ҚАЗАҚСТАН ХАЛЫҚ БАНКІ
HALYK BANK
НАРОДНЫЙ БАНК КАЗАХСТАНА

«ҚАЗАҚСТАН ХАЛЫҚ БАНКІ» АҚ
ШЫҒЫС / ИСХ. № 21-13430
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ПАРАҚ САНЫ / КОЛ-ВО ЛИСТОВ 1
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 Moody's Investors Service:

**Рейтинги Банка:**

| Moody's Investors Service | Рейтинг | Дата последнего подтверждения |
|---|---|---|
| Прогноз | Стабильный | 06.12.2012 |
| Банковские депозиты | Ba2/NP | 06.12.2012 |
| Рейтинг финансовой устойчивости банка | D- | 06.12.2012 |

**Рейтинги Еврооблигаций, выпущенных Банком:**

| Торговый код KASE | ISIN | Moody's Investors Service | |
|---|---|---|---|
| | | Рейтинг | Дата последнего подтверждения |
| HSBKe2 | XS0253878051, US40430AAA16 | Ba3 | 06.12.2012 |
| HSBKe3 | XS0298931287, US40430AAB98 | Ba3 | 06.12.2012 |
| HSBKe4 | XS0358156510, US40430AAC71 | Ba3 | 06.12.2012 |
| HSBKe5 | XS0583796973, US46627JAB08 | Ba3 | 06.12.2012 |

Кроме того, направляем копию отчета Moody's Investors Service от 6 декабря 2012г.

Приложение:
1. Отчет Moody's Investors Service от 06.12.2012 г.

**Заместитель Председателя Правления** **Карабаев Д.С.**

6512
11.12.2012

Исп.: Исаев Р.
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Бланк без серийного номера не действителен

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MOODY'S
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# Credit Opinion: Halyk Savings Bank of Kazakhstan

**Global Credit Research - 06 Dec 2012**

*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 |

## Contacts

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## Key Indicators

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

| | [2]9-12 | [2]12-11 | [2]12-10 | [2]12-09 | [2]12-08 | Avg. |
|---|---|---|---|---|---|---|
| Total Assets (KZT billion) | 2,276.6 | 2,273.9 | 2,097.9 | 2,023.0 | 1,651.3 | [3]8.4 |
| Total Assets (USD billion) | 15.2 | 15.3 | 14.2 | 13.6 | 13.7 | [3]2.7 |
| Tangible Common Equity (KZT billion) | 229.8 | 220.9 | 226.8 | 192.7 | 144.8 | [3]12.3 |
| Tangible Common Equity (USD billion) | 1.5 | 1.5 | 1.5 | 1.3 | 1.2 | [3]6.4 |
| Net Interest Margin (%) | 3.5 | 3.6 | 4.1 | 4.5 | 5.4 | [4]4.2 |
| PPI / Avg RWA (%) | -- | 5.1 | 5.7 | 6.7 | 4.9 | [5]5.6 |
| Net Income / Avg RWA (%) | -- | 2.3 | 2.2 | 1.0 | 0.9 | [5]1.6 |
| (Market Funds - Liquid Assets) / Total Assets (%) | -27.8 | -27.3 | -27.2 | -16.8 | 12.4 | [4]-17.3 |
| Core Deposits / Average Gross Loans (%) | 104.3 | 112.7 | 106.1 | 93.6 | 71.4 | [4]97.6 |
| Tier 1 Ratio (%) | -- | 16.7 | 17.3 | 16.9 | 9.9 | [5]15.2 |
| Tangible Common Equity / RWA (%) | -- | 12.9 | 13.4 | 12.5 | 8.6 | [5]11.8 |
| Cost / Income Ratio (%) | 37.2 | 41.7 | 36.2 | 28.5 | 41.2 | [4]36.9 |
| Problem Loans / Gross Loans (%) | -- | 0.0 | 0.0 | -- | -- | [4]0.0 |
| Problem Loans / (Equity + Loan Loss Reserves) (%) | -- | 0.0 | 0.0 | -- | -- | [4]0.0 |

Source: Moody's

[1] All 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

Moody's assigns a bank financial strength rating (BFSR) of D- to Halyk Savings Bank of Kazakhstan (Halyk Bank), 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.

Moody's assigns a global local currency (GLC) 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 GLC deposit rating from Halyk Bank's ba3 standalone credit assessment.

**Rating Drivers**

- Well-developed franchise with country-wide reach

- 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.

**Recent Results and Company Events**

Halyk Bank reported total assets and net income of $17.3 billion and $213.3 million, respectively, as at end-H1 2012, according to the bank's IFRS financial statements.

