

Fitch Upgrades Halyk Bank to 'BBB-' from 'BB+'; Outlook Stable

The assigned viability rating (bbb-) is the highest among private banks without foreign participation in the entire history of independent Kazakhstan and the best in the entire history of the Bank.

On April 13, 2020, Fitch Ratings has upgraded Halyk Bank's Long-Term Issuer Default Ratings (IDR) to 'BBB-' from 'BB+', the outlook is Stable. As a result, the Bank's rating was upgraded from speculative to investment grade. For the first time in the history of the country, a private commercial bank in Kazakhstan received an investment grade rating from Fitch; previously, such rating was assigned only to quasi-sovereign banks or banks with foreign participation.

"I would like to note that the assigned level of the rating to the Bank is only one notch lower than the sovereign rating BBB. Upgrade of the rating of Halyk Bank – the largest backbone bank in Kazakhstan to the investment grade – is a remarkable step and a significant positive signal not only within a single financial institution, but in general within the entire country, the entire CIS market – noted the CEO of Halyk Bank Umut Shayakhmetova, – it evidences that the markets are ready for recovery and growth. It is important to note that Halyk Bank has now become one of the two private banks without foreign participation in the CIS with the highest viability rating".

The upgrade reflects Halyk's robust bottom line results in 2020 and the Bank's further progress in recovering its legacy problem assets amid continuous pressure on operating environment from COVID-19 pandemic. Despite the economic downturn, in 2020 Halyk's Stage 3 ratio decreased from 16% to 12.3% of gross loans. In Fitch's view, this is evidence of Halyk's strong execution through the credit cycle.

Halyk's ratings capture its dominant domestic market shares and strong pricing power, its robust asset structure, strong profitability and large capital and liquidity buffers. The Bank's pre-impairment performance and capital/liquidity buffers give it the ability to intrinsically mitigate the operating environment risks that would otherwise have constrained the rating. For these reasons, Fitch rates Halyk two notches above the 'bb' operating environment score.

Fitch also notes that Halyk benefits from significant stability of earnings through the cycle and has a long record of consistently strong bottom line results.

The funding and liquidity profile is another rating strength. At end-2020, Halyk was 84% deposit-funded. Fitch views the Bank's deposit stability as superior to local peers, as Halyk is the largest deposit-taker in the country with a significant market share.

About Halyk Bank

Halyk Bank is Kazakhstan's leading financial services group, operating across a variety of segments, including retail, SME & corporate banking, insurance, leasing, brokerage and asset management. Halyk Bank has been listed on the Kazakhstan Stock Exchange since 1998, on the London Stock Exchange since 2006 and Astana International Exchange since October 2019.

With total assets of KZT 10,387.8 as at 31 December 2021, Halyk Bank is Kazakhstan's leading lender. The Bank has the largest customer base and broadest branch network in Kazakhstan, with 611 branches and outlets across the country. The Bank also operates in Georgia, Kyrgyzstan, Russia, Tajikistan and Uzbekistan.

For more information on Halyk Bank, please visit <https://www.halykbank.com>

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