This year, the number of purchase and sale transactions in Astana and Almaty once again reached an all-time high – 94 and 88 thousand respectively. Notably, these cities are increasingly accounting for the overall number of real estate transactions. While the average annual share of Astana and Almaty was only 22.5% in 2015 and 27.7% in 2020, in 2025 these cities accounted for 40.3% of the total number of purchase and sale transactions.

Figure 3.5 The overall number of transactions in Astana and Almaty in 2025 has reached peaks again

Average housing prices and total number of transactions in Kazakhstan, Astana and Almaty

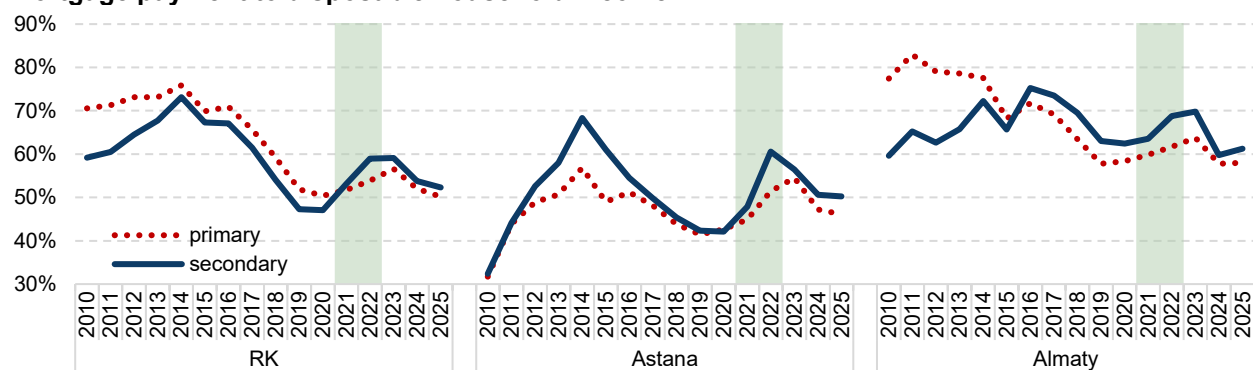


Source: BNS RK, National Bank computations

As part of the assessment of changes in housing affordability, the dynamics of one of the housing affordability metrics—the ratio of mortgage payment to household disposable income—are analyzed in the cities of Astana, Almaty, and the country as a whole. The dynamics of this metric in 2025 indicate a slight increase in housing affordability on average across the country, regardless of housing type. Similar dynamics were observed in the primary housing market in Astana. Secondary housing in Almaty has become less affordable, while housing affordability in the secondary market in Astana and the primary market in Almaty has remained virtually unchanged.

Figure 3.6 Affordability of housing demonstrates divergent dynamics in 2025

Mortgage payment to disposable household income



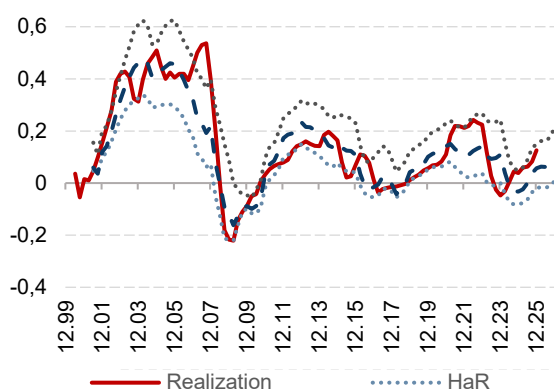
Source: BNS RK, National Bank computations

Note: (1) The mortgage payment was calculated based on the following criteria: average prices for housing units of 54 sq. m., a down payment of 30%, average STB rates, term – 20 years. Disposable income is calculated as the nominal cash income of households minus taxes, payments, and other payouts, as well as current transfers to households. (2) The selected period corresponds to the 2021-2022 period, when surplus pension savings were actively withdrawn. Afterwards, the sufficiency thresholds were significantly increased. (3) Real estate prices were recalculated using monthly BNS RK indices. Real estate prices in December 2025 were used as the starting point for the recalculation.

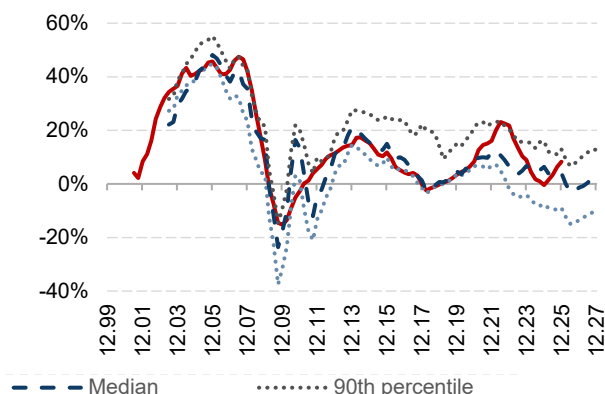
According to the Housing-at-Risk (HaR) metric, downside risk to prices in the residential real estate market is decreasing. As can be seen, the HaR trend indicates a reduction in risks over a one-year horizon. This reduction in risks was furthered by stabilization of parameters such as the mortgage portfolio to GDP and the estimate of "overheating" of real estate prices, which is derived from the cyclical component of the ratio of house prices to GDP per capita. Similar trend is also observed for the model with a two-year forecast horizon.

Figure 3.7 *Downside risks to real estate prices are showing decline*

Risk assessment over one-year horizon



Risk assessment over two-year horizon



Source: BNS RK, National Bank computations

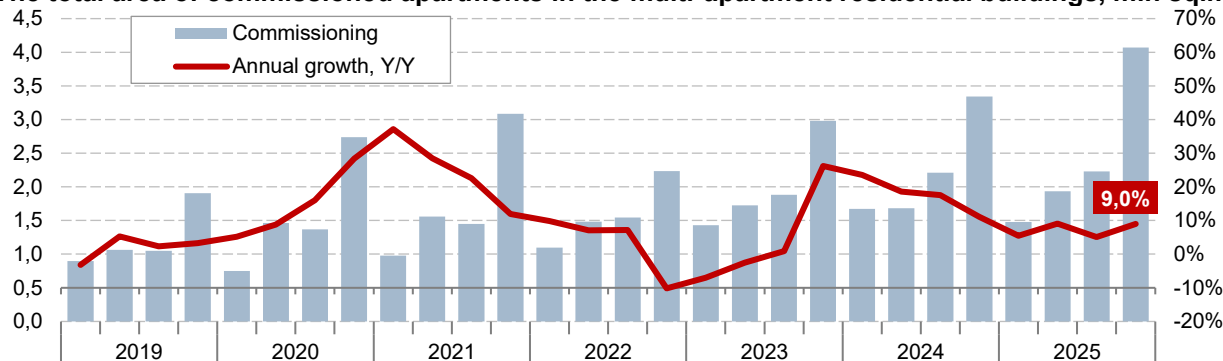
3.2 Residential Construction

Real GDP growth in 2025 was 6.5%, being significantly higher than last year's figure (5%). The construction sector's contribution to real GDP growth was 0.95 percentage points, the highest for the analyzed period (since 2011) (*Figure 1.4*).

In 2025, the total area of apartments in the commissioned multi-apartment residential buildings reached 9.7 million square meters, a 9% increase compared to the previous year. A total of 186 thousand apartments were commissioned, which is a 6.8% increase compared to the last year. Of these, 52% were in cities of national significance: in Astana, Almaty, and Shymkent, the number of apartments commissioned was 54.6, 28, and 14 thousand, respectively. The average actual construction cost per square meter of total area of residential buildings in 2025 reached 222.1 thousand tenge, an increase of 8.6% compared to 2024.

Figure 3.8 *The trend for increasing construction activity is persisting*

The total area of commissioned apartments in the multi-apartment residential buildings, mln sq.m.



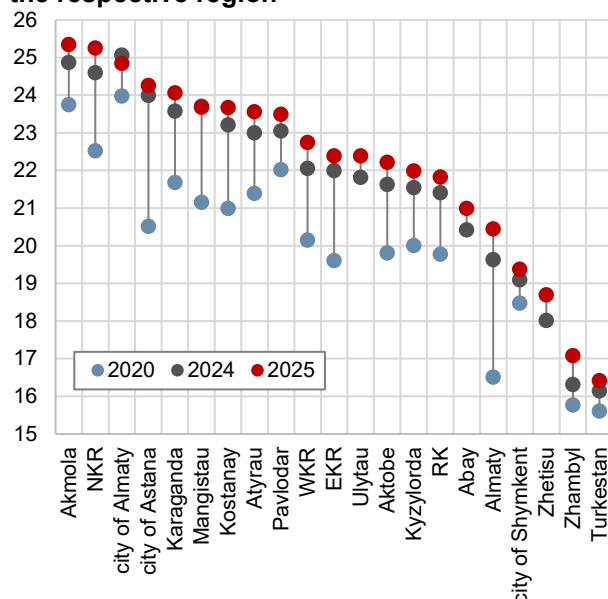
Source: BNS RK, National Bank computations

The housing stock per capita, which is one of the measures of the population's housing availability, continues to grow. While in 2020 and 2024 this metric across the country was 19.8 and 21.4 square meters, by the end of 2025 the housing stock per capita reached 21.8 square meters. As in 2024, the Akmola region (25.3 square meters), North Kazakhstan region (25.2 square meters), and Almaty city (24.8 square meters) retain their leadership in the housing stock per capita. The lowest values for this indicator remain in Zhambyl (17.1 square meters) and Turkestan (16.4 square meters) regions. It is also worth noting a slowdown in the growth of housing availability in Astana - compared to 2024, the housing stock per capita has increased by only 0.25 square meters, while between 2020 and 2024, an increase of 3.5 square meters was observed.

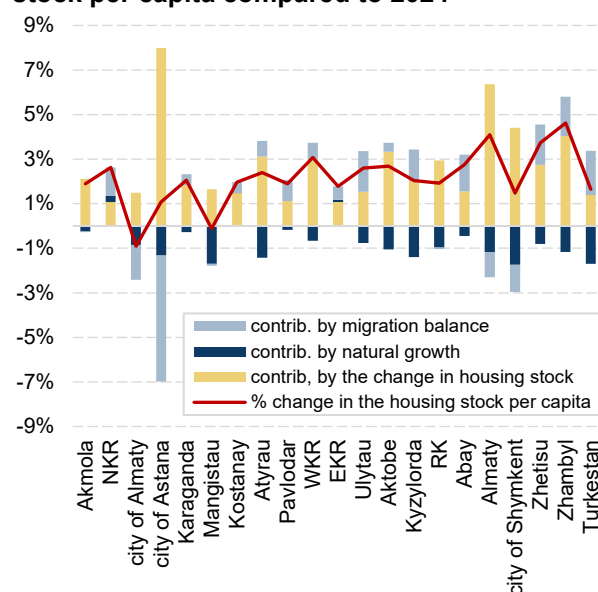
An analysis of the structure of contributions to the change in the housing stock per capita in Astana shows that the deceleration of the housing stock per capita in 2025 is due to population inflow into the capital. Despite the significant change in the housing stock compared to 2024, a proportional increase in net migration was observed. Notably, a negative contribution from net migration is also observed in other cities of national significance and the Almaty region, which is a sign of the population inflow in these regions. Also, interesting dynamics are observed in the regions with the highest housing stock per capita. As can be seen from the analysis of the contribution structure, the increase in the housing stock per capita is driven not only by the growth of the housing stock itself, but also by demographic factors such as population outflow (North Kazakhstan region) or near-zero natural growth (Akmola region).

Figure 3.9 The housing stock per capita in 2025 amounted to 21.8 sq.m.

The ratio of housing stock and the population in the respective region



The structure of contributions to the housing stock per capita compared to 2024



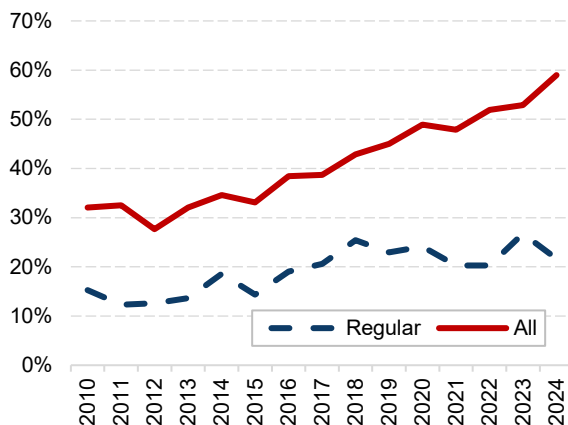
Source: BNS RK, National Bank computations

Note: To calculate the contribution of the metric, the difference in the logarithms of the metric between 2025 and 2024 was used.

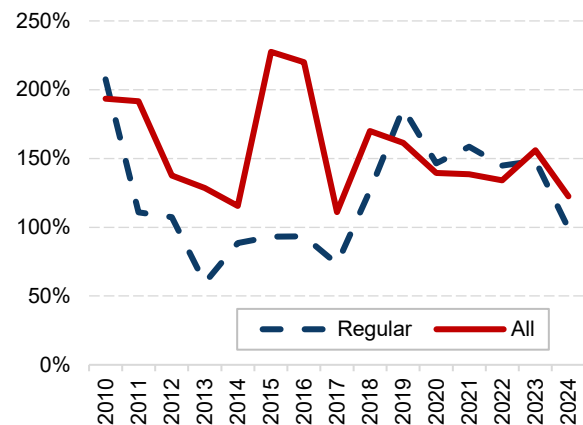
The figures below present an analysis of companies in the residential construction sector. As can be seen, the profitability of companies in the construction sector remains stable, while debt ratios are declining. The average profit-to-revenue ratio for all companies in the housing construction sector continued to grow, reaching 59% in 2024. However, regular companies experienced a decline in an average profit-to-revenue ratio. In 2024, this ratio fell to 22%. The average debt-to-revenue ratio decreased for both regular companies and all housing construction companies. The average debt-to-revenue ratio was 123% and 99% for all and regular companies, respectively.

Figure 3.10 An average profit to revenue ratio of companies in the residential construction sector had reached 59% in 2025

Profit to revenue



Total debt to revenue



Source: BNS RK, National Bank computations

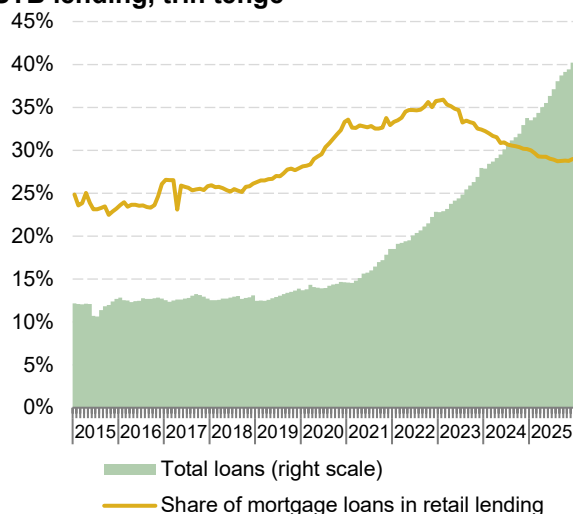
Note: Regular firms are the firms whose unique number of occurrences during the analyzed period exceeded 10 (out of 15). To reduce sensitivity to outliers in the average profit-to-revenue ratio, the upper and lower 2.5 percentiles of the ratio's values were truncated by year and firm size. A similar procedure was applied to the average total debt-to-revenue ratio; however, due to the higher volatility of the ratio, it was decided to truncate the upper and lower 3.5 percentiles of the values.

3.3 Mortgage Lending

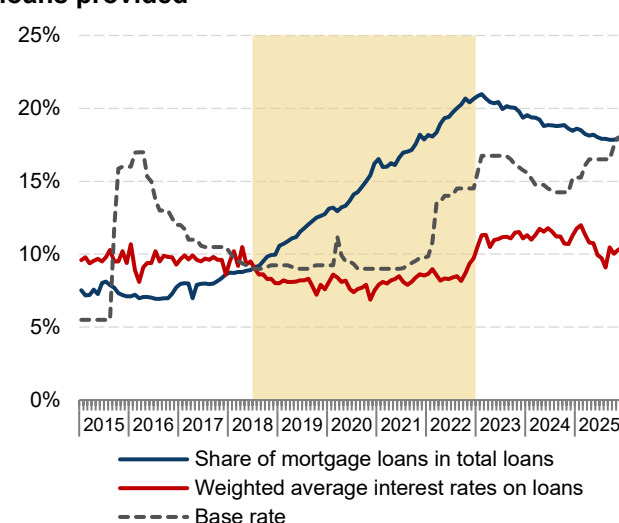
Throughout 2025, the total volume of second-tier bank loans continued to grow, reaching 40.2 trln tenge by the end of the year. Despite the increase in overall lending, the trend toward a decline in the share of mortgage loans persisted. In December, the share of mortgage loans in total loans and in total lending to individuals amounted to 17.9% and 29%, respectively. Weighted average rates on provided mortgage loans increased in Q1 2025, followed by a decrease in the second and third quarters, during the launch of the “Nauryz” and “Nauryz Jumysker” concessional mortgage lending programs as well as the introduction of a new mortgage product by a certain second-tier bank. Weighted average mortgage rates reached an annual minimum of 9.1% in August, after which they increased to 10.5% in December 2025.

Figure 3.11 *In the 2nd and 3rd quarters of 2025, weighted average interest rates on mortgage loans demonstrated decline*

Volumes of mortgage lending in terms of total STB lending, trln tenge



Weighted average interest rates on mortgage loans provided



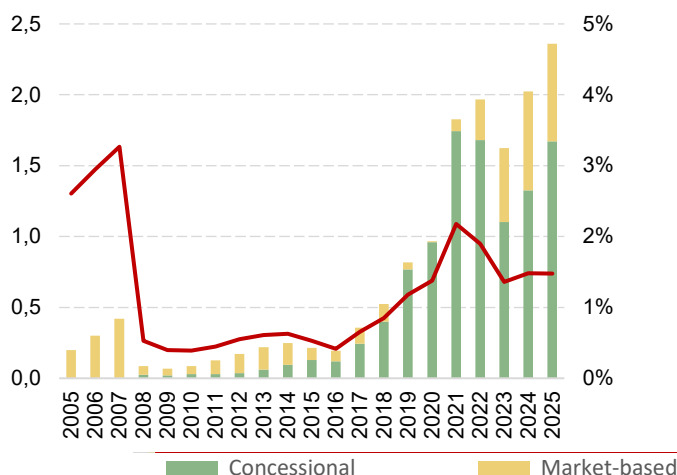
Source: National Bank, BNS RK, National Bank computations

Note: The yellow fill shows the life of the “7-20-25” and “Baspana Hit” programs.

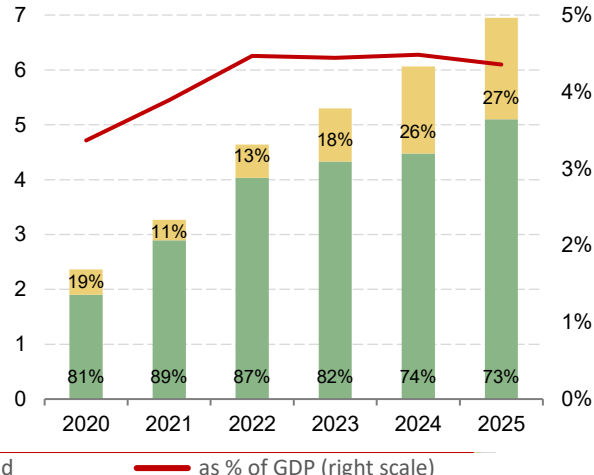
Mortgage loan originations amounted to 2.36 trln tenge in 2025, which is 16.7% more than in the previous year. The increase in total origination was stemming from an increase in mortgages provided on concessional terms. Compared to 2024, the origination of concessional mortgage loans increased by 26.2% and amounted to 1.67 trln tenge. At the same time, the origination of market-based mortgage loans somewhat decreased – this was likely influenced by the news regarding the reduction of the AEIR and the temporary suspension of mortgage lending by certain second-tier banks. In total, 0.69 trln tenge of mortgage loans were provided on market terms in 2025, a 1.4% decrease from the previous year. The overall increase in loan originations also affected the dynamics of the mortgage portfolio. At the beginning of 2026, the mortgage loan portfolio reached 7 trln tenge, 27% of which were provided on market terms.

Figure 3.12 *The volume of concessional mortgage loans continued to grow in 2025*

The volume of mortgage loans provided, trln tenge



Mortgage loan portfolio at the end of the year, trln tenge

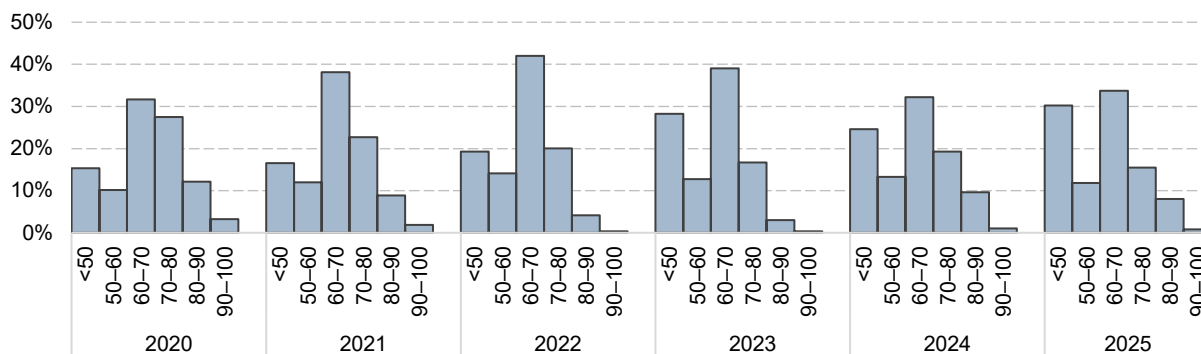


Source: National Bank, BNS RK, National Bank computations

In 2025, the trend toward improvement of the quality of provided loans continued, driven by an increase in the share of loans with an LTV level of <50% and a decrease in the share of loans with an LTV level of >70%. Notably, the share of loans with an LTV level of

<50% reached a peak (30%) during the analyzed period. It is also noteworthy that the share of loans with an LTV level of 80-90% remains at the level observed last year. This is due to the impact of the “Nauryz” and “Nauryz Jumysker” government programs, under which loans with a similar LTV level are typically provided.

Figure 3.13 *Distribution of LTV at the time of loan origination*



Source: Credit Register, National Bank computations

IV Car Market

4.1 Activity in the Car Market

Growth in prices for passenger cars remained relatively stable until mid-2021, followed by the appearance of a divergent trend across different passenger car types. The passenger car price index can be analyzed across three categories: new imported cars, new domestically assembled cars, and used cars.

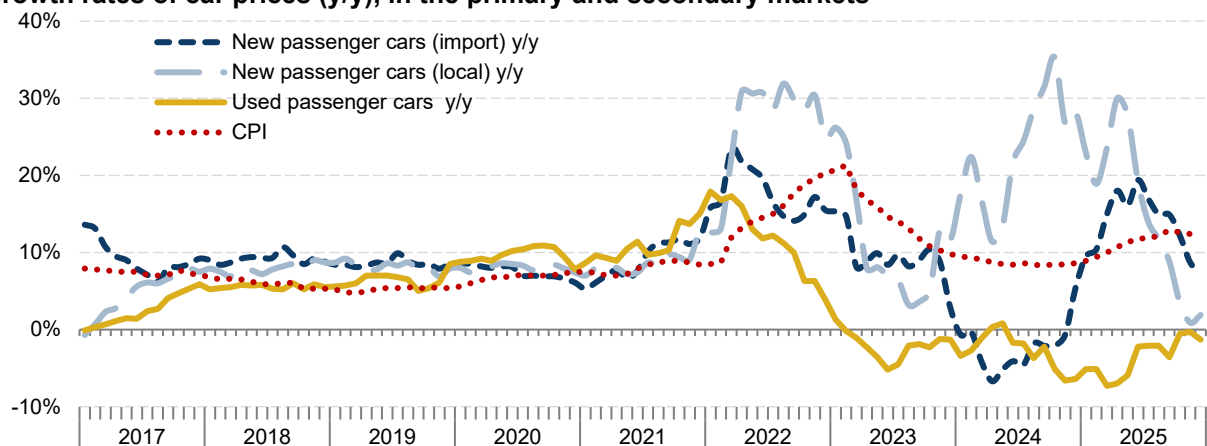
Growth in prices for new domestically assembled cars generally outpaced inflation. Peak price rise for new domestically assembled cars reached 30.9% in 2022, 35.3% in 2024, and 30% in 2025. In the second half of 2025, there was a significant deceleration in price growth for new domestically assembled cars. This trend is due to factors such as a decrease in demand for Kazakhstani cars after an increase in recycling fee in the Russian Federation, as well as the construction of new factories and localization of production for several car models.

Growth in prices for new imported passenger cars gradually declined after peaking in 2022 (22.2%), reaching a minimum in April 2024 (-6.7%). Rise in prices for new imported cars remained negative until December 2024, whereafter a sharp increase was observed, peaking in May 2025 (19.1%). This trend is likely related to the fiscal and administrative measures taken to formalize the market. Like domestically assembled passenger cars, the growth in prices for new imported cars also declined in the second half of 2025. At the end of the year, price growth rates for imported and domestically assembled passenger cars were 7.3% and 1.9%, respectively.

Growth rates of prices for used cars declined in 2022 and reached negative values in 2023, whereafter they remained mostly negative throughout the analyzed period. This price trend points both to an expansion of new car supply in the market and a probable shift in consumer preferences towards new cars. At the end of 2025, price growth for used car was -1.3%.

Figure 4.1 Growth rates of car prices had been below the inflation rate at the end of 2025

Growth rates of car prices (y/y), in the primary and secondary markets



Source: BNS RK

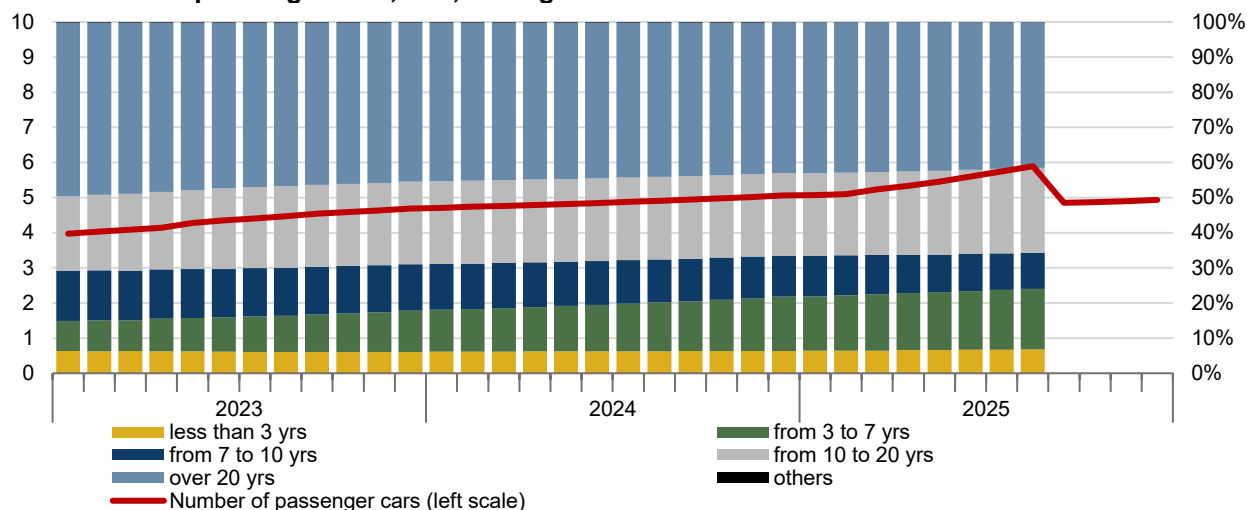
The passenger car fleet has shown steady growth since the beginning of 2023. The number of vehicles increased from 3.97 mln in January 2023 to 5.89 mln in August 2025. In September 2025, due to an update in the vehicle database, the number of registered passenger cars amounted to 4.85 mln. The fleet continued to grow until the end of 2025, reaching 4.94 mln vehicles by the end of 2025.

At the beginning of 2023, the age structure of the passenger car fleet was dominated by vehicles over 20 years old – in January 2023, their share was 49.5%. By September 2025, their share had significantly decreased, reaching 41.5%. At the same time, an increase in the share of “younger” cars was observed: while in January 2023 the share of

cars up to 7 years old was only 14.9% (6.3% up to 3 years old and 8.6% from 3 to 7 years), in August 2025, the combined share of cars in the two categories reached 24% (6.7% up to 3 years old and 17.2% from 3 to 7 years). The share of cars aged 7 to 20 years remained relatively stable – 35.5% at the beginning of 2023 versus 34.5% in September 2025. Overall, despite the increase in the share of new vehicles, there is still sufficient room for updating the age structure of Kazakhstan's vehicle fleet.

Figure 4.2 As of September 1, 2025, almost every fourth passenger car was less than 7 years old

The number of passenger cars, mln; and age structure of the car fleet



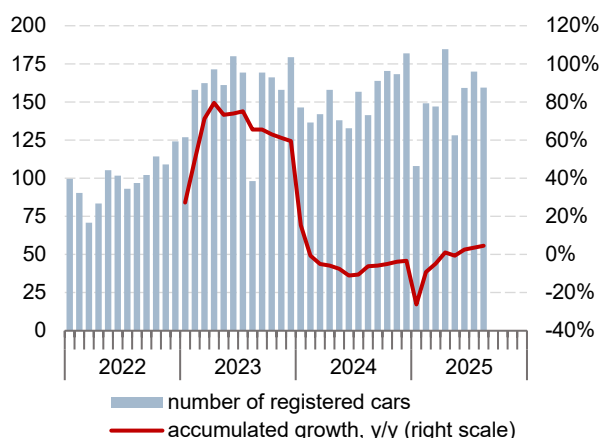
Source: BNS RK, National Bank computations

Note: (1) Data on the number of vehicles changed after August 2025 due to technical work on updating the vehicle database on the BNS side (2) For the same reason, data on the age structure of the vehicle fleet is unavailable since September 2025. (3) Data on the number of vehicles in the "up to 3 years" and "from 3 to 7 years" categories for January, March, and April 2023 were swapped due to instability in the time series.

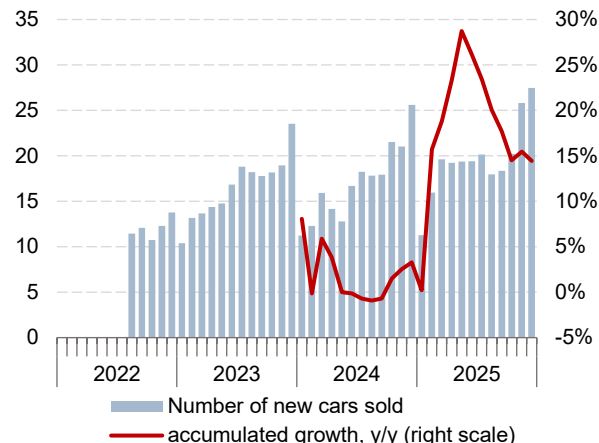
Over the last few years, the automobile market had shown a significant increase in activity, as evidenced by the vehicle registration statistics. While registrations in 2022 totaled only 1.2 mln vehicles, they rose to 1.9 mln and 1.8 mln in 2023 and 2024, respectively. Similar trends were observed in 2025. Thus, in the first eight months of 2025, 1.2 mln vehicles were registered, representing a 1.8% decrease and a 4.7% increase compared to the same periods in 2023 and 2024.

Figure 4.3 There is an increase in the number of car registrations

The number of registered cars, in thous.



Sales of new passenger cars and commercial cars in official dealer centers, in thous.

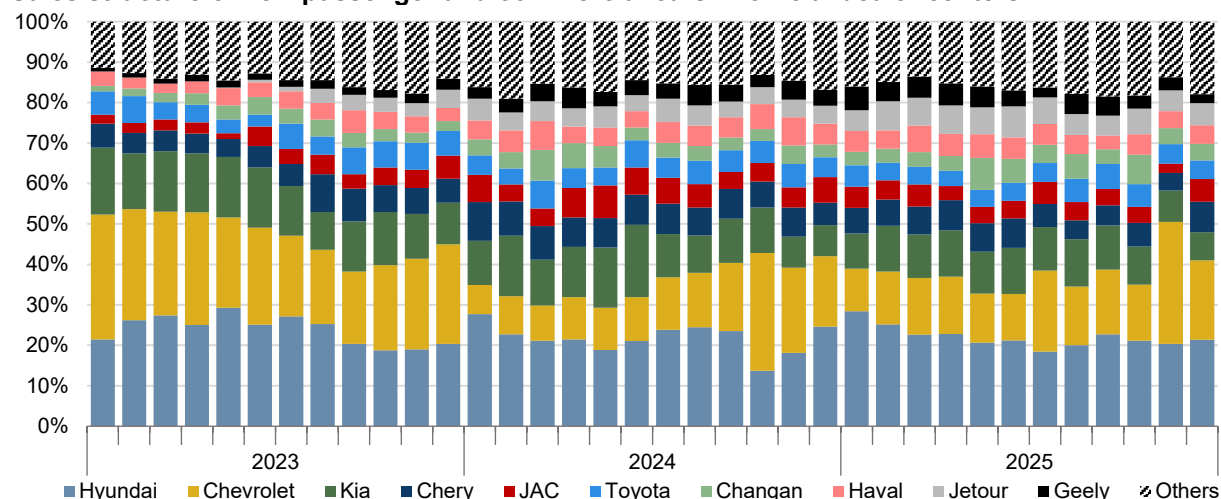
**Source:** BNS RK, Kazakhstan Automobile Union, National Bank computations**Note:** (1) Vehicle registration data is unavailable after August 2025 due to technical work on updating the vehicle database on the BNS side (2) Dealership sales data is available from August 2022.

In 2025, there was also an increase in new car sales at official dealerships. Overall, Kazakhstanis purchased approximately 235 thousand new cars from official dealerships in 2025, representing an increase of 18.2% and 14.4% compared to 2023 and 2024, respectively. Separately, it is worth noting a decrease in the growth rate of car sales in official dealerships at the end of 2025 – this trend is partly due to the adopted regulatory changes in the Russian Federation, which affected the demand for new cars.

Hyundai, Chevrolet, and Kia are among the leading brands in terms of sales. The combined share of these brands in 2025 was 48.3%, of which 21.7% belonged to Hyundai, 16.6% to Chevrolet, and 10% to Kia. Remarkably, in 2023, the combined share of these brands was 59.3%, indicating an expansion of offerings from automakers and the emergence of new market participants over the past two years.

Figure 4.4 In 2025, 48.3% of new car sales in the official dealer centers were among such brands as Hyundai, Chevrolet and Kia

Sales structure of new passenger and commercial cars in official dealer centers

**Source:** Kazakhstan Automobile Union, National Bank computations

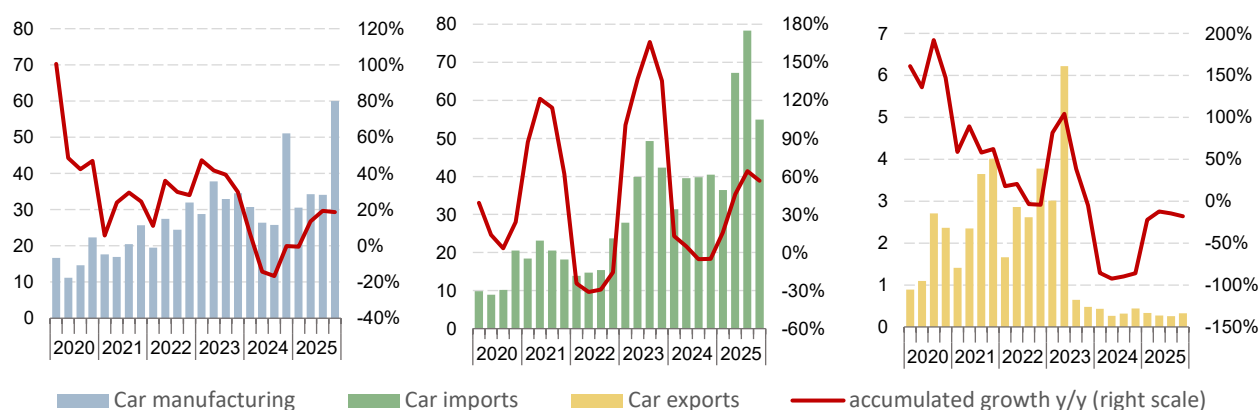
In 2025, growth of passenger car manufacturing was ongoing. A total of 158.9 thousand new passenger vehicles were manufactured this year, an 18.6% increase compared to the previous year. The largest ramp-up in production occurred in Q4 2025, when 60 thousand vehicles were manufactured. Such production growth is explained by the construction of new auto plants in Kostanay and Almaty. 2025 was also marked by record

levels of imported passenger cars. After a decline in the growth rate of car imports in 2024 (-5.1% in Q4), the growth rate of imported cars showed significant increase throughout 2025, reaching 56.7% in Q4 on a year-on-year basis. In total, approximately 237 thousand cars were imported from abroad in 2025.

Historically, majority of passenger car exports occur through unofficial channels, while official passenger car exports from Kazakhstan remain low. Overall, following the introduction of regulatory norms in the Russian Federation, the main importer of cars from Kazakhstan in 2023-2024, abolishing the previously existing favorable conditions for importing vehicles cleared through customs in the EAEU countries, official exports of cars from Kazakhstan reduced significantly. Thus, the number of cars exported in 2024 amounted to approximately 1.5 thousand, a decrease of 86% compared to the previous year. In 2025, the total number of exported vehicles went down to 1.2 thousand. The CIS countries remain the main market for Kazakhstani cars, accounting for 81% of the total number of exported cars in 2025. Among the most popular destinations are Kyrgyzstan, Tajikistan, and the Russian Federation, accounting for 45%, 23%, and 14%, respectively. Considering the age structure of the local car fleet, the growth of production, as well as the introduction of regulatory restrictions in the Russian Federation, it can be concluded that the majority of produced vehicles will be used to meet the domestic demand.

Figure 4.5 Manufacturing, imports and exports of passenger cars

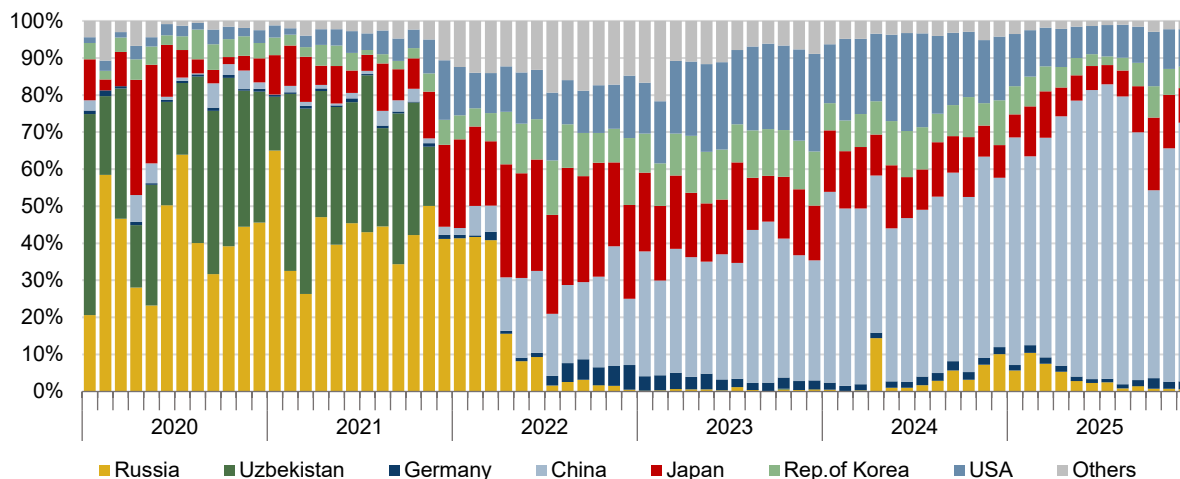
Passenger car manufacturing, in thous. Passenger car imports, in thous. Passenger car exports, in thous.



Source: BNS RK, National Bank computations

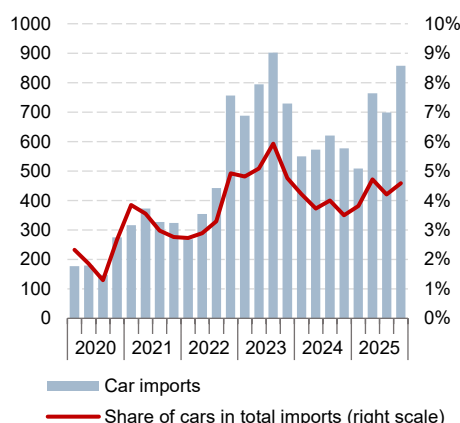
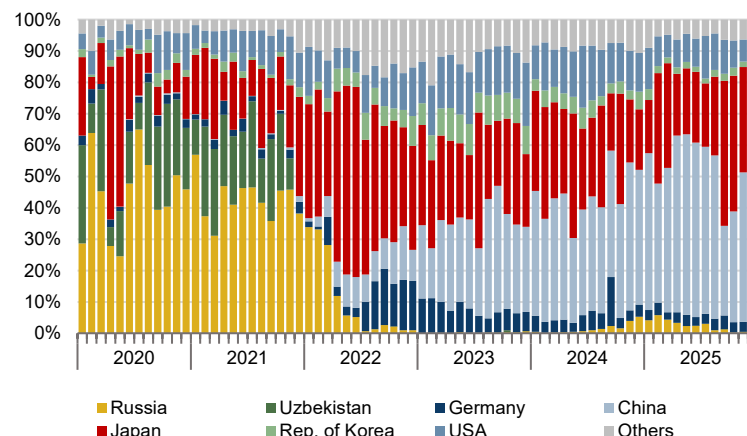
Note: (1) Car import statistics include both new and used cars.

