«АГРАРЛЫҚ НЕСИЕ КОРПОРАЦИЯСЫ» АҚ

AGROCREDIT
АГРАРЛЫҚ НЕСИЕ КОРПОРАЦИЯСЫ

АО «АГРАРНАЯ КРЕДИТНАЯ КОРПОРАЦИЯ»

010000, Нұр-Сұлтан қ., А. Иманов көш., 11
Тел.: 8 (7172) 55-99-90
Факс: 8 (7172) 55-99-85
e-mail: Info@agrocredit.kz

010000, г. Нур-Султан, ул. А. Иманова, 11
Тел.: 8 (7172) 55-99-90
Факс: 8 (7172) 55-99-85
e-mail: Info@agrocredit.kz

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АО «Казахстанская фондовая биржа»

АО «Аграрная кредитная корпорация» (далее - Общество) сообщает о том, что 27 июня 2019 года международным рейтинговым агентством Moody's Investors Service Обществу присвоены долгосрочный и краткосрочный рейтинги эмитента в национальной и иностранной валюте на уровне «Ba1» и национальный долгосрочный рейтинг «Aa3.kz». Прогноз по рейтингам «Стабильный».

И.о. Председателя Правления **А. Кабылова**

ҚАЗАҚСТАН РЕСПУБЛИКАСЫ АСТАНА ҚАЛАСЫ "АГРАРЛЫҚ НЕСИЕ КОРПОРАЦИЯСЫ" АҚ
РЕСПУБЛИКА КАЗАХСТАН АСТАНА АО "АГРАРНАЯ КРЕДИТНАЯ КОРПОРАЦИЯ"

Исп.: А. Айтжан
Тел.: 8 (717-2) 55-99-39

0002181

Moody's
INVESTORS SERVICE

Rating Action: Moody's assigns Agrarian Credit Corporation JSC issuer ratings of Ba1; outlook stable

27 Jun 2019

London, 27 June 2019 -- Moody's Investors Service ("Moody's") has today assigned Ba1 long-term and Not Prime short-term local- and foreign currency issuer ratings to Kazakhstan-based Agrarian Credit Corporation JSC (ACC) as well as the Ba1 Corporate Family Rating (CFR). The outlook on ACC changed to stable from withdrawn. At the same time, Moody's assigned the Aa3.kz long-term National Scale Issuer Rating (NSR) to the issuer.

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

RATINGS RATIONALE

ACC's assigned CFR benefits from very high support from its immediate parent KazAgro National Management Holding JSC (KazAgro, Ba1 stable), which is 100% owned by the Government of Kazakhstan (Baa3 stable). As a result, Moody's incorporates four notches of rating uplift based on its parental support assumptions, from ACC's standalone assessment of b2, which reflects (1) the company's historically strong profitability, (2) substantial capital buffers, (3) the risks associated with ACC's weakly performing and risky loan book and (4) modest liquidity. The elevated risk appetite reflected in rapid growth makes its financial metrics potentially volatile.

The assignment of ACC's long-term issuer ratings of Ba1 reflects the relative positioning of unsecured obligations under Moody's LGD model for Speculative Grade Companies.

The very high support from KazAgro reflects ACC's strategic importance due to its special mandate to develop financing to the agriculture sector. ACC participates in government programmes and its funding is predominantly comprised of dues to its parent and the government. The company is ranked first by total assets among KazAgro's subsidiaries and had around 40% share in combined total assets of all KazAgro's subsidiaries at end-2018.

Moody's believes the parent would provide financial support to ACC, if it were necessary, to avoid significant reputational damage, reduced access to market funding for its subsidiaries or impairment or disruption in the implementation of important government programmes. Moody's believes that in some cases extraordinary support will be originally provided by the government of Kazakhstan given that ACC's parent company, KazAgro, is de-facto the government financial arm which manages the subsidiaries under its umbrella.

ACC's policy mandate exposes it to the elevated risks of agriculture sector given its cyclical and volatile nature. As a result, the company's problem loans (defined as Stage 3 loans under IFRS 9) accounted for a high 38% of the loan book (including exposures to banks which on-lend resources to agriculture producers) at end-2018. In addition, seasoning of the rapidly grown loan book will lead to deterioration of asset quality further.

ACC's policy mandate secures its business niche and ensures a good access to capital while cheap government funding supports its profitability. Moody's expects ACC's capitalisation to remain reasonable and does not expect tangible common equity to tangible managed assets (TCE/TMA) ratio to fall below 20% in the next 12-18 months. At end-Q1 2019, TCE/TMA ratio was a high 34% and its regulatory capital ratios were well above the required minimum. At the same time, there is a pressure on capitalization from very rapid loan growth.

ACC demonstrated good profitability: the net income to average managed assets ratio was 3.4% in 2018 and 4.6% in Q1 2019. Profitability benefits from high net interest margin (due to cheap government funding and large capital base) and low operating costs. At the same time, profitability is potentially volatile and may deteriorate significantly as reserves covered problem loans by only 34% at end-2018.

The company maintains a modest liquidity cushion (around 7-10% of total assets) and large repayments make it exposed to refinancing risk or risk of significant reduction of business in order to meet such repayments. At the same time, it is substantially mitigated by reliance on more stable parental and government funding (almost all funding at end-Q1 2019). Greater reliance on market debt will exert additional pressure on liquidity.

OUTLOOK

The stable outlook on ACC mirrors the stable outlook on its parent, KazAgro. In addition, Moody's does not expect that developments in ACC's key credit metrics such as capital, liquidity and asset quality will result in significant change in ACC's standalone financial profile in the next 12-18 months.

WHAT COULD MOVE THE RATINGS UP/DOWN

Upside potential of the issuer ratings and CFR is constrained by KazAgro's ratings given that they are at the same level. A sustained track record of improved asset performance, and the maintenance of healthy capital and liquidity profiles could have upward implications for ACC's standalone assessment.

ACC's long-term ratings could be downgraded in case of a downgrade of KazAgro's ratings, reduced support assumptions for ACC or asset quality or liquidity deterioration beyond Moody's expectations. Further, Moody's could downgrade ACC's issuer ratings due to adverse changes to its debt capital structure that would lower the recovery rate for senior unsecured debt classes.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Finance Companies published in December 2018. Please see the Rating Methodologies page on www.moodys.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 http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1174796 .

FULL LIST OF AFFECTED RATINGS

Issuer: Agrarian Credit Corporation JSC

..Assignments:

.... Long-term Corporate Family Rating, Assigned Ba1

.... Long-term Issuer Ratings, Assigned Ba1, outlook previously withdrawn

.... Short-term Issuer Ratings, Assigned NP

.... NSR Long-term Issuer Rating, Assigned Aa3.kz

..Outlook Action:

....Outlook Changed To Stable From Rating Withdrawn

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Vladlen Kuznetsov, CFA
Vice President - Senior Analyst
Financial Institutions Group
Moody's Interfax Rating Agency
7th floor, Four Winds Plaza
21 1st Tverskaya-Yamskaya St.
Moscow 125047
Russia
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Carola Schuler
MD - Banking
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

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