



«KASPI BANK» АКЦИОНЕРЛІК ҚОҒАМЫ АКЦИОНЕРНОЕ ОБЩЕСТВО «KASPI BANK»

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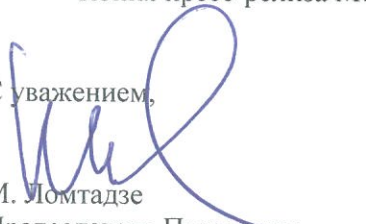
**Председателю Правления
АО «Казахстанская фондовая биржа»
г-же Алдамберген А.Ө.**

Настоящим сообщаем о том, что 22 октября 2018 г. международное рейтинговое агентство Moody's Investors Service произвело следующие рейтинговые действия в отношении АО «Kaspi Bank» (далее - «Банк»):

- повышен долгосрочный рейтинг депозитов в национальной и иностранной валюте до «Ba3» с «B1»;
- повышен долгосрочный рейтинг депозитов по национальной шкале до «A3.kz» с «Baa2.kz»;
- повышен долгосрочный рейтинг риска контрагента до «Ba2» с «Ba3»;
- повышен долгосрочный рейтинг риска контрагента по национальной шкале до «A1.kz» с «A3.kz»;
- повышена базовая оценка кредитоспособности до «b1» с «b2»;
- повышена скорректированная базовая оценка кредитоспособности до «b1» с «b2»;
- повышена долгосрочная оценка риска контрагента до «Ba2(cr)» с «Ba3(cr)»;
- повышен долгосрочный рейтинг субординированных облигаций в национальной валюте до «B2» с «B3»;
- повышен рейтинг программы субординированных среднесрочных облигаций до «(P)B2» с «(P)B3»;
- повышен долгосрочный рейтинг программы старших необеспеченных среднесрочных облигаций в национальной валюте до «(P)B1» с «(P)B2»;
- прогноз изменен на «Стабильный» с «Позитивного».

Текущее рейтинговое действие не отразилось на краткосрочном рейтинге депозитов Банка и краткосрочном рейтинге риска контрагента, которые остались на уровне Not Prime, также как и не отразилось на краткосрочной оценке риска контрагента Банка (Not Prime(cr)).

Копия пресс-релиза Moody's Investors Service прилагается.

С уважением,

М. Ломтадзе
Председатель Правления

Исп. Дедикова Л. (т. 356-34-19)

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Rating Action: Moody's upgrades Kaspi Bank JSC's global scale deposit ratings to Ba3 from B1 and its national scale rating to A3.kz from Baa2.kz

22 Oct 2018

London, 22 October 2018 -- Moody's Investors Service (Moody's) today upgraded Kaspi Bank JSC's (Kaspi Bank) global scale ratings: the long-term local and foreign currency deposit ratings to Ba3 from B1, long-term local currency senior unsecured Medium Term Notes (MTN) program rating to (P)B1 from (P)B2, long-term local currency subordinate debt rating to B2 from B3, as well as subordinate MTN program rating to (P)B2 from (P)B3. The outlook on the global scale long-term deposit ratings was revised to stable from positive.

Kaspi Bank's Baseline Credit Assessment (BCA) and adjusted BCA have been upgraded to b1 from b2. Incorporating a high probability of government support into the bank's deposit ratings results in a one-notch uplift above its BCA.

Moody's has also upgraded Kaspi Bank's long-term Counterparty Risk Assessment (CRA) to Ba2(cr) from Ba3(cr) and its long-term Counterparty Risk Ratings (CRRs) to Ba2 from Ba3. The bank's short-term deposit ratings and CRRs of Not Prime as well as short-term CRA of Not Prime(cr) were not affected by this action.

In addition, Moody's Investors Service has upgraded Kaspi Bank's national scale long-term deposit rating to A3.kz from Baa2.kz, and national scale long-term CRR to A1.kz from A3.kz.

Moody's upgrade of Kaspi Bank's ratings reflects (1) the demonstrated resilience of the bank's business model and its capital position through the cycle, (2) an improvement of asset quality indicators, with decreased credit costs and strengthened coverage of problem loans; (3) a strong recovery of profitability metrics, and (4) a reduction in foreign currency (FX) risk exposure.

A full list of affected ratings can be found at the end of this press release.

