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АО «Казахстанская фондовая биржа»

О подтверждении рейтинга

АО "Эксимбанк Казахстан" (далее-Банк) уведомляет о том, что 08 апреля 2016 года международное агентство Fitch Ratings подтвердило долгосрочный и краткосрочный кредитные рейтинги Банка на уровне «B-/B», а также кредитный рейтинг по национальной шкале «B+(kaz)». Прогноз рейтингов изменен со «Стабильного» на «Негативный».

С уважением,

Заместитель
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FITCH AFFIRMS FOUR SMALL KAZAKH BANKS

Fitch Ratings-Moscow/London-08 April 2016: Fitch Ratings has affirmed the Long-term IDRs of JSC SB Alfa Bank Kazakhstan (ABK) at 'B+', AsiaCredit Bank JSC (ACB) at 'B', Bank of Astana JSC (BoA) at 'B' and Eximbank Kazakhstan (Exim) at 'B-'. Fitch has revised the Outlooks on ACB and Exim to Negative from Stable. The Outlooks on ABK and BoA are Stable. The full list of the rating actions is at the end of this commentary.

KEY RATING DRIVERS - IDRS, VRS, NATIONAL AND SENIOR DEBT RATINGS
ALL BANKS
The affirmation of the banks' IDRs, which are driven by their VRs, reflects Fitch's view that the risks from the slowdown of the cyclical domestic economy have largely been factored into the banks' relatively low rating levels, which also reflect the banks' narrow franchises, high balance sheet concentrations, vulnerable asset quality and moderate capital buffers.

The Stable Outlooks on ABK and BoA reflect the so far moderate deterioration of asset quality and some resilience to potential worsening in the future due to the banks' still positive core profitability and decent capital buffers (each of these more robust at ABK).

The revision of ACB's and Exim's Outlooks to Negative reflects their more vulnerable credit profiles due to greater asset quality deterioration and weaker core profitability, while capitalisaiton is undermined by significant volumes of risky exposures.

ABK
ABK's non-performing loans (NPLs, 90 days overdue) were a moderate 6.5% of end-2015 gross loans, only slightly up from 5.4% at end-2014. These were sufficiently 1.3x covered by loan impairment reserves (LIRs). However, restructured loans also went up to 10.3% at end-2015, although these are reportedly performing. Positively, ABK reported exposure lower than its peers to foreign currency lending (19% of gross loans at end-2015).

Loan concentration was high, with the top 20 exposures making up 60% of corporate loans at end-2015. The quality of ABK's largest exposures is generally adequate, although of some risk are two large tenge-denominated loans (in Fitch's view, issued on non-market terms) for 0.7x of FCC. However, the exposures are backed by FX-deposits, limiting credit risk. Also, there is a KZT6bn (0.1x of FCC) receivable related to a portfolio of retail loans purchased from ABK in 2015-2014. Fitch assesses this receivable to be at least partially problematic, reflecting the generally weaker quality of the sold loans compared to the rest of ABK's book.

ABK's capitalisation has improved, with a FCC ratio of 14% and Tier 1 regulatory capital ratio of 14% (minimum 7%) at end-2015, up from 10% and 9% at end-2014. This was mainly due to significant net profit of KZT20.6bn (or 60% of average equity), which was largely due to one-off gains from devaluation. However, even adjusting for these, core pre-impairment profit was still a solid 7.5% of average loans, providing strong additional loss-absorption capacity.

Liquidity remains comfortable with liquid assets, including cash, short-term bank placements and unencumbered repo-able securities, covering a reasonable 23% of customer deposits at end-1Q16. However, the depositor concentration level is high (the top 20 made up 51% of customer funding at end-2015), making the bank vulnerable to sudden outflows of the largest accounts. Repayments of wholesale debt in 2016 are not significant.

ACB

ACB's NPLs increased to a high 17.4% of total loans at end-2015 from 9.7% at end-2014, mainly driven by six defaults among 25 largest borrowers. At end-1Q16, the bank had managed to reduce its NPLs to a more moderate 9.4%. However, judging by the share of accrued but not received interest income (24% in 2015), Fitch believes the real level of problem loans, including NPLs and restructured, is probably over 20% of gross loans. Therefore we consider ACB's LIRs of 5% of gross loans at end-1Q16 as low.

Further credit risks stem from high single-name concentrations (the 25 largest exposures accounted for a high 49% of gross loans or 2.6x FCC at end-2015). Fitch assesses that half of the top 25 exposures are of high risk with notable accrued interest (11% on average) and long (three to four years) maturities. Positively, ACB's share of foreign-currency loans is one of the lowest among Fitch-rated Kazakh banks at 15% of gross loans at end-2015, which would limit the potential negative effect of exchange rate swings on the bank's metrics.