An analysis of the import structure for 2020-2025 reveals interesting dynamics: in 2020-2021, the CIS countries (Russia and Uzbekistan) dominated in the import mix, but after 2022, a gradual increase in the share of cars from China was observed. Thus, while in 2022 every fifth car was imported from China, in 2023 every third, and in 2024 every second imported car was Chinese-made. In 2025, the share of cars imported from China continued to grow, reaching 69.2%. Other major exporters of cars to Kazakhstan include the United States, Japan, and Korea – in 2025, these countries accounted for 9.9%, 9.4%, and 5.2% of total imports, respectively.

Figure 4.6 69.2% of cars imported in 2025 were manufactured in China**Structure of car imports weighted by the number of imported cars****Source:** BNS RK, National Bank computations**Note:** (1) Information regarding import localization is based on the country of manufacture of the vehicle, not the historical affiliation of the vehicle brand. (2) Car import statistics include both new and used cars.

Despite a record number of cars imported in 2025, the peak in value for imported passenger cars was reached in 2023. The total value of imported cars then reached USD 3.1 bln. By comparison, in 2025, the value of imported cars was USD 2.8 bln only. An increase in the share of car imports in the country's total imports has also been observed. While in 2020-2021, the share of cars in total imports was approximately 2-3%, over the past three years, this figure has increased to 4-5%.

An analysis of the import structure in value terms reflects similar dynamics to the import structure in quantity terms. After 2023, Chinese-made cars also predominate. However, it is worth mentioning that the value share of Chinese cars is lower than the quantity share, indicating a lower average value of imported cars compared to other countries. For example, in 2025, the value share of auto imports from China is only 49.6% (69.2% in quantitative terms). Meanwhile, the comparatively high value of auto imports from Japan is noteworthy – despite their quantitative share being less than 10%, Japanese cars account for 27.7% of the total value of auto imports in 2025.

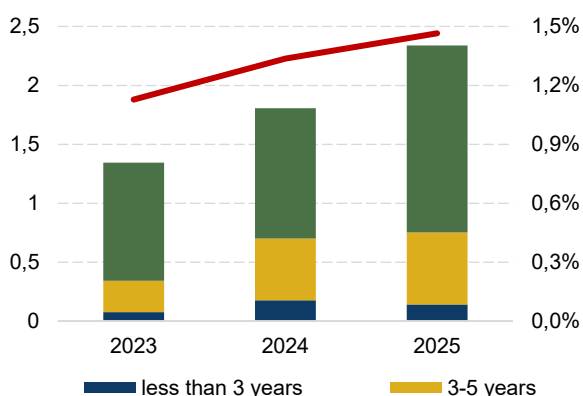
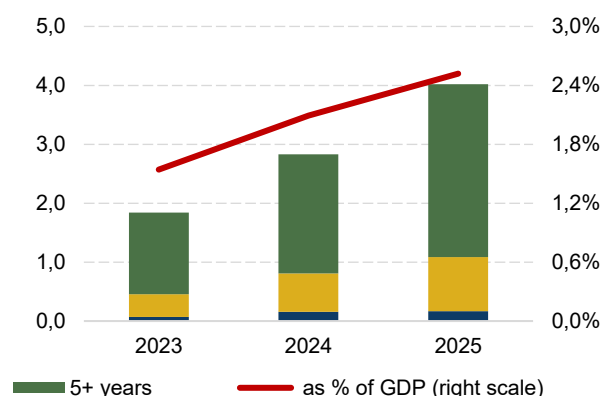
Figure 4.7 Imports of cars in value terms peaked in 2023**Passenger car imports, cost in USD mln****Structure of car imports weighted by the cost of imported cars****Source:** BNS RK, National Bank computations

Note: (1) Information regarding import localization is based on the country of manufacture of the vehicle, not the historical affiliation of the vehicle brand. (2) Car import statistics include both new and used cars.

4.2 Car Lending

The car loan market is experiencing rapid growth. While car loan originations totaled 1.4 trln tenge in 2023, it reached 1.8 trln tenge in 2024. In 2025, car lending reached approximately 2.4 trln tenge, comparable to mortgage lending over the same period. Loans with tenors of more than five years predominate in the structure of origination, accounting for over 60% of annual loan volumes over the entire period under review.

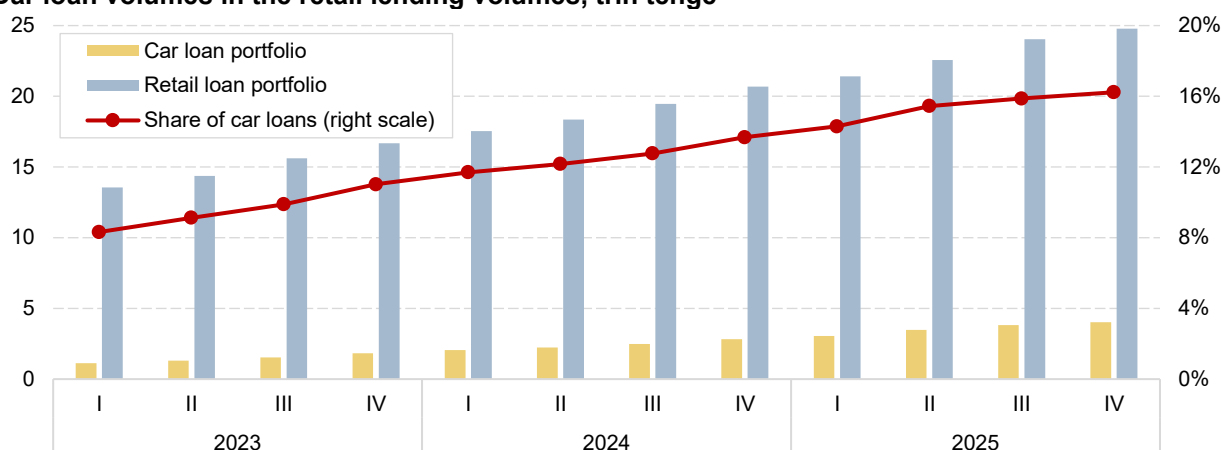
The rapid growth in car loan originations also impacted portfolio growth. Thus, from 2023 to 2025, the car loan portfolio more than doubled, reaching just over 4 trln tenge. As with origination volumes, the portfolio structure is predominantly comprised of loans with tenors of more than five years—at the beginning of 2026, they accounted for 73.1% of the total portfolio. The shares of car loans with tenors of less than three years and three to five years were 4.2% and 22.7%, respectively.

Figure 4.8 The car loan portfolio exceeded 4 trln tenge at January 1, 2026**Volume of car loans provided, trln tenge****The car loan portfolio by the end of the year, trln tenge****Source:** Credit Register, BNS RK, National Bank computations

An analysis of the share of car loans in the retail loan portfolio also shows a strong growth in car loans. While car loans accounted for only 8% of the total retail loan portfolio in Q1 2023, by the end of 2025, this figure had already reached 16%, representing a twofold increase. This trend indicates that the growth rate of car loan portfolio outpaced that of retail loan portfolio from 2023 to 2025.

Figure 4.9 During 2023-2025, the share of car loans in the retail lending volume doubled, from 8% to 16%.

Car loan volumes in the retail lending volumes, trln tenge

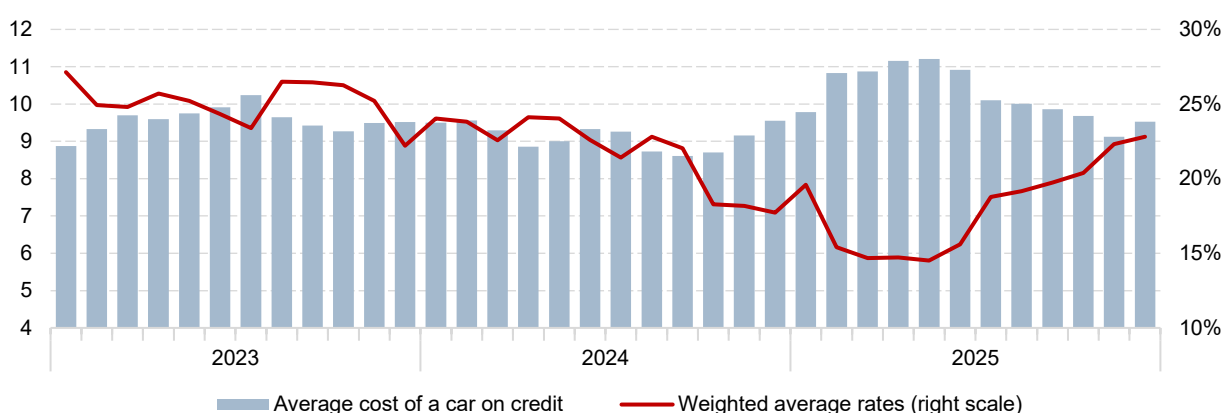


Source: SCB, National Bank computations

In the first half of 2023, there was an increase in the average cost of a loaned car, accompanied by a decrease in weighted average interest rates. Thus, in July 2023, the cost of a car loan reached 10.2 mln tenge, and weighted average interest rates decreased to 23.4%. Subsequently, interest rates and cost of loan moved in a consistent direction until Q3 2024. In September 2024, the cost of a loaned car was 8.6 mln tenge, with a weighted average rate of 22%.

Figure 4.10 In 2025, an average cost of a loaned car and an average interest rate on a car loan was 10.3 mln tenge and 18.1%, respectively.

An average monthly cost of a car loan, mln



Source: Credit Register, National Bank computations

From October 2024 to mid-2025, interest rates fell rapidly, while the average cost of a car loan increased. This trend is explained by the introduction of partnership programs by auto centers, where more favorable lending terms were accompanied by an increase in the loan value of the car. From the second half of 2025, the reduction in the average loan value of a car was observed, accompanied by an increase in interest rates on car loan. Overall, in 2025, the average cost of a loaned car and the average interest rate on car loan were 10.3 mln tenge and 18.1%, respectively.

Below are figures showing the number and volume of car loans by vehicle price. Vehicle price was divided into six categories. Cars priced under five mln and over fifteen mln were divided into separate categories. Cars priced between five and fifteen mln were divided into four groups with intervals of two and a half mln.

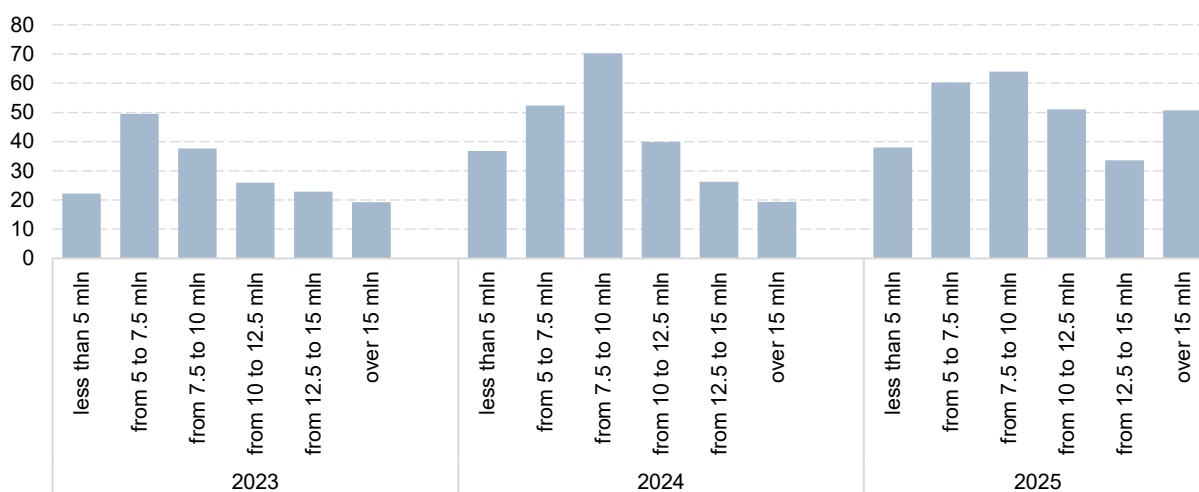
An analysis of the number and volume of car loans indicates an annual increase in both the origination and the number of car loans. Thus, in 2023, 178 thousand car loans

were provided, and in 2024 – 245 thousand. In 2025, the number of car loans reached 298 thousand. It is noteworthy that in 2023, the largest number of loans – 49.6 thousand – were for the purchase of cars priced between 5 and 7.5 mln tenge. However, in 2024-2025, loans for cars priced between 7.5 and 10 mln tenge predominated in the car loan structure. In total, the number of car loans in this category amounted to 70 thousand in 2024 and 63 thousand in 2025.

This trend may be stemming factors such as rising car prices, easing lending conditions, and a shift in consumer preferences towards more expensive vehicles. This is also evidenced by the increase in the number of loans provided to purchase cars priced above 15 mln tenge. In 2025, a record 50.7 thousand car loans were provided in this category—more than the combined number of loans in the same category over the previous two years.

Figure 4.11 In 2025, 298 thousand car loans were originated

Number of car loans, thous.

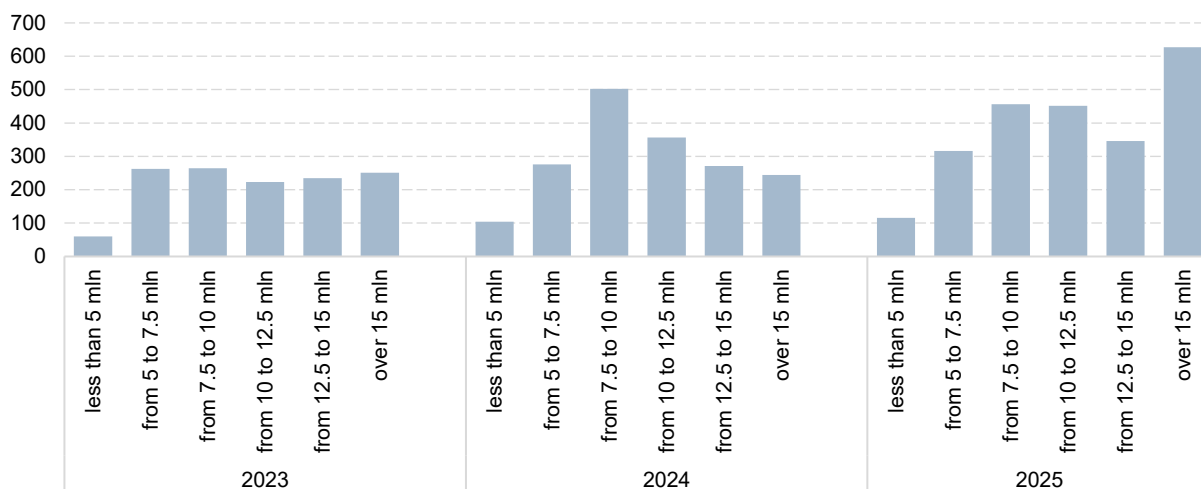


Source: Credit Register, National Bank computations

In 2023, the largest volumes of loans were provided for cars priced between 5 and 10 mln tenge. However, starting in 2023, there has been an increase in loans provided for cars priced above 10 mln tenge. Thus, the volume of loans provided to purchase cars priced above 10 mln tenge in 2023 amounted to 0.7 trln tenge, increased to 0.9 trln tenge in 2024, and reached 1.4 trln tenge in 2025, accounting for approximately three-fifths of total loans provided in the corresponding year. Notably, the majority of loans were provided for cars priced above 15 mln tenge – the total volume of loans provided in this price category reached 627 bln tenge, an increase of 157% compared to the previous year. Such a sharp increase in both the number and volume of car loans provided in this price segment may create additional risks for car loan portfolios.

Figure 4.12 In 2025, origination volumes of car loans worth over 15 mln went up by 157% compared to 2024.

Volume of car loans provided, bln

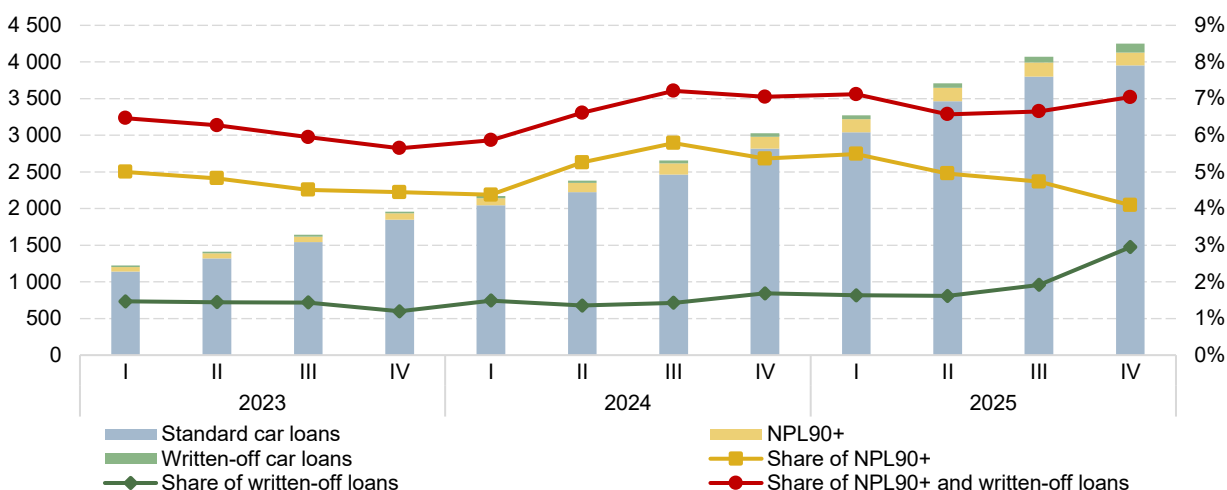


Source: Credit Register, National Bank computations

The structure of car loan portfolios of the second-tier banks during 2023-2025 shows a decrease in the share of loans 90+ days past due. While this figure stood at 5% at the beginning of 2023, it fell to 4.1% by the end of 2025. However, an improvement in the NPL90+ ratio does not necessarily mean an improvement in the quality of the car loan portfolio. This is evidenced by the statistics on loans written off the balance sheet. Over the period of 2023-2025, the share of such loans had almost doubled, reaching 2.9%, which is the maximum value in the analyzed period. Thus, despite the reduction in debt 90+ days past due, the share of problem loans at the end of 2025 remains high – 7% of the total car loan portfolio of the second-tier banks. This trend, combined with factors such as the growth in the number and volume of car loans in the country, creates additional risks to financial stability and elevates the need for more thorough monitoring of borrowers' creditworthiness.

Figure 4.13 The share of car loans of individuals written off by STBs accounted for 2.9% at the end of 2025.

Qualitative structure of STB car loan portfolios, bln tenge



Source: SCB, National Bank computations

V Risks of the Banking and Microfinance Sectors

5.1 Corporate Portfolio Quality

At the year-end 2025, banks' corporate loan portfolios had been characterized by structural shifts amid tighter credit conditions. The share of loans with higher annual effective interest rates is increasing and loan tenors are shortening, particularly in the segment of national currency loans, reflecting banks' reorientation toward short-term working capital financing. At the same time, portfolio dollarization is increasing among large borrowers.

Credit risk is unevenly distributed: the individual and micro-entrepreneur segment exhibits a higher level of impaired loans, while portfolio quality remains relatively stable in the large corporate sector. At the same time, significant debt concentration among the largest borrowers, as well as increased lending to non-residents, are boosting banks' sensitivity to individual counterparty risks.

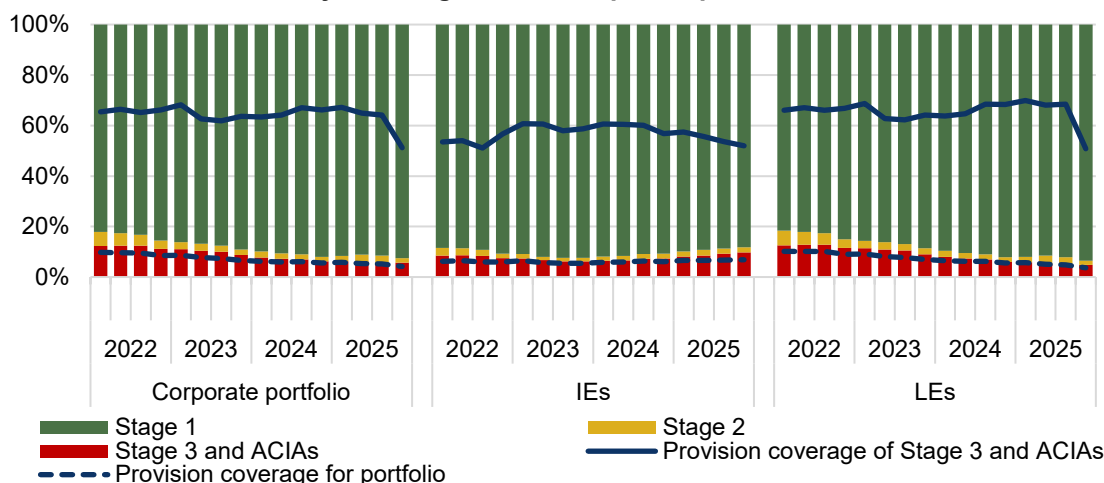
Despite the persistently high share of Stage 1 loans under IFRS, declining provision coverage and structural effects (*concentration, changing borrowing costs, and new originations*) point to potential risks. In such conditions, the priority is to ensure diversification of the loan portfolio, manage interest rate and foreign exchange risks, and maintain a sufficient level of reserves.

The banks' corporate loan portfolio expanded by 20% in 2025, reaching 17.6 trln tenge. Stage 1 loans under IFRS⁷, account for the bulk of the corporate portfolio, amounting to 93% (*Figure 5.1*). In this context, the total share of Stage 2 and 3 loans in the corporate portfolio continues to decline, primarily due to the dynamics of corporate lending. At the same time, a slight reduction in the share of Stage 3 loans, including loans overdue by over 90 days, was observed. Specifically, the share of stage 3 loans decreased by 0.5 percentage points, reaching 5.7% in 2025, while the share of loans 90+ days past due, conversely, increased from 2.1% to 2.9%. At the same time, in the segment of individual entrepreneurs, the share of Stage 2 and 3 loans increased by 3 percentage points, reaching 12%.

⁷ IFRS classifies loans into three categories by loan quality (risk stages): unimpaired loans without a significant increase in credit risk (Stage 1), unimpaired loans with a significant increase in credit risk (Stage 2), and impaired loans (Stage 3). For analysis purposes, stage 3 loans under IFRS include acquired or created impaired assets (hereinafter referred to as ACIAs).

Figure 5.1 The share of impaired loans is going down among borrowers-legal entities, whereas it is increasing in the IE portfolio

Structure of loan shares by risk stages in the corporate portfolio



Source: Credit Register

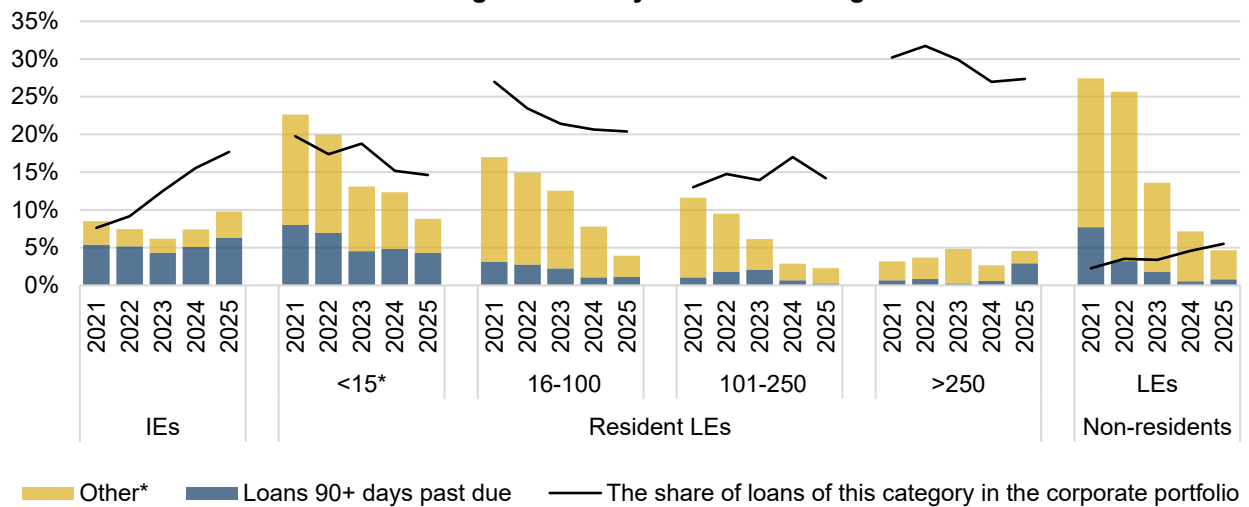
Note: Quality of loan portfolios according to IFRS: Stage 1 includes performing loans without a significant increase in credit risk, Stage 2 includes loans with a significant increase in credit risk, Stage 3 includes loans for which the credit risk has already been materialized (impaired loans).

Provisions created by the banking sector in accordance with IFRS requirements to cover credit losses continue to cover more than half of impaired loans, despite their significant decline in 2025 by 17.5 pp to 51% (*Figure 5.1*). At the same time, there has been a significant reduction in the level of provisions for Stage 2 loans, with the coverage ratio falling from 22% to 12% in the reporting period. Given this, the overall reserve coverage ratio of the corporate loan portfolio also demonstrated negative dynamics, decreasing from 6% to 4%. The observed dynamics of provisions are likely driven by internal factors primarily. These factors include the write-off of impaired assets from banks' balance sheets, which led to a reduction in the volume of Stage 3 loans and, accordingly, the release of reserves. An additional impact was exerted by the increase in the share of new loans provided to legal entities and, as a result, lower reserve requirements.

Credit risks associated with the individual and micro-entrepreneurship segment (legal entities with up to 15 employees) remain relatively high. On the one hand, there has been a significant increase in the concentration of impaired assets in this segment: as of the end of 2025, the share of Stage 3 loans reached 53% of the total volume of impaired loans in the corporate portfolio, up from 40% in 2021. At the same time, the total share of debt of individual and micro-entrepreneurs in the corporate loan portfolio of banks went up from 27% to 32% over the reviewed period, remaining at a relatively moderate level (*Figure 5.2*). On the other hand, the share of impaired loans in the individual and micro-entrepreneurship segments is significantly higher compared to larger business categories, including compared to non-resident firms.

Figure 5.2 The share of Stage 3 loans (IFRS) is higher among small business entities

The structure of loan shares of the Stage 3 banks by dimension categories of business entities



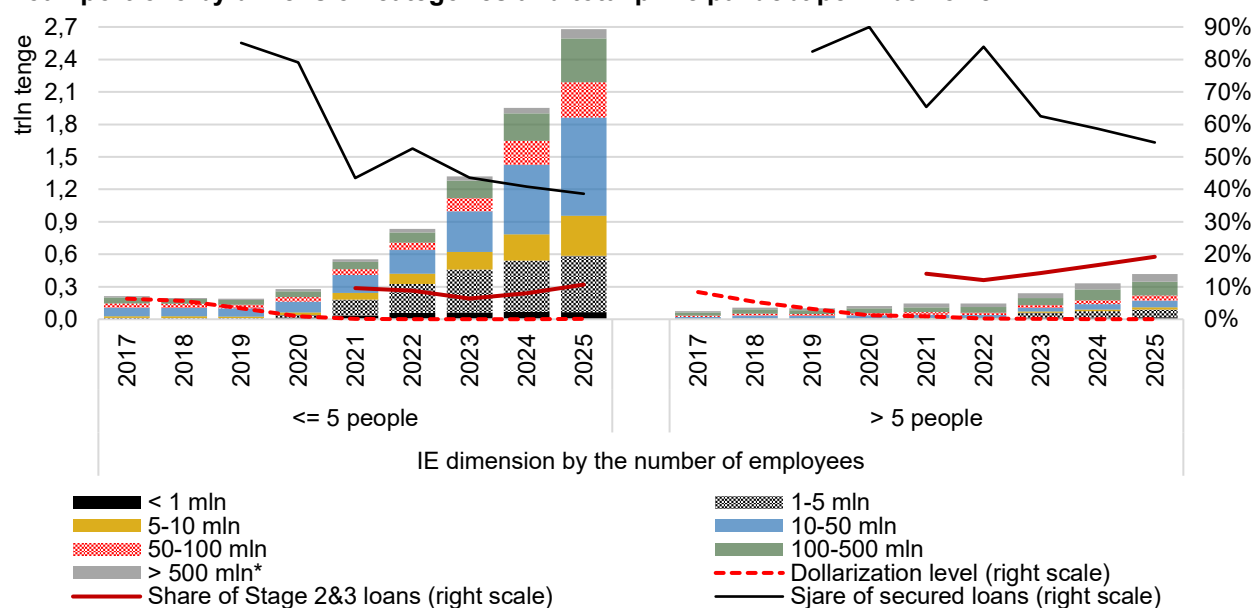
Source: Credit Register, BNS RK.

Note: * Resident legal entities are grouped into categories depending on the number of employees in accordance with the legal entity dimension classifier of the BNS RK.

A characteristic feature of the structure of impaired assets is a persistent excess of the share of Stage 3 loans, including loans 90+ days past due, over the share of such loans in the corporate portfolio, and this gap expands as the size of the borrower increases (*Figure 5.2*). This highlights differences in the nature of credit risk across segments. These differences are driven by both the specifics of borrowers' financial and economic activities and credit risk management practices in the banking sector. In the individual and micro-entrepreneurship segment (legal entities with up to 15 employees), simplified financial reporting methods and limited publicity of their activities mean that deterioration in borrowers' creditworthiness is typically detected at the stage of actual delinquency. Meanwhile, for other types of businesses, banks employ more sophisticated early warning systems that enable them to identify signs of impairment before delinquency occurs. As a result, in these segments, a significant portion of loans are classified as Stage 3 based on qualitative factors, including deterioration in the borrower's financial position, debt restructuring, or other indicators of default in accordance with IFRS requirements.

Figure 5.3 More than a half of IE debt (56%) is concentrated among borrowers with total debt over 10 mln tenge

IE loan portfolio by dimension categories and total principal debt per 1 borrower



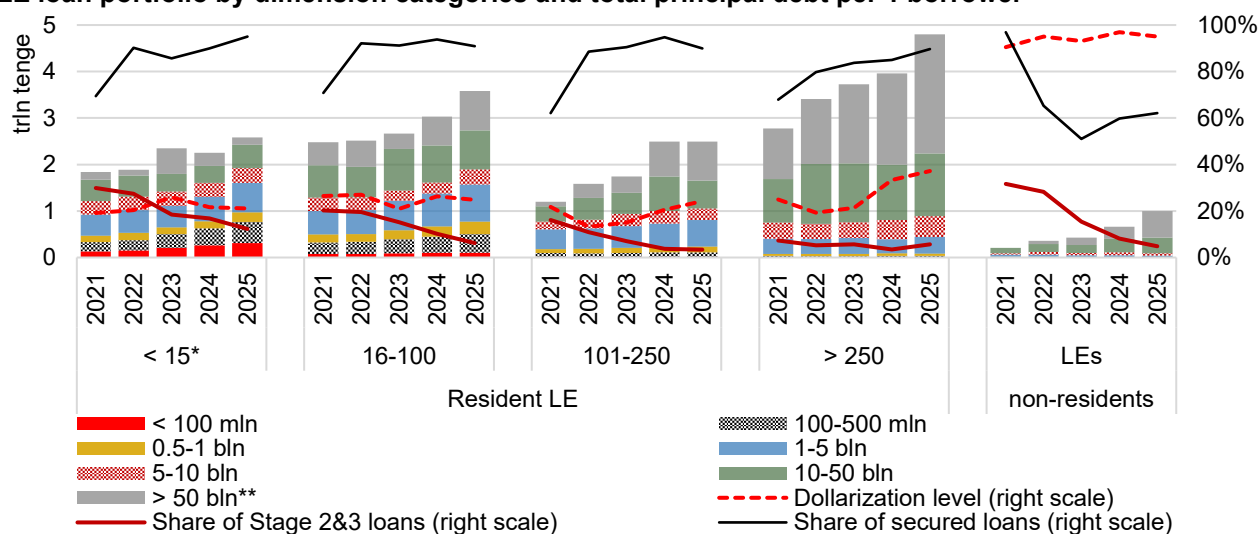
Source: Credit Register, BNS RK.

Note: *The column structure reflects the distribution of borrowers by the amount of their total debt to the second-tier banks of the Republic of Kazakhstan. The size of individual entrepreneurs by number of employees corresponds to the business entity dimension classifier of the BNS RK.

Debt concentration per one borrower in the individual entrepreneur segment is much lower compared to the same indicator for legal entities ([Figures 5.3 and 5.4](#)). At the year-end 2025, the bulk of individual entrepreneur debt (86%) is concentrated in entities with up to five employees. Borrowers with a total debt of over 10 mln tenge account for more than a half of this volume (56%). Larger categories of individual entrepreneurship (with more than five employees) account for the remaining portion of the loan portfolio (14%), where approximately 47% of the debt is formed by loans exceeding 100 mln tenge per borrower. The level of dollarization of individual entrepreneur debt, regardless of the scale of their operations, remains minimal and close to zero. At the same time, despite a relatively high share of secured loans among larger individual entrepreneurs, the level of credit risk in this category remains elevated, and the share of Stage 2 and 3 loans is almost twice that of smaller entrepreneurs ([Figure 5.3](#)). Factors of increased debt concentration, limited liquidity of collateral and/or the stage of active growth of entities, in which larger representatives of individual entrepreneurs are likely to be, may cause the persistence of a high share of Stage 2 and 3 loans.

Figure 5.4 The larger a firm's (LE) size, the bigger the total debt concentration per 1 borrower

LE loan portfolio by dimension categories and total principal debt per 1 borrower



Source: Credit Register, BNS RK.

Note: **The column structure reflects the distribution of borrowers by the amount of total debt to the second-tier banks of the Republic of Kazakhstan. *Resident legal entities are grouped into categories based on the number of employees in accordance with the legal entity dimension classifier of the BNS RK.

The distribution of debt among legal entities by the degree of concentration of bank debt indicates that as the scale of companies' activities expands, the total debt per borrower increases significantly (*Figure 5.4*). Moreover, unlike individual entrepreneurs, half of legal entities' bank debt (50%) is concentrated in larger business categories (>100 employees) at the end of 2025. Microbusinesses account for 18% of legal entities' bank debt, with 38% of this volume concentrated among borrowers with debt not exceeding 1 bln tenge. On the other hand, the largest categories of legal entities (>250 employees) account for approximately 33% of bank debt, with more than a half (53%) of this amount held by borrowers with debt exceeding 50 bln tenge. A separate category is comprised of non-resident legal entities, whose debt to the banking sector reached 1 trln tenge by the end of 2025, a five-fold increase over the period under review. The debt structure of this group, in terms of the amount of borrowing, is similar to that of the largest corporate borrowers and is characterized by a pronounced concentration among a limited number of large clients. In particular, 57% of the debt of non-resident companies is concentrated among borrowers with a total bank debt of over 50 bln tenge.

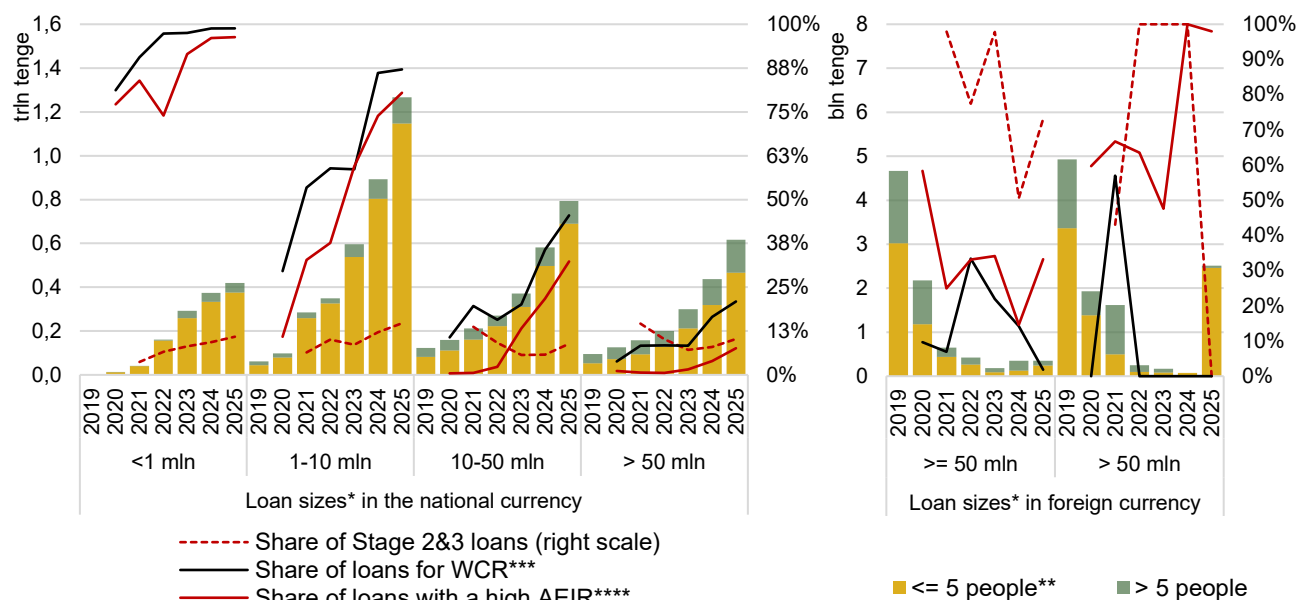
An analysis of the structure of the corporate loan portfolio also indicates a gradual increase in the level of debt dollarization, most pronounced in the segment of large companies (*Figure 5.4*). In particular, among resident large businesses (>250 employees), the share of foreign currency debt increased by 12 pp over the past five years, reaching 37% at the end of 2025. Meanwhile, among non-resident firms, bank lending is almost entirely denominated in foreign currency, reaching 95%.

Unlike individual entrepreneurs, bank lending to resident legal entities is predominantly secured (up to 95%). Regardless of the scale of resident companies' operations, there is a steady upward trend in the share of secured lending, which may indicate banks' increasingly conservative approaches to credit risk management. Conversely, among non-resident borrowers, the share of secured loans has declined, which may reflect a higher level of trust in borrowers in this category. In terms of loan portfolio quality, as of the end of 2025, the largest share of stage 2 and 3 loans is observed in the small business segment, while the lowest values are typical for the largest borrowers, including non-residents (*Figure 5.4*).

In contrast to the concentration of bank debt per borrower, the structure of the corporate portfolio in terms of individual loan agreements is characterized by an expectedly lower degree of concentration (*Figures 5.5, 5.6 and 5.7*). Loans to individual entrepreneurs are provided by banks almost exclusively in the national currency and through small loans of no more than 10 mln tenge (*Figure 5.5*). At the same time, there is a steady trend towards an increase in the share of loans in the segment of individual entrepreneurs aimed at replenishing working capital, as well as loans with a high effective interest rate. This trend is evident both over (2020–2025) and as the size of loan agreements in the national currency decreases. In particular, as of the end of 2025, loans of up to 1 mln tenge are almost entirely represented by working capital financing at rates exceeding 30%. In contrast, larger loan transactions (>50 million) are focused primarily on investment purposes and construction financing (61%), for which interest rates are generally more favorable (<30%). Given that, the share of Stage 2 and 3 loans among loans in the national currency remains higher in the segment of small loans (<10 million), whose level is gradually increasing. Meantime, the quality of larger loans shows a slight improvement in the period under review (*Figure 5.5*).

Figure 5.5 IE loans in the tenge of a smaller volume are characterized by a higher share of working capital financing and an increased level of the AEIR

IE loan portfolio by dimension categories and the principal debt volume per 1 loan agreement



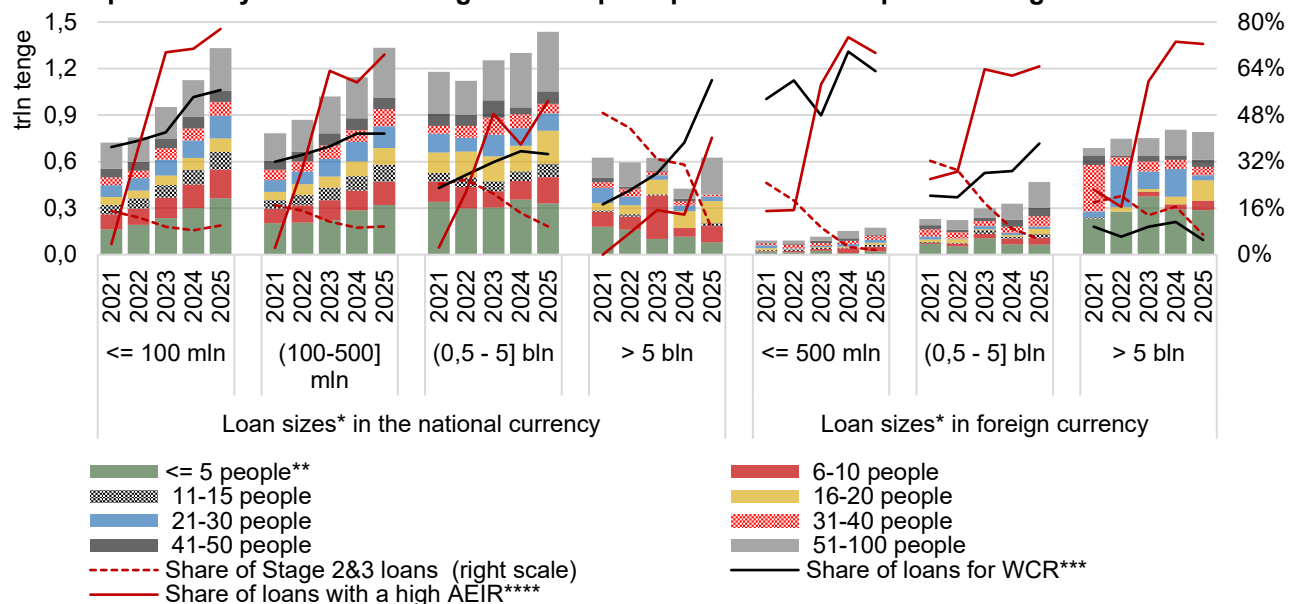
Source: Credit Register, BNS RK.

