ҚАЗАҚСТАН ХАЛЫҚ БАНКІ
HALYK BANK
НАРОДНЫЙ БАНК КАЗАХСТАНА

«ҚАЗАҚСТАН ХАЛЫҚ БАНКІ» АҚ
ШЫҒЫС / ИСХОД
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АО «НАРОДНЫЙ БАНК КАЗАХСТАНА»

Президенту АО «Казахстанская Фондовая Биржа»
Дамитову К.К.

В соответствии со статьей 29.2.4)и) Листинговых Правил АО «Казахстанская Фондовая Биржа», АО «Народный Банк Казахстана» (далее - Банк) направляет Вам уведомление о подтверждении рейтингов Банка и выпущенных им Еврооблигаций рейтинговым агентством Fitch Ratings и Moody's Investors Service;

Рейтинги Банка:

Fitch Ratings	**Рейтинг**	**Дата последнего подтверждения**
Долгосрочный рейтинг дефолта эмитента в иностранной и национальной валюте	BB-	16.04.2013
Прогноз на долгосрочный рейтинг	Стабильный	16.04.2013
Краткосрочный рейтинг дефолта эмитента в иностранной и национальной валюте	B	16.04.2013
Рейтинг устойчивости	bb-	16.04.2013
Рейтинг поддержки	4	16.04.2013
Уровень поддержки долгосрочного РДЭ	B	16.04.2013

Moody's Investors Service	**Рейтинг**	**Дата последнего подтверждения**
Прогноз	Стабильный	17.05.2013
Банковские депозиты	Ba2/NP	17.05.2013
Рейтинг финансовой устойчивости банка	D-	17.05.2013

Бланк без серийного номера не действителен

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22.05.2013

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Рейтинги Еврооблигаций:

Торговый код KASE	ISIN	Fitch Ratings		Moody's Investors Service	
		Рейтинг	Дата последнего подтверждения	Рейтинг	Дата последнего подтверждения
HSBKe3	XS0298931287, US40430AAB98	BB-	16.04.2013	Ba3	17.05.2013
HSBKe4	XS0358156510, US40430AAC71	BB-	16.04.2013	Ba3	17.05.2013
HSBKe5	XS0583796973, US46627JAB08	BB-	16.04.2013	Ba3	17.05.2013

Приложения:
1. Отчет Fitch Ratings от 16.04.2013 г.
2. Отчет Moody's Investors Service от 17.05.2013 г.

Заместитель
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Fitch Takes Various Rating Actions on Kazakh Banks and Their Russian Subsidiaries

Ratings Endorsement Policy

16 Apr 2013 12:54 PM (EDT)

Fitch Ratings-London/Moscow-16 April 2013: Fitch Ratings has taken various rating actions on Kazakh banks and their subsidiaries' Long-term Issuer Default Ratings (IDRs) including the following:

- Halyk Bank's 'BB-' IDR placed on Rating Watch Evolving (RWE)
- BTA Bank's IDR upgraded to 'CCC' from 'RD', placed on Rating Watch Positive (RWP)
- Kazkommertsbank's (KKB) IDR affirmed at 'B' with a Stable Outlook, and its Russian subsidiary, CB Moskommertsbank (MKB), downgraded to 'CCC' from 'B-'
- Bank CenterCredit (BCC) and its Russian subsidiary, Bank BCC-Moscow (BCCM), affirmed at 'B+' with a Stable Outlook.

A full list of rating actions is at the end of this document.

KEY RATING DRIVERS - IDRs, VRs and Senior Debt of reviewed Kazakh banks

Kazakh banks have in general continued to benefit from a steadily growing economy, which has provided some opportunities for business growth, supported the quality of recently issued loans and enabled banks to rebalance funding bases towards domestic sources. GDP growth was a solid 5% in 2012, and Fitch forecasts similar rates in 2013-2014.

Real estate market indicators suggest incremental recovery both in prices and liquidity of residential and commercial property. This trend has helped banks to achieve some limited improvements in the performance of their legacy real estate exposures. However, the stock of excess supply (including of uncompleted property) still considerably outweighs demand volumes, hampering any more tangible progress with loan workouts.