ACB reported a high KZT4.1bn of net profit in 2015 (17% of average equity), but excluding one-off FX gains (KZT7.3bn) and non-recurring expenses (KZT2.7bn) it would have been a net loss of KZT0.4bn. Pre-impairment profit net of these one-off gains and accrued but not received interest was a modest 1% of average gross loans limiting the bank's ability to absorb losses through the income statement.

The capital buffer is also modest (FCC ratio of 13.6% and regulatory Tier 1 ratio of 13.9%) in the context of high unreserved NPLs (0.7x FCC at end-2015).

The funding base is concentrated (the 20 largest depositors made up 56% of total customer funding, and 60% of that amount was provided by state-related entities). ACB maintains a considerable liquidity cushion sufficient to cover about 45% of customer funding at end-2M16 after accounting for 2016 cash needs.

BoA

At end-2015, BOA's NPLs stood at around 5% of gross loans and were 1.2x covered by reserves. However, restructured loans were a high 19% of gross loans at end-2015, which are weakly reserved, but reportedly performing.

The corporate loan book is highly concentrated, with the 20 largest exposures comprising around 62% of gross corporate loans (2.8x Tier 1 regulatory capital) at end-2015. The riskier ones are those issued for project finance and construction purposes (at least 23% of gross loans or 1.3x Tier 1 regulatory capital) and loans to collectors (4.3% of gross loans or 26% of Tier 1 regulatory capital).

BoA's capitalisation is reasonable, with Tier 1 and total regulatory capital ratios of 10.7% and 13.9%, respectively, at end-2015, down from 14.7% (Tier 1 and total) at end-1H15 following 70% growth of the bank's risk-weighted assets in 2H15. This would allow the bank to increase its LIR by around 7.5%, to 13.0% of gross loans before it breaches minimum capitalisation ratios. BoA's capitalisation is undermined by its high loan book concentrations and significant share of high risk loans.

BoA's profitability is moderate, with 1.1% ROAA and 7.7% ROAE in 2015.

Fitch views the bank's liquidity as moderate due to high concentrations of its deposit base. BoA's customer funding concentration has decreased, but remains substantial. The 20 largest customers provided around 57% of customer funding or around 41% of liabilities at end-2015. At end-2015 BoA's total available liquidity covered around 22% of its customer accounts

Exim

Exim is a part of a broader business of its shareholders, who are also majority owners of one of the largest private electricity companies in Kazakhstan, Central-Asian Electric-Power Corporation (CAEPCo, BB-/Negative). Fitch does not explicitly factor in support from CAEPCo into Exim's ratings, but the bank's credit profile benefits from the shareholder's ability to originate business for the bank on both sides of its balance sheet.

Exim's NPLs were low, at 3% of gross loans, at end-2015. However its asset quality is still assessed as weak in light of massive restructured loans of 56% of gross loans (up from 45% at end-2014). Reserves covered only 34% (end-2014: 46%) of NPLs and restructured loans, while the unreserved part was equal to a high 2.2x of FCC (1.2x) at end-2015.

Additionally, Fitch estimates that at least 9.1% of Exim's end-2015 gross corporate book (49% of FCC) was high risk exposures (not yet overdue or restructured), mainly extended to companies related to the energy business or construction projects. Also, around 20% of Exim's gross loans were foreign currency-denominated, of which technically performing loans (neither NPLs nor restructured) made 8% of gross loans presenting a further downside risk. Asset quality weakness is further highlighted by Exim having by far the highest accrued interest-to-gross loans ratio in the system, at 37.5% at end-2015 (up by 2.8ppts in 2014) as opposed to 7.1% for the system.

Profitability is weak with ROAA and ROAE for 2015 of 0.5% and 2.5% respectively. Fitch estimates that on a cash basis the bank has been loss-making for several years in a row. The already weak cash-generating ability of Exim's loan book is further aggravated by the notably heightened macro headwinds, including potential cuts in state spending on infrastructure development projects and notably declined consumer spending including that for real estate (two areas to which Exim is exposed the most).

Capitalisation ratios are relatively high (Basel Tier 1 and total were 21.1% and 24.9%, respectively, at end-2015), but this is to a high extent a reflection of the under-provisioned loan book. At end-2015 Exim could reserve an additional 13% of its gross loans (up to 33%) before breaching the minimum regulatory capital adequacy requirements, although this would only cover one third of unreserved problem loans.

Exim is predominantly funded by corporate customer accounts, of which at least 32% are from shareholders' companies and a further 12.5% are deposits serving as collateral for certain loans - both of these funding sources are fairly stable. The liquidity buffer covered a reasonable 28% of non-related customer accounts at end-2015.

