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of Kazakhstan

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АО «Казакстанская фондовая биржа»

АО «Банк Развития Казахстана» (далее – Банк), в соответствии с требованиями Листинговых правил АО «Казакстанская фондовая биржа», сообщает о том, что рейтинговое агентство Fitch Ratings (далее – Агентство) подтвердило Банку долгосрочные рейтинги приоритетных необеспеченных долговых обязательств (ISIN: XS0860582435, XS0248160102, XS0220743776, XS1734574137) на уровне «BBB-».

Приложение: Пресс-релиз Агентства от 20 апреля 2018 года на 8 л.

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Fitch Affirms Three Kazakh Policy Institutions

Fitch Ratings-Moscow/London-20 April 2018: Fitch Ratings has affirmed the Long-Term Issuer Default Ratings (IDRs) of Development Bank of Kazakhstan (DBK) and House Construction Savings Bank of Kazakhstan (HCSBK) at 'BBB-'. The Outlooks are Stable. Fitch has also affirmed KazAgroFinance's (KAF) Long-Term IDRs at 'BB+' with Negative Outlook. A full list of rating actions is at the end of this rating action commentary.

KEY RATING DRIVERS

ISSUER RATINGS

The affirmation of the Long-Term IDRs and Support Rating Floors (SRFs) reflects Fitch's view of a high propensity of the Kazakhstani authorities to support the institutions, in case of need, due to:

- 100% ultimate (although indirect) state ownership.
- important policy roles in the development of non-extracting economic sectors (DBK), the house savings and mortgage system (HCSBK) and provision of state-subsidised financial leasing to the agricultural sector (KAF) in Kazakhstan.
- a track record of state funding and equity injections to support their expansion (HCSBK and KAF) or solvency (DBK).
- the moderate cost of any support that might be required, given DBK's wholesale debt of 3% of Kazakhstan's 2017 GDP or 16% of sovereign FX reserves at end-2017, and the other two institutions' wholesale debt being negligible relative to sovereign financial resources.
- guarantees on a third of DBK's third-party liabilities from Sovereign Wealth Fund Samruk-Kazyna (BBB/Stable).
- KAF qualifying as a material subsidiary for its owner, KazAgro National management holding JSC (BBB-/Stable), and the latter's USD2 billion Eurobond programme containing a cross-default clause in case of subsidiary default.
- potential adverse reputational, economic or social (in the cases of HCSBK and KAF) consequences of not supporting them.

DBK and HCSBK are rated one notch below the sovereign's 'BBB' rating primarily due to (i) indirect state ownership through JSC National

Management Holding Baiterek (BBB/Stable), giving rise to a moderate risk of delays with receipt and pass-through of sovereign support, as Baiterek's own financial resources are limited; (ii) somewhat limited government supervision of both banks, as no government officials sit on their boards of directors, and DBK is exempt from regulatory oversight by the National Bank of Kazakhstan; and (iii) the moderate risk that the sovereign could cease providing full support to all quasi-sovereign entities before defaulting on its own obligations in a severe stress scenario.

KAF is rated two notches below the sovereign mainly due to Fitch's view of its somewhat lower importance for the country's economy and financial system compared with DBK and HCSBK. The Negative Outlook on KAF's ratings reflects the fact that there are announced plans to privatise a controlling stake in KAF by end-2020. Although selling a stake at book value to an investment-grade rated buyer, as required by the privatisation plan, may be difficult, a sale to some local quasi-sovereign fund or another entity is not inconceivable, which may result in some weakening of the state support propensity.

HCSBK

HCSBK is unlikely to need extraordinary support in the medium term in light of resilient asset quality (0.3% non-performing loan ratio) and a strong capital buffer, as reflected in a Fitch Core Capital (FCC) ratio of 57% at end-2017. The comfortable liquidity cushion (38% of total assets at end-2017) is currently sufficient to meet the bank's contingent liability for future mortgage issuance up to end-2021.

Fitch has not assigned a Long-Term Foreign-Currency IDR to HCSBK as the bank's foreign-currency transactions are immaterial for its business.