Note: ** The column structure reflects the distribution of borrowers by category based on the number of employees, in accordance with the business entity dimension classifier of the BNS RK *Loan agreements are further grouped into categories based on the principal amount. ***WCR – working capital replenishment. ****Loans with a high AEIR include loans in the national currency with an interest rate exceeding 30% and loans in foreign currency with an interest rate exceeding 7%.

The bank loan portfolio, formed through loans to legal entities in the small business segment (up to 100 employees), is primarily represented by loans of up to 5 bln tenge in the national currency, while loans in foreign currency exceed 5 bln tenge (*Figure 5.6*). Similar to the individual entrepreneur segment, the small business loan portfolio in the national currency is seeing an increase in the share of loans with high interest rates (>20%). This trend is evident both over time (2021–2025) and as the volume of loan agreements decreases. In contrast, in the segment of foreign currency loans to small businesses, regardless of the loan size, there has been a significant increase in the share of loans with an interest rates exceeding 7%. In terms of lending purposes, loans in the national currency, both in the small loan segment (up to 100 mln tenge) and among large transactions (over 5 bln tenge), are primarily used to replenish working capital (about 60%). At the same time, in the segment of foreign currency loans,

Figure 5.6 In terms of the debt amount in the loan agreement, loans to small businesses in the tenge are originated mainly in less than 5 bln tenge and foreign currency loans – over 5 bln tenge

LE loan portfolio by dimension categories and principal debt volume per 1 loan agreement



Source: Credit Register, BNS RK.

Note: ** The column structure reflects the distribution of borrowers by category based on the number of employees, in accordance with the legal entity dimension classifier of the BNS RK. *Loan agreements are further grouped into categories based on the principal amount. ***WCR – working capital replenishment. ****Loans with a high AEIR include loans in the national currency with an interest rate exceeding 20% and loans in foreign currency with an interest rate exceeding 7%

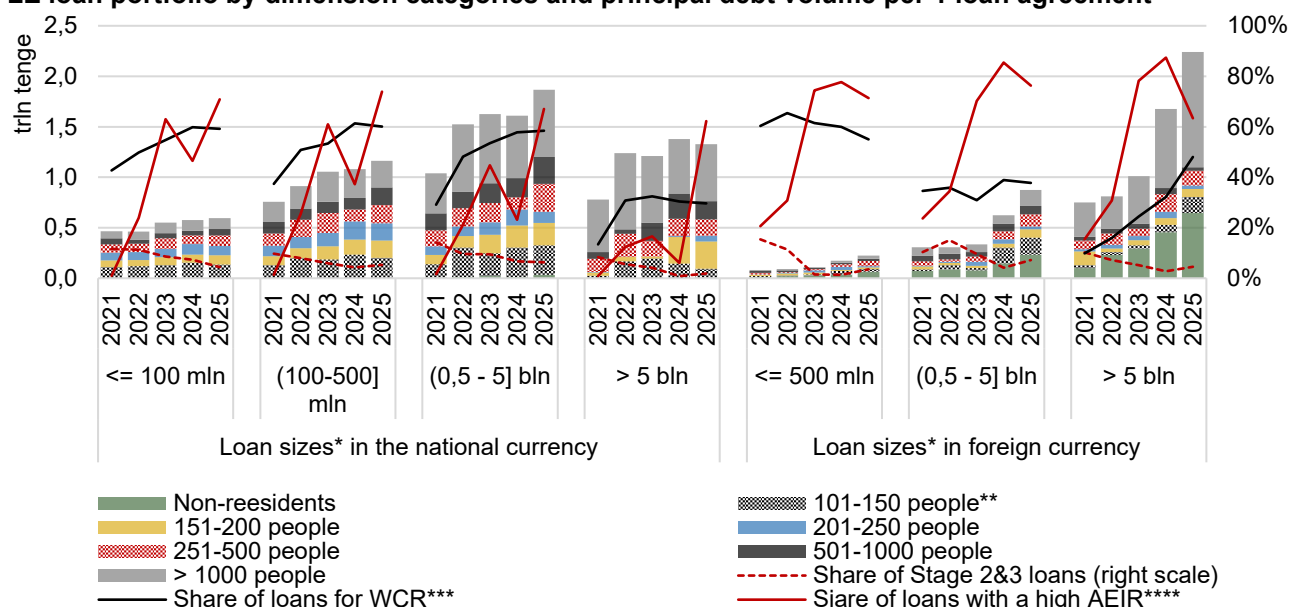
the working capital financing is largely typical for smaller loans. It should also be noted that a significant portion of small business debt is concentrated in companies with fewer employees. In particular, the micro-entrepreneurship category (up to 15 employees) accounts for approximately 42% of the total debt of small businesses, with financing for this category primarily provided in the national currency. The quality of small business loans at the end of 2025 was somewhat worse among loans denominated in the national currency, but this was not directly related to the loan agreement amount.

The banks' loan portfolio, formed through loans to legal entities of medium and large businesses (>100 employees), including non-residents, is in many ways comparable in structure to the small business segment, where loan transactions in the national currency in the amount of up to 5 bln tenge predominate, while borrowings in foreign currency are represented by larger amounts (Figure 5.7). However, unlike small businesses, the debt of medium and large companies, including non-residents, is characterized by a higher degree of concentration, concentrated primarily among the largest borrowers. Thus, enterprises with over 1,000 employees account for approximately 35% of the total debt in this segment at the end of 2025. Another structural feature of the large and medium-sized business segment is that the share of loans in the national currency with high rates (>20%) exceeds 60% of the debt, regardless of the loan size at the end of 2025. Moreover, in the foreign currency lending segment, the dynamics of the share of loans with higher rates (>7%) generally correspond to the trends observed in small businesses. In terms of lending purposes, loans in the national currency for working capital purposes largely predominate among transactions up to 5 bln tenge (60%). Moreover, in the category of large transactions with foreign currency loans, the share of working capital financing goes up as the size of the debt increases, which may indicate an increase in the use of foreign currency borrowing to support the current operations of firms. In addition, it is worth mentioning the increasing role of foreign currency lending (Figure 5.7), with the share of such loans among medium-sized

and large businesses including non-residents reaching 40% by the end of 2025 (27% in 2021).

Figure 5.7 *Loan agreements with large debt volumes are entered into mainly with largest firms and non-resident companies in foreign currency*

LE loan portfolio by dimension categories and principal debt volume per 1 loan agreement



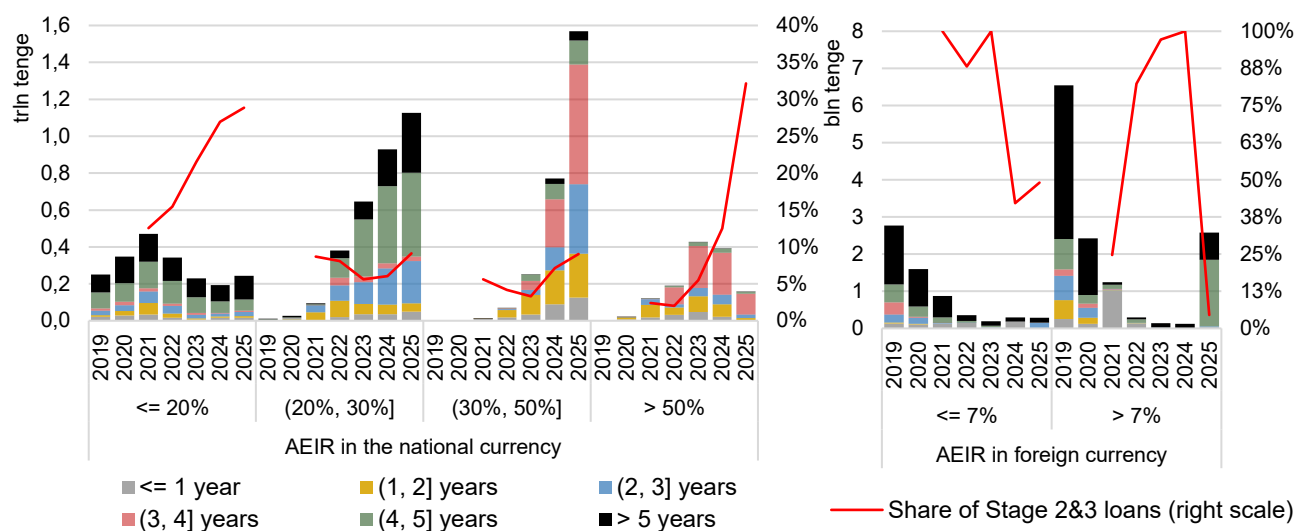
Source: Credit Register, BNS RK.

Note: ** The column structure reflects the distribution of borrowers by category based on the number of employees, in accordance with the legal entity classifier of the BNS RK. *Loan agreements are further grouped into categories based on the amount of the principal debt. ***WCR – working capital replenishment. ****Loans in the national currency with an interest rate exceeding 20% and in foreign currency with an interest rate exceeding 7% are classified as loans with a high AEIR.

The distribution of individual entrepreneur debt by the AEIR baskets and loan tenors in the national currency is an evidence of structural changes in the loan portfolio. Specifically, there is a shift away from loans with relatively low rates and long tenors (>4 years) toward shorter-term loans with higher AEIR values (*Figure 5.8*). Since 2022, the share of loans with AEIR of 20–50% in the tenge-denominated loan portfolio of individual entrepreneurs has increased. Moreover, in 2019–2021, the majority of individual entrepreneur loan portfolios were loans with AEIR of up to 20%. The segment of loans with AEIR of up to 20% is dominated by secured loans, and a significant portion (66%) of loans provided under government business support programs are also concentrated. Regarding the quality of individual entrepreneur loan portfolios in the national currency, the least favorable indicators are observed in the extreme segments of the AEIR distribution (*Figure 5.8*). Loan quality deterioration of such loans is observed both among loans with minimum values, and with maximum AEIR baskets in the national currency; this

Figure 5.8 Debt concentration of IE in the tenge is shifting towards higher interest rates and shorter tenors

IE loan portfolio by AEIR categories and loan tenors under the loan agreement



Source: Credit Register.

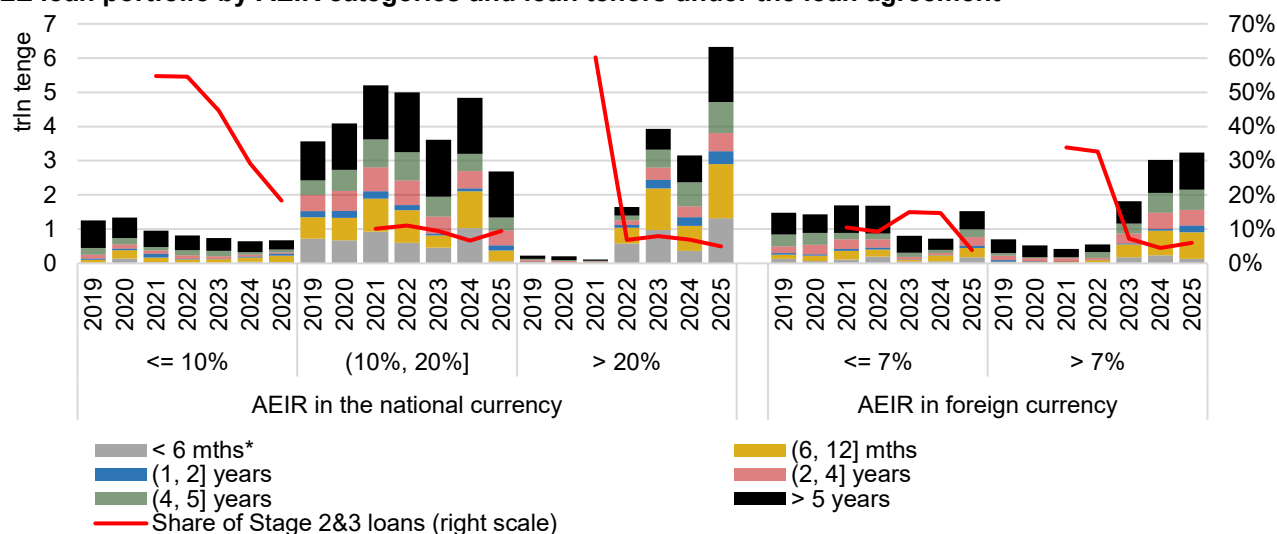
Note: The column structure reflects the distribution of borrowers into categories based on the loan term specified in the loan agreement. AEIR values are further grouped by category based on the interest rate level.

occurs against the shrinking of the respective portfolios. For currency-denominated loans, insignificant origination volumes and mainly long tenors are typical.

Similar to the dynamics in the individual entrepreneur segment, the structure of corporate debt also shows a shift from loans with relatively low AEIR values to higher rate categories (*Figure 5.9*). Moreover, the shift towards higher AEIR in the corporate loan portfolio is universal and is evident in both the national currency loans and foreign currency loans. The bulk of the national currency debt (65%) as of the end of 2025 is concentrated in categories with AEIR values above 20%, a significant portion (46%) of which are loans with a tenor of up to one year. In the foreign currency lending segment, 68% of loans were provided at interest rates exceeding 7%, while about a half (52%) of such debt is among loans with

Figure 5.9 AEIR for companies (LEs) is also increasing. Meantime, the lower the AEIR category in the national currency, the higher the share of loans with elevated risk

LE loan portfolio by AEIR categories and loan tenors under the loan agreement



Source: Credit Register.

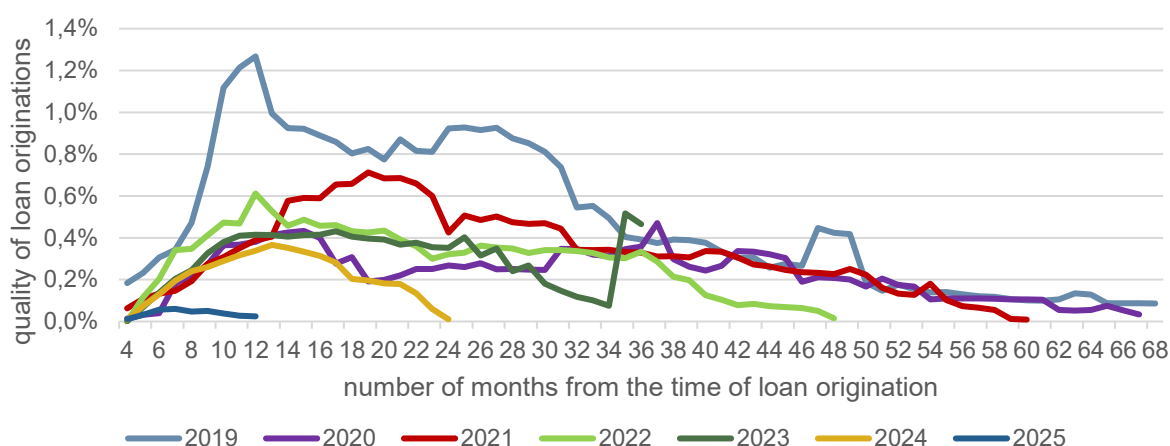
Note: *The column structure reflects the distribution of borrowers by category based on the loan term in the loan agreement. AEIRs are further grouped into categories based on the interest rate.

the tenor over 4 years. The growing share of loans with higher AEIR values in local currency, coupled with shorter loan tenors, indicates banks' adaptation to changing market conditions, including rising funding costs, and also, to some extent, reflects a focus on short-term working capital financing. In terms of loan portfolio quality, loans in the national currency demonstrate a higher share of high-risk and impaired assets in the lowest-rate segment (<10%), which may be due to the specific structure of such loans, including a significant share of subsidized loans. Meanwhile, in the foreign currency lending segment, the share of Stage 2 and 3 loans is slightly larger in the high-AEIR categories (> 7%).

Box 5.1 Risks in Lending to IEs

For comparative analysis purposes, the corporate segment is used as a benchmark for assessing the credit risk of loans to individual entrepreneurs. The quality of credit decisions for corporate loans will maintain a steady positive trend in 2025 (Figure 1). The dynamics of the vintage curves show a convergence of the paths of new originations: the 2024 cohorts largely replicate the behavior of 2023 originations, which may indicate the formation of a more homogeneous and predictable risk profile. An exception is observed in 2023 loans at 35-36 months of the loan life, at the end of the 2025 reporting year, where a local deviation of the curve is stated due to the default of one large loan. It should be noted that the values for the 2025 origination are not fully representative, since the corresponding cohorts have not reached the 12-month observation horizon, which may lead to an underestimation.

Figure 1. Vintage analysis of the corporate portfolio: a unified risk profile for problem debt management (NPL90+) is designed

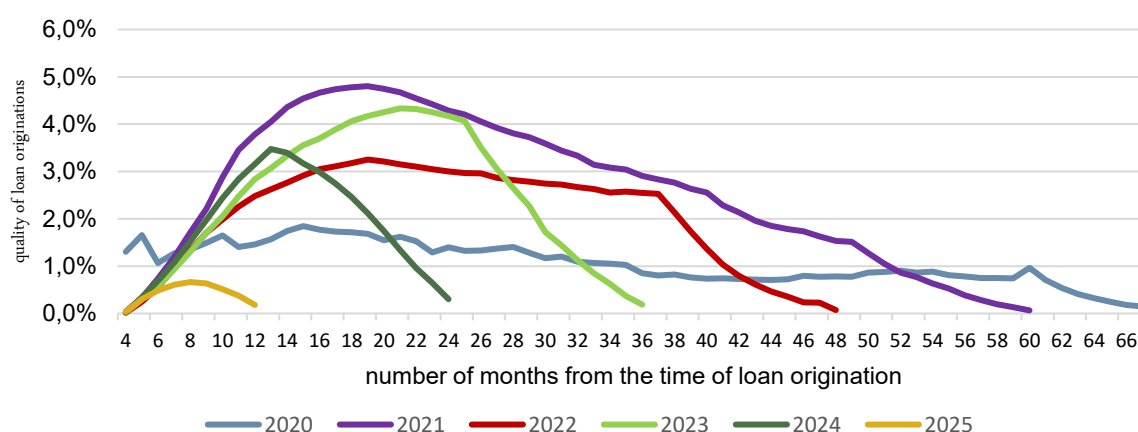


Source: Credit Register

Note: The quality of loan origination is assessed by the share of loans 90+ days past due in the total volume of loans initially provided.

The individual entrepreneur segment is distinguished by a higher credit risk compared to the LE portfolio as a whole (*Figure 2*). Specifically, at its peak, the NPL90+ level in 2021 loans in the individual entrepreneur portfolio reached approximately 4.8%, while among corporate loans, the corresponding figure was approximately 0.7%. Meanwhile, in 2022 loans, the level of non-performing loans was lower compared to previous periods; in subsequent loans in 2023-2024, portfolio quality is deteriorating, evidencing the pressure on the segment and requiring increased attention.

Figure 2. Vintage analysis of the IE portfolio: the segment becomes more vulnerable

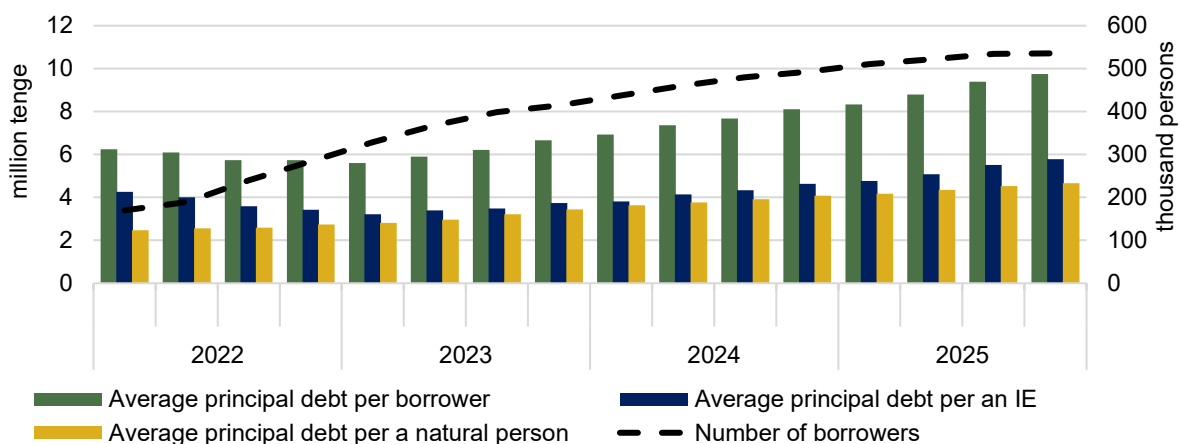


Source: Credit Register

Note: The quality of loan origination is assessed by the share of loans 90+ days past due in the total volume of loans initially provided.

In the portfolio of individual entrepreneurs who also hold loans as a natural person the number of borrowers show more than a 3-fold growth (*Figure 3*). Meanwhile, the dynamics of average total debt per borrower are mixed. A moderate decline is observed in 2022, driven by a reduction in the average total debt on loans to individual entrepreneurs. Meanwhile, retail loans are seeing steady growth, from around 2.5 mln tenge to approximately 4.7 mln tenge by the end of 2025. However, starting in 2023, the portion of debt raised for entrepreneurial activity will show growth, almost doubling by the end of 2025, becoming the main driver of average total debt expansion.

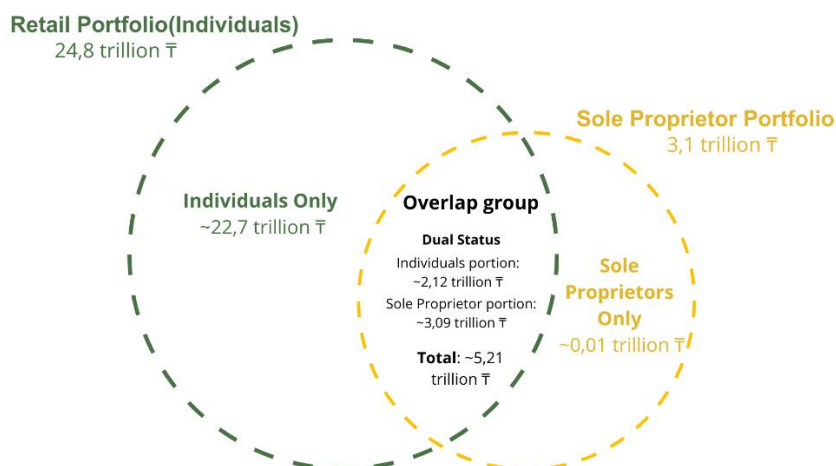
Figure 3. The number of borrowers that have both the IE loans and loans as a natural person is growing, despite a high level of average debt



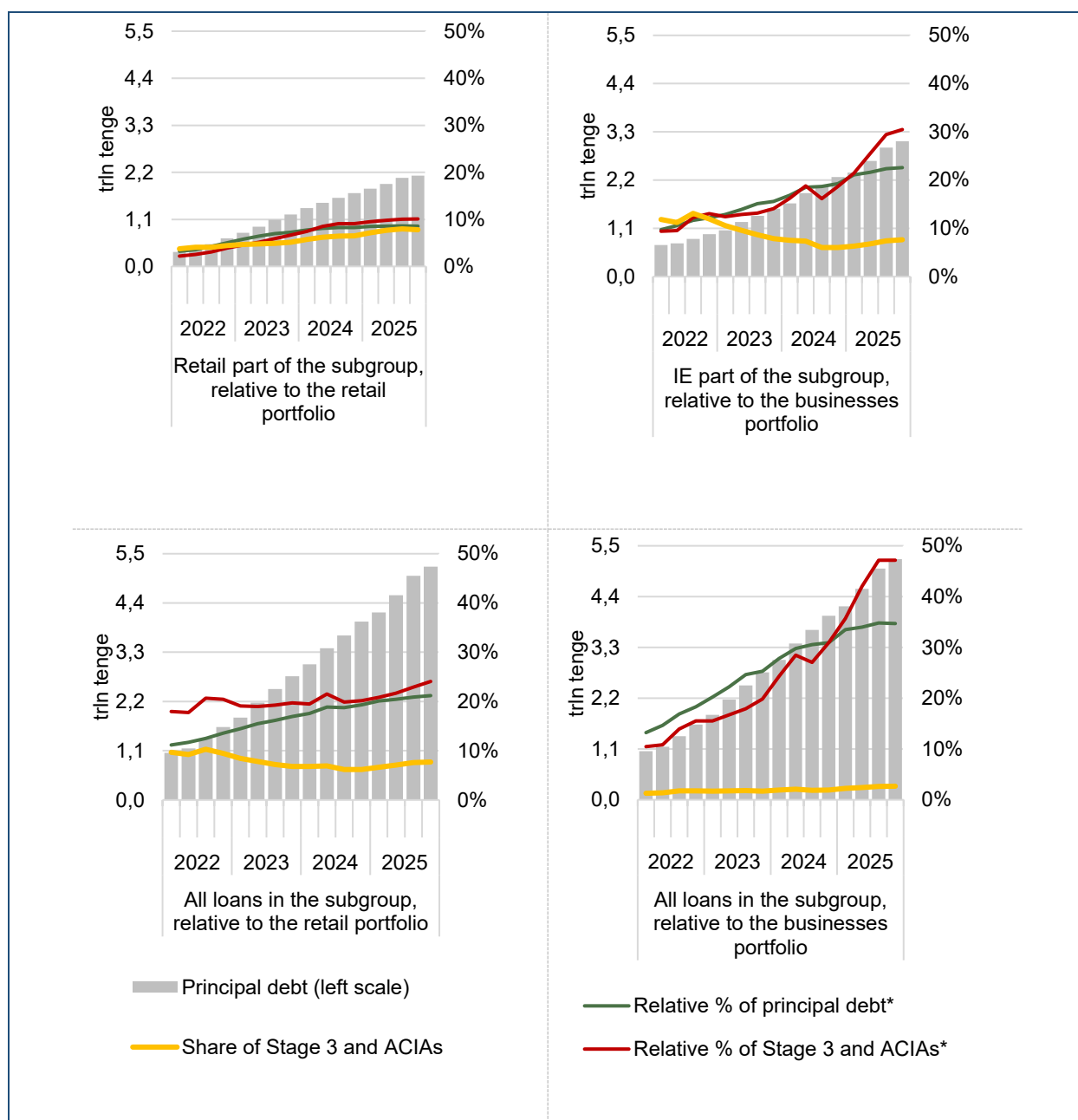
Source: Credit Register

Segments related to individual entrepreneurship continue to expand while concurrently demonstrating a deterioration in portfolio quality (Figure 4). Across all segments, a steady increase in debt is observed, indicating expansion in lending to borrowers who have both loans as individual entrepreneurs and personal loans. However, in terms of portfolio quality, the situation remains uneven: while risks in the retail sector appear generally manageable, the business segment is seeing an increasingly pronounced concentration of problem loans. Specifically, as of the end of 2025, loans to individual entrepreneurs who also hold personal loans accounted for approximately 30% of total problem loans in the business portfolio, with the share of total debt at approximately 22%, and the share of Stage 3 loans – at approximately 7.6%. When expanding the scope of analysis to the borrower's total debt, taking into account all of his/her loans in both the personal loan and individual entrepreneur segments, the level of vulnerability becomes even more pronounced: this group accounts for almost a half of the total volume of problem loans in the business sector at the end of 2025.

Figure 4. Vulnerability of the individual entrepreneur segment is of a broader nature



Note: The analysis includes borrowers (subgroup) with active loans in both the individual entrepreneur and personal segments as of the reporting date. To visualize the overlap between the segments, a Venn diagram was constructed as of the end of 2025.



Source: Credit Register

Note: The relative percentage is calculated as the ratio of the sum of the indicator in the selected segment and the total volume of the indicator of the corresponding portfolio.

Currently, as part of improving tax legislation, the status of self-employed individuals as a separate category of individuals engaged in entrepreneurial activity is enshrined. On July 18, 2025, a new Tax Code of the Republic of Kazakhstan was passed⁸, which enters into force on January 1, 2026. According to the amendments, the number of types of special tax regimes is reduced from seven to three, in particular for self-employed individuals, and the use of a simplified declaration for peasant and farm households.

A special tax regime for self-employed individuals who are not registered as individual entrepreneurs and do not employ hired labor can now apply. Their monthly income must not exceed 300 MCIs. This category of individuals does not require registration as an individual entrepreneur. The individual income tax rate is set at zero, but the obligation to pay social security contributions at a rate of 4% remains.

The procedure for applying the special tax regime remains the same for peasant and farm households. Other entrepreneurs whose annual income does not exceed

600,000 MCIs are entitled to file a simplified tax return. This tax regime provides for a flat individual income tax or corporate income tax rate of 4%, as well as an exemption from VAT and social tax. There is no limit on the number of employees for this category.

In the existing lending practice, there are still differences in conditions and restrictions between the segments of natural persons and individual entrepreneurs, which creates preconditions for redistribution of demand for borrowed funds between segments depending on the current regulatory requirements and restrictions. Thus, in the retail lending segment, the maximum level of debt ratio per a borrower is set at 0.5⁹; in addition, a direct limit for an amount of unsecured consumer bank loan is applied not to exceed 2200 MCIs¹⁰.

5.2 Bank Retail Portfolio

In 2025, banks' retail portfolios continued to grow, despite a minor slowdown. Unsecured consumer loans remain as the main growth driver. A shift in the structure of retail lending is observed, with the share of car loans increasing against a reduction in the share of mortgage loans. The quality of retail loans remains acceptable. However, provision coverage for Stage 3 retail loans is declining in 2025.

Mortgage and home loans are showing moderate growth. Demand in this segment remains sensitive to the terms and conditions of government programs and interest rates, resulting in uneven dynamics of loan origination. The quality of the individual home loan portfolio remains high. The car loan segment continues to demonstrate outpacing growth rates, but credit risks persist despite the portfolio expansion, as evidenced by the increase in the volume of Stage 3 loans. Regulatory easing in relation to the debt ratio (DR), which stimulates the growth in car loans, could lead to an accumulation of credit risks in this portfolio.

The unsecured consumer loan segment remains to be the main source of credit risk, where both the volume and share of Stage 3 loans have increased, indicating a further deterioration in the quality of this portfolio.

By the end of 2025, the retail portfolio volume reached 24.8 trln tenge (2024 – 20.7 trln tenge) with an annual growth of 19.8%, which is a sign of the ongoing trend of the portfolio growth deceleration (23.9% in 2024, 26.7% in 2023) (*Figure 5.10*). Nonetheless, the absolute growth remains significant: 4.1 trln tenge in 2025 versus 4 trln tenge in 2024.

The unsecured consumer loan portfolio expanded to 11.6 trln tenge, but its growth rate slowed significantly—from 29.2% to 14.6% (*Figure 5.100*), reflecting the slowdown in segment expansion and the increased impact of regulatory restrictions (Box 5.2). Despite this, this segment contributed the most to the retail portfolio growth—7.1 percentage points.

At the same time, secured consumer loans went up to 1 trln tenge (+28.5%) (*Figure 5.100*), retaining their insignificant share. The RML portfolio also grew to 7 trln tenge (+14.6%). Contribution to the overall growth by RMLs amounted to 4.3 pp, continuing the downward trend.

The car loan segment, despite the slowing dynamics, remains to be the most rapidly growing: the portfolio volume reached 4 trln tenge with a 42.1% growth (2024 – 53.8%) (*Figure 5.100*). The contribution to the retail portfolio growth by the segment was 5.8 pp.

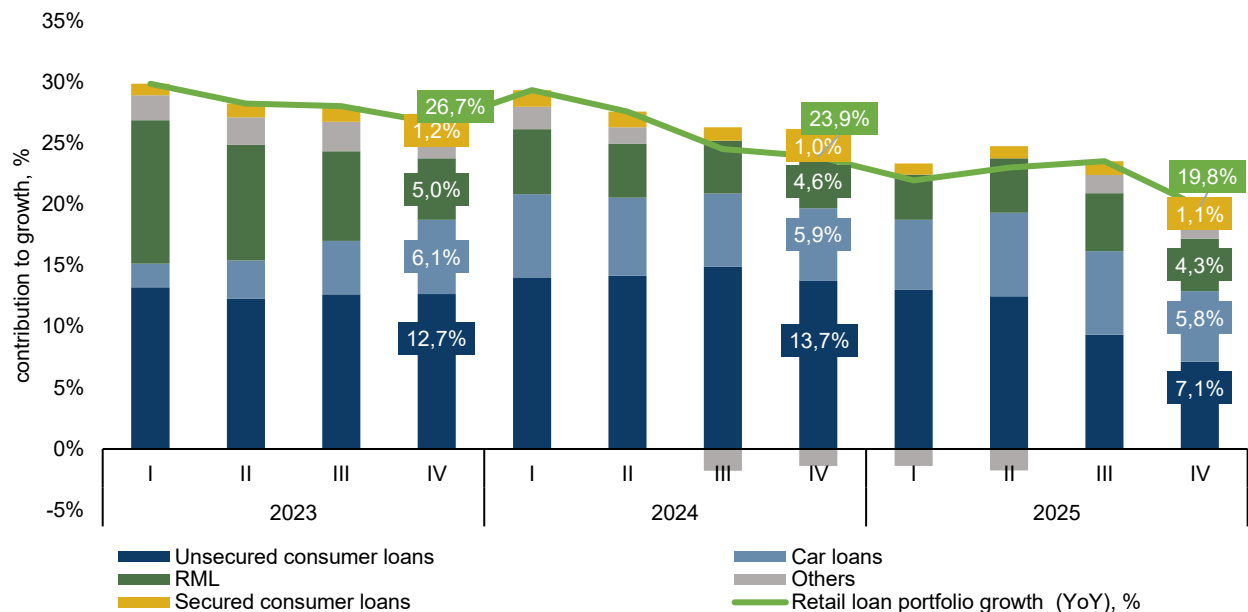
⁸ The Tax Code of the Republic of Kazakhstan dated July 18, 2025 No. 214-VIII.

⁹ On the establishment of macroprudential ratios and limits, their regulatory values, and calculation methods. Resolution of the Board of the National Bank of the Republic of Kazakhstan dated August 25, 2025, No. 52.

¹⁰ On approval of the Requirements for the amount of a consumer bank loan and consumer microloan. Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated August 16, 2024 No. 61.

Overall, the slowdown in retail portfolio growth is caused by a gradual cooling in demand for certain credit products, primarily unsecured consumer loans and mortgages, which was also noted by banks throughout the year¹¹.

Figure 5.10 In 2025, the growth of retail loan portfolio was decelerating. Unsecured consumer loans keep making the main contribution



Source: STB regulatory reports

Note: (1) RMLs include mortgage and home loans; (2) "Others" include loans provided for the purposes of construction, shared participation in housing construction, refinancing of home loans, etc.

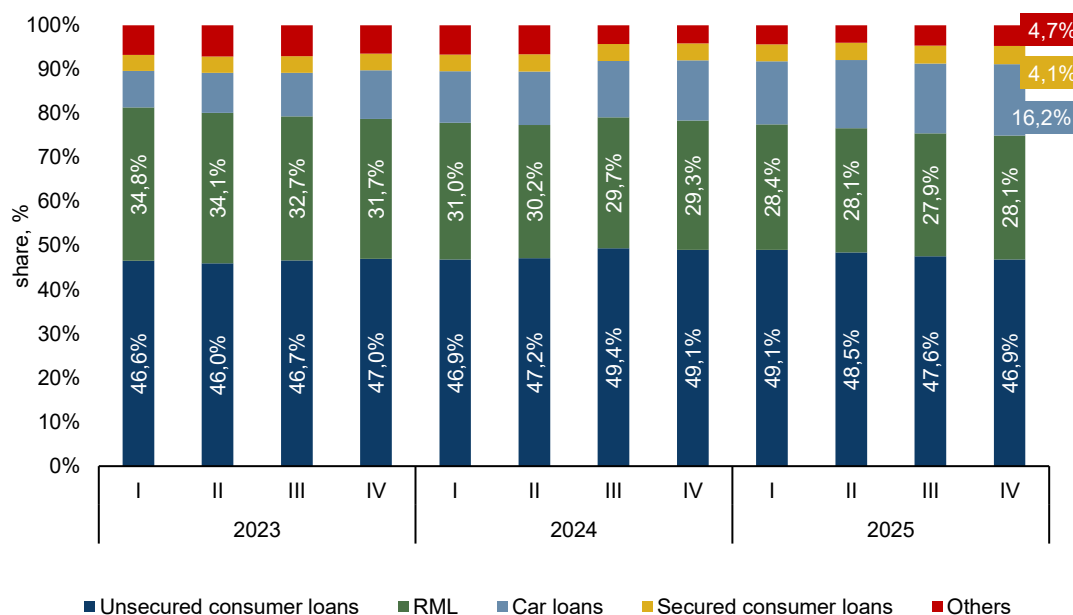
In 2025, unsecured consumer loans (46.9%) and residential mortgage loans (28.1%) were dominating in the retail portfolio structure (Figure 5.11). The share of car loans reached an all-time high of 16.2%, while the percentage of secured consumer loans (4.1%) and other loans (4.7%) remains insignificant. Steady demand for car loans is supported by tax incentives for new vehicles¹² and concessional dealership programs. Meanwhile, despite the continued largest contribution of unsecured consumer loans to overall portfolio growth, their share in the structure is gradually declining, while the car loan segment continues to increase its share. The growing share of car loans is also confirmed by bank estimates, which noted steady demand for this product amid active partnership programs and marketing promotions by car dealerships¹³.

¹¹ NBK's Quarterly Analytical Publication "Bank Lending Survey"
<https://nationalbank.kz/ru/news/predydushchie-publikacii-opros/rubrics/2612>

¹² According to the NBK's Board Resolution No. 52 of August 25, 2025, "On the Establishment of Macroprudential Ratios and Limits, their Regulatory Values, and Calculation Methodology," the DR calculation is not performed when a loan is provided for the purpose of acquiring a new motor vehicle secured by the collateral of the said vehicle between January 1, 2025 and December 31, 2026, inclusive. This requirement also does not apply to loans provided for the purchase of a used motor vehicle with a down payment of at least 50 percent of its value, or a motor vehicle that has been in use for up to 3 years with a down payment of at least 30 percent of its value.

¹³ NBK's Quarterly Analytical Publication "Bank Lending Survey"
<https://nationalbank.kz/ru/news/predydushchie-publikacii-opros/rubrics/2612>

Figure 5.11 In 2025, the share of unsecured consumer loans remains high, and the share of car loans is growing

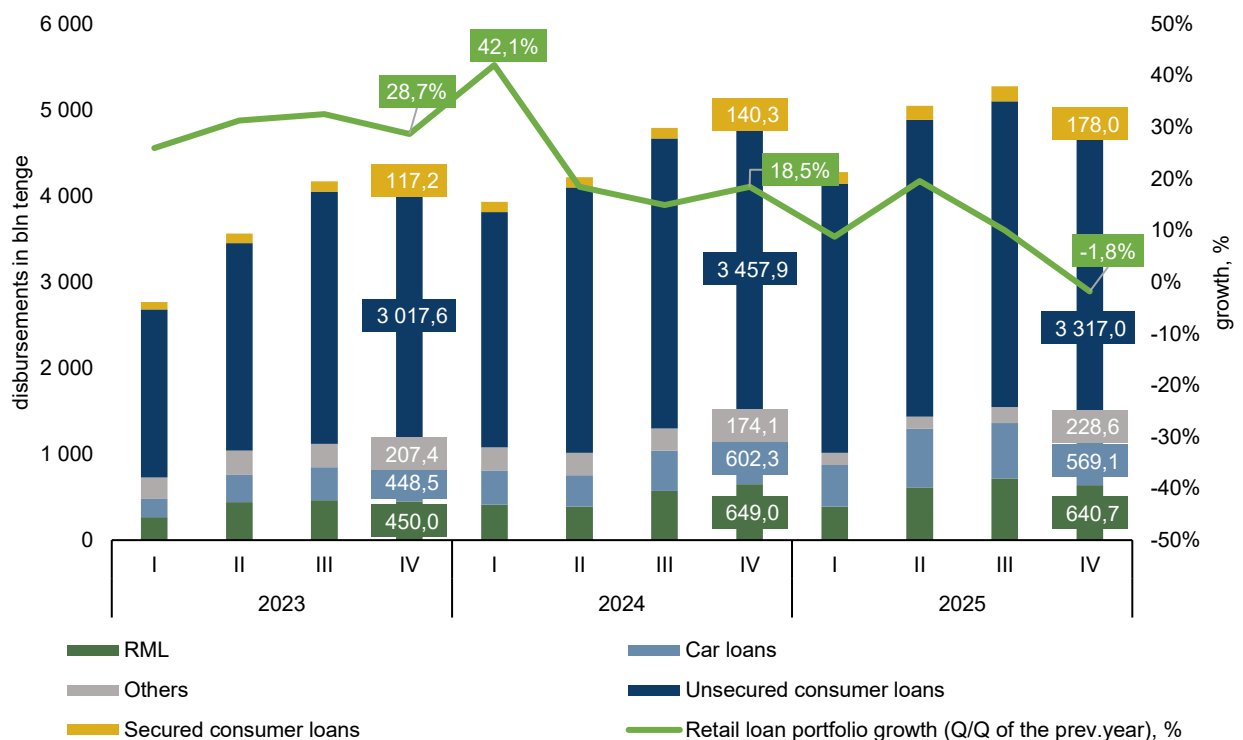


Source: STB regulatory reports

Volumes of retail loan originations in 2025 continued to grow compared to the previous year. Unsecured consumer loans accounted for the largest contribution, increasing from 12.7 trln tenge in 2024 to 13.5 trln tenge in 2025 (*Figure 5.12*). Secured consumer loans also showed growth, from 502 bln tenge to 647 bln tenge. Significant growth was also observed in car loans: disbursements increased from 1.8 trln tenge to 2.4 trln tenge. Mortgage lending volumes increased from 2.0 trln tenge to 2.4 trln tenge. Thus, car loan originations have almost equaled mortgages, strengthening its role among key segments of the retail portfolio.