SUPPORT RATING FLOORS AND SUPPORT RATINGS
ABK
The Support Rating of '4' reflects Fitch's view of the limited probability of support that might be forthcoming from Alfa Bank Russia (ABR, BB+/Negative) and/or other group entities, if needed. In Fitch's view, support may be forthcoming in light of the common branding, potential reputational risk of any default at ABK and the small cost of any support that may be required.

At the same time, Fitch views ABR's propensity to provide support as limited because (i) it holds shares in ABK on behalf of ABH Holdings S.A.(ABHH), to which it has ceded control and voting rights through a call option, under which ABHH may acquire 100% of ABK from ABH Financial Limited (entity controlling 100% of ABR) until end-December 2016; (ii) limited operational integration between ABK and ABR; and (iii) ABR's tight regulatory capital preventing it from providing capital to the subsidiary.

Support from other Alfa Group entities, in Fitch's view, also cannot always be relied on due to ABK's small size. As a result, support could be withheld under certain circumstances, especially in a systemic financial crisis in Kazakhstan. Fitch notes ABHH's failure to provide full support to its Ukraine-based subsidiary PJSC Alfa-Bank (ABU; CCC) in 2008. However, the agency believes there is a lower probability of Alfa Group not supporting ABK, relative to ABU. This is reflected in ABK's higher Support Rating '4' compared with ABU's of '5'.

ACB, BoA, Exim
The banks' Support Ratings of '5' reflect Fitch's view that support from the banks' private shareholders, although possible, cannot be reliably assessed. The Support Rating Floors of 'No Floor' are based on the banks' low systemic importance.

SENIOR UNSECURED DEBT RATINGS (ABK, ACB, EXIM)
The banks' senior unsecured local debt ratings are aligned with their Long-term local currency IDRs and National Long-term ratings and reflect Fitch's assessment that recoveries are likely to be average in the event of any default.

RATING SENSITIVITIES
ABK, BOA

Upside potential is limited given the difficult operating environment, but the ratings could benefit from strengthening of franchises, while maintaining reasonable asset quality and performance. Downgrades could result from a substantial deterioration of asset quality and/or capitalisation if that is not offset by sufficient and timely equity support from the banks' shareholders.

ACB, Exim
A further deterioration of asset quality and/or capital erosion/weakening will result in downgrades. However, stabilisation/improvement of asset quality and core profitability could help to stabilise ratings at the current levels.

The rating actions are as follows:

ABK:
Long-term foreign currency IDR affirmed at 'B+'; Outlook Stable
Short-term foreign currency IDR affirmed at 'B'
Long-term local currency IDR affirmed at 'B+'; Outlook Stable
National Long-term rating affirmed at 'BBB(kaz)'; Outlook Stable
Viability Rating affirmed at 'b+'
Support Rating affirmed at '4'
Senior unsecured debt: affirmed at 'B+', Recovery Rating 'RR4'
National senior unsecured debt rating: affirmed at 'BBB(kaz)'

ACB:
Long-term foreign currency IDR: affirmed at 'B'; Outlook revised to Negative from Stable
Short-term foreign currency IDR: affirmed at 'B'
Long-term local currency IDR: affirmed at 'B'; Outlook revised to Negative from Stable
National Long-term rating: affirmed at 'BB(kaz)'; Outlook revised to Negative from Stable
Viability Rating: affirmed at 'b'
Support Rating: affirmed at '5'
Support Rating Floor: affirmed at 'No Floor'
Senior unsecured debt: affirmed at 'B', Recovery Rating 'RR4'
National senior unsecured debt rating: affirmed at 'BB(kaz)'

BoA
Long-term foreign and local currency IDRs: affirmed at 'B', Outlook Stable
Short-term foreign and local currency IDRs: affirmed at 'B'
National Long Term Rating: affirmed at 'BB(kaz) ', Outlook Stable

Viability Rating: affirmed at 'b'
Support Rating: affirmed at '5'
Support Rating Floor: affirmed at 'No Floor'

Exim
Long-term foreign and local currency IDRs: affirmed at 'B-', Outlook revised to Negative from Stable
Short-term foreign-currency IDR: affirmed at 'B'
National Long-term rating: affirmed at 'B+(kaz) '; Outlook revised to Negative from Stable
Viability Rating: affirmed at 'b-'
Support Rating: affirmed at '5'
Support Rating Floor: affirmed at 'No Floor'
Senior unsecured debt ratings: affirmed at 'B-/B+(kaz)'; Recovery Rating at 'RR4'

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Applicable Criteria
Global Bank Rating Criteria (pub. 20 Mar 2015)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=863501