Banks' funding bases have benefited from continued inflow of retail deposits (up by 24% in 2012), which has helped to offset some volatility in corporate balances. The net loans/deposits ratio remained close to 100% in 2012, suggesting that the sector has been sticking to a more sustainable domestically-funded model. At the same time, funding at some banks (in particular, KKB, Halyk and BTA) is weakened by significant reliance on concentrated corporate deposits placed by state-controlled entities. External debt repayment schedules are currently comfortable for each of the reviewed banks, with no large near-term spikes in redemptions.

Internal capital generation has been moderate at most banks, with the notable exception of Halyk. However, current capital bases and impairment reserves allow for the absorption of the majority of currently recognised non-performing and restructured loans. The extent to which banks can absorb losses on reported and potential additional problem loans remains a key part of Fitch's assessments.

Plans to consolidate the private pension system under the aegis of the National Bank of Kazakhstan would materially affect Halyk and KKB (managing the largest and the fourth largest funds in the country). The potential impact on profitability will be more significant for Halyk, whose asset management fees accounted for 12% of pre-tax profit in 2012 (less than 1% for KKB, based on 9M12 data). However, Fitch does not currently expect any significant overall negative credit impact for the banks, given initial reports that these businesses will be bought at a significant premium to book value, resulting in an upfront boost to capital.

KEY RATING DRIVERS - BTA's IDRs, VR and Senior Debt
The upgrade of BTA Bank follows the completion of Fitch's review of the bank, initiated after the completion of its restructuring in January 2013. The 'CCC' Long-term IDRs reflect BTA's still weak asset quality, capital, performance, franchise and business prospects. However, weaknesses in both solvency and profitability have been considerably reduced as a result of the restructuring.
BTA's reported Basel I Tier 1 and Fitch Core Capital (FCC) ratios were a solid 33% at end-2012. However, non-performing loans (NPLs, 90-plus days overdue; 68% of the loan book) and restructured exposures (22%) still comprised, net of impairment reserves, 1.4x FCC. Furthermore, 65% of BTA's FCC results from fair value adjustments (reductions) to the bank's (low rate) liabilities, which will have to be accrued back through the income statement in future years, pressuring internal capital generation.

In Fitch's view, pre-impairment profit, net of interest income accrued but not received in cash, is likely to be at best moderately negative in 2013, even if BTA is successful in sharply reducing operating expenses. The lack of a clear development strategy makes significant near-term improvements in performance unlikely, the agency believes, meaning that continued, slow erosion of capital is our base case expectation.

The RWP on BTA's ratings reflects its potential acquisition by Halyk, following a proposal made to the latter by the national welfare fund Samruk Kazyna. Consolidation of BTA by Halyk would likely result in moderately improved support prospects for BTA, in Fitch's view. However, considerable uncertainty still exists as to whether the transaction will take place, how it might be structured, and to what extent Halyk would be able and willing to support BTA, should the sale go through.

KEY RATING DRIVERS - Halyk's IDRs, VR and Senior Debt
The RWE on Halyk's ratings reflects (i) Fitch's opinion that the bank's stand-alone profile has continued to strengthen, to the extent that this would now warrant a one-notch upgrade to 'BB'; and (ii) the potential negative impact of the proposed acquisition of BTA, which may result in a significant weakening of the profile. Halyk will likely be upgraded to 'BB' if the BTA acquisition does not go through. The rating could be affirmed at 'BB-' if an acquisition of BTA is structured so as to be only moderately negative for Halyk, or downgraded if an acquisition is sharply detrimental.

Fitch's assessment of Halyk's stand-alone profile reflects the bank's strong performance, comfortable liquidity, solid capitalisation and strong franchise. However, the assessment also considers still sizable asset quality problems and significant dependence on lumpy corporate deposits.

Profitability has been consistently strong in recent years, with a pre-impairment return on average assets close to or above 4% (above 6% relative to average gross loans) underpinned by low funding costs, sizable commission income and reasonable cost control. Non-interest income has fully covered operating expenses, meaning that net interest income is available in its entirety to absorb credit losses. The quality of interest revenues is also reasonable, with only 8% accrued, but not received in cash, in 2012.