However, the growth in disbursements has been gradually decelerating: the annual growth of quarterly disbursements went down from 42.0% in the first quarter of 2024 to -1.8% at the end of Q4 2025 (*Figure 5.12*). Such slowdown is caused by the cooling demand. In the unsecured consumer lending segment, regulatory requirements and scoring approaches tightened, accompanied by a decline in marketing activity. In car loans, market saturation gradually began to build towards the end of 2025. In the mortgage segment, demand remained volatile and was largely dependent on government programs and interest rate regulation¹³.

Figure 5.12 In 2025, growth rates of disbursements in the retail loan portfolio are declining



Source: STB regulatory reports

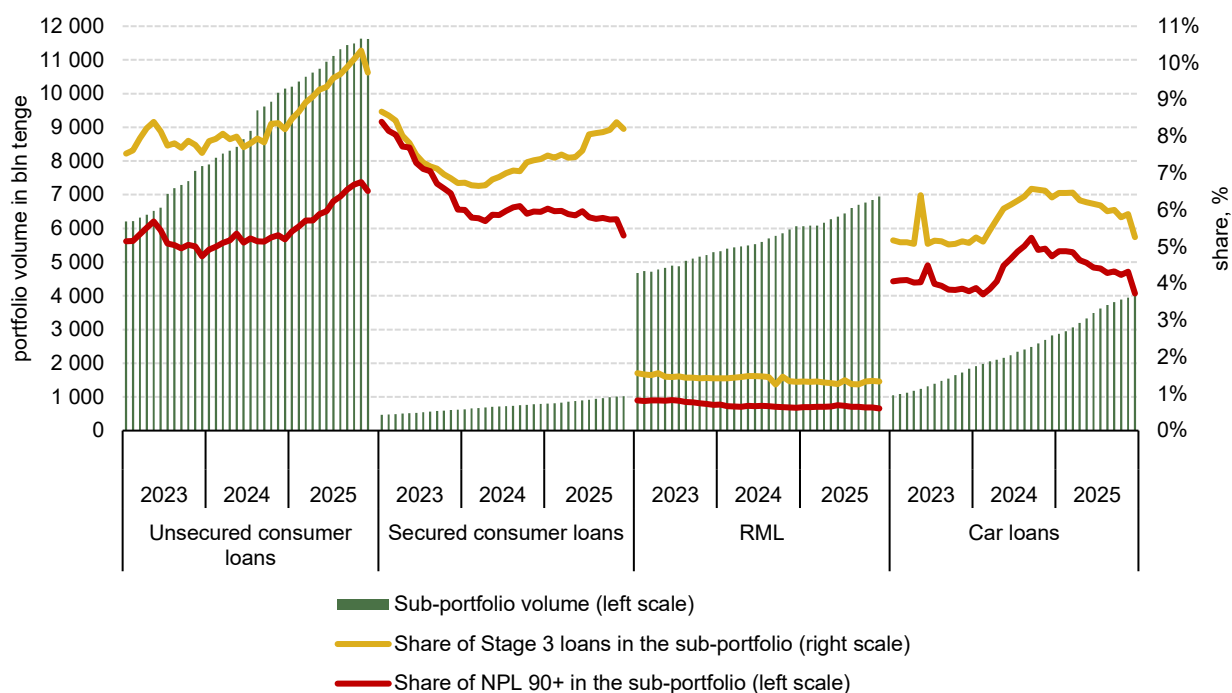
The retail loan portfolio quality by the end of the reporting year somewhat weakened. The share of Stage 3 loans in the retail portfolio increased from 5.8% in 2024 to 6.5% in 2025 (*Ошибка! Источник ссылки не найден.*). The increase in the share of stage 3 loans is largely driven by the deferred effect of active lending in previous years, which is now manifesting itself against the slowing portfolio growth.

The RML quality remains consistently high: the share of Stage 3 loans remains low—around 1.3%, indicating a continued low level of credit risk in this segment.

In the auto loan segment, the share of stage 3 loans decreased from 6.3% to 5.3%, but in absolute terms, the volume increased to 211.5 bln tenge. This indicates that rapid portfolio growth is partially masking the share of stage 3 loans.

Unsecured consumer loans remain as the main source of deterioration; the share of Stage 3 loans went up from 8.2% to 9.7% (*Ошибка! Источник ссылки не найден.*). Similar dynamics are observed in the secured consumer loan segment: the share of Stage 3 loans increased from 7.4% to 8.2%. In 2025, the regulator continued taking measures to curb excessive growth in this segment (*Box 5.2*).

Figure 5.13 The share of stage 3 loans in the consumer unsecured loan segment increased, while in other retail lending segments it remained at the same level

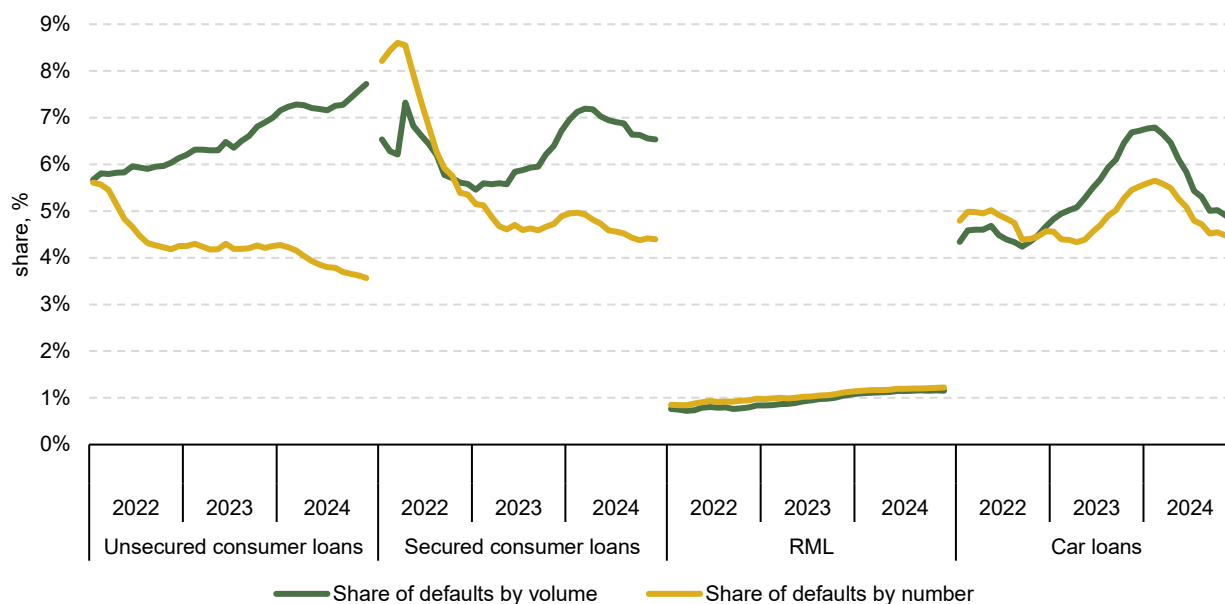


Source: STB regulatory reports

Note: (1) Stage 3 – problem (non-performing) loans with signs of default, for which, according to IFRS 9, expected losses are recognized for the entire life of the asset; (2) NPL90+ – loans 90+ days past due

In the secured consumer loan segment, the share of defaults by volume decreased to 6.5% in 2024, while by number, it fell to 4.4%. RMLs maintain a significantly lower default rate (1.2%) (Figure 5.14). In unsecured consumer loans, the share of defaults by volume increased from 7% to 7.7%, while by number, it decreased from 4.2% to 3.6%. This discrepancy means that defaults are concentrated in larger loans, increasing pressure on the portfolio. In car loans, a decline is observed: after a surge to 6.7% in the beginning of 2024, the share of defaults by volume decreased to 4.8%. The number of defaults also decreased, from 5.5% to 4.4%.

Figure 5.14 The default rate on unsecured consumer loans is increasing by outstanding loan amount but declining by number of borrowers

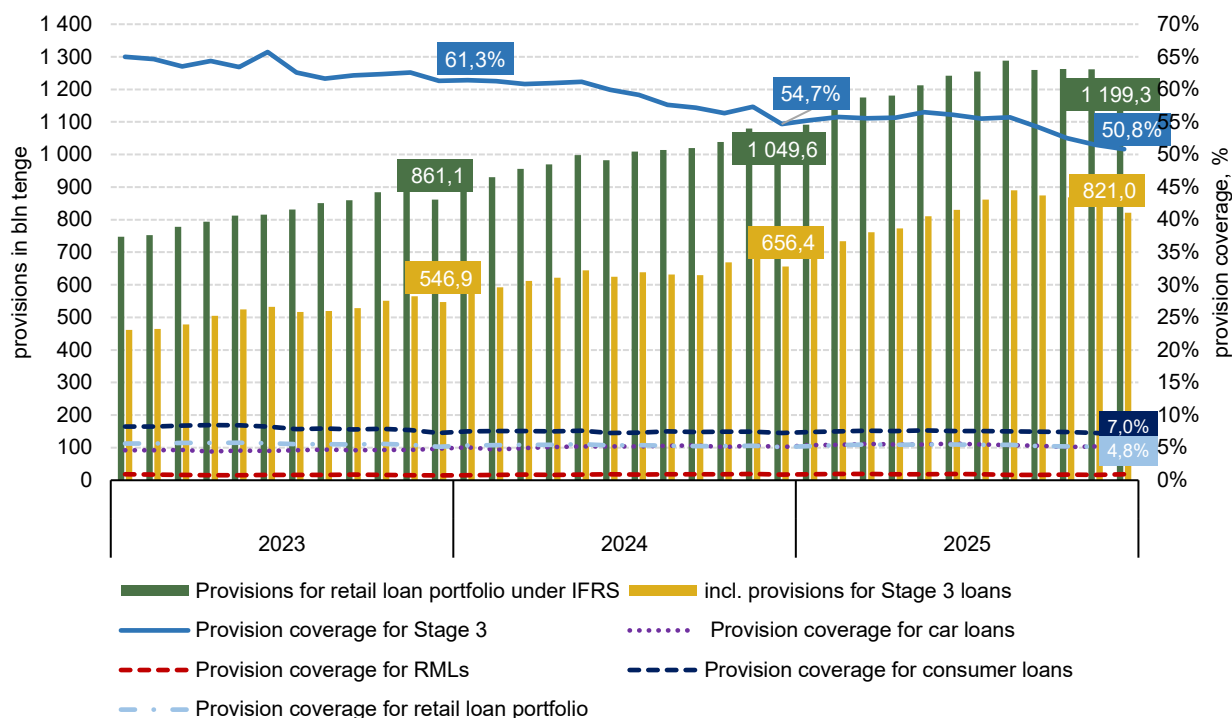


Source: Credit Register

Note: A loan is considered defaulted if it reaches NPL 90+ status within 12 months after the reporting date.

The total volume of provisions for the retail portfolio increased to 1,999.3 bln tenge, while provisions for stage 3 loans reached 821 bln tenge. However, the coverage of stage 3 loans continues to decline: 50.8% in 2025 versus 54.7% in 2024 and 61.3% in 2023 ([Figure 5.15](#)). Overdue debt is growing faster than reserves, increasing vulnerability of the retail portfolio. Meanwhile, provision coverage for consumer loans is 7% – above the average for retail loans (4.8%), suggesting that banks maintain a conservative approach to this segment. Provisions for the retail portfolio wen up to 1 999.3 bln tenge, and provisions for Stage 3 loans – to 821 bln tenge.

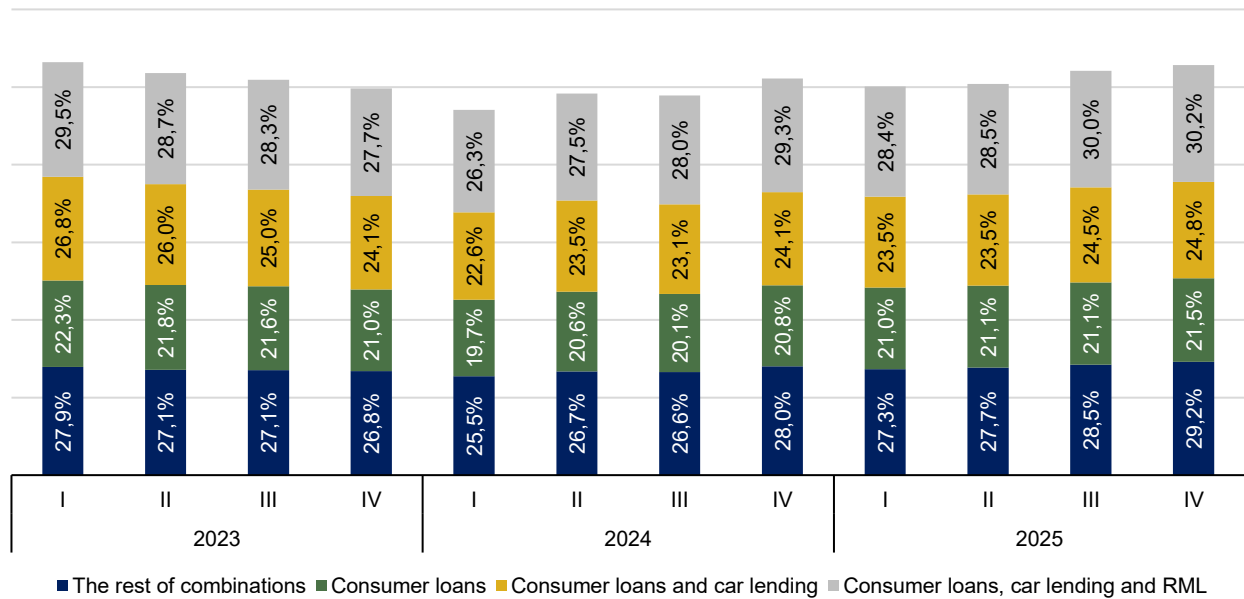
Figure 5.15 Along with the overall increase in provisions for the retail portfolio, provision coverage for Stage 3 loans is decreasing



Source: STB regulatory reports

Overall, despite continued growth in the retail portfolio, a number of segments are experiencing a buildup of credit risks, reflected in default dynamics and portfolio structure. Throughout the year, banks on several occasions reported a tightening of certain lending parameters and a more cautious approach to the borrower assessment, which is a response to the growing risks (Bank Survey, Q3 2025).

The average DR per borrower in 2025 shows a moderate increase after declining in 2024. For borrowers with consumer loans only, it is 21.5% (+0.7 pp), while for those with both consumer loans and car loans, it is 24.8% (+0.7 pp) (Figure 5.16). The highest DR level remains in borrowers with a combined loan debt (consumer loans, car loans, and mortgages): the indicator increased from 29.3% to 30.2% (+0.9 pp). Overall, the DR increased across all categories, which requires enhanced monitoring.

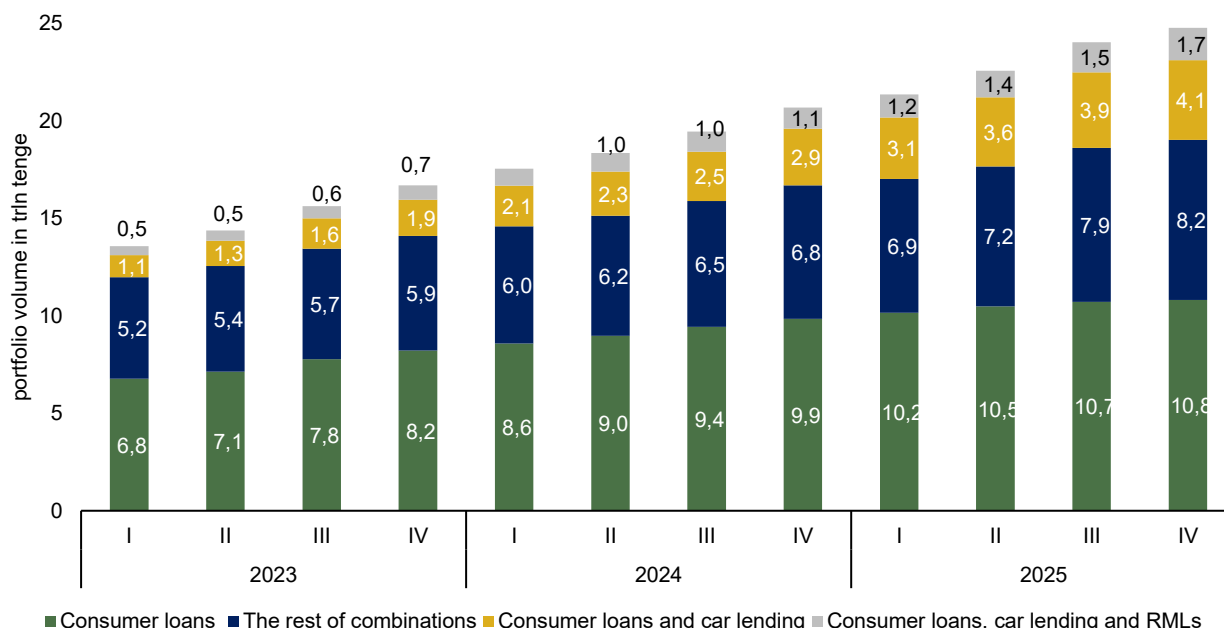
Figure 5.16 *Borrowers' actual average DR slightly increased in 2025*

Source: Credit Register

Note: (1) Consumer Loans - the borrower has only this type of loan; (2) Consumer Loans and Car Loans – the borrower has consumer loans and auto loans; (3) Consumer Loans, Car Loans, and RMLs – the borrower has all three types of loan; (4) Others – all other possible combinations of loans the borrower has.

Consumer loans remain a key segment, but the trend toward increasing debt burden is intensifying. The borrower portfolio with consumer loans alone grew to 10.8 trln tenge (+9.8%) (Figure 5.17). The most significant increase is expected in 2023–2024.

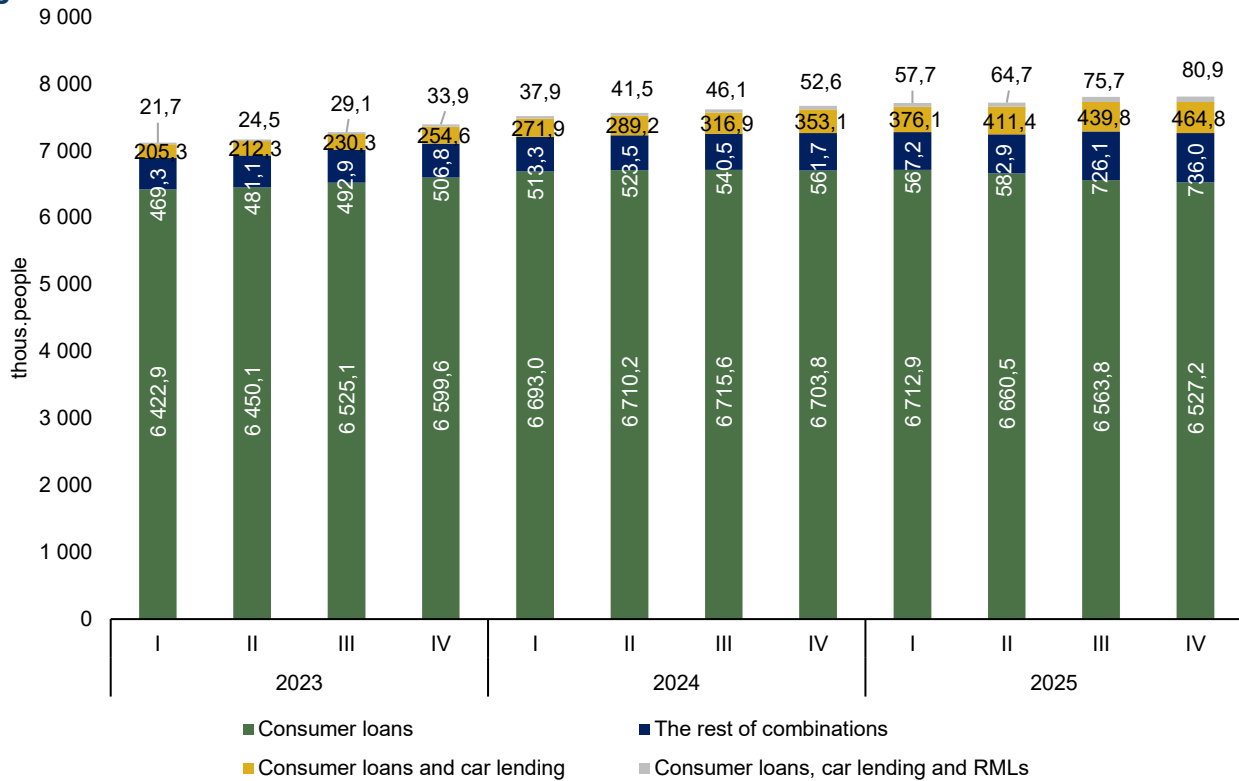
The segment of borrowers with consumer loans and car loans is growing faster: the volume reached 4.1 trln tenge (+40.7%). The triple-leverage category (consumer loans + car loans + RMLs) is growing even faster: the portfolio has grown to 1.7 trln tenge (+53.6%), a 2.4-fold increase over two years. The rapid growth of this category indicates that some borrowers are shifting to long-term liabilities with a high debt burden.

Figure 5.17 Consumer loans still represent the major type of debt among borrowers

Source: Credit Register

Note: (1) Consumer Loans - the borrower has only this type of loan; (2) Consumer Loans and Car Loans – the borrower has consumer loans and auto loans; (3) Consumer Loans, Car Loans, and RMLs – the borrower has all three types of loan; (4) Others – all other possible combinations of loans the borrower has.

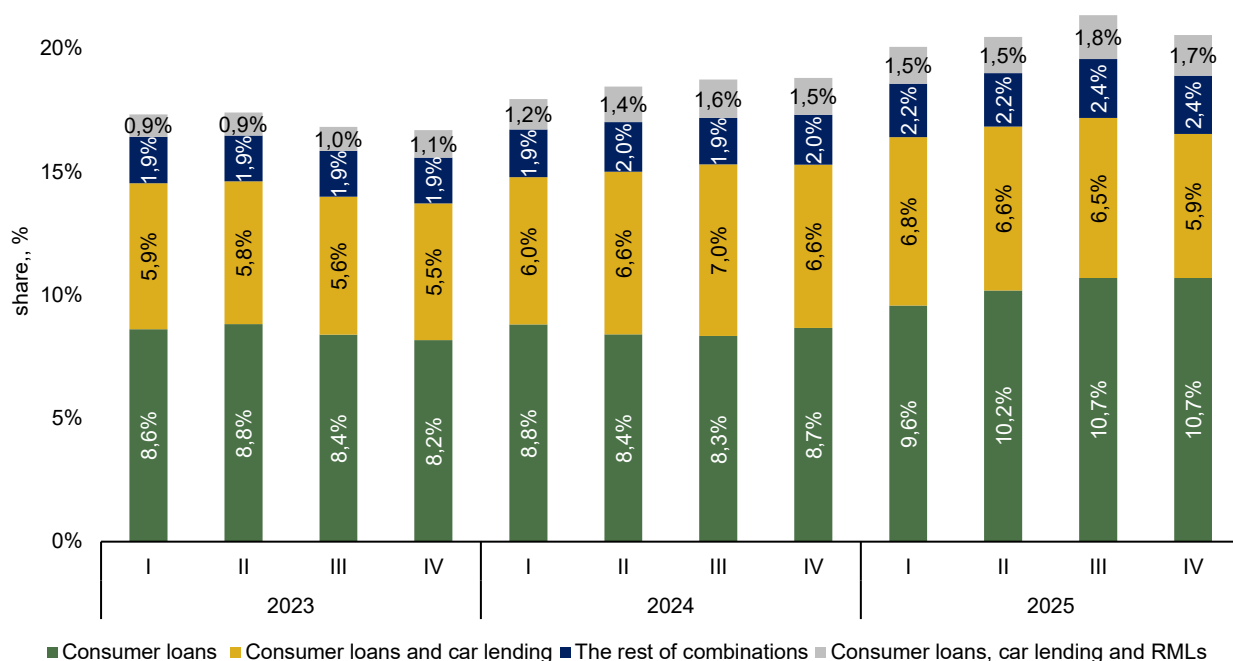
The structure of retail borrowers is shifting toward an increasing number of clients with multiple types of loans. The number of borrowers with only consumer loans decreased for the first time – from 6.7 to 6.5 million people (-2.6%), suggesting segment saturation (Figure 5.18, Figure 5.14). Nevertheless, this segment accounts for over 80% of all borrowers. The number of borrowers with consumer loans and car loans increased to 464.8 thousand (+31.6%). The group with a triple burden (consumer loans + car loans + mortgages) is growing the fastest: from 52.6 to 80.9 thousand people (+53.6%). However, this segment's share is still small.

Figure 5.18 Consumer loans are still a key choice among borrowers, despite the growth in other loans

Source: Credit Register

The portfolio quality is deteriorating first of all among borrowers with consumer loans only: the share of Stage 3 loans increased from 8.7% to 10.7% – way above other segments ([Figure 5.19](#)). This confirms that the main credit risk is concentrated in the mass consumer loan segment. For borrowers with consumer and auto loans, the figure fell to 5.9%, while in the mortgage group, the share of Stage 3 loans remains low (1.7%), although it is gradually increasing. The higher quality in the mortgage segment is owing, among other things, to its significant share in the portfolio, as well as the fact that borrowers typically have more stable and higher income, which facilitates better debt servicing. Thus, it is unsecured consumer lending that accounts for the main deterioration in the quality of the retail portfolio.

Figure 5.19 The share of Stage 3 loans is growing among borrowers who have consumer loans only



Source: Credit Register

At the end of 2025, the retail loan portfolio continued to grow, despite a slowdown. Consumer loans retain a high share of the portfolio structure, although this share is gradually declining. Car loans are increasing their share, while the share of RMLs continues to decrease.

Portfolio quality is generally stable: RMLs retain high quality, while car loans show mixed dynamics. The main pressure is coming from the unsecured consumer loan segment, with the share of Stage 3 loans and the concentration of defaults on large loans growing. Thus, this segment remains a key growth driver, but also poses the main risk to the retail portfolio.

Box 5.2 Regulatory Measures Adopted in 2025

In 2025, several key changes to the regulations of the AFR and the NBK regarding consumer lending were adopted and implemented in Kazakhstan:

The following were implemented by the Law on the financial market development, protection of rights of financial service consumers as dated June 30, 2025:

- a cooling-off period (24 hours) when providing unsecured consumer online loans in order to protect consumers from impulsive purchases or imposed services, especially in the areas of insurance and lending (after this period, the loan can only be provided after receiving the consent of the borrower);
- requirements for mandatory personal presence at a bank or microfinance organization branch for people applying for an unsecured consumer loan for the first time in order to reduce impulsive decision-making and increase people's awareness of the obligations they are assuming;

- requirements for providing unsecured consumer loans to the most at-risk categories of individuals (under 21 and over 55, applying for a loan for the first time) only after receiving their consent, issued through the e-government portal, credit bureau.
- the institutional mandate of the National Bank in the area of macroprudential policy has been strengthened, including the authority to establish macroprudential ratios and limits for banks and branches of non-resident banks.

Regulatory measures:

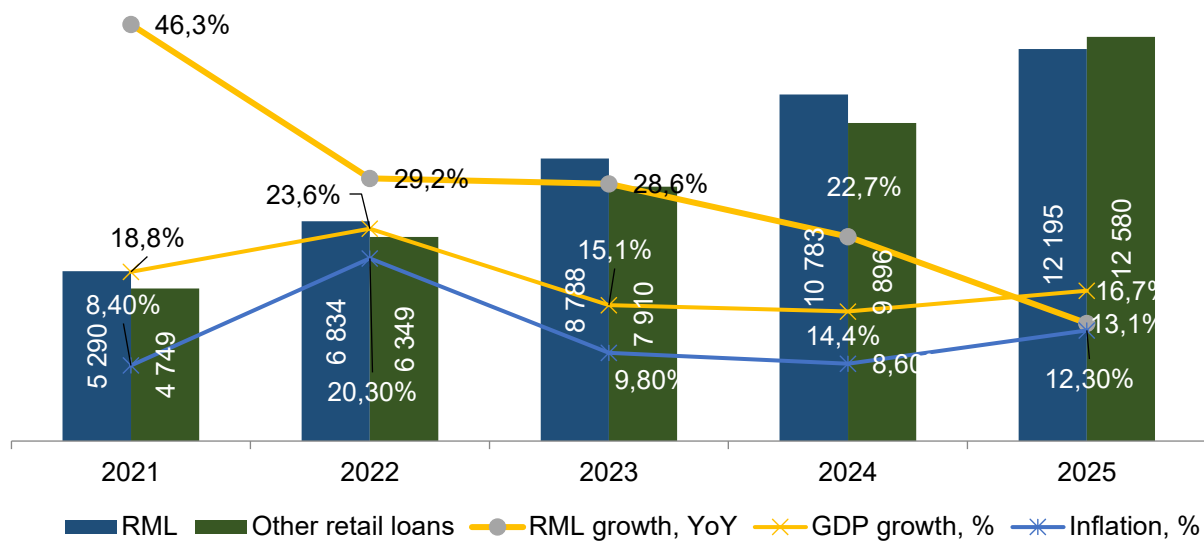
- In order to prevent loans from being provided to individuals who do not have sufficient income to service the loans, three indirect income criteria (utilities, online purchases, and property) have been excluded from the criteria for assessing the borrower's income.
- For persons under 21 years of age, a requirement has been introduced to calculate the DR only on the basis of officially confirmed data (scholarship, salary certificate, income from passenger transportation).
- The Financial Stability Council decided to activate the sectoral countercyclical capital buffer for the retail lending segment and set it at 2% of the risk-weighted assets of the relevant segment. Banks must create the buffer by April 1, 2026. Thus, banks have been granted a 12-month transition period to accumulate capital and meet sectoral CCB requirements. High profitability indicators, as well as the provided transition period, will allow banks to meet sectoral CCB requirements through internal sources.

5.3 Unsecured Consumer Loans

In 2025, amid enhanced regulatory measures and tightened lending policies, banks are seeing a noticeable slowdown in the growth rate of their loan portfolios, with the dynamics of debt accumulation shifting from an expansion of the borrower base to an increase in the average loan size. A high concentration of risks is observed in the large loan segment (over 5 mln tenge), where debt accumulation is primarily driven by the number of loans per borrower and the transition to traditional interest-bearing products, accompanied by an increase in DR, DIR, and a decline in asset quality.

Unsecured consumer loans (UCL) continue to account for a significant share of the retail lending portfolio, remaining one of the key drivers of growth in the bank debt of the population. As of the end of 2025, the UCL portfolio reached 12.2 trln tenge (or 49.2% of the total retail portfolio) (Figure 5.20). The growth rate of UCL has significantly decreased compared to previous years, amounting to 13.1%, but the absolute increase remained high at 1,412 bln tenge (in 2024 – 22.7% or 1,995 bln tenge). While in retrospect, the UCL dynamics significantly outpaced the GDP growth and inflation, a reversal of this trend has been observed in recent years. Regulatory measures and conservative lending policies of banks have limited the growth rate of this segment, ensuring its gradual convergence with the rate of general economic indicators.

Figure 5.20 UCL growth rates keep exceeding macroeconomic indicators
Inflation and UCL and GDP growth rates



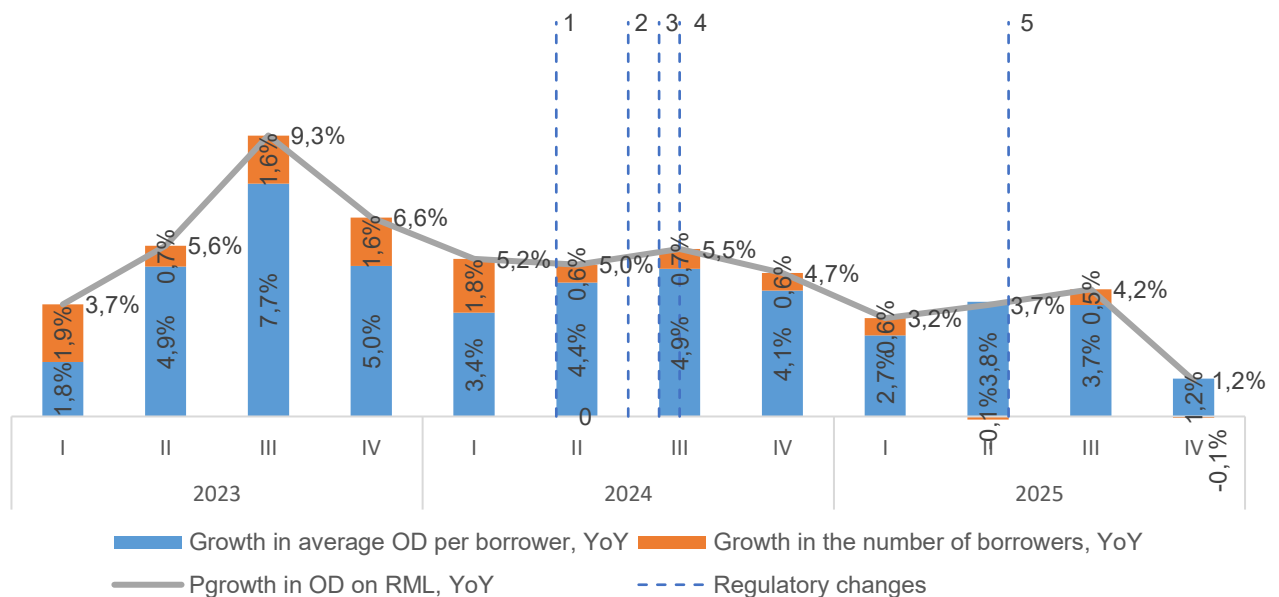
Source: Credit Register, BNS

Unlike previous years, the growth structure changed in 2025: while in 2023–2024, the growth of the UCL portfolio was driven by both an expansion in the number of borrowers and an increase in the average loan amount, then in the reporting year, the contribution of the expansion in the number of borrowers was almost exhausted, and the positive dynamics were driven primarily by an increase in the average loan amount per borrower. Decomposing the portfolio growth rate using logarithmic growth rates allows assessing the contribution of changes in the number of borrowers and the average loan amount per borrower. It is worth mentioning that during 2025, the quarterly growth of the UCL portfolio gradually slowed. Thus, quarterly logarithmic growth rates¹⁴ of UCL decelerated from 3.25% Q/Q in the first quarter to about 1.2% Q/Q in the fourth quarter of 2025, being essentially lower than in 2023–2024. For comparison, in 2023 the logarithmic growth, Q/Q, reached 6–9%, while in 2024 it was persistently at about 5–6% followed by gradual decline by the end of the year (Figure 5.21).

¹⁴ Logarithmic growth rate of UCL portfolio

$$\ln \left(\frac{\text{Volume of UCL}_t}{\text{Volume of UCL}_{t-1}} \right) = \ln \left(\frac{\text{Average UCL amount per borrower}_t}{\text{Average UCL amount per borrower}_{t-1}} \right) + \ln \left(\frac{\text{Number of UCL borrowers}_t}{\text{Number of UCL borrowers}_{t-1}} \right)$$

Figure 5.21 Growth rates of the UCL portfolio decelerated, while the growth was mainly secured by the average UCL amount per a borrower
Logarithmic growth rate of UCL, Q/Q



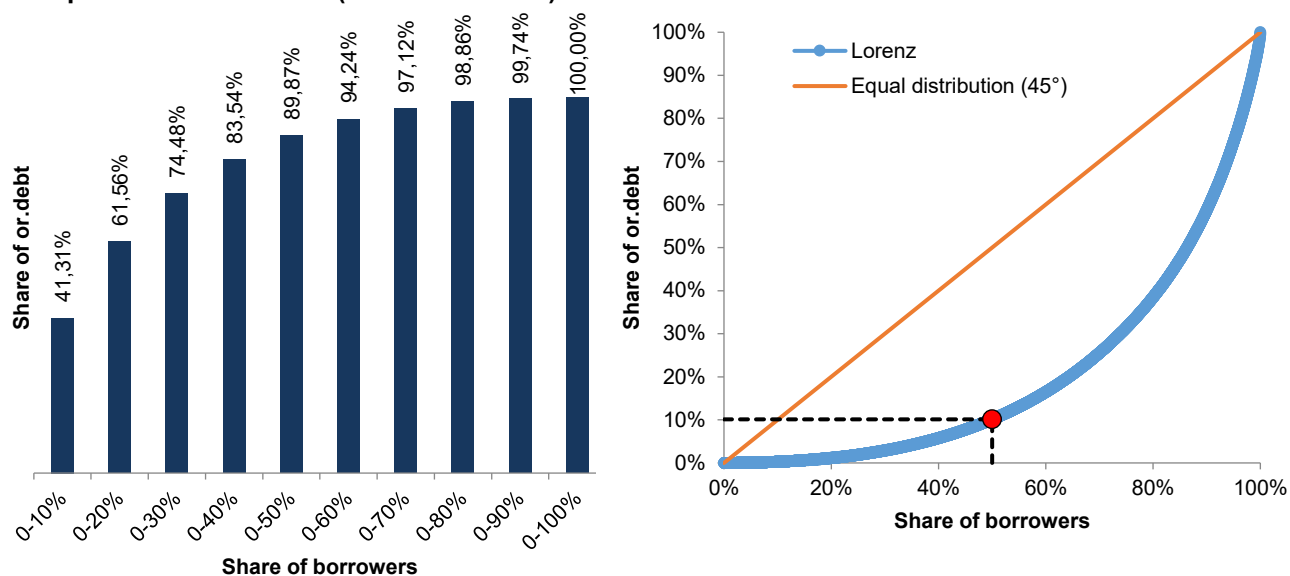
Source: Credit Register

Note:

- 1) April 1, 2024 – the procedure for calculating the debt burden ratio ($DR \leq 50\%$ of the borrower's income) has been tightened, and the DR compliance requirement has been extended to all borrowers and all types of loans (except for certain programs). Indirect indicators have been excluded from the income assessment criteria, and for borrowers under 21, the DR is calculated only based on the officially confirmed income.
- 2) June 19, 2024 – a law was passed to minimize lending risks and protect borrowers' rights, introducing a number of restrictions on consumer lending. Specifically, it prohibited loans 90+ days past due, limited the maximum amount of consumer loans, and introduced a debt-to-income (DIR) ratio for borrowers to monitor.
- 3) July 1, 2024 – a ban has been introduced for the second-tier banks on the transfer (sale) of people's debt to collection agencies in order to prevent the uncontrolled growth of the debt burden by eliminating intermediate links (collectors).
- 4) August 20, 2024 – the annual effective interest rate (AEIR) caps on bank loans have been reduced. For UCL, the upper limit has been reduced from 56% to 46%. The rate for secured loans is set at 35%, and for mortgages, at 25%. This measure is aimed at limiting the cost of borrowed capital for individuals and preventing excessive growth in interest margins in the high-risk lending segment.
- 5) June 30, 2025 – a law on the financial market development and protection of financial services consumers was adopted. A 24-hour cooling-off period for online loans, additional requirements for vulnerable borrowers were introduced, and macroprudential powers of the National Bank were expanded.

As of the end of 2025, approximately 90% of total debt is held by approximately half of the borrowers, reflecting a significant uneven distribution of debt (*Figure 5.22*). The Lorenz curve deviates significantly from the uniform distribution line, confirming the concentration of liabilities among a limited group of clients. This structure means that, even as portfolio growth slows in 2025, the debt burden remains concentrated among a relatively narrow segment of borrowers. This increases the portfolio's sensitivity to deteriorating payment discipline in this group and reinforces the importance of monitoring concentration risks.

