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JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»

Шығ.: № 09/1-16-11/7011

„9" апреля 2019ж.

АО "Казахстанская фондовая биржа"
Республика Казахстан, 050040,
г. Алматы, ул. Байзакова, 280,
Северная башня "Almaty Towers",
8-й этаж

АО "Жилстройсбербанк Казахстана" (далее – Банк) выражает Вам свое почтение и желает успехов в работе.

Настоящим Банк уведомляет Вас о том, 04.04.2019г. Fitch Ratings *(пресс-релиз от 04.04.2019г. прилагается к настоящему письму)* подтвердил рейтинги Банка:

Долгосрочный рейтинг дефолта эмитента (РДЭ) в национальной валюте	BBB-	Прогноз "стабильный"
Краткосрочный РДЭ в национальной валюте	F3	Прогноз "стабильный"

И. о. Председателя Правления **А. Кожанбаев**

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FitchRatings

Fitch Affirms 3 Kazakh Policy Institutions

Fitch Ratings-Moscow-04 April 2019: Fitch Ratings affirmed the Long-Term Issuer Default Ratings (IDRs) of Development Bank of Kazakhstan (DBK) and House Construction Savings Bank of Kazakhstan (HCSBK) at 'BBB-'. Fitch has also affirmed KazAgroFinance's (KAF) Long-Term IDRs at 'BB+'. The Outlooks on the Long-term IDRs of all three institutions are Stable. A full list of rating actions is at the end of this rating action commentary.

KEY RATING DRIVERS

IDRS

The affirmation of the Long-Term IDRs and Support Rating Floors (SRFs) reflects Fitch's view of a high propensity of the Kazakh 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 support that might be required, given limited wholesale debt relative to the sovereign's available resources (DBK: 2% of Kazakhstan's 2018 GDP or 13% of sovereign FX reserves at end-2018; HCSBK and KAF: around 0.1% of GDP)
- Guarantees on 16% of DBK's liabilities from Sovereign Wealth Fund Samruk-Kazyna (BBB/Stable), and DBK's immediate parent, JSC National Management Holding Baiterek (BBB/Stable)
- Potential adverse reputational, economic or social (in the cases of HCSBK and KAF) consequences of not supporting these institutions

DBK and HCSBK are rated one notch below the sovereign's 'BBB' rating primarily due to (i) indirect state ownership through Baiterek, giving rise to a moderate risk of delays to receipt and pass-through of sovereign support, as Baiterek's own financial resources are limited; (ii) fairly 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's mainly due to Fitch's view of its somewhat smaller policy role and lower importance for the country's economy and financial system and smaller size than DBK's and HCSBK's.

HCSBK

HCSBK is unlikely to need extraordinary support in the medium term in light of its resilient asset quality (0.3% impaired loan ratio at end-2018) and a strong capital buffer, as reflected in a Fitch Core Capital (FCC) ratio of 55% at end-2018. The comfortable liquidity cushion (33% of total assets at end-2018) is currently sufficient to meet the bank's contingent liability for future mortgage issuance for next several years.

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 support due to its inherently high-risk business model of financing large-scale investment projects, including greenfields. Credit risk comes from impaired loans (Stage 3 loans under IFRS 9, 3% of gross loans at end-2018), Stage 2 loans (36% of gross loans) and some other high-risk non-loan exposures. Fitch estimates the total amount of net high-risk assets at KZT354 billion, or 94% of FCC at end-2018. Risks are partly mitigated by guarantees from state-owned holdings on some Stage 2 loans, as well as possible government support to at least some of these borrowers, given their moderate systemic importance.

Its FCC ratio equalled 15% of risk-weighted assets (RWAs) at end-3Q18, which provides only a moderate buffer against the bank's high-risk assets. Profitability is modest (pre-impairment profit at 4% of average RWAs in 9M18) and provides limited loss absorption capacity. Due to its policy bank status and importance for the economy DBK benefits from regular capital support from the government, with about USD600 million of annual Tier 1 injections received since 2013.

DBK's liquidity position is solid, with available liquid funds covering the bank's contractual wholesale debt repayments in 2019 by 150%.

KAF

KAF is less likely to need additional solvency support in the medium term due to its high capital buffer (FCC of 35% of regulatory RWAs at end-2018) and the recently improved quality of its new lease originations. KAF's impaired exposures (35% of gross loans and leases at end-2018) mostly comprised legacy problems and were 35% covered by total loan loss allowances (LLAs). Net impaired exposures equalled 57% of FCC at end-2018.

KAF is about 70% state-funded by its parent and sister companies through low-cost loans and bonds. Contractual wholesale debt repayments for 2019 total KZT26 billion, or 14% of total liabilities at end-2018, and are well below KAF's available liquidity buffer (17% of total liabilities).

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 may also emerge if the government replaces or guarantees most of its wholesale funding. KAF's ratings could be upgraded if KAF becomes directly owned by the government or its policy role is significantly expanded.

Negative rating action on the institutions could follow a marked weakening of their policy roles or association with the sovereign. Significant delays in capital support, when required, could also be credit-negative. However, neither of these scenarios is currently expected by Fitch.

The rating actions are as follows:

Development Bank of Kazakhstan

Long-Term Foreign- and Local-Currency IDRs: affirmed at 'BBB-'; Outlook Stable

Short-Term Foreign- and Local-Currency IDRs: 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 Stable
Short-Term Foreign- and Local-Currency IDRs: affirmed at 'B'
National Long-Term Rating: affirmed at 'AA(kaz)'; Outlook Stable
Support Rating: affirmed at '3'
Support Rating Floor: affirmed at 'BB+'
Senior unsecured debt rating: affirmed at 'BB+'
Senior unsecured short-term debt rating: affirmed at 'B'
National senior unsecured debt rating: affirmed at 'AA(kaz)'

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Additional information is available on www.fitchratings.com
Applicable Criteria

Bank Rating Criteria (pub. 12 Oct 2018)
National Scale Ratings Criteria (pub. 18 Jul 2018)
Non-Bank Financial Institutions Rating Criteria (pub. 12 Oct 2018)

Additional Disclosures
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