The combined volume of NPLs and restructured loans fell to 29% of the loan book at end-2012 from 36% at end-2011, supported by some notable recoveries, as well as loan growth. At end-2012, Halyk could have fully reserved NPLs and restructured loans, and still reported capital ratios in excess of 10%, Fitch calculates. The agency believes risks in the performing part of the loan book are still significant, given some borrowers' weak transparency and profitability, and the long-term bullet structures of some exposures. However, in the agency's view, pre-impairment profitability should provide sufficient capacity to absorb any further losses without impacting capitalisation.

KEY RATING DRIVERS - KKB's IDRs, VR, Senior Debt and Subordinated Debt
The affirmation of KKB's ratings reflects limited recent changes in the bank's credit profile. The ratings continue to reflect the bank's weak asset quality. However they also consider KKB's significant loss absorption capacity, positive pre-impairment profitability (net of accrued interest income), manageable refinancing schedule and currently comfortable liquidity.

Reported NPLs were a high 29% and restructured exposures 19% of gross loans at end-Q312 (the latest publicly available data). In addition, Fitch understands that land/real estate exposures not classified as either non-performing or restructured were also sizable.
Based on regulatory data, Fitch calculates that KKB could have increased its impairment reserves to 39% of the loan book, as of end-2012, before its regulatory capital ratio would have fallen to the minimum 10% level. This represents significant loss absorption capacity relative to currently reported NPLs and restructured loans, but could be insufficient in case of recognition of further problems. At end-2012, KKB's land exposures, net of specific reserves, were substantial relative to regulatory capital, and an eventual exit from these investments, as well as from some of the real estate loans, is highly dependent on cooperation with local authorities, in particular in the city of Almaty.

KKB's regulatory ratios (12.3% Tier 1 and 16.2% total at end-2012) were significantly below those reported under Basel (Tier 1 18.2%; total 22.0% at end-Q312, the latest publicly available data) largely as a result of different impairment provisions calculated in accordance with local GAAP and IFRS requirements. However, even if KKB decides to increase its IFRS impairment reserves up to the level currently reported in its statutory financial statements, Fitch would regard such accounting changes as credit neutral, as they would not impact the bank's aggregate IFRS loss absorption capacity, as measured by capital and reserves combined.

KKB's subordinated debt issues are notched once off its VR.

KEY RATING DRIVERS - BCC's IDRs, VR, Senior Debt and National Ratings
BCC's ratings reflect its weak performance, asset quality metrics and capital quality. At the same time, the ratings also consider BCC's established franchise, robust liquidity and reasonable overall loss absorption capacity. BCC's risk profile benefits moderately from oversight by its major shareholder, Korea's Kookmin Bank (KMB, 'A'/Stable; 42% stake); however Fitch does not expect KMB to provide significant financial support to BCC prior to consolidation of a controlling stake. KMB has an option, valid until 2017, to purchase the IFC's 10% stake, but in Fitch's view is unlikely to exercise this in the near term.

NPLs and restructured loans combined comprised a significant 22% of the portfolio at end-2012, although this is lower than at peers. Fitch calculates that the bank could have almost fully reserved these exposures while maintaining a Basel total capital ratio of 10%. However, the quality of capital, which includes significant non-common equity components, is weak, and at end-2012 the FCC ratio was a moderate 7.8%.

After improvement in 2011, BCC's profitability weakened somewhat in 2012, with the net interest margin shrinking to 2% in 2012 and pre-impairment results equal to a moderate 1.3% of assets. However, fee generation is robust, covering 75% of operating expenses in 2012, and cash interest income slightly exceeded accruals.

RATING SENSITIVITIES - Kazakhstan-based banks' IDRs, VRs, Senior Debt, National ratings (where assigned) and Subordinated Debt (for KKB)
The ratings of each of the four Kazakh banks could be upgraded in case of substantial progress with work outs of problem loans or significant recapitalisation measures which materially improve loss absorption capacity. However, Fitch currently views such developments as unlikely given the deep-seated nature of asset quality problems and the absence of any capital raising plans at the banks. A sharp slowdown in the economy driven by an oil price shock would put downward pressure on the ratings, but this is also currently not anticipated.

Halyk will likely be upgraded by one notch, to 'BB', if the BTA acquisition does not go through. The rating could be affirmed at 'BB-' if an acquisition of BTA is structured so as to be only moderately detrimental for Halyk, or downgraded if an acquisition is sharply negative for Halyk's credit profile.