DBK

DBK may require additional capital due to its inherently risky business of lending to greenfields and projects that are economically important but may not be very profitable. DBK's high-risk assets, as assessed by Fitch, were equal to around 1x FCC at end-2017, comprising NPLs (1.3% of gross loans), restructured loans (3%), large reportedly performing loans with significant accrued interest (14%) and some other risky assets. As a moderate mitigating factor, government support could be provided to some of the problem borrowers due to their importance for the economy.

DBK's FCC ratio stood at 15% of RWAs at end-2017, which is only a moderate buffer relative to its risky assets. Positively, the bank benefits from regular capital injections from the state, the latest taking place in December 2017 (equal to 1% of RWAs).

The bank's liquidity position is solid, with total available liquidity comfortably covering total wholesale debt repayments up until end-2021.

KAF

KAF is less likely to need additional solvency support in the medium term due to a high capital buffer (36% equity-to-assets ratio of at end-2017) relative to unreserved problems, focus on higher-quality lease issuance and modest growth. NPLs and restructured exposures of a mostly legacy nature (15% and 12% of gross exposures at end-2017, respectively) were 43% covered by reserves. If total problematic exposures were fully provisioned, the equity-to-assets ratio would still be a solid 22%. Given the moderate planned growth of 10% in the next three years capital pressure could only stem from some broader deterioration of the agricultural sector, which is cyclical by nature.

KAF is 70% funded by the parent through a number of long-term credit facilities including low-cost loans and bonds. A comfortable liquidity buffer equal to 23% of liabilities was sufficient to cover obligations due within 12 months, including a large wholesale debt repayment (5% of liabilities) in mid-2018.

DEBT RATINGS

The senior unsecured debt ratings of DBK and KAF are equalised with their IDRs and (in the case of KAF) National Long-Term rating.

RATING SENSITIVITIES

The ratings of all three policy institutions are sensitive to changes in the sovereign ratings.

The ratings of DBK or HCSBK could be upgraded and equalised with the sovereign if the banks become directly owned by the government and state officials become more directly involved in the oversight of the institutions. For DBK, upside rating potential may also emerge if the government replaces or guarantees most of its wholesale funding. Negative rating action on the banks could follow a marked weakening of their policy roles or association

with the sovereign. However, neither scenario is currently expected by Fitch.

KAF may be downgraded if the plans to privatise a controlling stake go ahead and Fitch views support as less reliable following the sale. Conversely, if the government decides to retain control of KAF, then its ratings could stabilise at their current level.

The rating actions are as follows:

Development Bank of Kazakhstan

Long-Term Local-Currency IDR: affirmed at 'BBB-'; Outlook Stable

Short-Term Local-Currency IDR: affirmed at 'F3'

Long-Term Foreign-Currency IDR: affirmed at 'BBB-'; Outlook Stable

Short-Term Foreign-Currency IDR: affirmed at 'F3'

Support Rating: affirmed at '2'

Support Rating Floor: affirmed at 'BBB-'

Long term senior unsecured debt rating: affirmed at 'BBB-'

Short term senior unsecured debt rating: affirmed at 'F3'

House Construction Savings Bank of Kazakhstan

Long-Term Local-Currency IDR: affirmed at 'BBB-'; Outlook Stable

Short-Term Local-Currency IDR: affirmed at 'F3'

National Long-Term Rating: affirmed at 'AA+(kaz)'; Outlook Stable

Support Rating: affirmed at '2'

Support Rating Floor: affirmed at 'BBB-'

KazAgroFinance

Long-Term Foreign- and Local-Currency IDRs: affirmed at 'BB+'; Outlooks Negative

Short-Term Foreign-Currency IDR: affirmed at 'B'

National Long-Term rating: affirmed at 'AA(kaz)'; Outlook Negative

Support Rating: affirmed at '3'

Support Rating Floor: affirmed at 'BB+'

Senior unsecured debt rating: affirmed at 'BB+'

National senior unsecured debt rating: affirmed at 'AA(kaz)'

Expected senior unsecured debt ratings: affirmed at 'BB+(EXP)'/AA(kaz) (EXP)'

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Applicable Criteria

Bank Rating Criteria (pub. 23 Mar 2018) (<https://www.fitchratings.com/site/re/10023430>)
Non-Bank Financial Institutions Rating Criteria (pub. 22 Mar 2018)
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