Figure 5.22 Nearly 90% of principal debt falls on a half of the UCL borrowers
UCL portfolio distribution (as of 01.01.2026)



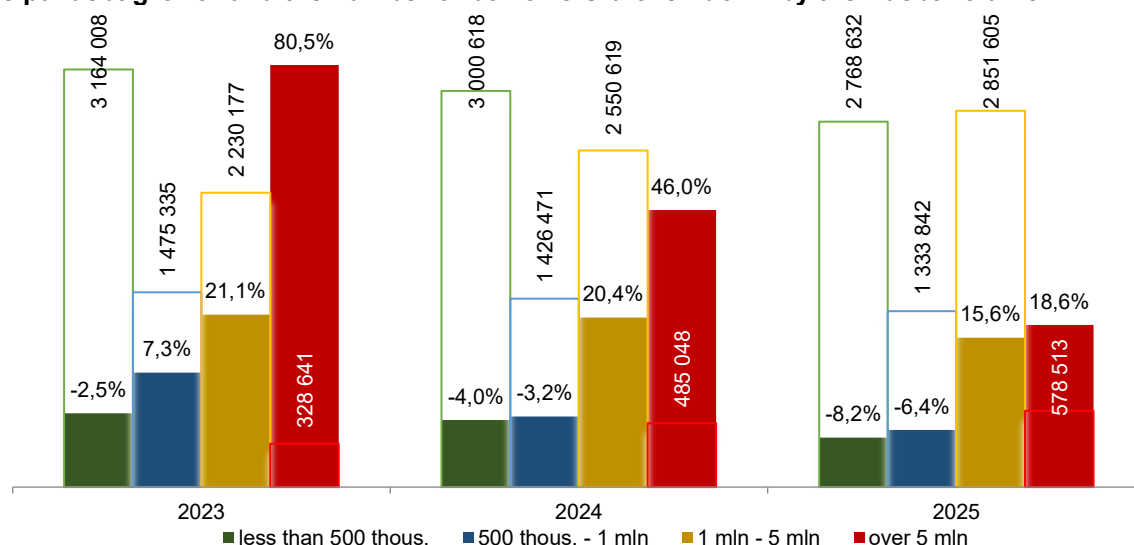
Source: Credit Register

Note: The Lorenz curve depicts the degree of concentration of principal debt in the UCL portfolio: the horizontal axis shows the cumulative share of borrowers sorted by debt size, with their cumulative share of total principal debt on the vertical axis. The 45° line reflects a hypothetical uniform distribution, while the blue curve indicates the level of inequality. According to the figure, the greater the deviation from the diagonal, the higher the share of large loans. For example, according to the data presented, half of the borrowers in terms of debt amount account for 90% (or 10%) of the entire portfolio, suggesting a high sensitivity of portfolio quality to the solvency of a narrow group of individuals with high loan volumes.

In 2025, the growth rates among large UCL borrowers have been decreasing ([Figure 5.23](#)). Thus, the growth of debt among borrowers with debts over 5 mln tenge accounted for 18.6%, which is lower than the figures in the previous years (46% in 2024 and 80.5% in 2023), but growth remains high. However, the trend where portfolios of borrowers with loans of up to 500 thousand and 500 thousand - 1 mln tenge are decreasing continues (-8.2% and -6.4% in 2025). Reduction in the number of borrowers in the segments of up to 1 mln tenge is observed, while in other segments the number of borrowers is increasing.

Figure 5.23 The highest growth is persisting in the group of borrowers with the debt exceeding 5 mln

Principal debt growth and the number of borrowers broken down by their debt volume

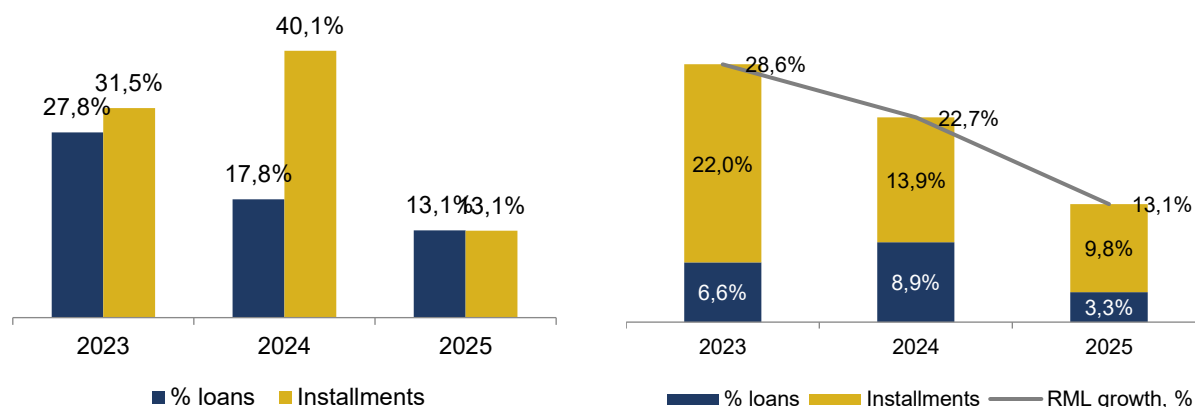


Source: Credit Register

In 2025, the contribution of installment plans to the growth of the consumer loan portfolio remained high, driven by both banks' active expansion in marketplaces and partner programs, as well as increased consumer demand for durable goods (Figure 5.24). At the same time, the contribution to the growth of both interest-bearing and interest-free loans is declining compared to 2024 (interest-bearing loans (3.3%) and interest-free loans (9.8%) account for 13.1% of the consumer loan portfolio growth in 2025).

Figure 5.24 Both interest-bearing and interest-free loans slowed down their growth rates in 2025

Portfolio growth and contribution of % loans and interest-free loans

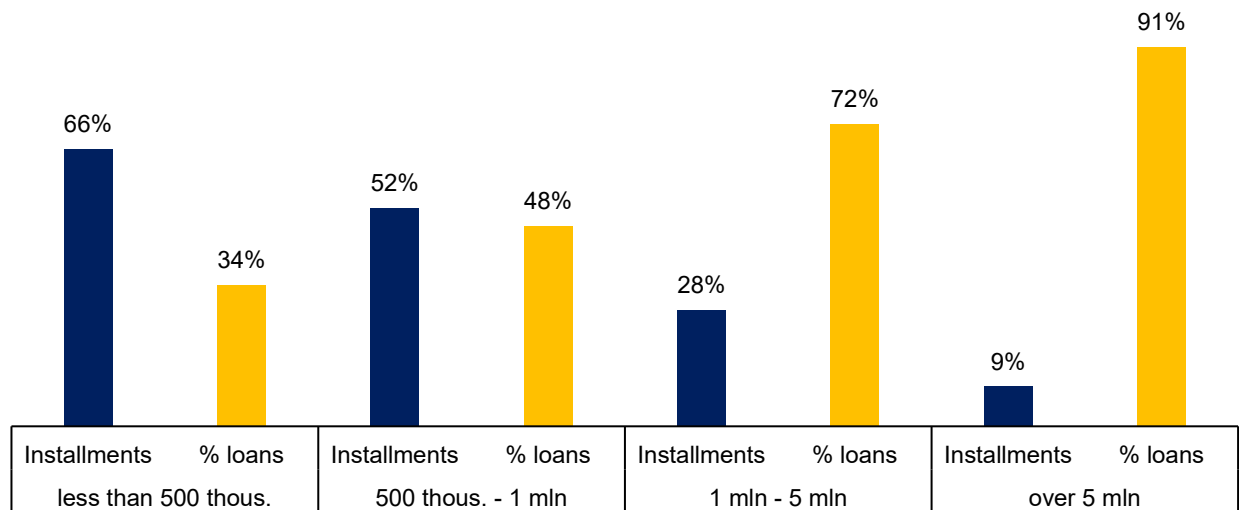


Source: Credit Register

As the amount of outstanding debt increases, the structure of lending shifts noticeably from installment plans toward interest-bearing loans (Figure 5.25). In the segment with outstanding debt of up to KZT 500 thousand, installment plans predominate, accounting for 66% of the total volume, while interest-bearing loans make up 34%. In the KZT 500 thousand to KZT 1 million range, the structure becomes almost evenly balanced, with installment plans accounting for 52% and interest-bearing loans for 48%. In the KZT 1–5 million segment, the share of interest-bearing loans rises to 72%, reaching 91% for outstanding debt above KZT 5 million. Thus, higher levels of outstanding debt are accompanied by a pronounced shift from installment plans toward conventional interest-bearing loans, which may increase borrowers' debt burden and raise the risk of deterioration in debt-servicing performance.

Figure 5.25 In the group of borrowers over 5 mln tenge, interest-bearing loans are dominating

The share of interest-bearing loans broken down by groups by the UCL volume as of 01.01.2026

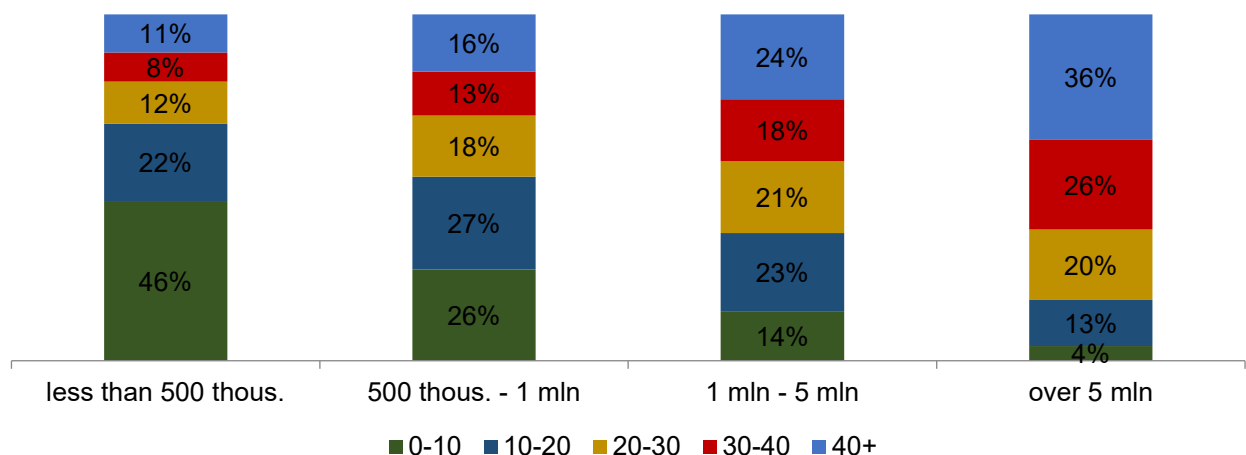


Source: Credit Register

Since 2014, there has been a macroprudential ratio in place in Kazakhstan —the debt burden ratio (DR)¹⁵—as a key tool for curbing excessive household indebtedness. The DR distribution demonstrates a direct correlation with the size of the debt: as the loan amount grows, the portfolio structure naturally shifts toward high-risk areas (*Figure 5.26*). In 2025, while almost half of the borrowers in the small-loan segment (up to 500,000 tenge) maintain a minimum leverage of up to 10%, the opposite is true for large loans (over 5 mln tenge): more than 60% of clients have a DR level above 30%. Thus, the concentration of credit risks and regulatory pressure are most pronounced in segments with maximum bills, where the share of borrowers with low DR is reduced to a minimum.

Figure 5.26 The borrower's debt burden ratio increases as the debt volume is growing

The share of DR broken down by debt level groups as of 01.01.2026



Source: Credit Register

Internationally, along with the DR, the debt-to-income ratio (DTI)¹⁶ is widely used; it also serves as an instrument for limiting an excessive debt growth. This indicator is used to

¹⁵ Resolution of the Board of the National Bank of the Republic of Kazakhstan dated August 25, 2025 No. 52 "On the establishment of macroprudential ratios and limits, their regulatory values and calculation methods"

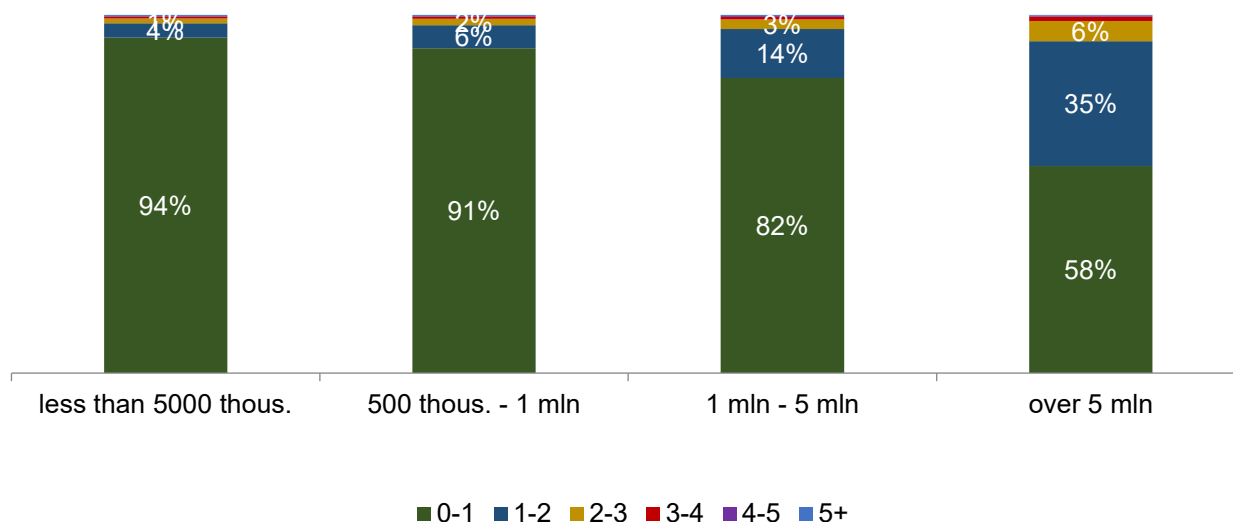
¹⁶ Resolution of the Board of the National Bank of the Republic of Kazakhstan dated August 25, 2025 No. 52 "On the establishment of macroprudential ratios and limits, their regulatory values and calculation methods"

assess the overall level of household debt burden and allows regulators to promptly identify systemic accumulation of debt risks in the retail sector. DTI is the ratio of a borrower's total debt across all existing loans and limits (including delinquencies and unused portions of credit cards) to their total annual income.

Since 2024, the National Bank has been collecting DTI data through monitoring. Currently, no maximum value has been set for this indicator, as statistics are being accumulated to analyze the effectiveness of potential macroprudential restrictions.

According to accumulated statistics as of early 2026, the DTI level is directly related to the debt volume: for example, in segments of up to 1 mln tenge, the overwhelming majority of borrowers (over 90%) have a minimum ratio in the range of 0–1 (in particular, in the category of unsecured loans up to 500 thousand tenge, the share of individuals whose loan volume is less than their annual income reaches 94%) (*Figure 5.27*). However, in the group with debt over 5 mln tenge, the risk structure changes significantly: the share of individuals with a DTI above one reaches 42%. The formation of a significant layer of borrowers with a DTI in the range of 1–2 and higher in the large loan segment indicates an increase in their financial vulnerability. This underscores the need for further monitoring of this group to prevent overexposure and the possible introduction of restrictive measures.

Figure 5.27 As the debt volume grows, the debt-to-income ratio increases
The share of DTI broken down by groups by the debt level as of 01.01.2026



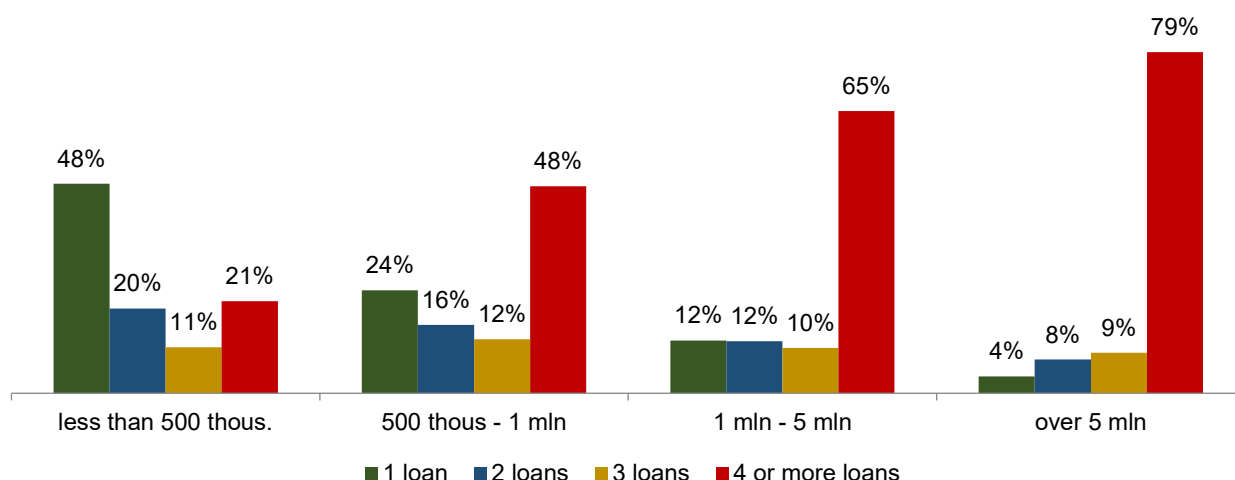
Source: Credit Register

Note: the DTI assigned by a bank at the time of origination of the latest UCL is used in the computations

An analysis of the portfolio structure by the number of active loans shows that the increase in debt is directly related to the accumulation of multiple liabilities (*Figure 5.28*). While in the segment of up to 500,000 tenge, almost half of clients service only one loan, as the debt amount grows, a sharp shift toward an increase in the number of loans per borrower is observed: in the group over 5 mln tenge, the share of borrowers with four or more loans reaches 79%. Thus, the high level of total debt in the UCL portfolio is formed primarily due to an aggressive build-up in the number of loans per client, rather than through individual large loans, which increases the systemic risks of the debt burden.

Figure 5.28 Among the borrowers with the loan amount in excess of 500 000, over 48% have 4 or more loans

The share of borrowers broken down by the number of loans per one borrower as of 01.01.2026

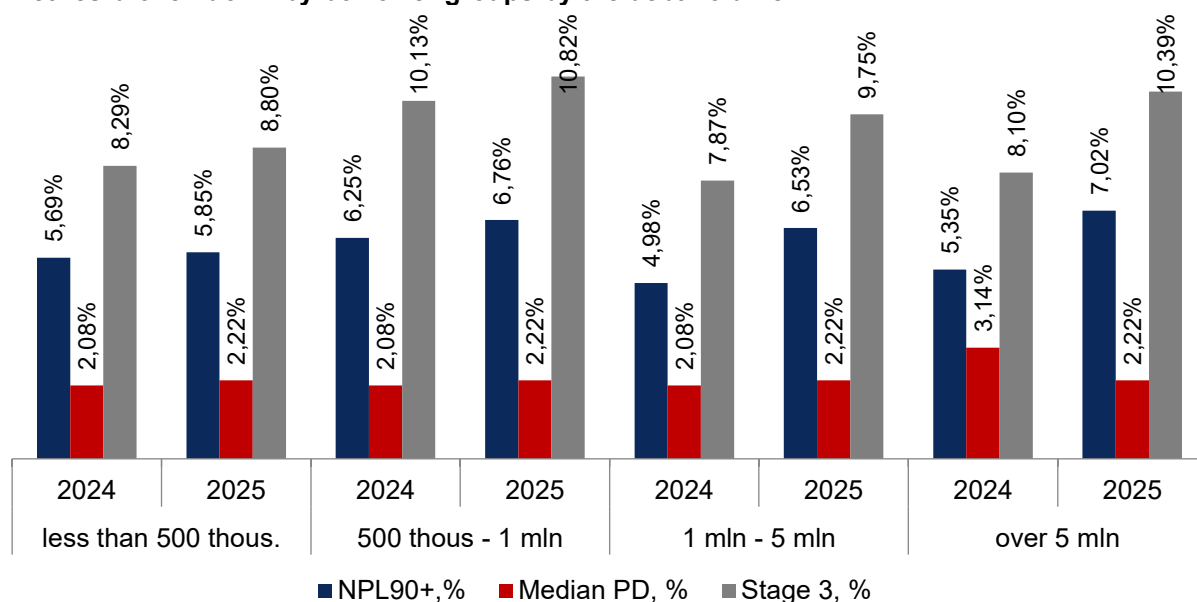


Source: Credit Register

At the same time, as the average loan amount per borrower grows, a consistent increase in all risk metrics is observed (*Figure 5.29*). Notably, while the average weighted probability of default increases, the median PD remains stable—indicating that the deterioration in portfolio quality is not caused by a general decline in the solvency of all borrowers, but by the concentration of risks in specific groups with the highest debt burden. Looking ahead to 2024–2025, the most significant accumulation of credit risks is recorded in the segment over 5 mln tenge, which, given an overall increase in delinquencies in the portfolio, makes this group a key source of potential losses.

Figure 5.29 The portfolio quality is declining when the UCL amount per one borrower increases

Risk metrics broken down by borrower groups by the debt volume



Source: Credit Register

5.4 Macro Stress Testing of the Banking Sector

In 2025, the National Bank conducted macro stress testing to assess the resilience of the financial system. The testing utilized baseline and stress scenarios based on the dynamics of key macroeconomic indicators. The macro scenarios reflect hypothetical economic developments and are not official forecasts of the National Bank. The extreme stress scenario assumes no improvement in borrower quality.

According to the stress testing results, Kazakhstan's banking sector maintains sufficient capital buffers to absorb external shocks even in the face of a significant deterioration in loan portfolio quality.

5.4.1 Macro Scenarios and Key Assumptions

A number of assumptions and limitations were made during the macro stress testing. The purpose of this analysis is to assess the resilience of the Kazakhstan banking sector to hypothetical adverse macroeconomic conditions, rather than to provide a specific forecast. Therefore, the modeling results are analytical in nature.

Two macroeconomic scenarios—baseline and stress scenarios—cover an eleven-quarter forecast horizon: from the second quarter of 2025 to the fourth quarter of 2027. Fifteen macroeconomic variables were used in developing the macro scenarios, including the real GDP growth, oil price dynamics, inflation, and others. Both scenarios assume an improvement in the quality of borrowers in loan portfolios. Additionally, the exercise does not take into account possible easing measures by bank management and/or the regulator.

The baseline scenario describes a gradual slowdown in economic activity: real GDP growth moderately declines from 5.1% at the beginning of the forecast period to 4.6% by the end. Brent crude oil prices decline by 10% q/q in the first quarter of the forecast horizon, followed by stabilization near zero (approximately -0.2% q/q) in subsequent quarters.

The stress scenario describes a hypothetical crisis, whose key methodological feature is the assumption of the simultaneous occurrence of several unfavorable factors. Regarding macroeconomic assumptions, the Brent crude oil price reaches a minimum of -19% q/q in the second quarter of the forecast period, after which it demonstrates a recovery trend with an average growth of approximately 2.8% q/q for the remainder of the forecast period. The real GDP growth rate gradually declines to -2.0% in the middle of the scenario period, followed by a recovery to 1.5% by the end of the period and an average growth rate of approximately 0.7% q/q. **The extremely stress scenario** uses the same macroeconomic assumptions as the stressful one, but excludes the assumption of an improvement in the quality of borrowers in loan portfolios.

5.4.2 Methodological Approach

To conduct stress testing, a credit risk representation via transition matrix¹⁷ was used as the methodological basis. For the purposes of the model, transition matrices were estimated, which reflect the probabilities of credit rating changes over a given period, based on data from the National Bank's Credit Register for corporate and retail portfolios for the period from July 2014 to April 2025. The analysis is conducted at the individual borrower level; if there are multiple loans, the worst-case estimate is applied.

The transition matrix $P(t)$ reflects the probabilities of changes in credit ratings and is used to assess the dynamics of credit quality. The element $p_{ij}(t)$ represents the probability of transition from rating i to j , where the sum of the probabilities in the row is equal to one (Belkin, 1998). The empirical estimate of the probabilities is defined as:

¹⁷ Belkin, Barry, Stephan J. Suchower, and Lawrence R. Forest, Jr. "The one-parameter representation of credit risk and transition matrices", CreditMetrics Monitor, 3rd quarter 1998

$$p_{ij}(t) = \frac{N_{ij}(t)}{N_i(t)}$$

where $N_{ij}(t)$ is a transition count, and $N_i(t)$ is the number of borrowers in the rating i (Löffler, 2011).

To control for continuous dynamics, an intensity matrix Q is used, where the off-diagonal elements q_{ij} reflect the transition intensity (hazard rate). The diagonal elements are defined such that the row sum is zero. The transition matrix is obtained using the matrix exponential.

$$P(t) = e^{Qt}$$

The estimate is made based on the quarterly data.

Rating thresholds are calculated by fitting cumulative transition probabilities to a standard normal distribution function:

$$\tau_{ij} = \Phi^{-1} \left(\sum_{k=j}^n p_{ik} \right)$$

where $p_{ik}(t)$ is an element of average matrix $P(t)$ and Φ^{-1} is the inverse CDF of the standard normal distribution.

To estimate a model using a Z-score, the basis is to decompose a standard normal variable X into two parts (Belkin, 1998):

$$X = \sqrt{\rho}Z + \sqrt{1-\rho}Y$$

where Z is a systemic risk factor common for all borrowers, Y – a unique risk for each borrower, and ρ – a correlation coefficient that shows the influence of systemic risk on variable X .

Transition probabilities are modeled using the normal CDF, factoring in Z_t . Z_t is estimated by minimizing the deviations between the actual and modeled transition probabilities.

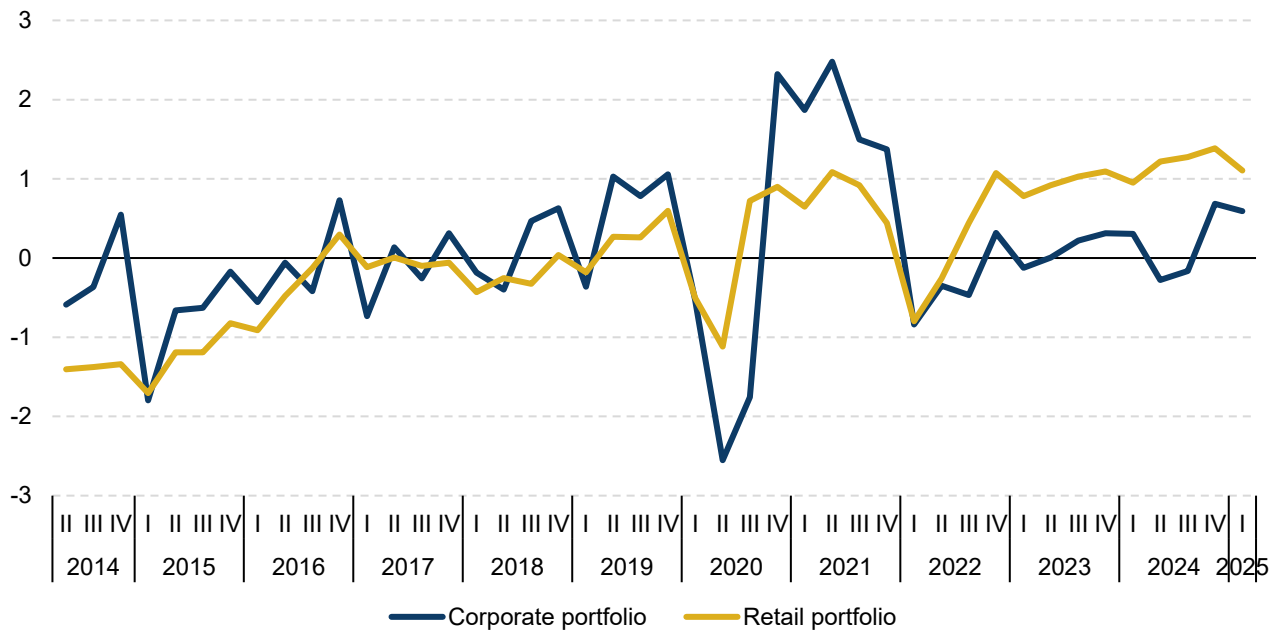
Parameters Z and ρ are selected by using the brute force method: ρ is varied in increments of 0.005, and a combination is selected that minimizes the loss function. This results in the Z_{final} matrix by quarters and ρ values.

The final indicator is normalized to the standard normal distribution:

$$mean(Z) = 0, std(Z) = 1$$

The Z-score dynamics reflect changes in credit quality over the analyzed period. During periods of favorable economic conditions, positive values are observed, while during periods of deteriorating economic conditions, a decline is observed.

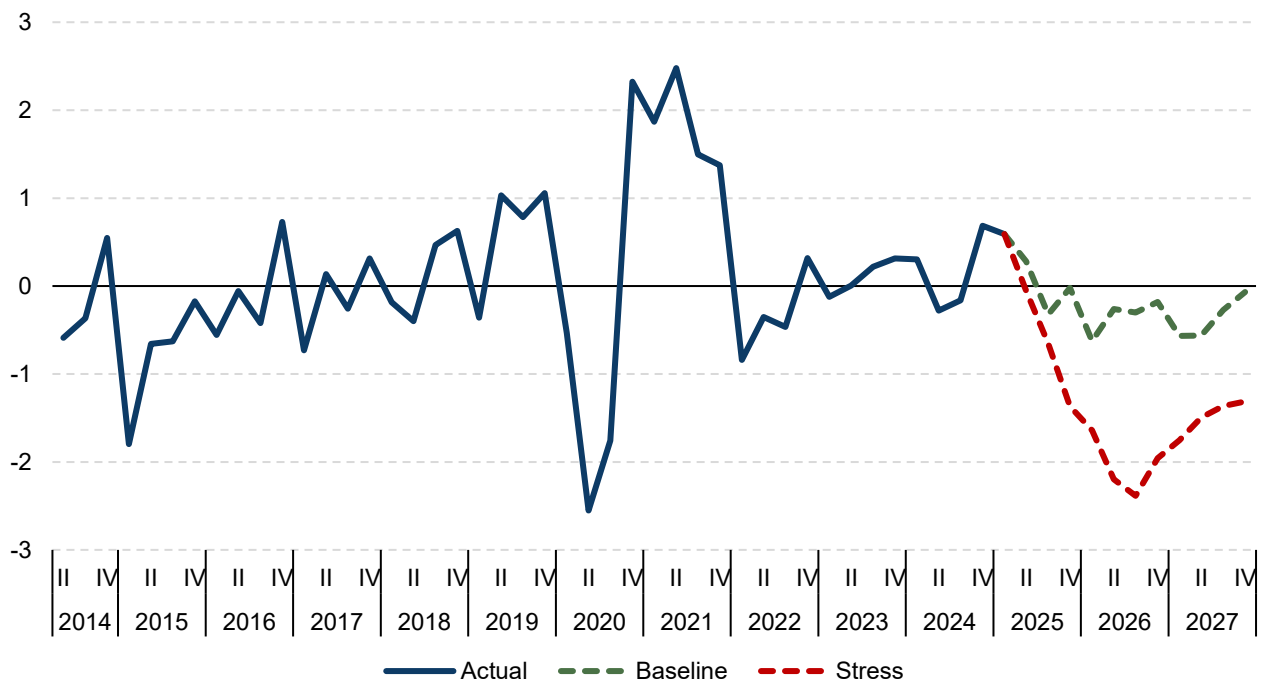
A significant decline in the Z-score was seen in the second quarter of 2020, amid the economic shock caused by the COVID-19 pandemic, and in the first quarter of 2022, suggesting deterioration in the quality of loan portfolios during these periods ([Figure 5.30](#)).

Figure 5.30 Z-score dynamics of the corporate and retail portfolios

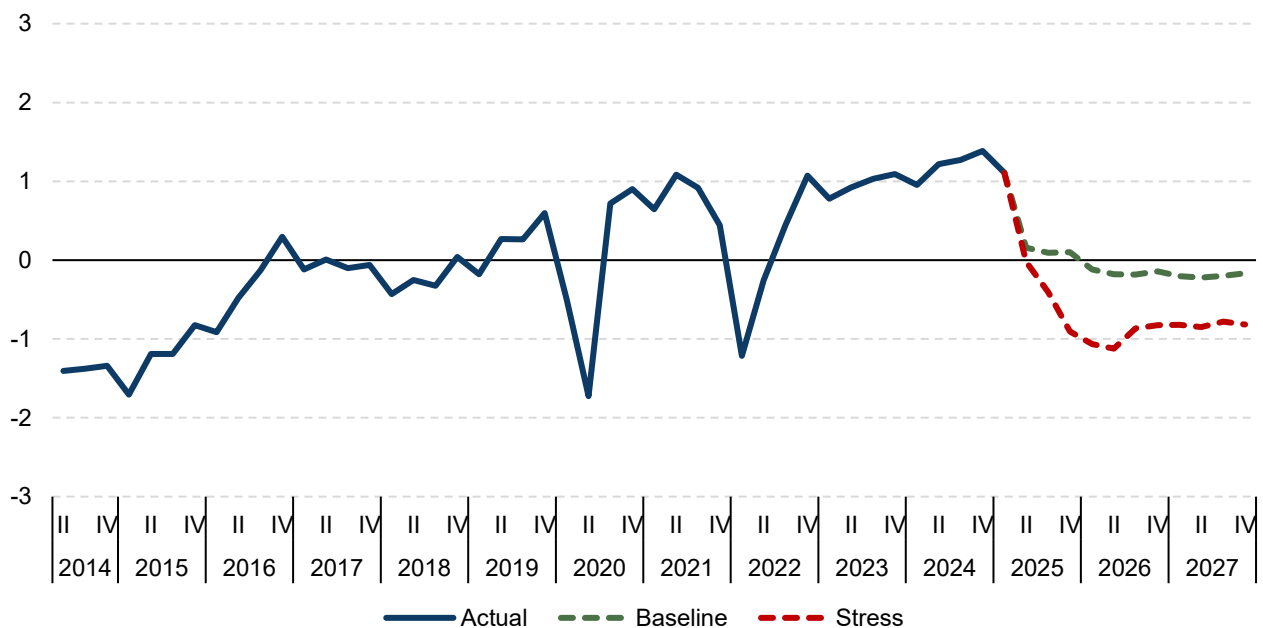
Source: Credit Register, NBK computations

The next step involves assessing the macro-financial relationships between Z-score dynamics and macroeconomic indicators. For each portfolio, macroeconomic variables are selected based on correlation analysis: the indicators demonstrating the highest absolute correlation with the Z-score are included in the model.

The corporate Z-score in the baseline scenario remains close to zero, while by the middle of the stress scenario, the Z-score significantly declines to levels close to the historical minimum, followed by a partial recovery by the end of the scenario period. In the baseline scenario, the retail Z-score stabilizes at a neutral level close to zero. The stress scenario also sees a decline, but its magnitude is less pronounced compared to the corporate portfolio, which may be due to the higher quality of the retail portfolio at the beginning of the forecast period. (*Figure 5.31 and Figure 5.32*).

Figure 5.31 Scenario-based forecasts of the Z-score dynamics for the corporate portfolio

Source: Credit Register, NBK computations

Figure 5.32 Scenario-based forecasts of the Z-score dynamics for the retail portfolio

Source: Credit Register, NBK computations

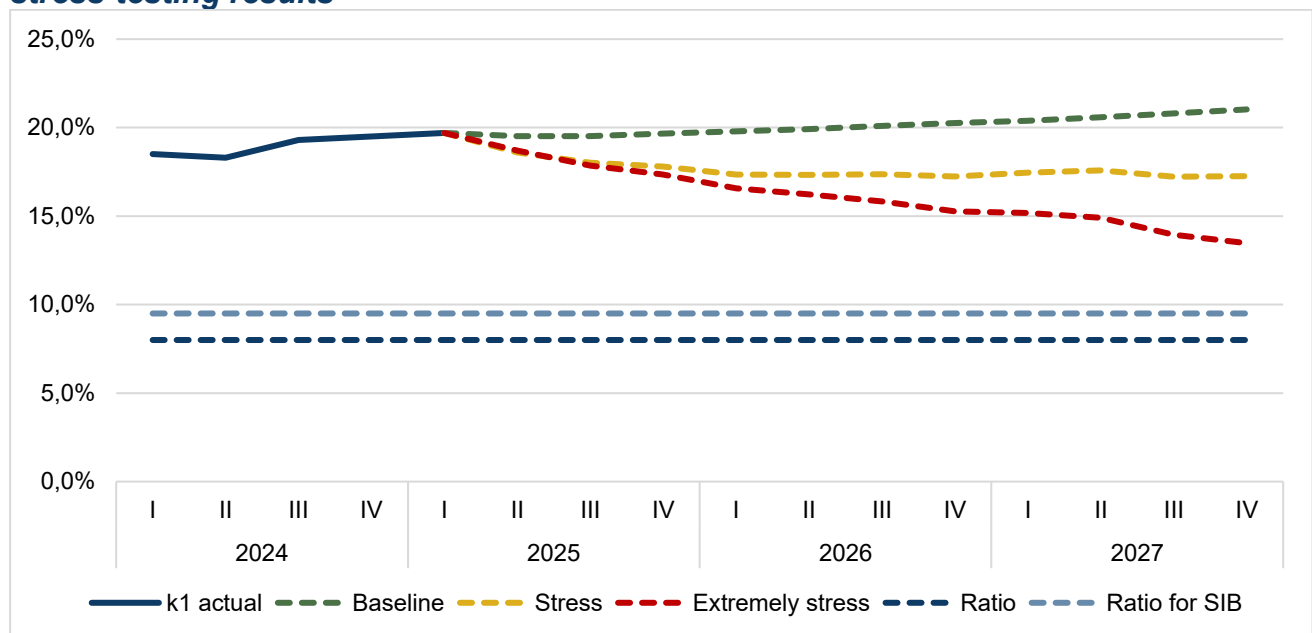
Note: Z-score of the retail portfolio is smoothed by using the Hodrick-Prescott filter

When the stress scenario is realized (at the point of the minimum Z-score value), the deterioration in the transition structure is observed: the probability of borrowers migrating from Stage 1 to riskier categories increases, and the share of transitions to Stage 3 also goes up. This effect is more pronounced in the corporate portfolio, which is consistent with the results of the scenario analysis.

5.4.3 Results

Z-score values in the scenarios are transferred to the projected distribution of loan portfolios by asset quality stage, which allows assessing changes in the volumes of provisions created for stressed assets. A further revaluation of expected credit losses enables to assess the capital adequacy of banks under the macro scenarios. Thus, in the baseline scenario, the k1 ratio decreases to 19.5% by the end of 2025, followed by its moderate growth, and reaches 21% by the end of 2027. In the extremely stress scenario, the k1 capital adequacy ratio exceeds the minimum capital adequacy ratio k1 throughout the forecast period. Despite this, the k1 ratio decreases by 6.2 pp compared to the beginning of the forecast period (*Figure 5.33*).

Figure 5.33 The system-wide capital adequacy ratio (K1) remains compliant with regulatory requirements under both the baseline and stress scenarios based on the stress-testing results



Source: NBK computations

5.5 Risks of Microfinance Organizations

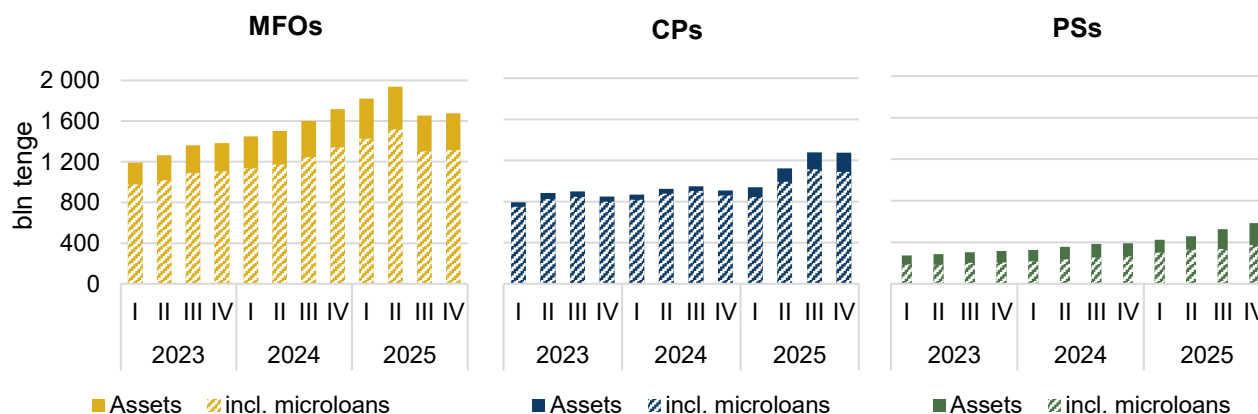
In 2025, the microfinance segment continued to develop dynamically, as evidenced by the high growth rates of their assets and loan portfolio. The quality of the loan portfolio during 2025 was shaped by a combination of regulatory measures, expansion of car loans, and the transformation of several large players into banks. The regulator's tightening of the terms and conditions of unsecured consumer lending contributed to a further reduction in the share of this segment. Taken together, these factors had a positive impact on the security of microloans and their intended purpose in 2025.

The assets of microfinance organizations (MFOs) maintained high growth rates and increased by 17.3% to 3,537.4 bln tenge in 2025. The main drivers were the assets of credit partnerships (CPs) – by 40.5% (to 1,274.8 bln tenge) and pawnshops (PSs) – by 49.7% (to 586 bln tenge), while the assets of the microfinance organizations (MFO) segment decreased slightly by 2.4% (to 1,676.7 bln tenge) due to the transformation of two large MFOs into banks (apart from them them, the growth was 23.5%) (*Figure 5.34*).