BTA could be upgraded if the bank is acquired by Halyk, and in Fitch's view the new owner would be likely to help repair BTA's stand-alone profile or to provide support to BTA, in case of need. However, in considering any potential benefits to BTA, Fitch will bear in mind that Halyk would probably be a reluctant acquirer, and any uplift to BTA's ratings may as a result be limited. If no acquisition takes place, BTA's ratings would likely be affirmed at their current levels.

Fitch does not expect KKB's ratings to change in the near term, as reflected by the Stable Outlook. However, any further deterioration in asset quality or weakening of recovery prospects on the bank's problem loans would give rise to negative pressure on the ratings. Any indication from the Kazakh authorities and/or KKB's major shareholders that creditors might participate in actions to strengthen the bank's solvency (not the agency's base case at present) could also result in a downgrade.

BCC's ratings could be upgraded by several notches, potentially to investment grade, if Kookmin consolidates a majority stake in the bank and affirms its strategic commitment to BCC.

KEY RATING DRIVERS ANS SENSITIVITIES - Support Ratings and Support Rating Floors (SRFs) for reviewed Kazakh banks
Halyk (SRF 'B') and KKB's (SRF 'B-') Support Ratings and SRFs reflect the track record of (moderate) funding and capital support provided to these banks by the authorities during the crisis. Halyk's SRF is set one notch higher than KKB's, reflecting the former's wider retail deposit franchise, limited wholesale funding and strong political connections. At the same time, the SRFs remain considerably lower than the sovereign's Long-Term foreign currency IDR of 'BBB+'. This reflects the readiness of the authorities to let other leading Kazakh banks default during the past four years, and public statements in support of the principle of 'burden sharing' in case of bank insolvencies.

BTA Bank's '5' Support Rating and 'No Floor' SRF reflect Fitch's view that sovereign support cannot be relied upon in future following the bank's repeated default in 2012. BCC's '5' Support Rating reflects Fitch's opinion that support cannot be relied upon from either the bank's shareholders or the Kazakh sovereign.

KEY RATING DRIVERS AND SENSITIVITIES - MKB
The downgrade of MKB's Long-term IDR to 'CCC' reflects Fitch's view that capital support from KKB has become less reliable. This takes into account the fact that the parent has not provided capital to MKB in the recent past and has no current plans to do so in the future, notwithstanding MKB's consistently negative profitability and weak capital position (11.3% regulatory CAR at end-2M13). The Russian subsidiary is of low strategic importance to KKB, and MKB does not qualify as a 'material subsidiary' either, i.e. its default would not trigger the acceleration of KKB's eurobonds.

MKB's 'ccc' VR reflects deep-seated asset quality problems (NPLs and restructured loans of 22% and 20%, respectively, at end-2M13) and limited loss absorption capacity (statutory reserves were equal to 21% of the loan book at the same date, but the bank's capitalisation didn't allow for further provisioning). In Q411 the regulator banned MKB from accepting retail deposits and, although that ban has now been lifted, regulatory risk remains rather high, in Fitch's view.

MKB's ratings could be downgraded further in case of a further weakening of asset quality or regulatory intervention. MKB's ratings could be upgraded if the bank is sufficiently recapitalized and a viable strategy is implemented.

KEY RATING DRIVERS AND SENSITIVITIES - BCCM
BCCM's IDRs are equalized with those of BCC given the high operational and management integration of the two entities and strong track record of capital support. The small size of the bank (around 3.5% of BCC's assets at end-2012) and its moderate growth plans limit the cost of potential support, thus also increasing its probability. The IDRs are likely to move in tandem with those of BCC; however, reduced operational integration and/or a weaker track record of support could result in BCCM being notched off BCC.

The 'b-' VR reflects BCCM's weak performance and asset quality and limited franchise, but also takes into account the currently solid capital ratio. Upside to the rating is limited given current weaknesses. A marked increase in asset impairment could result in a downgrade.

