



**NATIONAL BANK OF THE
REPUBLIC OF KAZAKHSTAN**

FINANCIAL STABILITY REPORT OF KAZAKHSTAN

December 2014

Foreword

Since 2006, the National Bank of the Republic of Kazakhstan (NBRK) has been preparing the Financial Stability Report of Kazakhstan on an annual basis. This is the ninth issue of the Report. The 2014 Report, just like the previous one, is published based on the annualized data (the 2006-2012 Reports had been prepared based on the data for 9 months).

Pursuant to the laws of the Republic of Kazakhstan, one of the key objectives of the National Bank of the Republic of Kazakhstan is to ensure stability of the financial system. The Financial Stability Report of Kazakhstan is published as part of implementation of functions on regular monitoring of macroeconomic and macro prudential factors influencing the financial system stability as well as of macro prudential regulation of the financial system.

According to the Memorandum of Financial Stability made on November 10, 2007 between the Government of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan and the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations:

"financial stability shall be defined as the absence of disproportions in the economy that may result in the subsequent negative correction of financial markets, systemic crisis and inability of financial institutions to ensure an ongoing functioning of the financial system as well as to maintain business activity in the real sector of the economy".

As part of the Financial Stability Report of Kazakhstan representing one of the tools of the comprehensive systemic risk analysis, the following aspects determining financial stability are assessed:

- 1) how efficiently and timely financial resources are reallocated among those who save and invest money;
- (2) whether risks are adequately assessed and effectively managed;
- (3) whether financial shocks can be absorbed by the financial system without significant upsets.

The Financial Stability Report of Kazakhstan is aimed at the financial market participants as well as the audience interested in the financial stability topics. The National Bank of the Republic of Kazakhstan sets the objective of disseminating the outcomes of the research and risk analysis as well as specialized studies in the area of financial stability.

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List of Abbreviations:

JSC	joint-stock company
Bank / STB	a second-tier bank
BCBS	the Basel Committee on Banking Supervision
GDP	gross domestic product
HLAs	highly liquid assets
GSs	government securities
EAEU	the Eurasian Economic Union
EAPF	the “Unified Accumulation Pension Fund” JSC
USR	the “Unified Securities Registrar” JSC
EU	the European Union
EEC	the Eurasian Economic Commission
FX	foreign currency
HHI	Herfindahl-Hirschman Index
MTR	money turnover ratio
CLI	composite leading indicator
CCI	composite coincident indicator
CS MNE RK	the Committee of Statistics of the Ministry of National Economy of the Republic of Kazakhstan
KASE	the “Kazakhstan Stock Exchange” JSC
KDIF	the “Kazakhstan Deposit Insurance Fund” JSC
KISC	the Republican State Enterprise “Kazakhstan Interbank Settlements Center”
IMF	the International Monetary Fund
MICEX	the Moscow Interbank Currency Exchange
MNE RK	the Ministry of National Economy of the Republic of Kazakhstan
MCI	a monthly calculation index
SME	small and medium business
ISMT	the Interbank System of Money Transfers
IFRS	International Financial Reporting Standards
IFOs	international financial organizations
MoF RK	the Ministry of Finance of the Republic of Kazakhstan
MoJ RK	the Ministry of Justice of the Republic of Kazakhstan
NBRB	the National Bank of the Republic of Belarus
NBRK	the National Bank of the Republic of Kazakhstan
VAT	value-added tax
non-performing loans (NPLs)	loans where payments of interest and/or principal are past due over 90 days
SMR	solvency margin ratio
NSC RB	the National Statistical Committee of the Republic of Belarus
NF RK	the National Fund of the Republic of Kazakhstan
NGSs	non-government issue-grade securities
OCP	open currency position
SAMC	a bank subsidiary purchasing doubtful and loss assets of its parent bank
STLR	short-term liquidity ratio
FDs	financial derivatives
SM	securities market
OE	owners’ equity
ICS	the Interbank Clearing System
LP	loan portfolio

FSC	the Council for Financial Stability and the Financial Market Development of the Republic of Kazakhstan
USA	the United States of America
LLP	a limited liability partnership
IIs	inventory items
Is	individuals
PLF	the “Problem Loans Fund” JSC
FSSS	Federal State Statistics Service
CB RF	Central Bank of the Russian Federation
CSD/Central Depository	“Central Securities Depository” JSC
LEs	legal entities
DTI	Debt to Income
GSIB	Global Systemically Important Banks
LGD	Loss Given Default
LTD	Loan to Deposit
LTV	Loan to Value
NDF	non-deliverable forward
PD	Probability of Default
PDL	Pay-day lending
ROA	Return on Assets
ROAA	Return on Average Assets
ROE	Return on Equity
USD	US Dollar
un.	unit
sq.m	square meter
mln.	million
bln.	billion
pp	percentage point
RUB	ruble
KZT	Tenge
trln.	trillion
tous.	thousand
pers.	persons