The total microloan portfolio of OEMFAs increased by 14.1% to 2,817.6 bln tenge during the reporting period (including the CP portfolio – by 26.8% and the PS portfolio – by 61.7%). The microloan portfolio of MFOs contracted by 2.4% (excluding those MFOs that

transformed into banks, it increased by 23.3%). For comparison, the total assets of the second-tier banks during the specified period increased by 15% to 70.8 trln tenge, and the loan portfolio ramped up by 21.3% to 43.5 trln tenge, including the portfolios of new participants.

Figure 5.34 During 2025, assets and provided microloans of OEMFAs increased significantly¹⁸



Source: National Bank

Notes: 1) book value at the end of the corresponding quarter

2) reduction in assets of MFOs at October 1, 2025 is associated with the KMF's transformation into a bank and its exit from the MFO segment

The high growth rates of OEMFA lending stems from a combination of factors in each of the segments:

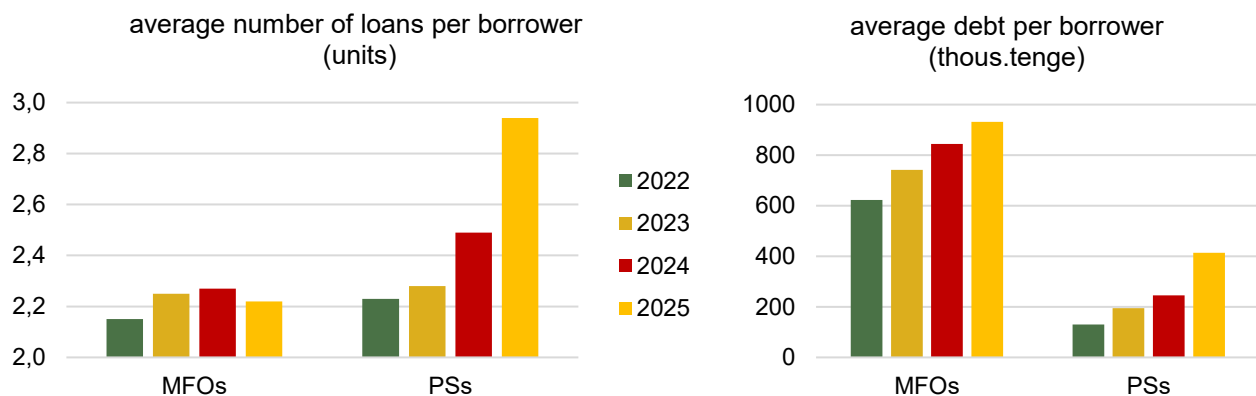
- In the MFO segment, loan portfolio growth (excluding portfolios of MFOs that were transformed into banks) was primarily driven by car loans (contributing 57.7% to growth), the volume of which had increased by 30% over the reporting year and exceeded 40% of the total MFO portfolio at the end of 2025;
- In the PS segment, significant growth was driven by an increase in the estimated value of collateral as a result of rising gold prices as well as by the tightening of regulations of the MFI segment;
- In the CP segment, the increase in indicators is driven by a ramp-up in lending to the agricultural sector.

However, lending growth is not always driven by the attraction of new borrowers, as evidenced by the increase in the average number of loans and the average debt volume per borrower in the OEMFA segment. Thus, as of January 1, 2026, there were 2.82 loans per borrower on average in the OEMFA segment, including 2.22 in the MFO segment, 1.83 in the CP segment, and 2.94 in the PS segment (*Figure 5.35*). The sharp increase in these metrics in the pawnshop segment reflects high demand for short-term loans at higher interest rates to cover temporary financial shortfalls, which may indicate a widening gap between individuals' income and expenses. Consequently, the financial burden of the population borrowing from OEMFAs continued to grow in 2025, driven by active lending by microfinance organizations and PSs to their existing clients.

The availability and accessibility of credit instruments continued to support consumer activity, despite the decline in real household income throughout 2025 (see Section 1.3 Households). Thus, the decline in real purchasing power is offset by increased borrowing, shifting the burden to borrowers' future income. The growing debt burden creates additional macroeconomic risks that require ongoing monitoring and comprehensive analysis.

¹⁸ Less impairment reserves.

Figure 5.35 In 2025, the level of debt overburden among OEMFA borrowers continued to grow



Source: SCB

Note: National Bank evaluation

In the structure of the OEMFA portfolio by type of borrower, individuals retained the overwhelming share during 2025, despite a reduction in their share from 72.2% to 66.2% due to the transformation of large MFOs into banks and a 35.5% increase in the portfolio of legal entities in CPs (the share of legal entities in CPs reached 81.5%) (*Figure 5.36*). In turn, the OEMFA portfolio of individuals is concentrated in the MFO and PS segments (89.2%). At the same time, the category of individuals in MFOs and CPs includes individual entrepreneurs (IEs), whose share as of January 1, 2026 was 8.6% and 87.6%, respectively.

To curb household debt burdens, in 2025 the regulator continued to tighten requirements to microlending: a cooling-off period was introduced for online microloans over 75 MCIs and for multiple loans originated on the same day, and information disclosure and consumer protection requirements were raised. These measures also contributed to a reduction in the share of loans to individuals in the microfinance organization (MFO) segment. Furthermore, the lowering of the annual effective interest rate (AEIR) cap (to 46% for standard microloans and to 179% for PDLs¹⁹) by the regulator in the third quarter of 2024 continued to curb excessive household lending in 2025. Thus, a reduction in the PDL organizations' portfolio, profitability, and overall number of participants was observed²⁰.

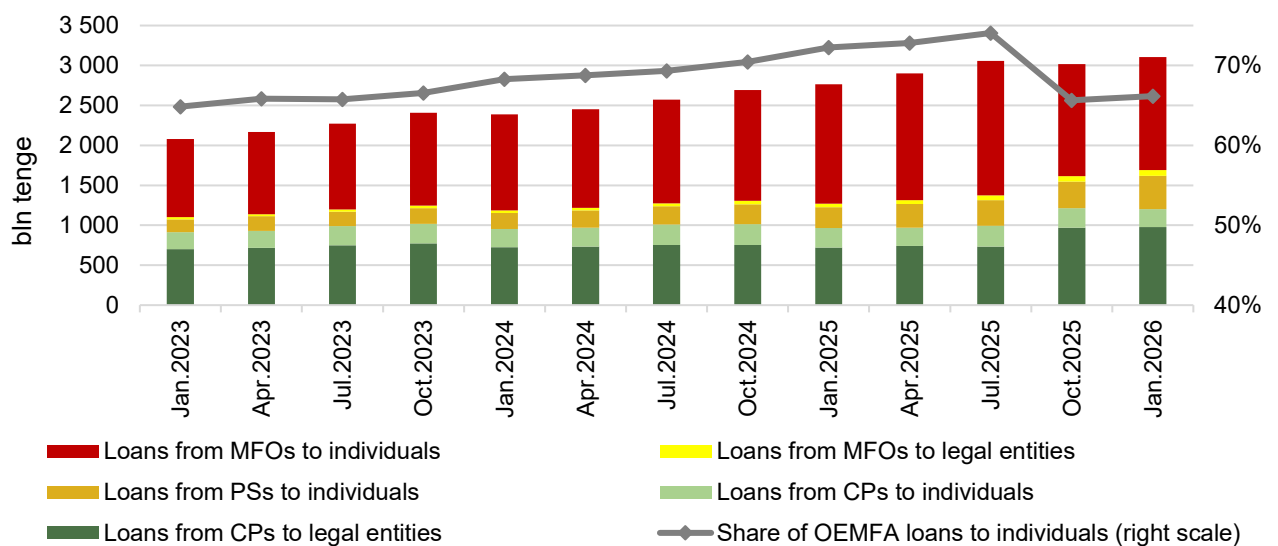
The decline in net profit and accumulated losses of PDL organizations impacted the net profit of the microfinance organization segment, which fell by 50.6% year-on-year (to 48.9 bln tenge). In addition, the portfolios of these institutions exhibited the emergence and subsequent growth of unsecured loans extended for business purposes. This trend also coincided with the introduction of the mentioned regulatory measures and the regulator's decision in 2024 to exempt individuals engaged in entrepreneurial activities from the DSR calculation requirement.

At the same time, the PS segment recorded substantial portfolio growth in 2025. Rising gold prices increased the estimated value of pledged collateral, enabling PS to extend larger loan amounts and thereby meet part of the credit demand that had shifted from the unsecured lending market following the tightening of regulatory requirements.

¹⁹ Short-term loans for up to 45 days in amounts of up to 45 MCIs (in 2025, the MCI was 3,932 tenge).

²⁰ Akylbekov A., Nurkhanova O. (2024). "Assessing the Impact of the AEIR Lowering on the Microfinance Organization Market". <https://nationalbank.kz/file/download/122819>

Figure 5.36 Microloans to individuals continued to account for a significant share of the OEMFA total loan portfolio during 2025, despite its decline

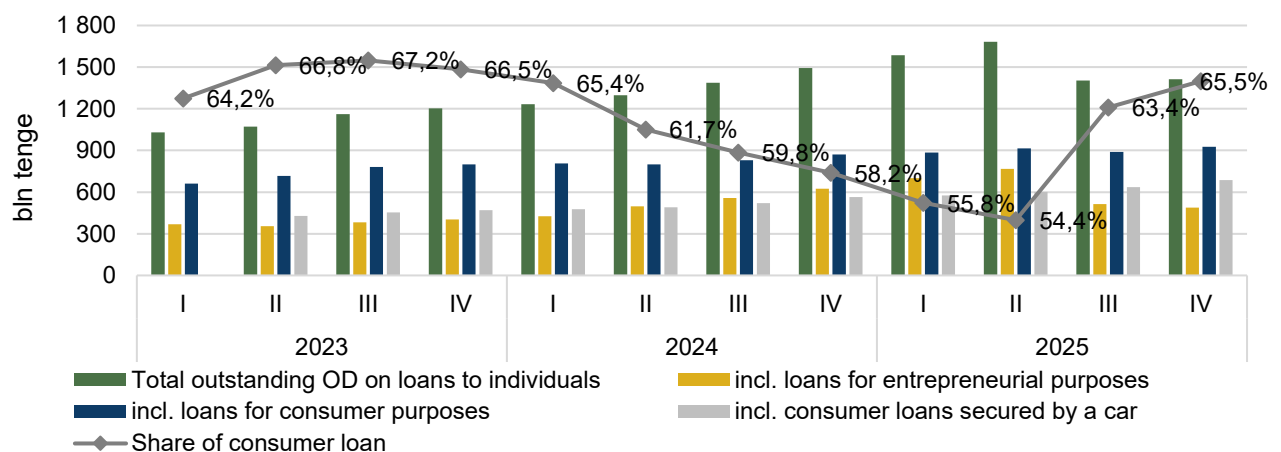


Source: National Bank

The MFO retail portfolio is characterized by a high share of consumer microloans (65.5% as of January 1, 2026) (Figure 5.37). Despite a prolonged decline in the share of consumer loans (including due to a decrease in the share of PDLs) since the beginning of 2024 as a result of regulatory measures, the exit of the largest MFOs, which specialized in financing entrepreneurial activities, to the banking sector in mid-2025 led to a reverse increase in the share of consumer lending in the MFO segment.

At the same time, the active development of car loans has become an additional factor in the growth of the MFO consumer loan portfolio, accounting for 66.7% of this portfolio at the end of 2025. It should be noted that almost the entire car loan portfolio of MFOs is concentrated among four large participants, which is a sign of a high degree of concentration in this segment.

Figure 5.37 Despite a decline in the share of consumer microloans at the beginning of 2025, the growth of auto loans and the transition of the largest microfinance organizations to the banking sector ensured its recovery by the end of the year



Source: National Bank

Note: In accordance with amendments to the Resolution of the Board of the National Bank dated November 28, 2019 No. 222, from July 1, 2023, the reporting requirements to microfinance organizations were expanded in terms of the structure of microloans provided (including the addition of a criterion for the type of collateral).

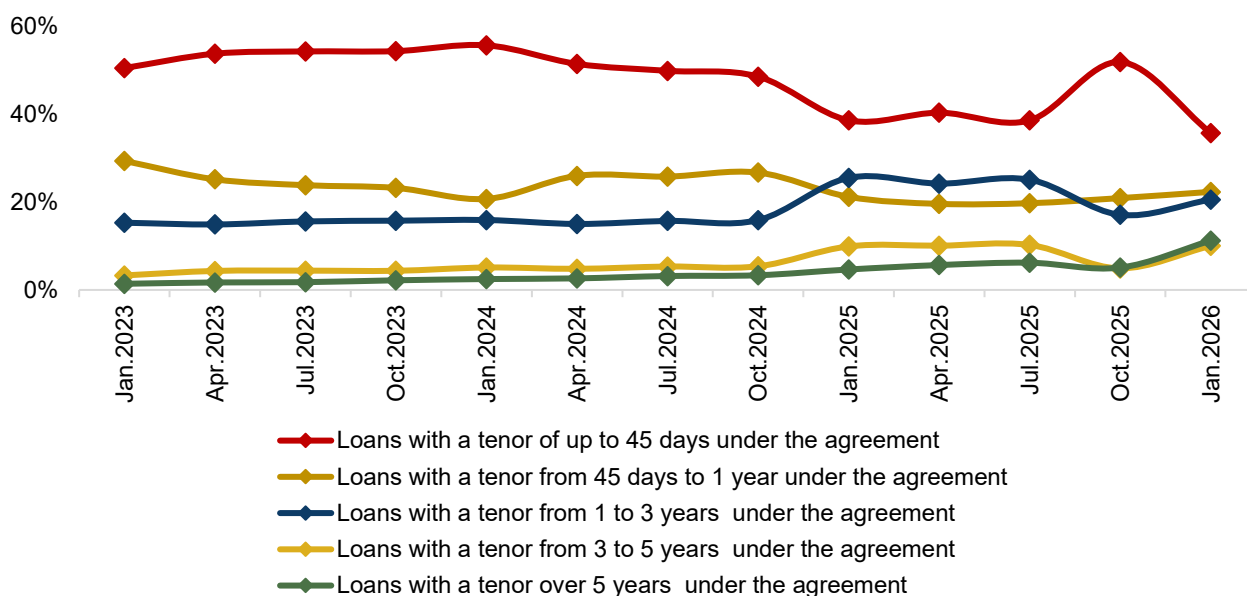
The decline in PDL activity and the growth of car lending affected certain characteristics of the MFO portfolio. Specifically, the average weighted maturity of MFO

microloans increased (from 36 to 40 months) and the share of secured loans went up (from 59.6% to 66%).

Amid expected tightening of regulations, a number of PDL organizations provided a significant number of loans in September 2025 and quickly expanded their portfolios. However, the short-term nature of these loans prevented the PDL portfolio from continuing to grow and led to a significant contraction by the end of 2025 after the relevant regulatory measures came into effect. As a result, the share of concluded loan agreements with tenors of up to 45 days decreased by 2.9 pp to 35.8% (*Figure 5.38*). On the other hand, extending loan tenors may point to the decline in the purchasing power of borrowers, who find it more difficult to service short-term debt, as well as a desire by microfinance organizations to comply with the tightening DR requirement by reducing monthly payments through longer loan tenors. This approach may temporarily smooth out problem debts, but it also reduces overall profitability and slows down loan repayments.

Figure 5.38 The share of loan agreements with a tenor of up to 45 days (PDL loans) continued to decline in 2025

In terms of the number of agreements



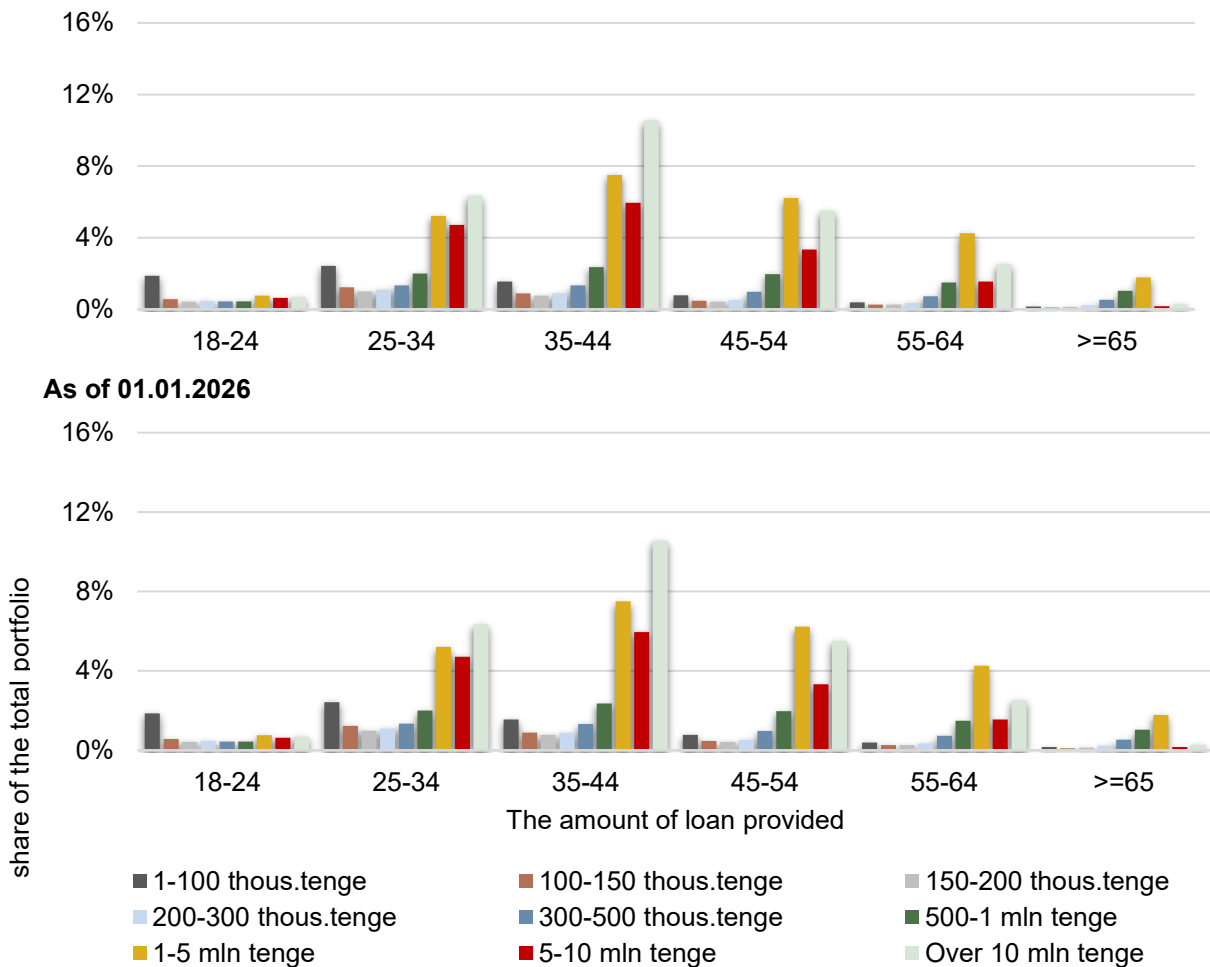
Source: SCB

Note: National Bank evaluation

The age group structure of the microfinance organization's portfolio remains dominated by clients aged 35 to 44 (*Figure 5.39*). Among those aged 25 to 54, a significant increase in the share of loans over 10 mln tenge was observed in 2025, driven by the growth of the car loan portfolio. Meanwhile, demand for smaller loans remains high among young people.

Figure 5.39 The structure of loans provided by microfinance organizations and average debt by age category changed somewhat during 2025.

As of 01.01.2025



Age Category	thous.tenge					
	1 8-24	2 5-34	3 5-44	4 5-54	5 5-64	6 5+
Average debt per a borrower at 01.01.2025	2 24	5 64	8 80	9 23	8 77	6 08
Average debt per a borrower at 01.01.2026	2 12	5 80	1 010	1 085	1 026	6 80

Source: SCB

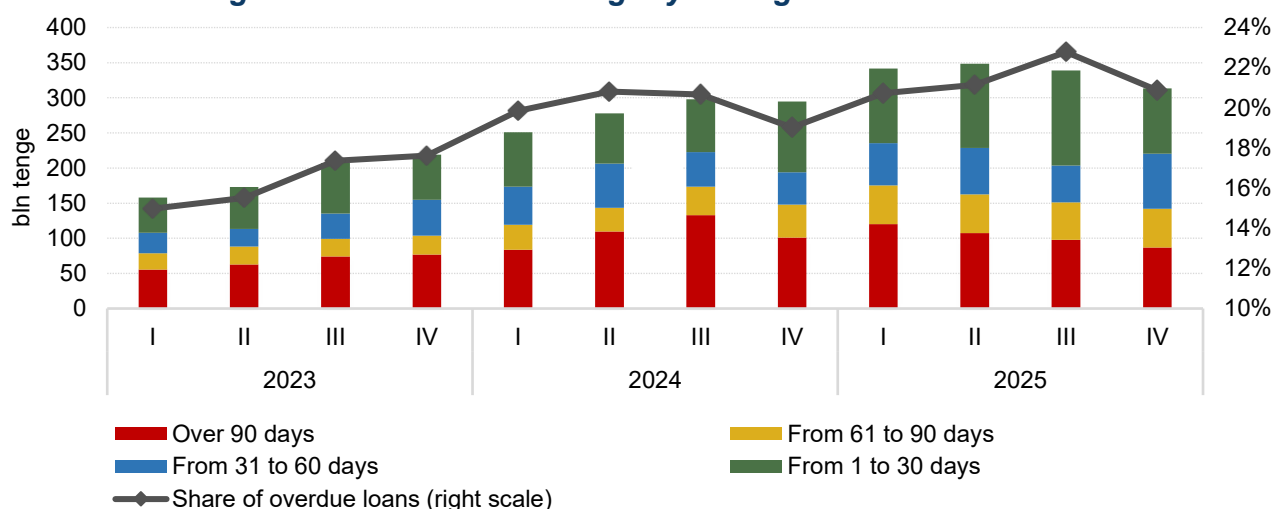
Note: National Bank evaluation

At the same time, an analysis of the debt burden reveals mixed trends across age groups. During the reporting year, the average debt in the under-24 age group decreased by 5.5%, while among borrowers aged 25 to 34, it increased slightly by 2.2%; meantime, in borrowers aged 35 to 64, the increase was over 15%. Among those aged 65+, the average debt also showed a significant increase of 11.7%. Therefore, an increase in the average debt per borrower in older age groups is observed.

In 2025, the quality of MFO portfolios weakened slightly, as evidenced by an increase in the share of total overdue debt from 19% to 20.9%. The indicator was at its peak in the third quarter of the reporting year, when it reached 22.8% as a result of transformation of large MFOs with relatively high portfolio quality into the second-tier banks. However, subsequent tightening of regulation contributed to recovery of the MFO portfolio quality by the end of 2025 (Figure 5.40).

At the same time, the share of NPL 90+ over the same period, on the contrary, decreased from 6.5% to 5.8%. The low rate of transition of overdue debt to the NPL90+ category indicates the possibility of active restructuring. According to the SCB, the share of restructured loans by 2025 increased from 20% to 22.5%. Taking into account restructuring, the actual level of NPL90+ could reach 28.3%, indicating hidden risks in the portfolio.

Figure 5.40 The share of overdue loans in the total volume of loans provided by microfinance organizations increased slightly during 2025



Source: National Bank

An assessment of the quality of MFO portfolios across various lending segments reveals the following: the NPL90+ rate in the car loan segment is 3.9%, in the business lending segment – 5.6%, while the highest NPL90+ rate is typical for unsecured consumer loans (including PDLs) – 11.9%. Thus, unsecured loans have a disproportionate impact on the overall quality of an MFO portfolio relative to their size, which is taken into consideration when formulating regulatory measures to prevent excessive restrictions on more socially significant lending areas.

The overall level of overdue debt in PS segment increased from 24.3% to 25.7%, while the NPL90+ rate decreased from 3.0% to 1.6%. The low share of NPL90+, despite the relatively high total overdue debt, is due to the potential for collateral foreclosure. In turn, CPs have seen the opposite trend: the overall delinquency rate decreased from 5.1% to 3.6%, while NPL 90+ increased from 2.0% to 2.2%. The high quality of CP's portfolio is owing to a limited circle of participants and borrowers, ensuring mutual awareness, a conservative lending policy in which portfolio growth is not a priority, and the use of individual lending terms and conditions that take into account the specific financial situation of borrowers.

The level of provisioning in the OEMFA segment is considered moderate. As of January 1, 2026, the share of NPL 90+ provision coverage was: 68.0% for MFOs, 6.7% for PSs, and 2.0% for CPs. A relatively low level of coverage in PSs and CPs is stemming from the specifics of their operations, particularly the availability of collateral in PSs and the low level of credit risk in CPs.

Thus, due to the further tightening regulation, as well as strategic reforms in the operations of major participants, the OEMFA segment underwent a number of structural changes during 2025, which affected the object, lending purpose, collateral, and portfolio quality of this segment.

VI Risks of Liquidity, Funding, Dollarization, Foreign Exchange and Interest Rate Risks

Liquidity risks in the banking sector remained moderate amid a significant stock of highly liquid assets (HLA).

In 2025, the structure of highly liquid assets, primarily in the tenge, changed due to an increase in minimum reserve requirements (MRR) and a tightening tax regime. As a result, excess liquidity was redistributed among liquidity-absorbing tools and the share of government securities decreased, leading to a change in the composition of HLA. In the foreign currency component, liquidity was also redistributed, primarily from deposits with the National Bank to correspondent accounts, but its impact on the structure of HLA in foreign currency was less pronounced.

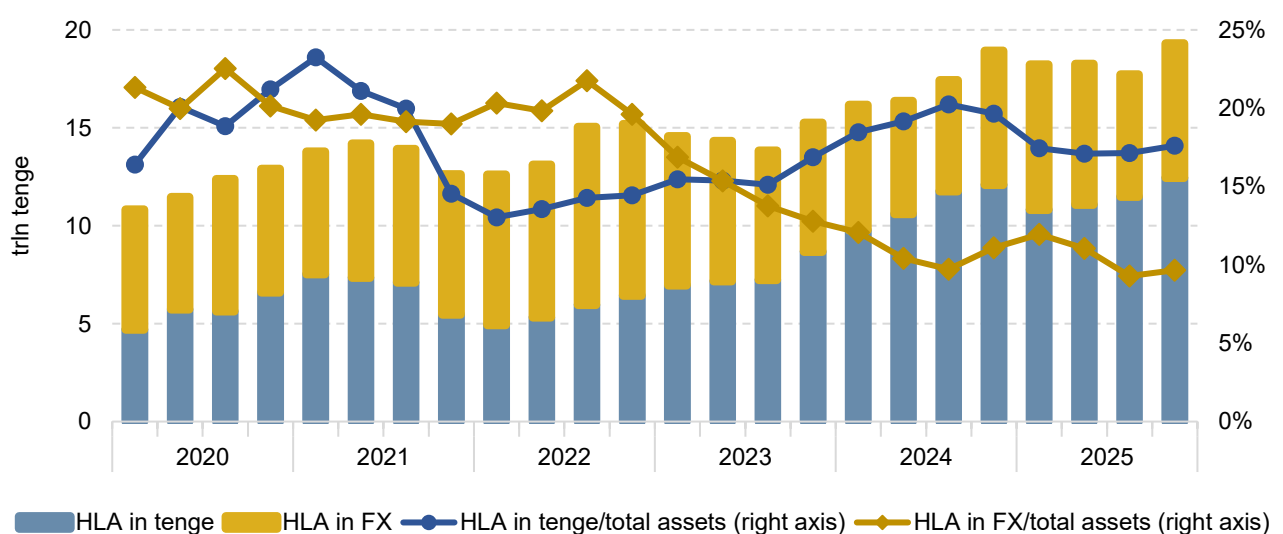
Liquidity coverage ratios (LCR) and stable funding ratios (NSFR) remained high during the reporting period, reflecting banks' stable short- and long-term liquidity positions. These high ratios were also partly stemming from the regulatory easing measures in effect during the reporting period.

An analysis of sensitivity to the risks of depositor outflow showed that the banking sector can withstand moderate deposit outflows. However, in an extreme scenario, banks would experience liquidity problems, which would also lead to a violation of regulatory liquidity coverage requirements for some banks.

6.1 Liquidity Risks

The volume of highly liquid assets (HLA) at the end of 2025 increased slightly by 1.9% compared to the previous year and amounted to 19.3 trln tenge. The main contribution to the growth in HLA was driven by an increase in the tenge liquidity. Despite the increase in volume, their share of assets decreased from 30.7% to 27.2% (Figure 6.1). At the same time, banks implemented balanced liquidity management, especially for the tenge portion. Thus, the share of HLA in tenge remained stable at 17% over three quarters and increased to 18% in the fourth quarter. At the same time, the share of HLA in foreign currency had been consistently going down over three quarters, reaching 9.3% followed by its increase in the fourth quarter.

Figure 6.1 HLA continued to grow



Source: STB reports

Note: The HLA include cash, precious metals, correspondent accounts, interbank deposits, and government securities (excluding encumbered ones). Data as of the end of the quarter.

During the first half of 2025, banks placed excess tenge liquidity primarily in deposits with the National Bank, and excess liquidity in foreign currency was placed in deposits and correspondent accounts with foreign banks (*Figure 6.2*).

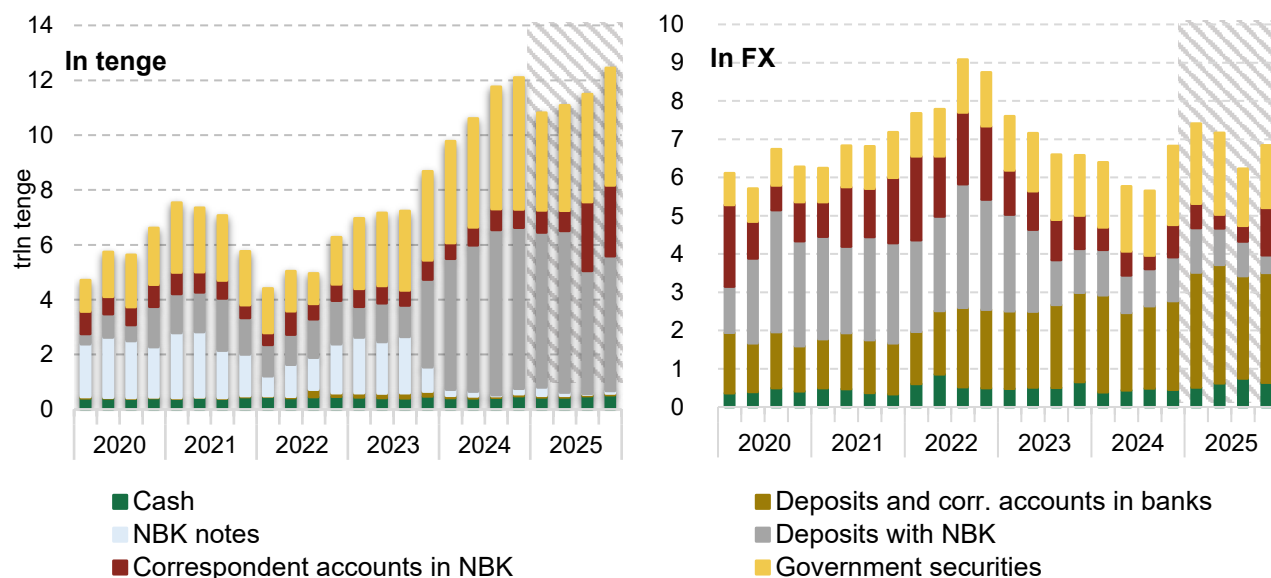
Kazakhstan's banking system continued to operate in the environment of a structural liquidity surplus, accompanied by an expansion of monetary aggregates and persistent inflationary pressure. Under these conditions, raising minimum reserve requirements (MRR) became a necessary step to sterilize excess liquidity and curb money supply growth.

The phased implementation of the MRR increase began on September 2, 2025. Reserve requirements were raised from 1.3% to 3.5%, and then to 5% for the tenge-denominated liabilities, and from 2.5% to 10% and then to 15% for foreign currency liabilities. As a result, excess liquidity was redistributed in the third quarter: some of the funds previously deposited by banks with the National Bank were transferred to mandatory reserves in correspondent accounts. The share of tenge deposits in the National Bank decreased from 47% in the 2nd quarter to 36% (-11 percentage points), and the share of correspondent accounts increased from 6% to 20% (+14 pp).

At the same time, the structure of highly liquid assets was affected by the tightening of tax legislation on government securities. From March 1, 2024²¹, taxation of bank income from the National Bank notes has been introduced, and from January 1, 2026, similar measures will apply to income from government securities of the Ministry of Finance of the Republic of Kazakhstan and local executive authorities (50% of income from 2026, 100% from 2031). A one-time 10% taxation on income from money market transactions, including income from government securities, is envisaged for 2025.

As a result, the share of government securities in the tenge in bank assets decreased from 40% by the end of 2024 to 34% by the end of 2025. At the end of the year, there was a liquidity inflow in both the tenge and foreign currency components, which was reflected in the growth of highly liquid assets in both segments.

Figure 6.2 Both the tenge and foreign currency portions show a noticeable increase in correspondent accounts with the NBK, while reduction is observed in deposits with the NBK and government securities



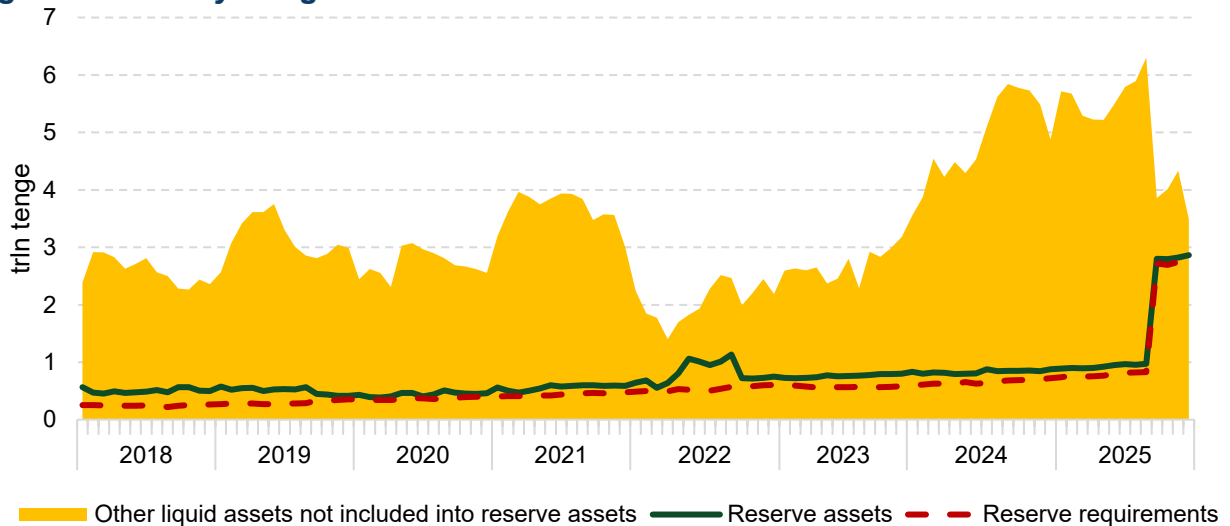
Source: STB regulatory reports

Note: The HLA include cash, precious metals, correspondent accounts, interbank deposits, and government securities (excluding encumbered ones). Data as of the end of the quarter

²¹ The Law of the Republic of Kazakhstan dated December 12, 2023 No. 45-VIII ZRK

Despite a number of tightening measures, excess liquidity remains. While a year earlier, banks placed excess tenge liquidity primarily in deposits with the National Bank and this amount exceeded reserve requirements by 6.8 times, starting in the second half of 2025, this excess had decreased to 1.4 times (*Figure 6.3*).

Figure 6.3 Banks continued to comply with minimum reserve requirements with a significant safety margin



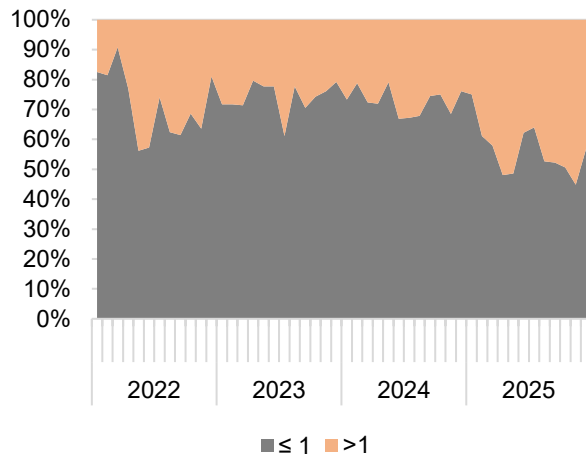
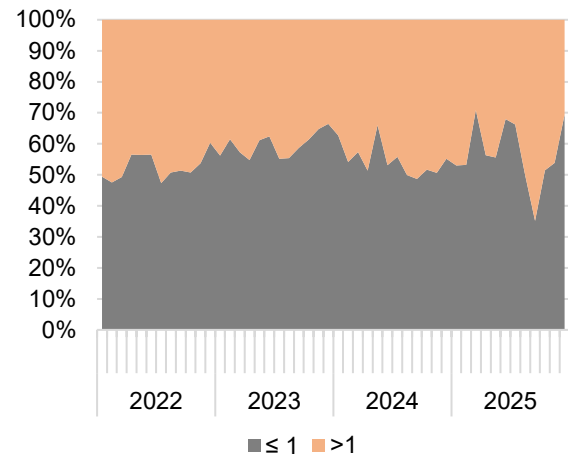
Source: STB data

Note: reserve assets are the average balances of national currency in banks' correspondent accounts with the NBK and cash (cash desk, cash in transit, ATMs, and terminals). Reserve requirements are the minimum amount of funds banks must maintain in the national currency correspondent accounts with the NBK. Data on the minimum reserve balance, reserve assets, and requirements for the NBK are provided as monthly averages.

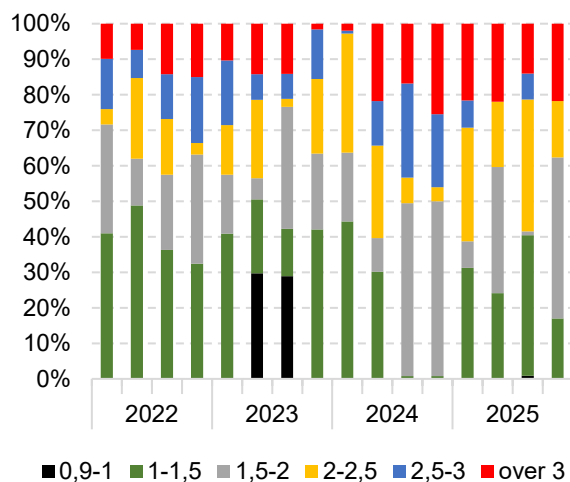
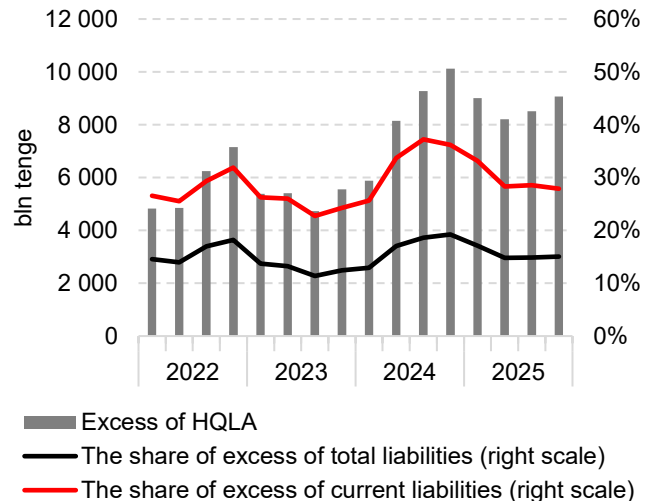
A comfortable liquidity buffer is the ability of banks to cover their current liabilities with liquidity buffers in the short term. During 2025, liquidity buffers in the tenge and foreign currency provided sufficient reserves to cover the most vulnerable liabilities to individuals and legal entities (*Figure 6.4*). The analysis did not reveal any banks whose HLA level covers less than half of their current liabilities in the tenge and in foreign currency.

Regarding the tenge component, approximately 40% of banks in the entire banking system have HLAs covering between 50% and 100% of their current liabilities to clients, indicating a moderate level of liquidity risk. At the same time, in certain periods, this ratio exceeded 100% in a number of banks, demonstrating a high level of liquidity and the ability to cover short-term liabilities more than in full.

In terms of foreign currency, HLA coverage of current liabilities is quite high, and in certain periods of the reporting year, the level of foreign currency liquidity in almost 70% of banks exceeded their current liabilities in foreign currency.

Figure 6.4 The existing HLA level in banks covers their current liabilities**Coverage of HLA in the tenge/Current liabilities in the tenge****Coverage of HLA in FX/Current liabilities in FX****Source:** STB regulatory reports**Note:** Current liabilities include current accounts, demand deposits and short-term deposits of individuals and legal entities with a term of less than 1 year, including interbank correspondent accounts

A high level of liquidity was confirmed by all banks meeting the liquidity coverage ratio (LCR) with a sufficient buffer (*Figure 6.5*). Overall, it should be noted that all banks are maintaining the above-average liquidity coverage ratios, and in certain periods, particularly amid the liquidity inflow in Q4, over 80% of banks achieved LCR ratios above 1.5.