The ratings actions are as follows:
BTA
Long-Term foreign and local currency IDRs: upgraded to 'CCC' from 'RD'; RWP
Short-Term foreign and local currency IDRs: upgraded to 'C' from 'RD'; RWP
Viability Rating: upgraded to 'ccc' from 'f'
Support Rating: '5', placed on RWP
Support Rating Floor: affirmed at 'No Floor'
Senior debt rating on old notes: withdrawn at 'C', Recovery Rating 'RR5'
Senior debt rating on new notes: assigned at 'CCC'/RWP, Recovery Rating 'RR4'
Subordinated debt rating; withdrawn at 'C'; Recovery Rating 'RR6'

Halyk
Long-term foreign and local currency IDRs: 'BB-', placed on RWE
Short-term foreign and local currency IDRs: affirmed at 'B'
Viability Rating: 'bb-', placed on RWE
Support Rating: affirmed at '4'
Support Rating Floor: affirmed at 'B'
Senior unsecured debt: 'BB-', placed on RWE

KKB
Long-term foreign and local currency IDRs: affirmed at 'B', Outlook Stable
Short-term foreign and local currency IDRs: affirmed at 'B'
Viability Rating: affirmed at 'b'
Support Rating affirmed at '5'
Support Rating Floor: affirmed at 'B-'
Senior unsecured debt: affirmed at 'B'; Recovery Rating 'RR4'
Subordinated debt: affirmed at 'B-'; Recovery Rating 'RR5'

BCC
Long-term foreign currency IDR: affirmed at 'B+', Outlook Stable
Short-term foreign currency IDR: affirmed at 'B'
Long-term local currency IDR: assigned at 'B+', Outlook Stable
National Long-term Rating: assigned at 'BBB(kaz)', Outlook Stable
Viability Rating: affirmed at 'b+'
Support Rating affirmed at '5'
Senior unsecured debt affirmed at 'B+'; Recovery Rating 'RR4'
National senior unsecured debt rating: assigned at 'BBB(kaz)'.

MKB
Long-term foreign currency IDR: downgraded to 'CCC' from 'B-'
Short-term foreign currency IDR: downgraded to 'C' from 'B'
National Long-term rating: downgraded to 'B(rus)' from 'BB-'(rus);
Viability Rating: affirmed at 'ccc'
Support Rating: affirmed at '5'

BCC-Moscow
Long-term foreign and local currency IDRs: affirmed at 'B+'; Outlook Stable
Short-term foreign currency IDR: affirmed at 'B';
Viability Rating: assigned at 'b-'
National Long-Term Rating: affirmed at 'A-(rus)'; Outlook Stable;
Support Rating: affirmed at '4'

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Additional information is available at www.fitchratings.com.

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 15 August 2012, 'Recovery Ratings for Financial Institutions', dated 15 August 2012 ,'Assessing and Rating Bank Subordinated and Hybrid Securities', dated 05 December 2012, 'National Ratings Criteria ', dated 19 January 2011, and "Rating FI Subsidiaries and Holding Companies", dated 10 August 2012, are available at www.fitchratings.com.

Applicable Criteria and Related Research
Global Financial Institutions Rating Criteria
Recovery Ratings for Financial Institutions
Assessing and Rating Bank Subordinated and Hybrid Securities
National Ratings Criteria
Rating FI Subsidiaries and Holding Companies

Additional Disclosure
Solicitation Status

MOODY'S
INVESTORS SERVICE

Credit Opinion: Halyk Savings Bank of Kazakhstan

Global Credit Research - 17 May 2013

Almaty, Kazakhstan

Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	Ba2/NP
Bank Financial Strength	D-
Baseline Credit Assessment	(ba3)
Adjusted Baseline Credit Assessment	(ba3)
Senior Unsecured	Ba3

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Key Indicators

Halyk Savings Bank of Kazakhstan (Consolidated Financials)[1]