**DETAILED RATING CONSIDERATIONS**

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

**Bank Financial Strength Rating**

Well-diversified franchise with low funding costs

Halyk Bank is the second-largest bank in Kazakhstan in terms of assets, which stood at KZT2,581 billion ($17.3 billion) at end-H1 2012, according to its consolidated IFRS report.. The bank is the market leader in terms of retail and corporate deposits with a 17.9% share as of end-Q3 2012, according to the National Bank of Kazakhstan's data. Halyk Bank has the largest regional network in Kazakhstan among the local banks. At end-H1 2012, Halyk Bank had 22 regional branches, 122 sub-regional offices and 422 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. In 2011 gross loans increased by 9.9%. For 2012 we expect lending growth to be around 5%-10%.

In the medium-term Halyk Bank will continue to benefit from its large branch network and sound reputation to enhance its customer reach.

Balance sheet concentration remains 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 about 150% of the bank's equity at end-H1 2012 (147% at YE2011). Halyk Bank's exposure to the construction and real estate sectors is relatively low (construction - 10%, real estate 8% 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 accounting for about 56% of the total. 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 nearly 40% of its total assets. Halyk's market debt repayments in 2013 amount to about $770 million. This is likely to be repaid without problems assuming that customer funding remains relatively stable.

Despite the significant amount of available-for-sale securities making up 11.4% of the total assets at end-H1 2012, we believe that, in general, Halyk Bank has acceptable market risk exposure as its trading book is comprised of mostly Kazakh government (rated Baa2/Stable outlook) and investment grade corporate bonds, while foreign exchange and interest rate risks are at moderate levels.

Further profitability improvement may depend on lending growth

Halyk Bank reported a net income of KZT31.6 billion for H1 2012, a 50% increase from a year ago results. This led to an annualised RoAA of 2.56%, 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 key factors affecting Halyk Bank's profitability will be the credit growth and the level of loan loss provisions. As we expect only moderate lending growth in the near-term, there could be a limited potential for revenue growth.

Asset quality is stabilizing

According to the National Bank of Kazakhstan's data, at end-H1 2012, the share of non-performing loans (NPLs 90+ days) in the loan portfolio made up 18.8% (18.6% at YE 2011) whereas the loan loss reserves were 23.6% 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.

Capital adequacy declined but remains adequate

The bank's Equity-to-Assets ratio declined to 11.95% at end-H1 2012 from 13.65% at YE2011 as it bought back KZT34.2 billion worth of own preferred shares from Samruk-Kazyna. However, Halyk Bank's Tier 1 ratio is substantially higher at 16.7% (bank's calculations) as of end-H1 2012, driven by relatively low level of risk weighted assets.

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] | | | | x | | | |
| - Ownership and Org. Complexity | | | | x | | | |
| - Key Man Risk | | | | x | | | |
| - 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** | | | | x | | | |
| - Borrower Concentration | | | | x | | | |
| - Industry Concentration | | x | | | | | |
| **Liquidity Management** | | | | x | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Market Risk Appetite** | | | x | | | | |
| **Factor: Operating Environment**<br>**Economic Stability**<br>**Integrity and Corruption**<br>**Legal System** | | | | <br><br><br>x | <br>x<br>x | E+ | Neutral |
| **Financial Factors (30%)** | | | | | | C | |
| **Factor: Profitability**<br>**PPI / Average RWA - Basel I**<br>**Net Income / Average RWA - Basel I** | <br>5.83% | <br><br>1.85% | | | | B+ | Neutral |
| **Factor: Liquidity**<br>**(Market funds - Liquid Assets) / Total Assets**<br>**Liquidity Management** | <br>-23.74% | | | <br><br>x | | C+ | Neutral |
| **Factor: Capital Adequacy**<br>**Tier 1 Ratio - Basel I**<br>**Tangible Common Equity / RWA - Basel I** | <br>16.97%<br>12.92% | | | | | A | Neutral |
| **Factor: Efficiency**<br>**Cost Income ratio** | <br>35.43% | | | | | A | Neutral |
| **Factor: Asset Quality**<br>**Problem Loans / Gross Loans**<br>**Problem Loans / (Shareholders' Equity + Loan Loss Reserves)** | | | | <br><br>41.64% | <br>17.25% | E+ | Neutral |
| **Lowest Combined Financial Factor Score (9%)** | | | | | | E+ | |
| ***Economic Insolvency Override*** | | | | | | Neutral | |
| **Aggregate Score** | | | | | | D+ | |
| **Assigned BFSR** | | | | | | D- | |

[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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This credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.