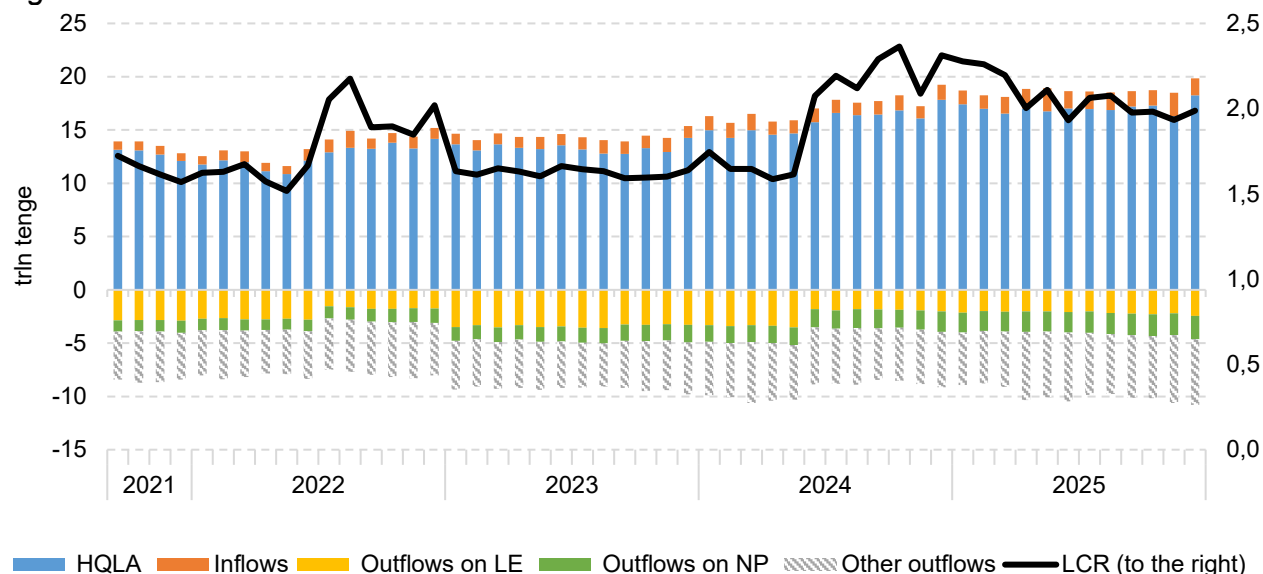
Figure 6.5 Distribution of bank assets by LCR levels**Figure 6.6 Excess* of HQLA over net outflows****Source:** STB regulatory reports**Note:** Excess liquidity is defined as the excess of high-quality liquid assets (hereinafter referred to as HQLA) over net outflow at LCR=1. Data on HQLA and net outflows is reported in accordance with the LCR methodology.

High LCR values were driven by the presence of a significant excess of high-quality liquid assets (hereinafter referred to as “HQLA”) compared to net outflows in both absolute and relative terms (*Figure 6.6*). Thus, by the end of 2025, the excess HQLA amounted to 15% of the bank’s total liabilities and 28% of the banks’ current liabilities, respectively.

In 2025, prudential regulation measures aimed at encouraging lending to the real sector of the economy remained in effect. Regarding the LCR for the outflow rate on corporate deposits, the easing regime remained at 20%, compared to the Basel III recommended outflow rate of 40% (*Figure 6.7*).

The application of a lower outflow rate for corporate deposits, given their volatility, led to a reduction in the overall estimated volume of outflows and had a supportive effect on the LCR level.

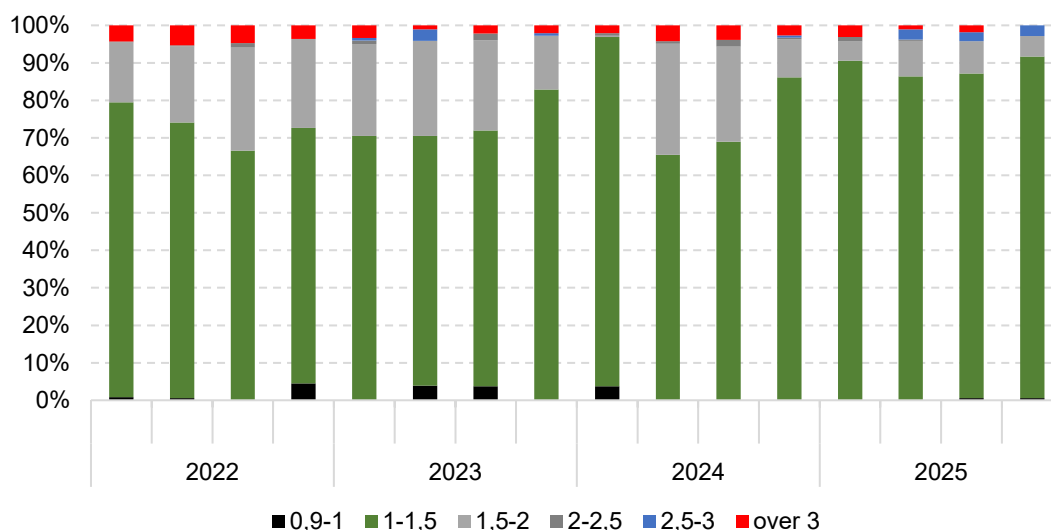
Figure 6.7 LCR structure



Source: STB reports

For all banks the net stable funding ratio (NSFR) stood above 1, against a regulatory requirement of 0.9 (Figure 6.8). This situation indicates that banks are able to successfully manage potential liquidity outflows and operate sustainably in the long term.

Figure 6.8 Distribution of bank assets by NSFR levels



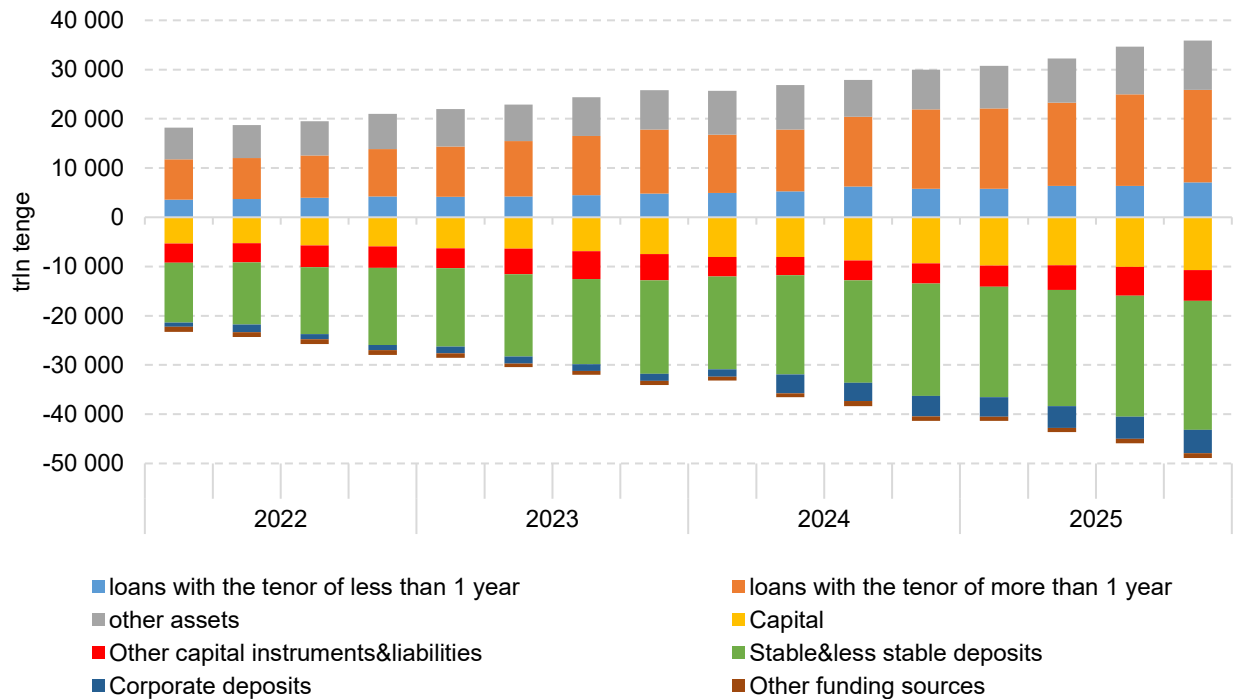
Source: STB reports

Capital and retail deposits still served as the key components of long-term funding and ensuring long-term liquidity (Figure 6.9). In addition to the increase in traditional stable funding sources, the volume of debt obligations and liabilities with maturities longer than one year has increased since the beginning of the second quarter, which contributed to the increased stability of the funding structure. At the same time, the rule to include half of legal entities' deposits with the possibility of unconditional withdrawal in the calculation of stable funding continued to be in effect, which also contributed to the increase in the NSFR level.

At the same time, according to the regulator's approach, a necessary condition for the inclusion of this item as a source of stable funding is the provision by banks of an estimation assessing the stability of such deposits.

At this moment, such estimations are implemented by a limited perimeter of banks.

Figure 6.9 **Key NSFR components**



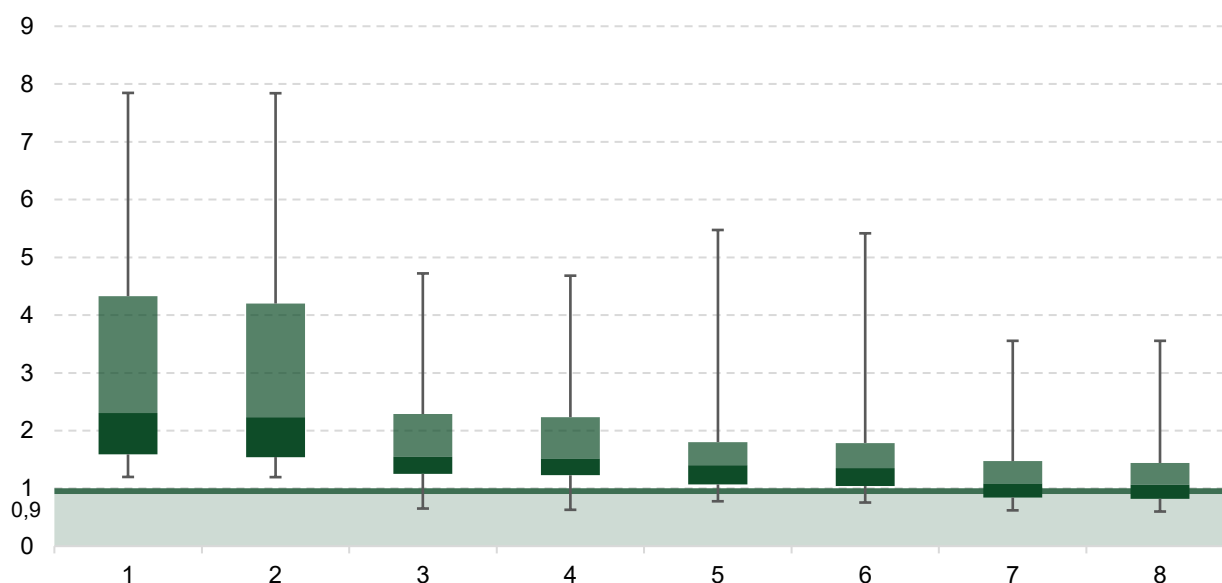
Source: STB reports

Note: other capital instruments include issued bonds and subordinated debt; liabilities over 1 year include all liabilities with maturity greater than 1 year.

6.1.1 Analyzing the Banking Sector Sensitivity to Liquidity Risks

To assess banks' ability to withstand potential deposit outflows from a liquidity risk perspective, a sensitivity analysis was conducted based on the IMF's financial stability assessment methodology.

Two main shock types were modeled: moderate and extreme, which include both individual scenarios such as a reduction in the discount on highly liquid assets, increased outflow rates on deposits of individuals and businesses, and combinations of these.

Figure 6.10 Bank liquidity stress testing under the moderate scenario

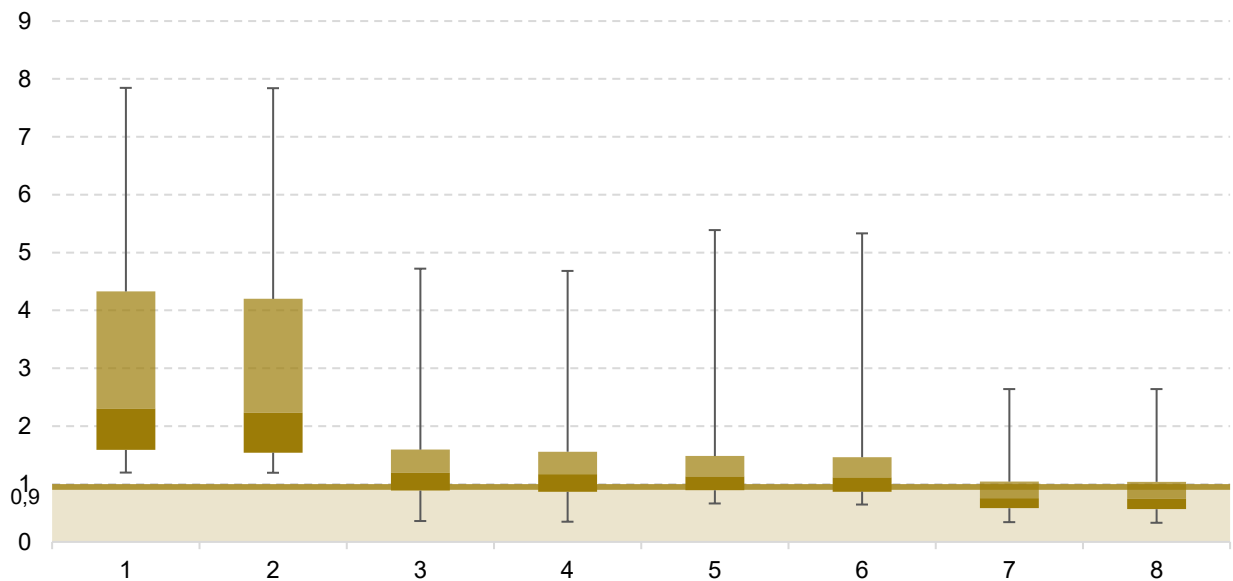
Source: STB reports

Note: Scenarios:

- 1 – actual;
 - 2 – Discount (a 15% reduction in the value of GSs included in the calculation of HLA);
 - 3 – an outflow on individuals (an increase in the outflow rates on deposits of individuals by 10% and 30% for stable and less stable deposits);
 - 4 – an outflow on individuals + Discount;
 - 5 – an outflow on LE (from 15% to 35% on deposits of various LE groups);
 - 6 – an outflow on LE + Discount;
 - 7 – an outflow on individuals + an outflow on LE;
 - 8 – an outflow on individuals + an outflow on LE + Discount,
- One bank, whose ratios deviate significantly from the system distribution and are considered an outlier, was not included in the analysis

In the moderate scenario, LCR values below the established regulatory level of 0.9 were observed at a limited number of banks, depending on their funding structure: for banks with a predominance of retail deposits, this was the case with an outflow of stable and less stable retail deposits; for banks with a high share of corporate funds, this was the case with an outflow of corporate deposits. However, overall, the LCR ratio remains at a level consistent with established requirements in most of the scenarios considered (*Figure 6.10*)

The results of analysis of the banking sector's sensitivity to liquidity risks revealed that under extreme shocks with higher outflow rates on retail and corporate deposits, more than half of the banks violate the LCR ratio. In a number of scenarios, the number of banks whose LCR values fall below the established ratio increases. The most pronounced reduction in the indicator is observed in scenarios involving simultaneous outflows of retail and corporate deposits, in which more than half of the banks fail to meet the LCR ratio. However, some banks demonstrate significant LCR buffers, which is a sign of their increased resilience to the modeled stress scenarios and their ability to absorb potential liquidity outflows (*Figure 6.11*).

Figure 6.11 Bank liquidity stress testing under the extreme scenario

Source: STB reports

Note: Scenarios:

- 1 – actual;
- 2 – Discount (a 15% reduction in the value of GSs included in the calculation of HLA);
- 3 – an outflow on individuals (an increase in the outflow rates on deposits of individuals by 30% and 60% for stable and less stable deposits);
- 4 – an outflow on individuals + Discount;
- 5 – an outflow on LE (from 30% to 60% on deposits of various LE groups);
- 6 – an outflow on LE + Discount;
- 7 – an outflow on individuals + an outflow on LE;
- 8 – an outflow on individuals + an outflow on LE + Discount

One bank, whose ratios deviate significantly from the system distribution and are considered an outlier, was not included in the analysis.

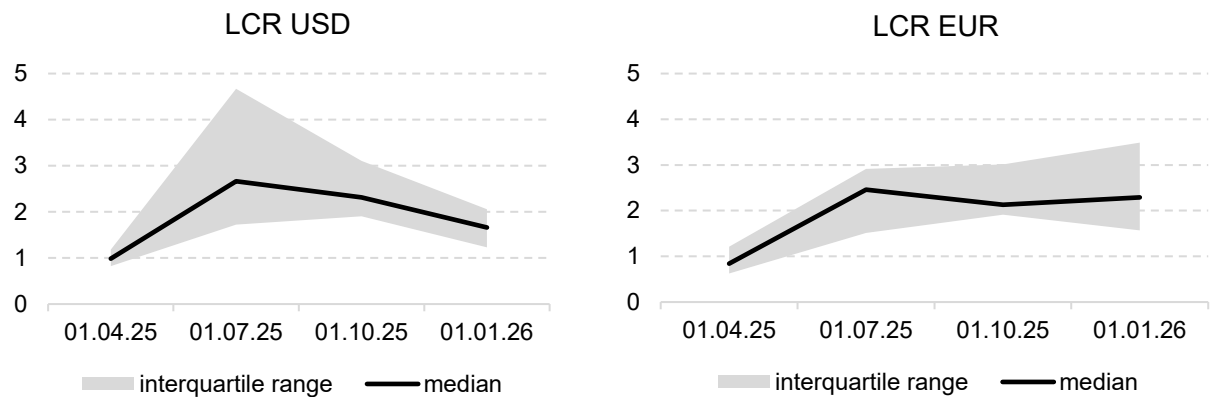
Box 6.1 Monitoring Foreign Currency LCR

One of the tools used to monitor foreign currency liquidity risk in international practice is the foreign currency liquidity ratio (LCR), which is calculated similarly to the standard LCR recommended by the Basel Committee on Banking Supervision (BCBS), but broken down by significant currencies. This tool allows for more effective identification of mismatches between foreign exchange assets and liabilities.

$$FX\ LCR = \frac{HLA\ in\ terms\ of\ significant\ currency}{Total\ outflow\ of\ cash\ over\ 30\ days\ in\ terms\ of\ significant\ currency}^{22}$$

Although the foreign currency LCR is not included in the list of mandatory ratios, the BCBS recommends monitoring this indicator. Since 2023, the National Bank has been conducting quarterly monitoring of the foreign currency LCR based on inquiries from large and medium-sized Kazakhstani banks whose assets account for more than 80% of total assets of the banking sector. The National Bank has calculated the FX LCR in terms of significant currencies as of 2025 (Figure 1). Figure 1 shows the levels of FX LCR in USD and EUR in 10 banks. USD is considered as a significant currency for all banks, while EUR is significant for some banks.

²² According to the BCBS, a currency is considered “significant” if the aggregate liabilities denominated in that currency amount to 5% or more of the bank’s total liabilities.

Figure 1. *LCR in terms of significant currency*

Based on an assessment of significant foreign currencies, FX LCRs for USD and EUR were calculated dynamically. Coefficients in accordance with Kazakhstani regulatory requirements were used in the calculations. A minimum FX LCR of 1, recommended by the BCBS, was used as a benchmark. As a result of the FX LCR assessment, **most of the largest banks have FX LCR values exceeding 1**, indicating sufficient short-term liquidity reserves in significant foreign currencies in the event of a foreign currency liquidity outflow over a 30-day horizon.

6.2 Funding Risks

In 2025, growth in banking system assets was driven by increased deposits and capital. Funding risks are assessed at a moderate level, which is an evidence of a balanced structure of attracted funds and a relatively low dependence on less stable funding sources.

A high level of deposit coverage with highly liquid assets, combined with a significant level of capitalization, ensures the necessary financial stability and can mitigate potential outflow risks.

The concentration risk in funding is moderate. The share of large creditors in the banking sector liabilities remained unchanged. Nevertheless, a redistribution of concentration risk within the system is observed: its reduction in large banks is accompanied by a growth in medium-sized banks, while small banks remain most vulnerable.

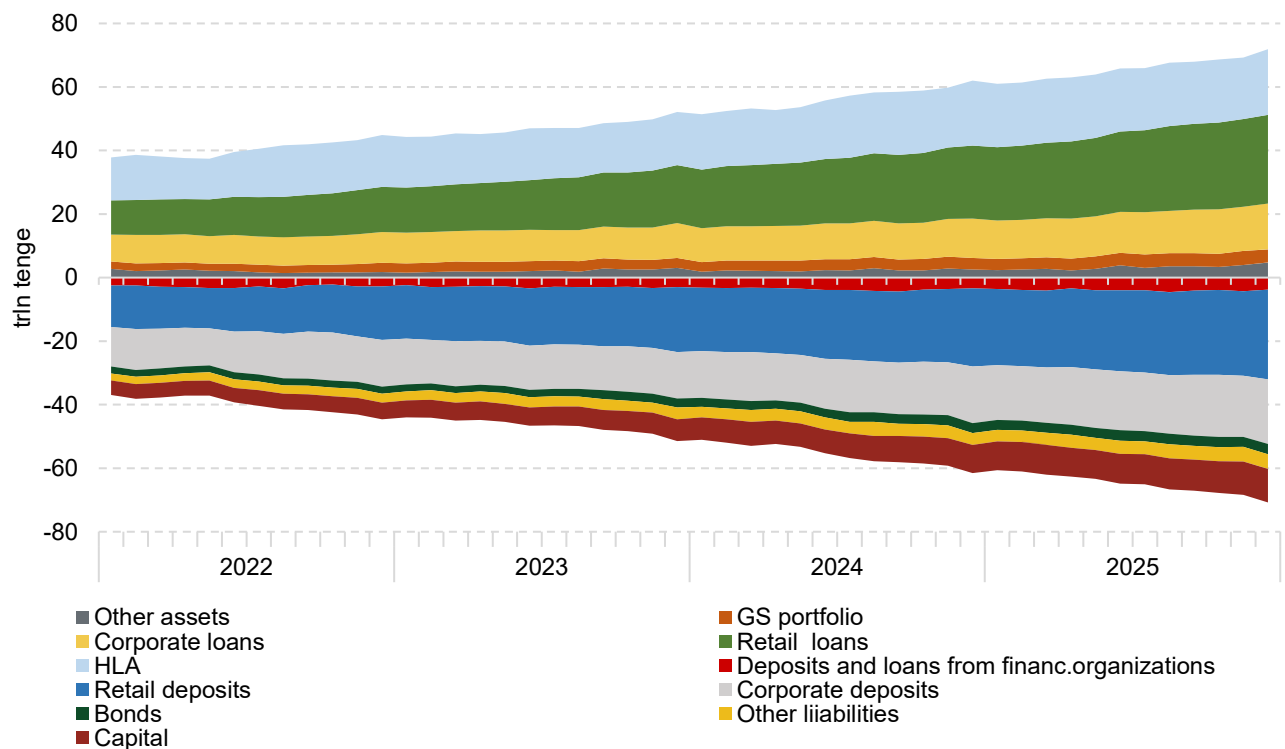
Changes in interest rate regulation have contributed to the increased competition in the retail deposit market, which, in turn, has led to a further growth in the share of truly term deposits, thereby enhancing sustainability of the main funding source for banks.

Thus, the current funding parameters of the banking system ensure its soundness and allow it to effectively cope with potential risks, while maintaining a sufficient level of liquidity and capital.

6.2.1 Sustainability of Funding

Effective liability management is critical to financial stability. Ensuring a balanced transformation of asset and liability maturities is a key function of the banking system. To maintain stable lending to the economy, it is essential to create a sustainable funding base with an emphasis on longer-term and more stable resources.

Figure 6.12 *Assets and Liabilities of the Banking Sector*



Source: STB regulatory reports

The liabilities side of the balance sheet increased by 15% year-on-year. Deposits remained the primary funding source, accounting for 69% of total liabilities. Retail deposits accounted for 40%, while corporate deposits amounted to 29%. Equity accounted for 15% of total liabilities.

At the year-end 2025, the share of truly term deposits²³ in the tenge in the banking sector amounted to 19.3%, having increased from 11.9% at the beginning of 2022, which is a proof of positive trends in terms of sustainability of retail deposits.

The key factor driving these dynamics was a change in the mechanism for setting cap rates on retail deposits.

Effective January 1, 2024, the KDIF abolished cap rates on the tenge deposits for most banks, retaining them only for banks classified as less than well capitalized according to the KDIF methodology. At the same time, a systemic risk premium was introduced, whose amount depended on the degree to which banks' rates deviated from the market level, limiting sharp rate fluctuations and deposit overflows in the deposit market. These measures contributed to the development of a more balanced approach by banks to deposit pricing and maintaining interest rates at market levels.

The next stage of liberalization was the abolition of cap rates on the tenge deposits for less-than-well-capitalized banks, effective March 1, 2025. As a result, all banks were given the opportunity to formulate their deposit policies under market conditions. At the same time, to limit additional risks to the banking system for banks with interest rates significantly above market levels, the mechanism of increased assessments, whose amount depends on the extent of the excess rates and the volume of deposits, was retained.

As a result, the Herfindahl-Hirschman Index (*Figure 6.13*), which measures market concentration, declined from 3944 at the beginning of 2022 to 1628 at the end of 2025, consistent with the characteristics of a moderately concentrated market. This indicates a significant decline in market concentration and increased competition.

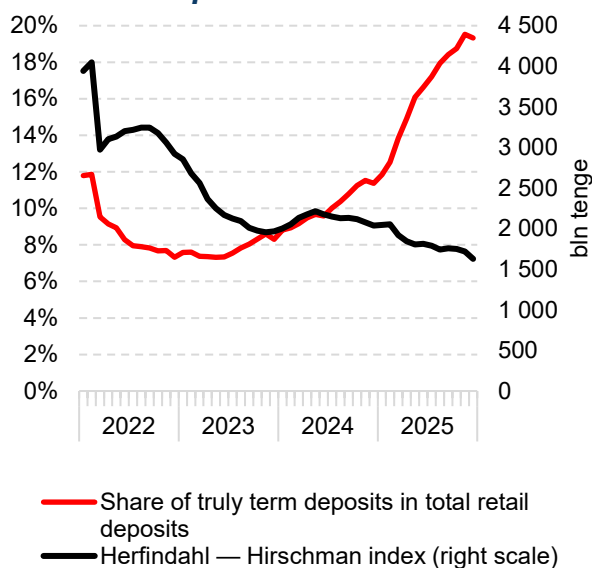
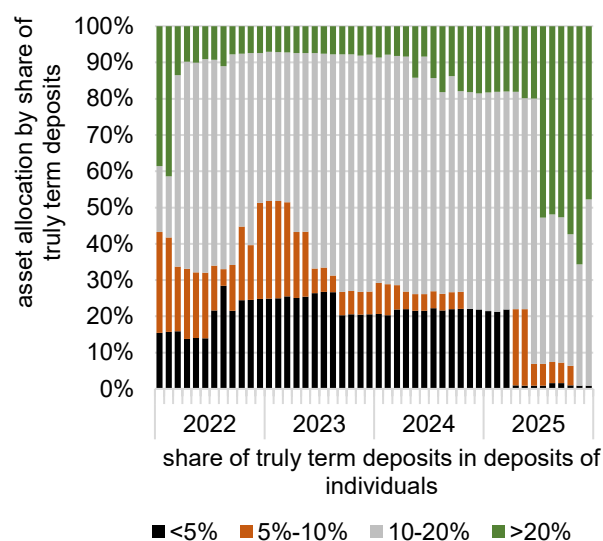
Moreover, the number of banks with a more stable deposit base had notably increased (*Figure 6.14*). By the end of 2025, the share of banks with a percentage of truly term deposits between 10% and 20% amounted to 51.3% of banking sector assets, while the share of banks with more than 20% truly term deposits reached 47.8% of banking sector assets.

Thus, measures aimed at liberalizing interest rates have significantly contributed to improving the sustainability of the funding structure in the banking sector.

At the same time, it is necessary to consider the risks associated with the share of uninsured deposits. A high concentration of such funds increases banks' vulnerability to a sharp outflow of liquidity in stressful conditions.

Experience shows that uninsured deposits can be a key factor in instability: for example, during the US banking crisis in 2023, a significant share of uninsured deposits was one of the reasons for bank runs and bank failures.

²³ Truly term deposits consist of deposits with the appropriate maturity conditions and savings deposits. According to the KDIF methodology, a deposit with the appropriate maturity conditions means a deposit with a fixed interest rate, for which the contract stipulates a penalty for early withdrawal in an amount not less than the minimum penalty. Savings deposits have tight restrictions: early withdrawal from this deposit is possible only 30 calendar days after the request, in which case almost the entire accrued interest amount is lost.

Figure 6.13 Liberalization of cap rates on retail deposits**Figure 6.14 Segmentation of banks based on the share of term deposits**

Source: KDIF

Note: The Herfindahl-Hirschman Index (HHI) is used to measure market concentration and the level of competition.

$HHI < 1,500$ — a market is considered as competitive, with low concentration.

$1,500 \leq HHI < 2,500$ — a moderately concentrated market.

$HHI \geq 2,500$ — a highly concentrated market, with several large players dominating.

A high capital buffer ([Figure 6.15](#)) allows banks to effectively manage potential risks associated with the outflow of uninsured deposits and minimize the risk of bankruptcy in the event of a mass withdrawal of funds. This also helps maintain depositor confidence and strengthen soundness of the financial system as a whole.

In addition to high capital adequacy ratios, banks possess significant HLA reserves, allowing them to effectively cover all uninsured deposits. By the end of 2025, the share of uninsured deposits in the banking system, including deposits of legal entities, was 68%. Banks are able to cover more than half of these deposits (56%) through HLA. It is noteworthy that the share of uninsured deposits across banks generally ranges from 70% to 100%, with virtually all banks able to cover potential outflows of 39% or higher.

Therefore, given the existence of a significant liquidity reserve, funding risks do not pose a threat to the stability of the banking system. This demonstrates banks' high preparedness to respond to potential fluctuations in the deposit structure and maintain financial stability.

Figure 6.15 Capitalization and uninsured deposits of NPs and LEs

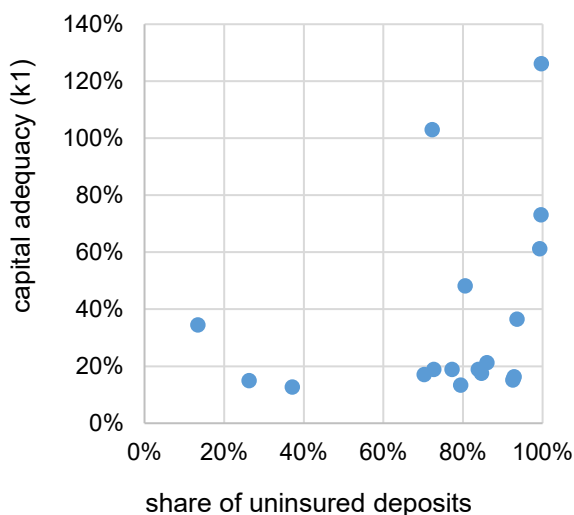
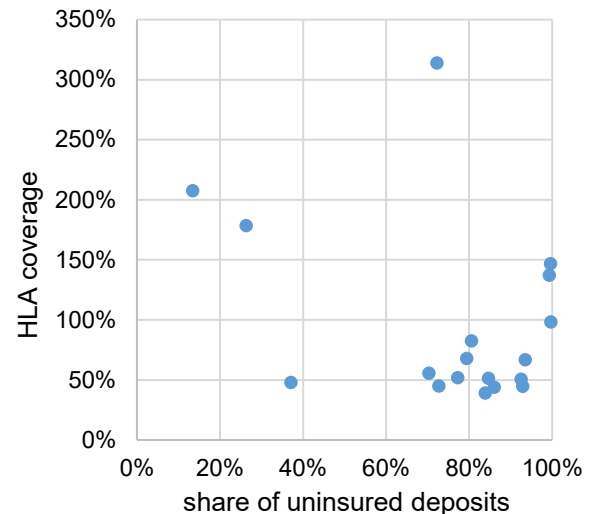


Figure 6.16 HLA to uninsured deposits of NPs and LEs



Source: STB reports and KDIF

Note: the sample included banks participating in the deposit insurance system. Banks that had just started their operations were also excluded from the sample due to large outliers.

6.2.2 Concentration of Funding

The risk of funding concentration in the banking sector is assessed as moderate. The trend toward reduced reliance on large lenders has stalled. This is due to the redistribution of concentration risk within banks.

An analysis of the banking sector's resilience to the outflow of large deposits showed that a third of banks could experience liquidity difficulties should such a scenario materialize, requiring ongoing monitoring of risks of funding concentration.

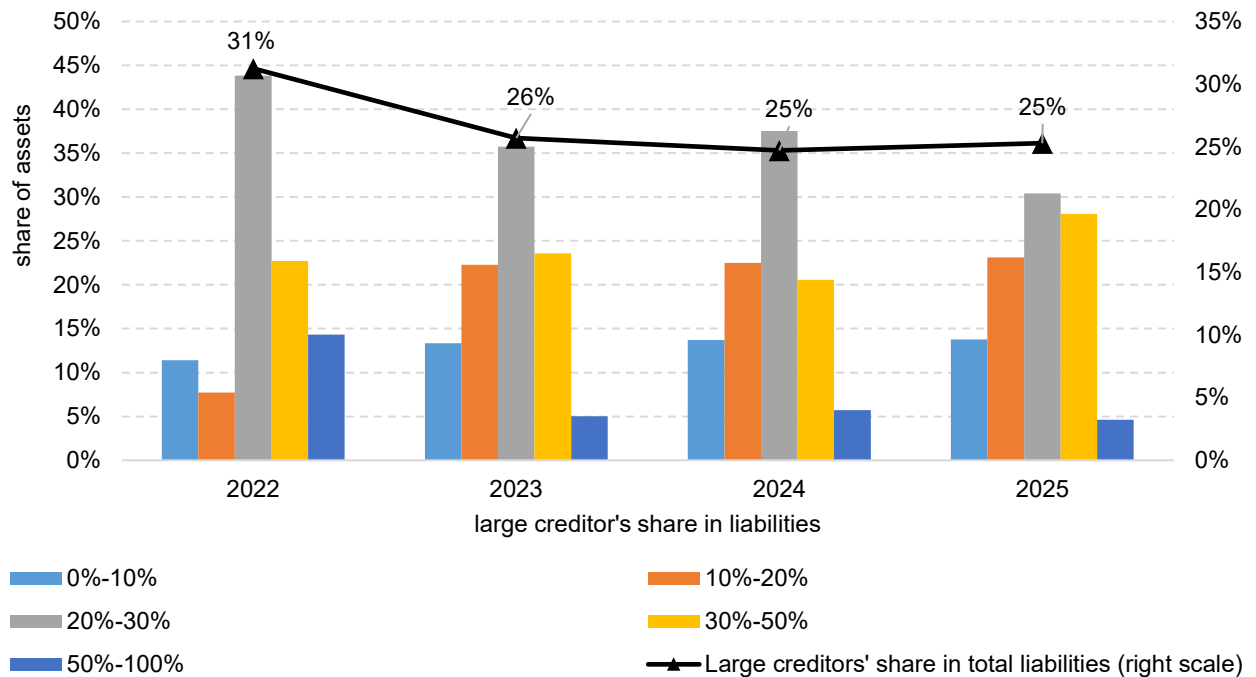
The share of the largest creditors in the total liabilities of the banking sector remained at 25%. Large banks, whose share of total assets exceeds a third, have seen a decline in their dependence on the largest creditors, reaching 20-30%. This indicates a more diversified funding base, which increases resilience to the outflow of individual large creditors.

At the same time, the share of medium-sized banks, where the largest depositors account for 30% to 50% of all liabilities, has increased. The percentage of banks with the largest creditors in the range of 10% to 20% has also grown.

The greatest concentration risk remains in small banks, where the share of the largest creditors in liabilities ranges from 50% to 100%. However, their percentage and weight in the system have diminished (Figure 6.17).

Thus, the risk of concentration in liabilities is confined primarily to medium-sized banks.

An assessment of banks' ability to withstand large deposit outflows shows that half of the banks are vulnerable to such outflows, with partial or complete depletion of liquidity. The withdrawal of foreign currency deposits by the largest depositors will require between 30% and 60% of foreign currency liquidity. Moreover, the main risk of outflow is concentrated in the tenge component. Medium-sized and small banks are most sensitive to the risk of outflow, with a share of 16% of assets (Table 7).

Figure 6.17 Share of the largest bank creditors in total liabilities

Source: STB reports

Although most banks are resilient to outflows of their largest depositors, the ongoing monitoring of liquidity risks associated with the concentration of such funding is necessary.

Table 7 Risk of deposit concentration

The ratio of deposits and the amount of cash, correspondent accounts with the NBK and the GS portfolio

Deposit withdrawals	Min.	25 th percentile	Weighted average	Median	75 th percentile	Max.
TOP-5	0,2	0,4	0,4	0,6	1,4	23,1
TOP-10	0,3	0,5	0,6	0,9	1,8	23,5
TOP-20	0,3	0,6	0,7	1,3	2,2	23,6
TOP-30	0,3	0,7	0,9	1,5	2,4	23,6
Deposit withdrawals, including:						
<i>in tenge:</i>						
TOP-5	0,0	0,2	0,3	0,4	1,2	23,1
TOP-10	0,1	0,3	0,4	0,5	1,6	23,5
TOP-20	0,1	0,4	0,5	0,6	1,6	23,6
TOP-30	0,1	0,4	0,5	0,6	1,6	23,6
<i>in FX:</i>						
TOP-5	0,0	0,2	0,3	0,3	0,6	11,1
TOP-10	0,0	0,3	0,3	0,4	0,8	12,6
TOP-20	0,0	0,3	0,4	0,5	0,98	14,2
TOP-30	0,0	0,3	0,4	0,6	1,01	15,1

Source: STB reports

Note: If the ratio of deposits of large depositors and the total amount of cash, banks' correspondent accounts with the NBK and the government securities portfolio exceeds 1, this means that the bank's funds are insufficient in the event of withdrawal of deposits by large depositors.

6.3 Risks of Dollarization

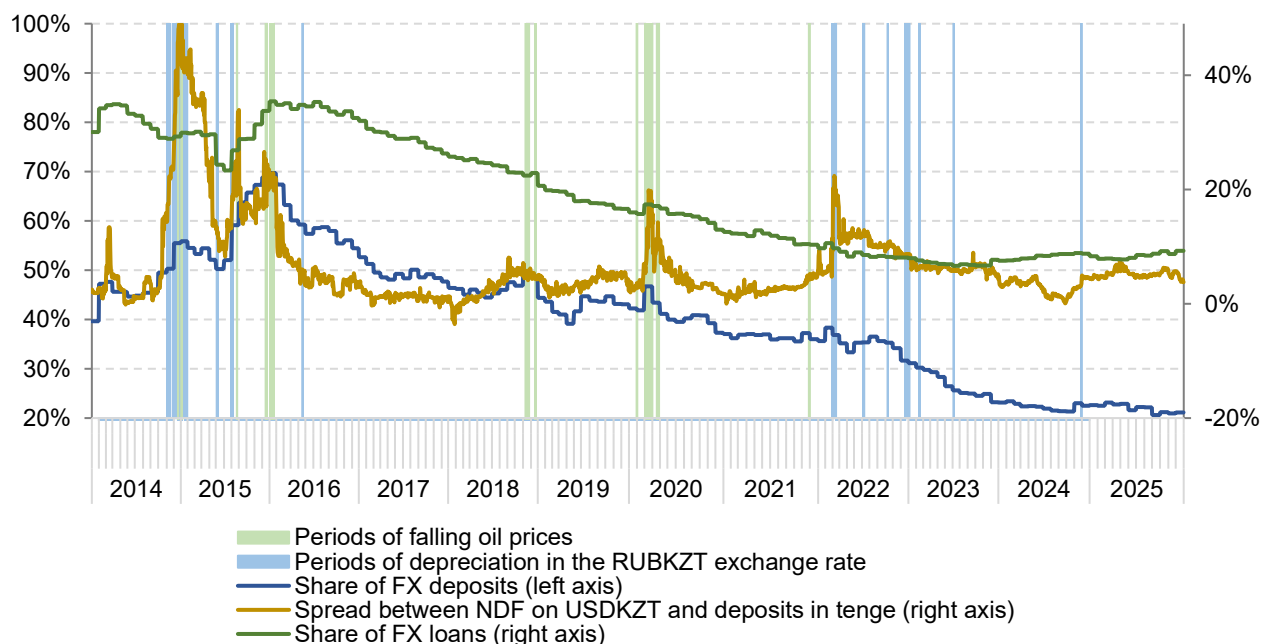
Risks associated with deposit dollarization remained moderate in 2025. The overall level of dollarization in banks declined, reaching historical lows in some periods. This trend was driven by a decline in the inflow of retail foreign currency deposits, which resulted in lower dollarization and stability in the financial system.

In 2025, the de-dollarization process in the banking sector continued, but at a slower pace. Foreign currency deposit levels fell to 21.1% by the end of the year, a historic low, despite a temporary increase in March (23.2%). Meanwhile, foreign currency loans remained relatively stable throughout the year, showing a slight increase by the end of the year to 9.3% (compared to 8.8% at the end of 2024).