	[2]12-12	[2]12-11	[2]12-10	[2]12-09	[2]12-08	Avg.
Total Assets (KZT billion)	2,408.0	2,273.9	2,097.9	2,023.0	1,651.3	[3]9.9
Total Assets (USD billion)	16.0	15.3	14.2	13.6	13.7	[3]4.0
Tangible Common Equity (KZT billion)	245.5	220.9	226.8	192.7	144.8	[3]14.1
Tangible Common Equity (USD billion)	1.6	1.5	1.5	1.3	1.2	[3]8.0
Net Interest Margin (%)	3.5	3.6	4.1	4.5	5.4	[4]4.2
PPI / Average RWA (%)	5.7	5.1	5.7	6.7	4.9	[5]5.6
Net Income / Average RWA (%)	3.8	2.3	2.2	1.0	0.9	[5]2.1
(Market Funds - Liquid Assets) / Total Assets (%)	-26.9	-27.3	-27.3	-16.8	12.4	[4]-17.2
Core Deposits / Average Gross Loans (%)	113.8	112.7	106.1	93.6	71.4	[4]99.5
Tier 1 Ratio (%)	16.2	16.7	17.3	16.9	9.9	[5]15.4
Tangible Common Equity / RWA (%)	12.8	12.9	13.4	12.5	8.6	[5]12.0
Cost / Income Ratio (%)	38.5	41.7	36.2	28.5	41.2	[4]37.2
Problem Loans / Gross Loans (%)	21.6	22.1	22.2	18.1	8.7	[4]18.5
Problem Loans / (Equity + Loan Loss Reserves) (%)	54.6	54.2	52.1	49.7	37.0	[4]49.5

Source: Moody's

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] Basel I; IFRS [3] Compound Annual Growth Rate based on IFRS reporting periods [4] IFRS reporting periods have been used for average calculation [5] Basel I & IFRS reporting periods have been used for average calculation

Opinion

SUMMARY RATING RATIONALE

Halyk Savings Bank of Kazakhstan's (Halyk Bank) standalone bank financial strength rating (BFSR) is D- , mapping to ba3 on our long-term scale. The rating is underpinned by the bank's leading market position in Kazakhstan, its good profitability and adequate capitalisation. However, the rating also takes into account the concentration on both sides of the balance sheet and weak asset quality that could require a number of years to work out.

We assign a global local currency deposit rating of Ba2 to Halyk Bank. The rating is based on Moody's assessment of a moderate probability that systemic support would be extended to the bank's depositors in case of need. Consequently, there is a one-notch uplift for the deposit ratings from Halyk Bank's ba3 standalone credit assessment.

Halyk Bank reported total assets and net income of $16 billion and $469 million, respectively, as at year-end 2012, according to the bank's audited IFRS financial statements.

Rating Drivers

- Well-developed franchise is a major credit positive

- High borrower and funding concentration

- Good profitability with relatively well-diversified earnings

- Weak but stabilising asset quality

- Adequate capitalisation

Rating Outlook

All of the bank's ratings carry a stable outlook.

What Could Change the Rating - Up

A significant reduction in the bank's funding concentration and improvement in asset quality, coupled with good liquidity and capitalisation may have positive rating implications.

What Could Change the Rating - Down

Further significant deterioration of the bank's asset quality and material weakening of its capital adequacy might result in a downgrade of Halyk Bank's BFSR.

A downgrade of Halyk Bank's BFSR is likely to result in a downgrade of its deposit and debt ratings. Reduced systemic support probability stemming from a downgrade of Kazakhstan's sovereign ratings or an evidence of lowered willingness of the government to support the bank may also result in a downgrade of the bank's deposit ratings.

DETAILED RATING CONSIDERATIONS

Detailed considerations for Halyk Bank's currently assigned ratings are as follows:

WELL-DEVELOPED FRANCHISE IS A MAJOR CREDIT POSITIVE

Halyk Bank is the second-largest bank in Kazakhstan in terms of assets, which stood at KZT2,408 billion ($16 billion) at year-end 2012, according to its consolidated IFRS report. The bank is the market leader in terms of retail and corporate deposits with a 19.4% share as of year-end 2012, according to the National Bank of Kazakhstan's data. Halyk Bank has the largest regional network in Kazakhstan among the local banks. At YE2012, Halyk Bank had 22 regional branches, 122 sub-regional offices and 410 cash settlement units.

The group also has insurance, pension fund, leasing and brokerage businesses, as well as three subsidiary banks in Russia, Kyrgyzstan and Georgia. Halyk Bank's business is focused in Kazakhstan, where almost all of its assets are allocated.