RATINGS RATIONALE

Moody's rating action primarily reflects the demonstrated resilience of Kaspi Bank's business model and its capital position through the cycle. Kaspi Bank's robust non-interest income, with fees and commissions covering approximately 200% of operating costs, allowed Kaspi Bank to avoid bottom-line losses even in 2016, when its net interest margin (NIM) bottomed and credit costs peaked. Kaspi Bank consistently maintains solid capital adequacy metrics, with a Tier 1 ratio of 14-15% and a total capital adequacy ratio exceeding 20% for the last 4-5 years, under Basel I standards. This is despite (1) severe asset quality deterioration in 2015-2016; (2) a sufficiently conservative approach to provisioning (problem loans coverage ratio at 128% as of 30 June 2018); (3) the recent return to rapid loan growth (30% in 12 months ending on 30 June 2018); and (4) no capital support from the government or shareholders, with the bank paying dividends.

The upgrade of Kaspi Bank's ratings also reflects the recent positive trends in the bank's asset quality indicators and profitability metrics, as well as its reduced exposure to foreign currency risk.

Kaspi Bank's asset quality has improved in the last 12 months, amid stabilizing operating environment and renewed lending growth, primarily among the existing clientele with good credit history. The bank's problem loans (all past due loans to legal entities plus retail loans overdue more than 90 days) plus net charge-offs decreased to 9.7% of gross loans as of 30 June 2018 from the peak level of 24.1% at the end of 2015. Loan loss reserves coverage of problem loans was restored to the level of 2014, and credit costs declined from 9-9.5% in 2015-2016 to 3-3.5% in the last 18 months. Moody's expects that Kaspi Bank's asset quality metrics will be stable in the next 12 months, with credit costs normalizing at 5-6%.

Kaspi Bank's profitability metrics have recovered to pre-crisis levels, with pre-provision income at 10.3% of average assets, the reported return on average assets (RoAA) at 6.3% and return on average equity (RoAE) at 50.7% in the first half of 2018 (up from 6.8%, 0.4% and 4.0%, respectively, in 2016). This positive dynamic was driven by a recovery in net interest margin (5.1% in the first half of 2018) and lowered credit costs. Moody's expects the bank's ROAA to normalize at 4-4.5% in the next 12 months, as pre-provision profitability remains strong and credit costs stabilize.

Finally, Kaspi Bank's exposure to FX risk has reduced substantially, as its short FX balance sheet position shrank to 69% of shareholders' equity as of 30 June 2018 from 127% a year previously. This was driven by reduced reliance on FX customer deposits: their share in the bank's deposit base was 27% as of 30 June 2018 (down from 63% at the end of 2015). While Kaspi Bank's dollarization remains significant, it is below the system average of 46%.

GOVERNMENT SUPPORT

Moody's incorporates one notch of government support uplift into Kaspi Bank's deposit ratings, given the rating agency's assessment of a high probability of government support for the bank's deposit holders. This assessment primarily reflects the Kazakhstan government's track record of providing public funds to bail-out depositors of its largest banks. As of 1 September 2018, Kaspi Bank's systemic importance to Kazakhstan's banking system is supported by its 11.7% market share in retail deposits and 6.4% in total banking system assets. The recent significant increase in the bank's retail deposit market share has led Moody's to revise the probability of government support to Kaspi Bank to high from moderate.

WHAT COULD MOVE THE RATINGS UP/DOWN

Kaspi Bank's BCA could be upgraded in case of successful diversification of its revenue base. The concentration of the bank's revenues in unsecured consumer lending, which comprises more than 70% of its gross loans, makes Kaspi bank vulnerable to the sector specific risks and remains a rating constraint. The bank's deposit ratings could also be upgraded if its retail deposit market share is sustained at its current high level or increased further.

The bank's ratings could be downgraded if (1) the bank fails to sustain its credit costs at the expected level amid rapid loan growth; (2) profitability worsens and/or capital adequacy decreases below our current expectations; and (3) the government's propensity or ability to provide support in case of stress significantly weakens.

LIST OF AFFECTED RATINGS

Issuer: Kaspi Bank JSC

Upgrades:

- ...NSR LT Bank Deposits, Upgraded to A3.kz from Baa2.kz
- ...NSR LT Counterparty Risk Rating, Upgraded to A1.kz from A3.kz
- ...LT Bank Deposits, Upgraded to Ba3 from B1, Outlook changed to Stable from Positive
- ...Adjusted Baseline Credit Assessment, Upgraded to b1 from b2
- ...Baseline Credit Assessment, Upgraded to b1 from b2
- ...LT Counterparty Risk Assessment, Upgraded to Ba2(cr) from Ba3(cr)
- ...LT Counterparty Risk Ratings, Upgraded to Ba2 from Ba3
- ...Subordinate, Upgraded to B2 from B3
- ...Subordinate MTN Program, Upgraded to (P)B2 from (P)B3
- ...Senior Unsecured MTN Program, Upgraded to (P)B1 from (P)B2

Outlook Actions:

- ...Outlook Changed To Stable From Positive

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in May 2016 entitled "Mapping National Scale Ratings from Global Scale Ratings". While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1113601.

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