De-dollarization was facilitated by factors such as depreciation of the national currency, accompanied by reduced expectations of a weakening national currency and increased confidence in the tenge instruments, the increased attractiveness of savings in the national currency amid tightening monetary policy, and the persistently low yield on foreign currency deposits.

Throughout 2025, the spread between the USD/KZT non-deliverable forward (NDF) and weighted average deposit rates in the tenge gradually widened in the first half of the year, reaching 8.7%, before declining to 3.8% by the end of the year. This trend indicates that exchange rate fluctuations affect the attractiveness of the tenge deposits, which must be considered when assessing dollarization risks. Furthermore, the NDF reflect market participants' expectations regarding the future exchange rate of the tenge against the US dollar (in particular, the expected dynamics of its weakening or strengthening). Therefore, a change in the spread effectively signals a revision of exchange rate expectations and the relative attractiveness of the tenge instruments. Its growth in the first half of 2025 indicates that the expected weakening of the national currency exceeded the yield on deposits, while the subsequent narrowing of the spread points to an increase in the attractiveness of the tenge instruments. The absence of significant periods of volatility in the fundamental factors that determine the level of deposit dollarization (*Figure 6.18*) suggests that de-dollarization occurred against the periods of general strengthening of confidence in the national currency.

Figure 6.18 *In 2025, the dollarization level kept declining*



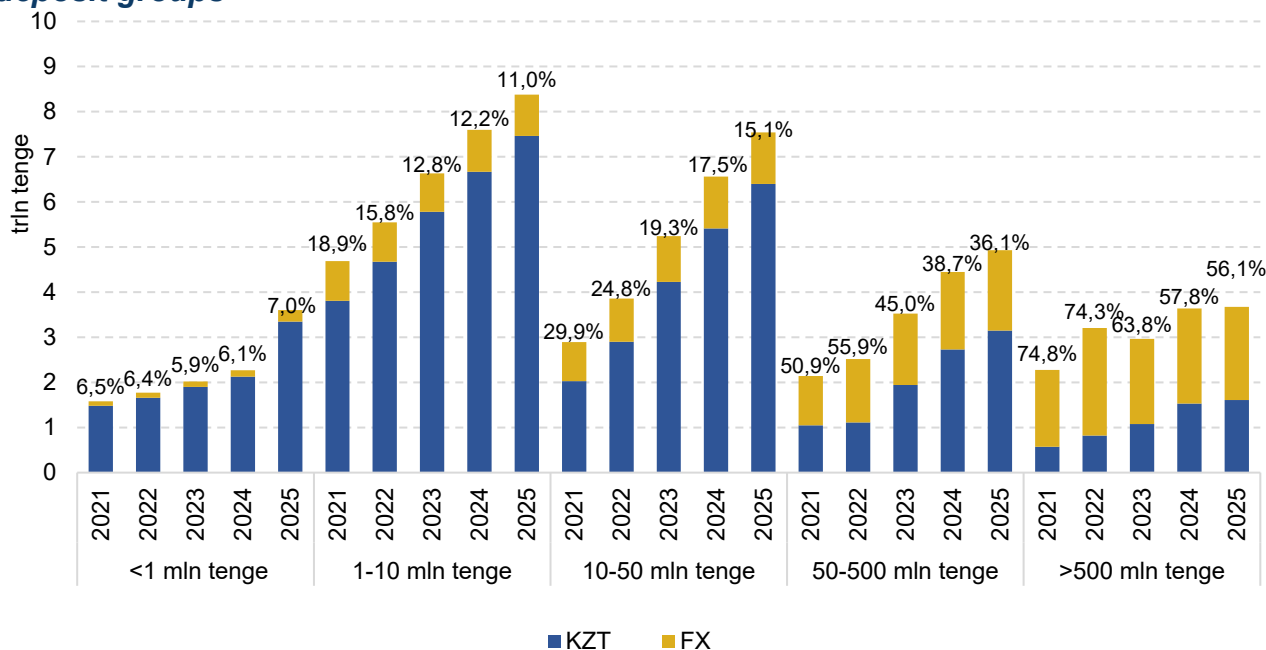
Source: STB reports

Note: periods of RUB/KZT exchange rate weakening – significant periods of ruble depreciation against the tenge

The decline in dollarization was achieved primarily by the retail sector compared to the corporate sector. Thus, by the end of 2025, the share of foreign currency deposits among individuals decreased from 20% to 18%, while the dollarization level in legal entities remained at 25%. This trend may be related to the specific operating characteristics of companies focused on foreign economic activity.

In 2025, positive correlation between the dollarization level and the size of retail deposits persisted (*Figure 6.19*): in accounts over 500 mln tenge, the dollarization rate reached 56.1%, while in accounts of up to 1 mln tenge, it was only 6.1%. This shows that large depositors are more inclined to hold funds in foreign currency, which may be related to their desire to diversify risks.

Figure 6.19 Dynamics of the dollarization level had demonstrated its decline in all deposit groups



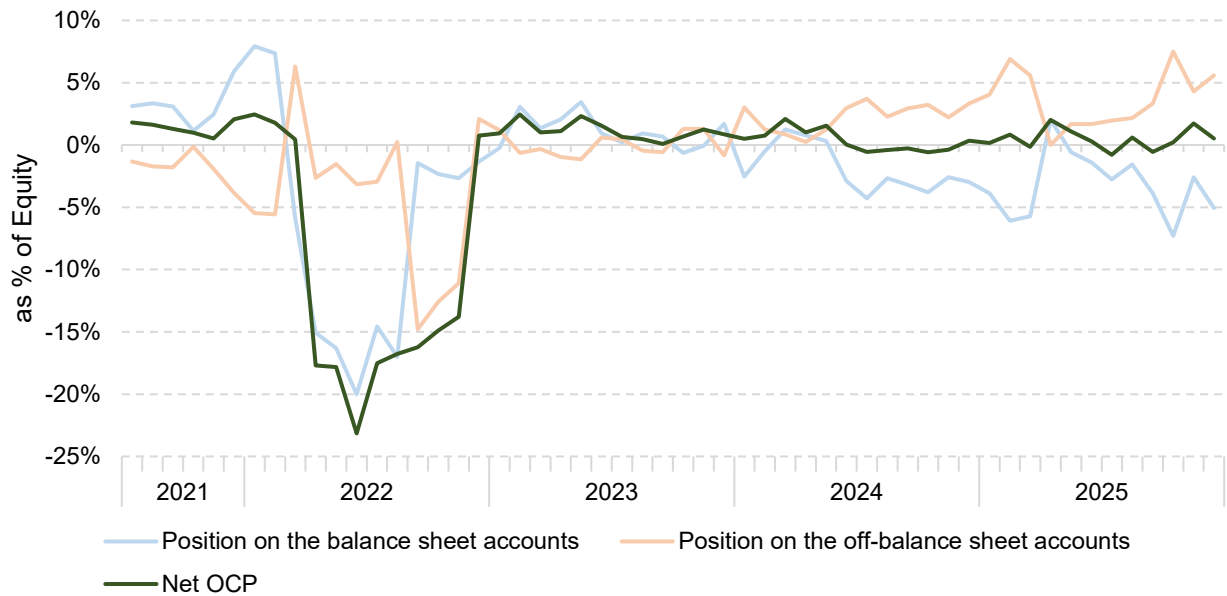
Source: KDIF

In 2025, a decline in dollarization was observed in almost all deposit groups analyzed. The largest declines were seen in large deposit groups: from 50 to 500 mln tenge, and in deposits over 500 mln tenge. However, despite the decline, the share of foreign currency accounts in these groups remains high.

The persistent growth of the tenge deposits indicates the ongoing confidence in the national currency, as well as increased stability.

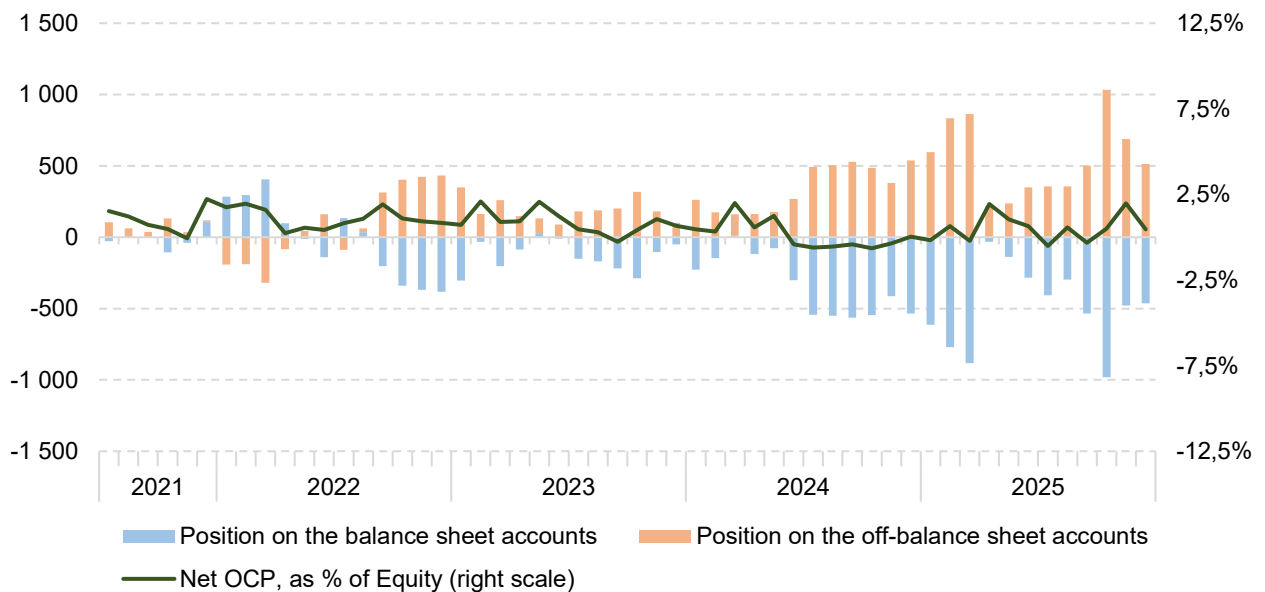
6.4 Foreign Exchange Risk

In 2025, the banking sector's foreign exchange risk remained acceptable. This was nurtured by active hedging of foreign exchange positions using financial derivatives (FDs), which allowed banks to minimize potential losses from the exchange rate fluctuations (*Figure 6.20*).

Figure 6.20 Net open foreign currency position of the banking sector remained neutral

Source: STB regulatory reports

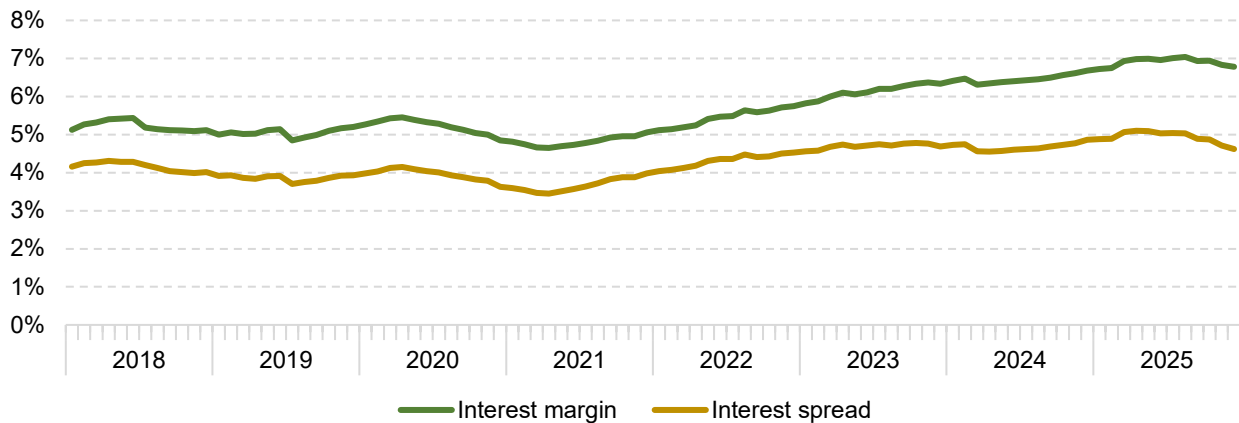
The dynamics of the foreign exchange position in balance sheet and off-balance sheet accounts for major foreign currencies is largely determined by transactions denominated in the US dollars, which account for the largest volumes. Against this backdrop, the US dollar has experienced moderate fluctuations throughout the year and does not pose significant risks to the banking sector (*Figure 6.21*).

Figure 6.21 Net open foreign currency position of the banking sector on the US dollar

Source: STB regulatory reports

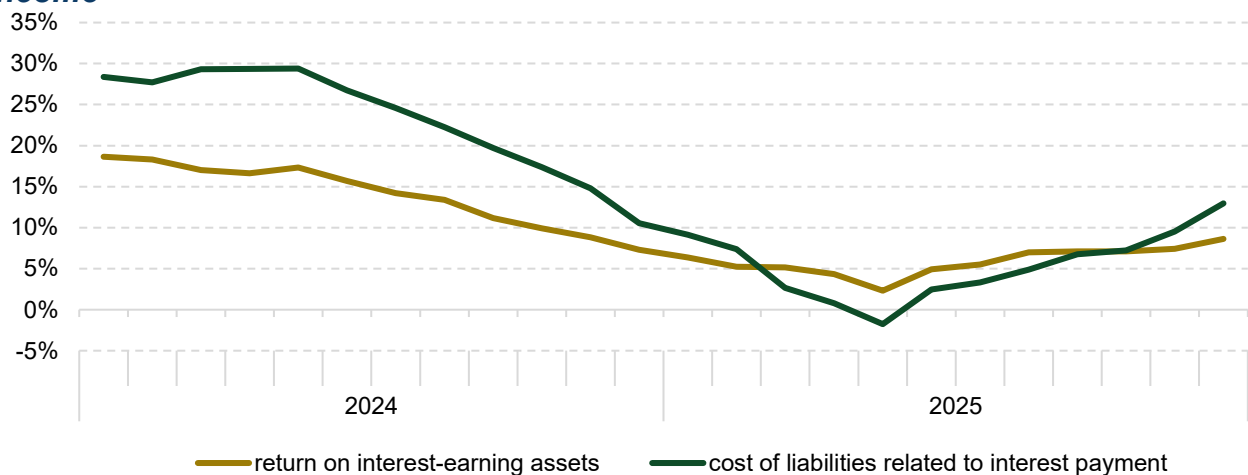
6.5 Interest Rate Risk

In 2025, the interest rate margin and interest rate spread in the banking sector amounted to 6.8% and 4.6%, respectively, remaining at a relatively high level for the banking sector. The observed narrowing of these indicators by the end of the reporting year was primarily due to the tightening of monetary policy. However, both indicators remained at relatively high levels (*Figure 6.22*).

Figure 6.22 Dynamics of the interest margin and interest spread

Source: STB reports

As a result, in the 4th quarter of 2025, the growth of interest expenses was outpacing the growth of interest income (*Figure 6.23*).

Figure 6.23 Growth rates of interest expenses are outpacing growth rates of interest income

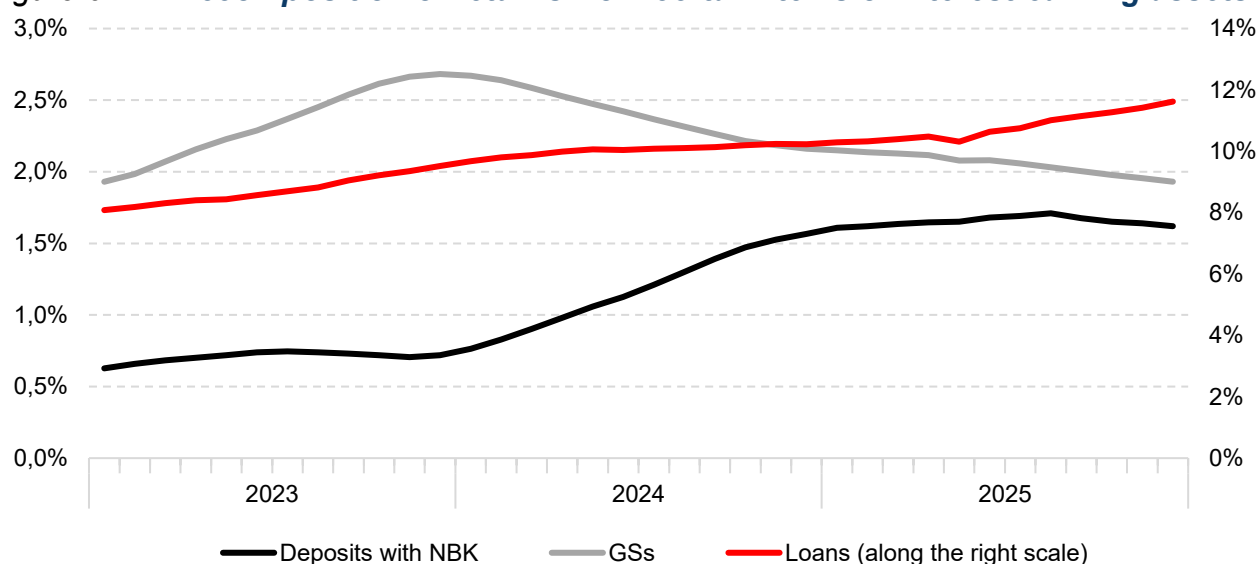
Source: STB reports

Note: calculated as the ratio of the natural logarithm of interest income to net income-generating assets and interest expense to net liabilities related to interest payments

The decline in interest income growth was driven by a change in the structure of interest-earning assets. The share of deposits with the National Bank and securities decreased given the raising of minimum reserve requirements in favor of correspondent accounts opened with the National Bank, which are characterized by lower or zero yields. The yield on other assets also fell to almost zero, limiting their contribution to interest income.

A reduction in the share of securities was also due to the upcoming change in taxation of government securities. Moreover, the increase in funding costs was primarily caused by the increased deposit expenses.

The main item of interest income, providing the highest returns, is loan income. This upward trend persisted (*Figure 6.24*).

Figure 6.24 Decomposition of returns from certain items of interest-earning assets

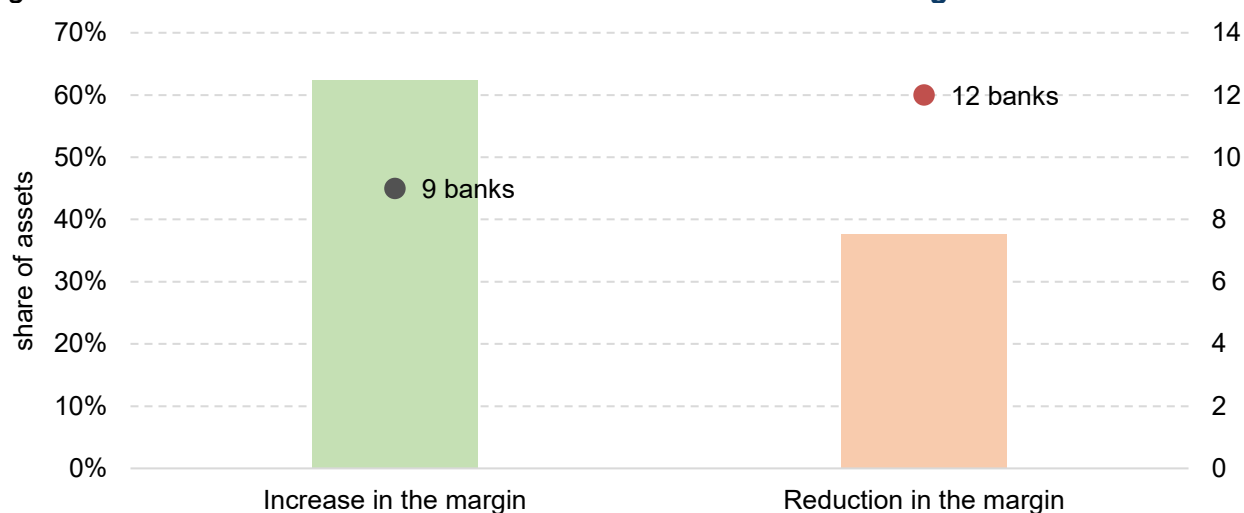
Source: STB reports

Note: the decomposition is presented in the form of return on assets, taking into account their share in assets generating interest income.

Over the year, a decrease in interest margin was observed in 12 banks, which accounted for 37.4% of the total assets of the banking sector ([Figure 6.25](#)).

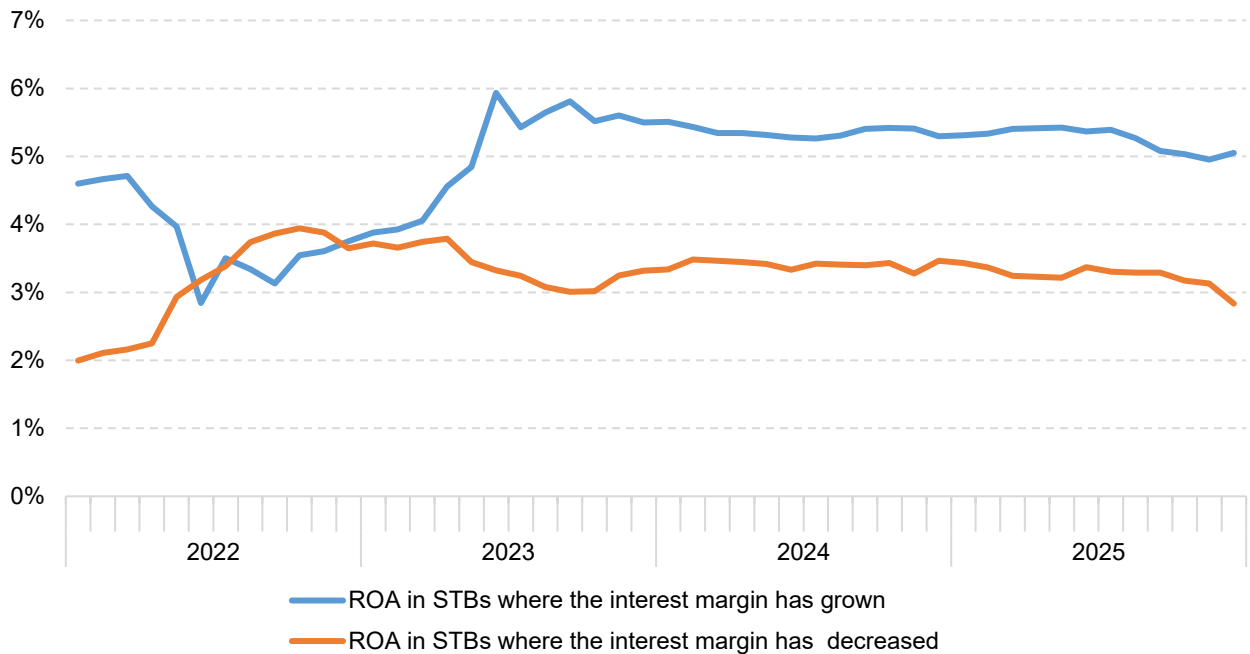
At the same time, for this group of banks, the combined share (median value) of deposits with the National Bank and the government securities portfolio in the structure of net interest-earning assets decreased from 30% at the end of 2024 to 18% at the end of 2025.

This indicates that in 2025, the second-tier banks with a lower share of loans in assets and a higher share of deposits placed with the National Bank were more sensitive to the decline in interest margins.

Figure 6.25 The number of STBs and their share of the banking sector assets

Source: STB reports

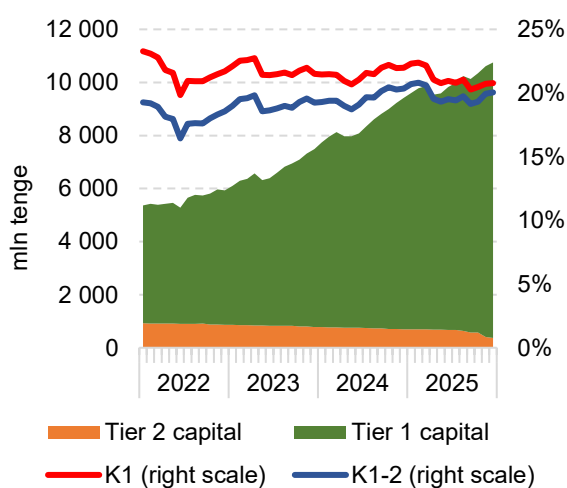
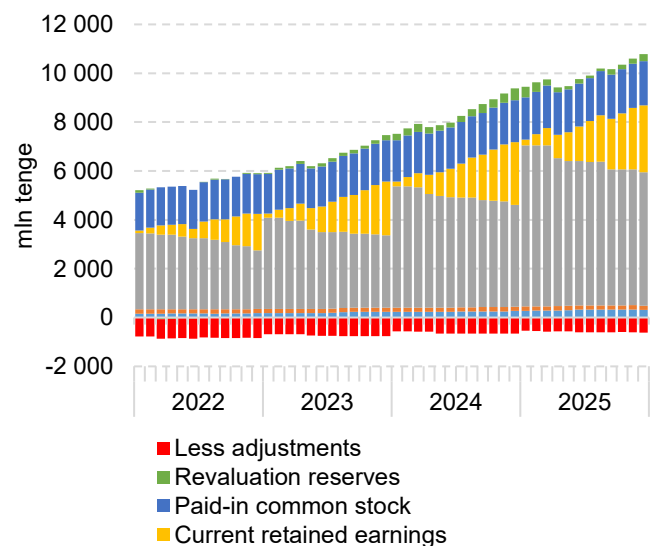
The system also saw a minor decline in the return on assets ([Figure 6.26](#)). At the same time, the return on interest-earning assets remained at a fairly high level, and key areas of the banking business continued to show an upward trend, primarily owing to the loan portfolio. This indicates that the narrowing margins were not accompanied by significant risks for the banking sector.

Figure 6.26 Dynamics of banks' return on assets (ROA)

Source: STB reports

6.6 Capital Adequacy

At the year-end 2025, capital adequacy ratios were way above the statutory requirements (*Figure 6.27*). The growth of core capital and Tier 1 capital was achieved through the accumulation of retained earnings from prior years (*Figure 6.28*), which indicates a strengthening of the bank's own capital base, an increase in its financial stability and ability to absorb unexpected losses.

Figure 6.27 Capital adequacy**Figure 6.28 Core capital components**

Source: STB regulatory reports

VII Activities of the Council for Financial Stability of the Republic of Kazakhstan

During 2025, the Council for Financial Stability of the Republic of Kazakhstan (hereinafter referred to as “the Council”) reviewed on a quarterly basis such aspects as promoting the financial system stability, reducing systemic risks and developing the financial sector’s resilience.

In 2025, three Council meetings were held to discuss current issues of the financial sector sustainability, solutions, and promising development areas. Specifically, the Council members addressed the following issues:

- **activation of the sectoral countercyclical capital buffer (hereinafter referred to as “the CCB”) in the retail lending segment.** The Council recommended setting the sectoral CCB at 2% of risk-weighted assets in the retail lending segment effective April 1, 2026;

- **approaches to designing the architecture of intra- and interagency anti-crisis plans** in accordance with the IMF recommendations under the Kazakhstan Financial Sector Assessment Program. Thus, the Council recommended that participants in the financial safety net develop interagency anti-crisis plans;

- **implementation of the action plan to ensure the sustainability of public finances and improve the balance of the macroeconomic policy of the Republic of Kazakhstan for 2025-2027**, in particular, the Council considered measures aimed at ensuring an annual return on pension assets of the UAPF above inflation;

- **the work carried out to improve the efficiency of loan repayment mechanisms and the involvement of collateral in economic turnover** within the framework of implementing the Concept for the Financial Sector Development of the Republic of Kazakhstan until 2030;

- **asset quality review (AQR) and supervisory stress testing.** The Council approved the list of banks where the AQR and supervisory stress testing will be conducted in 2025;

- **preliminary findings of the Financial Stability Report for 2024**, which contains the comprehensive analysis of the financial sector, households, government securities markets, real estate and other areas;

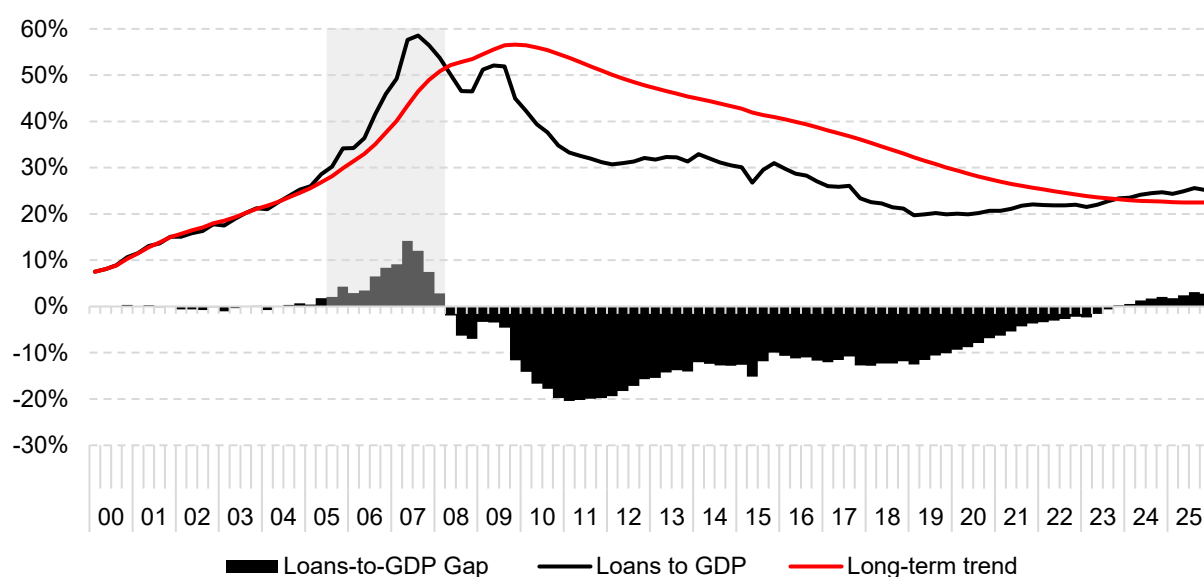
- **limiting the growth of consumer loans as well as the aspects related to macroprudential ratios.**

Box 6.2 Monitoring the counter-cyclical capital buffer (CCB) and sectoral CCB (SCCB) ratios

As part of efforts to mitigate the risks associated with the rapid growth of consumer lending, the Council for Financial Stability, at its meeting on March 3, 2025, decided to activate the 2% interest rate for retail lending. Banks will begin maintaining it at the required level starting April 1, 2026.

Within its macroprudential mandate, the National Bank continuously monitors the risks of excessive lending. Based on the standard methodology of the Basel Committee on Banking Supervision (BCBS), the National Bank has not identified any indicators that would point to the need to incorporate the CCB (*Figure 1*).

Figure 1. *Loans-to-GDP ratio and its deviation from a long-term trend*

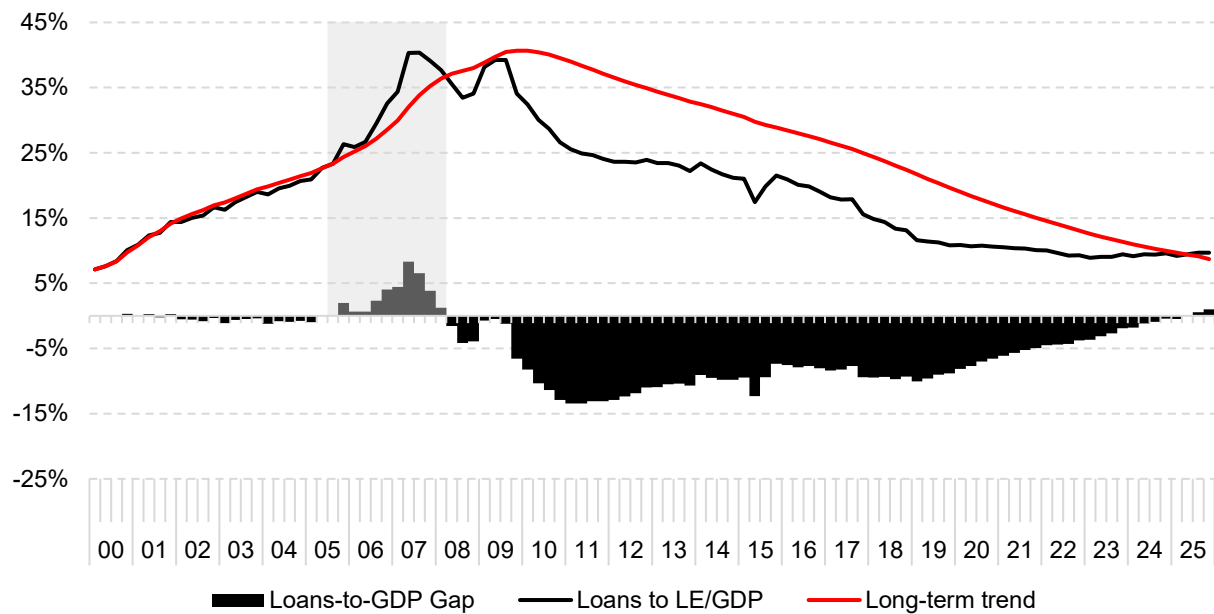
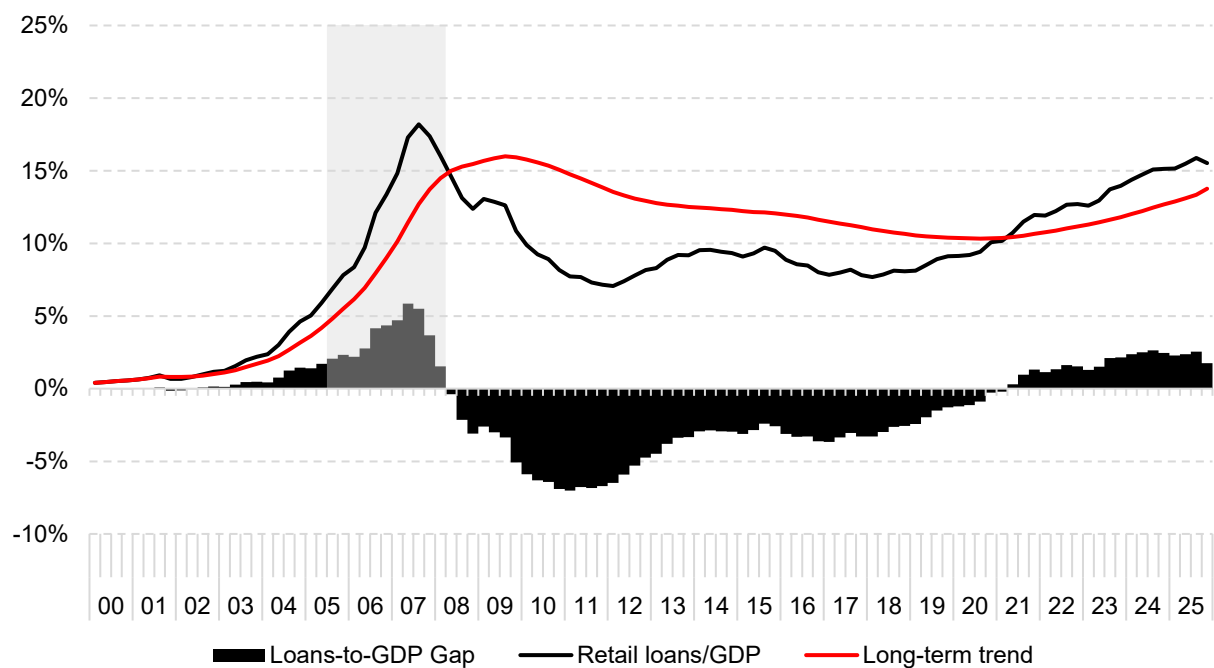


Source: STB reports, BNS ASPR RK

At the same time, monitoring of additional indicators showed persistently outpacing growth rates in the retail lending segment and its dominant role in the structure of the banking sector's loan portfolio. Thus, the normalized value of the retail lending gap (excluding IE) to GDP at the end of 2024 was 6.8 pp, while the corporate lending gap (including IE) to GDP was -0.5 pp (*Figures 2 and 3*).

To prevent the accumulation of systemic risks in retail lending and improve the resilience of the banking sector, the Council for Financial Stability made a decision on March 3, 2025, to introduce a sectoral countercyclical capital buffer (SCCB) of 2% on retail loans, effective April 1, 2026. Thus, in line with international practice, banks were given a 12-month period to accumulate the buffer.

In 2024-2025, the National Bank, together with the Agency for Regulation and Development of the Financial Market, implemented a set of micro- and macroprudential measures to curb retail lending. The Agency has set maximum amounts for unsecured consumer bank loans (no more than 2,200 MCI) and unsecured microloans (no more than 1,100 MCIs), introduced a ban on providing unsecured consumer loans to individuals with past due debt of 90+ calendar days, and, together with the National Bank, lowered the maximum annual effective interest rates for all types of loans.

Figure 2. Corporate loans-to-GDP ratio and its deviation from a long-term trend**Figure 3. Retail loans-to-GDP ratio and its deviation from a long-term trend**

Since 2014, all banks have been required to calculate a debt burden ratio (DR), which states that the total amount of all borrower payments cannot exceed 50% of the borrower's monthly income. This prevents excessive debt burden on the population. It means that banks cannot provide a loan if the borrower's DR exceeds 50%. In 2025, the National Bank improved the DR calculation, eliminating the possibility of artificial overstatement of the income factored into calculation by duplicating the same sources of income, including transfers between borrower accounts.

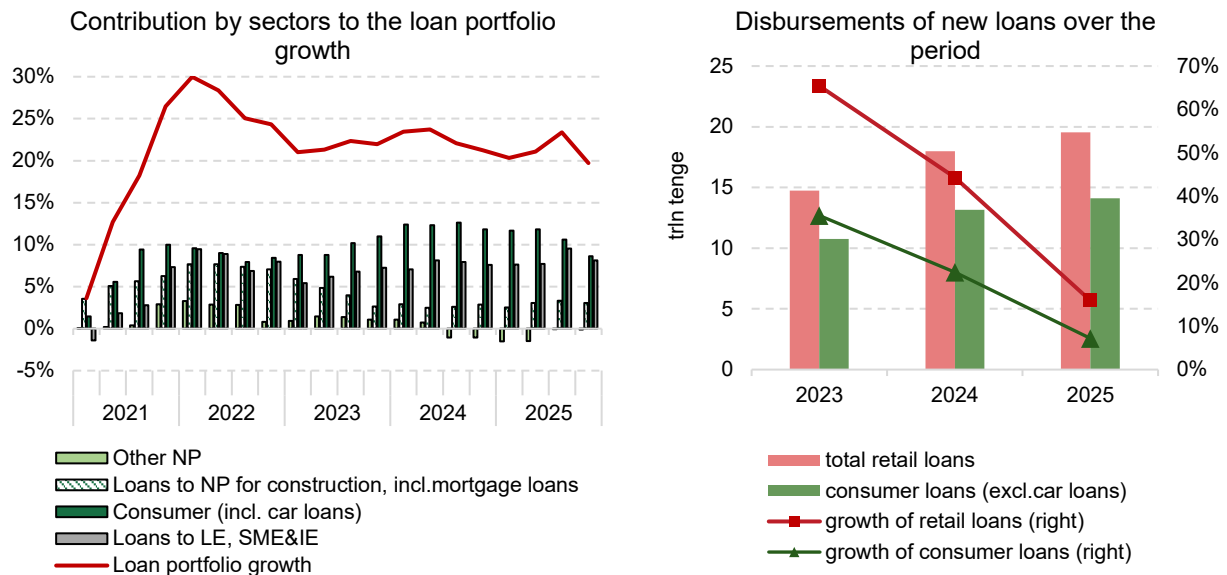
As a result of these measures, the growth rate of the retail portfolio slowed by the end of 2025. For example, the contribution to consumer lending decreased to 8.6% (y/y) from 10.5% (y/y) in Q3 2025.

Originations of new consumer loans also slowed. Over the past three years, the rate of origination of new consumer loans has been consistently declining, and by the end of

2025, the volume of origination increased by 7.2% only, while in 2024 the growth was 22.4% (Figure 4).

Given this, the gap between the actual level of retail lending and its long-term trend has narrowed. Thus, the normalized gap in retail lending (excluding IE) to GDP by the end of 2025 was 4.6 pp, while the gap in corporate lending (including IE) to GDP was 1.5 pp.

Figure 4. Additional ratios of sectoral CCB



Source: STB reports

For reference: The main indicator signaling the onset of a credit boom and the need to establish a loan-to-GDP gap is the ratio between credits to the economy and GDP, specifically the deviation of this ratio from its long-term trend (the loan-to-GDP gap). The signal for the start of the loan-to-GDP gap to be established is an excess of the loan-to-GDP gap value above its set lower limit of 2 percentage points. If the loan-to-GDP gap exceeds its established upper limit of 10 pp, the loan-to-GDP gap value is set at the maximum level as provided for this instrument.²⁴ In addition to calculating the main indicator, the BCBS recommends calculating additional indicators characterizing the state of development of financial markets and the economy as a whole. It should be noted that the BCBS allows for a significant level of judgment when making decisions regarding the formation/increase of the loan-to-GDP gap. The decision to activate the loan-to-GDP gap is communicated to banks 12 months prior to its entry into force, which gives banks time to build up the necessary capital buffer.

²⁴ The CCB values as recommended by the BCBS range between 0% and 2.5% of risk-weighted assets