79% of the bank's loan book is attributable to corporate and SME loans, the rest are consumer loans and mortgages. Thanks to the bank's relatively conservative risk appetite, stable financial position and close connection with the Kazakh authorities, Halyk Bank has been perceived as a safe haven among the Kazakh banks. This allows the bank to maintain its strong deposit taking franchise that secures quite low funding costs. Increasing competition from relatively smaller players, especially in the retail and SME segments, will likely restrain the bank's margins and push it towards products that can generate more fee income. In the near-term the bank's franchise strength could also be challenged by the modest credit demand, especially for corporate loans. For 2013 we expect lending growth to be around 10%.

Pension Business - In early 2013 Kazakh authorities decided to consolidate all privately managed pension funds into a single state-controlled fund. This consolidation, which will probably be completed by YE2013, will adversely affect Halyk's revenues as its pension management business, the largest in Kazakhstan, accounted for nearly 10% of the bank's consolidated operating income. From the announcements of the government officials we understand that the current owners of the pension management companies will receive a compensation based on valuation of these businesses. Consequently, the net impact of this disposal on Halyk Bank's credit profile will be clearer when the amount of compensation is determined.

Possible acquisition of BTA Bank (rated E/caa3; Caa1) - Kazakh government has decided to privatise 3 nationalised banks in 2013, including BTA Bank that experienced serious financial problems and defaulted twice in the past several years (2009 and 2012). Following the second debt restructuring BTA Bank's indebtedness was halved and it reported positive capital. One of the options that the Kazakh authorities consider is to swap their share in BTA Bank with Halyk Bank's pension business. We understand that Halyk Bank is considering this option and would make a decision based on the economic rationale of such an acquisition. We believe that the likelihood of BTA Bank's acquisition by Halyk Bank is significant and expect that the transaction will be based on market conditions. We will assess the implications of this possible transaction on Halyk Bank's credit profile if it is to materialize and when its details are announced.

BALANCE-SHEET CONCENTRATIONS REMAIN HIGH

Almex Group is Halyk Bank's controlling shareholder with a 69.4% stake in the outstanding common shares of the bank. The bank is ultimately controlled by Mr. Timur Kulibayev and his spouse Ms. Dinara Kulibayeva, the son-in-law and daughter, respectively, of Kazakhstan's President Nazarbaev.

The bank's credit risk concentration is significant, as the aggregate exposure to the top-20 borrowers accounted for around 150% of the bank's equity at YE2012 (147% at YE2011). Halyk Bank's exposure to the construction and real estate sectors is relatively low (construction - 10%, real estate 7% of the loan portfolio) compared to its main competitors. However, we believe it is still substantial and could continue to hamper the bank's performance, albeit to a less extent than in the past several years as the bank has set up significant loan reserves against these exposures.

High funding concentration at Halyk Bank remains a key challenge. The bank's 20 largest customers accounted for about 46% of the total at YE2012. The lion's share of the largest deposits/current accounts are from the government and government-related entities. The refinancing risks stemming from such a concentration is partly mitigated by a high cushion of liquid assets held by the bank - liquid assets amounted to $6.9 billion or about 40% of its total assets at YE2012.

GOOD PROFITABILITY WITH RELATIVELY WELL-DIVERSIFIED EARNINGS

Halyk Bank reported a net income of KZT69.96 billion for 2012, 77% higher than in 2011. This led to an annualised RoAA of 2.89%, significantly higher than the 1.78% reported for 2011. The increase was mainly due to lower loan loss charges, but also higher fee income from banking and insurance businesses. Net interest income growth was modest and driven by reduced cost of funding. In the near-term the bank's profitability may come under pressure from lower fee income (due to the disposal of the pension management business). However, a likely rise in net interest income from moderate credit growth, as well as revenues from insurance business will ease this negative pressure.

ASSET QUALITY IS STABILISING

According to the National Bank of Kazakhstan's data, at YE2012, the share of non-performing loans (NPLs 90+ days) in the loan portfolio made up 17% (18.6% at YE2011) whereas the loan loss reserves were 21.8% of the gross loans. We understand that part of the corporate loans have been restructured and are not classified as NPLs. We estimate the bank's problem loans at about 25% of its loan book. We note that underwriting standards, especially for retail loans, have been better at Halyk Bank than they have at many of its competitors. We expect problem loans to remain relatively stable in the near-term, albeit there could be some modest decline in their volumes if the bank transfers some of the problem loans to distressed assets funds. We believe that the bank's loan loss reserves mostly cover expected losses in the current loan book, assuming no drastic deterioration in the economic conditions in Kazakhstan.

ADEQUATE CAPITAISATION

The bank's Tier 1 ratio declined modestly to 16.2% at YE 2012 from 16.7% at YE2011 as it increased its risk-weighted assets and bought back KZT34.2 billion worth of own preferred shares from Samruk-Kazyna - Kazakhstan's sovereign Wealth Fund. In the near-term we believe the bank will have adequate level of capital as its retained earnings should be sufficient to support a moderate loan growth.

Global Local Currency Deposit Rating (Joint Default Analysis)

Halyk Bank's long-term global local currency (GLC) deposit rating is at the Ba2 level, based on Moody's assessment of a moderate probability that systemic support would be extended to the bank in case of need. Consequently, there is a one-notch uplift for the GLC deposit rating from the bank's ba3 standalone credit assessment.

Foreign Currency Debt Rating

Moody's assigns a Ba3 global foreign currency debt rating for Halyk Bank's senior unsecured obligations. No external support is implied in the debt rating of Halyk Bank, therefore it is in line with the bank's ba3 standalone credit assessment.

ABOUT MOODY'S BANK RATINGS

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. BFSRs do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations. Factors considered in the assignment of BFSRs include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although BFSRs exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the BFSR as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, they are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, which includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of external elements of support into the bank's Baseline Credit Assessment. In calculating the Global Local Currency Deposit rating for a bank, the JDA methodology also factors in the rating of the support provider, in the form of the local currency deposit ceiling for a country, Moody's assessment of the probability of systemic support for the bank in the event of a stress situation and the degree of dependence between the issuer rating and the Local Currency Deposit Ceiling.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. A Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be noted that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt ratings may also be constrained by the country ceiling for foreign currency bonds and notes; however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

About Moody's Bank Financial Strength Scorecard

Moody's bank financial strength model (see scorecard below) is a strategic input in the assessment of the financial strength of a bank, used as a key tool by Moody's analysts to ensure consistency of approach across banks and regions. The model output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating Factors

Halyk Savings Bank of Kazakhstan

Rating Factors [1]	A	B	C	D	E	Total Score	Trend
Qualitative Factors (70%)						D	
Factor: Franchise Value						C-	Neutral
Market share and sustainability		x					
Geographical diversification					x		
Earnings stability			x				
Earnings Diversification [2]							
Factor: Risk Positioning						D	Neutral
Corporate Governance [2]	–	–	–	–	–		
- Ownership and Organizational Complexity	--	--	--	--	--		
- Key Man Risk	--	--	--	--	--		
- Insider and Related-Party Risks	--	--	--	--	--		
Controls and Risk Management				x			
- Risk Management				x			
- Controls				x			
Financial Reporting Transparency		x					
- Global Comparability	x						
- Frequency and Timeliness	x						
- Quality of Financial Information			x				
Credit Risk Concentration	–	–	–	–	–		
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
Liquidity Management				x			
Market Risk Appetite			x				
Factor: Operating Environment						E+	Neutral
Economic Stability					x		

Integrity and Corruption					x		
Legal System				x			
Financial Factors (30%)						C	
Factor: Profitability						A	Neutral
PPI % Average RWA (Basel I)	5.49%						
Net Income % Average RWA (Basel I)	2.80%						
Factor: Liquidity						C+	Neutral
(Market Funds - Liquid Assets) % Total Assets	-27.15%						
Liquidity Management				x			
Factor: Capital Adequacy						A	Neutral
Tier 1 Ratio (%) (Basel I)	16.73%						
Tangible Common Equity % RWA (Basel I)	12.99%						
Factor: Efficiency						A	Neutral
Cost / Income Ratio	38.77%						
Factor: Asset Quality						E	Neutral
Problem Loans % Gross Loans					21.97%		
Problem Loans % (Equity + LLR)					50.13%		
Lowest Combined Financial Factor Score (9%)						E	
Economic Insolvency Override						Neutral	
Aggregate BFSR Score						D+	
Aggregate BCA Score						baa3/ba1	
Assigned BFSR						D-	
Assigned BCA						ba3	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
[2] - A blank score under Earnings Diversification or Corporate Governance indicates the risk is neutral.

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