

## **Fitch Downgrades Kazakhstan's Alliance Bank to 'RD'**

Fitch Ratings-Moscow/London-31 March 2014: Fitch Ratings has downgraded Kazakhstan's Alliance Bank JSC's Long-term Issuer Default Ratings (IDRs) to 'RD' (Restricted Default) from 'C' and Viability Rating (VR) to 'f' from 'c'. A full list of rating actions is at the end of this commentary.

### **KEY RATING DRIVERS**

The downgrades reflect Fitch's view that the bank has experienced an uncured default on its senior debt obligations, following the failure to pay a coupon due on 25 March. Fitch understands that Alliance has no plans to make the outstanding payment during the 10-day grace period given the ruling of the financial court of Almaty on 3 March. This ruling authorised the restructuring of the bank's debt and ordered suspension of payments on these obligations.

In January 2014, the bank stated its intention to materially reduce its liabilities under its senior and subordinated debt obligations relative to original contractual terms in order to improve its capitalisation. Fitch therefore expects that implementation of the restructuring will involve a material reduction of terms relative to the original contractual terms, which Fitch classifies as a restricted default in accordance with its "Distressed Debt Exchange Criteria"

The affirmation of the senior and subordinated debt at 'C' reflects the fact that these were already at the lowest level possible for instrument ratings.

### **RATING SENSITIVITIES**

Fitch expects to review Alliance's ratings following completion of the bank's restructuring. Any upgrades will depend on the extent to which the restructuring restores Alliance's viability, and in particular, solvency.

The rating actions are as follows:

Long-term foreign and local currency IDRs: downgraded to 'RD' from 'C'

Short-term foreign and local currency IDRs: downgraded to 'RD' from 'C'

Support Rating: affirmed at '5'

Support Rating Floor: affirmed at 'No Floor'

Viability Rating: downgraded to 'f' from 'c'

Senior unsecured debt rating: affirmed at 'C'; Recovery Rating 'RR4'

Subordinated debt rating: affirmed at 'C'; Recovery Rating 'RR6'

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 31 January 2014, 'Distressed Debt Exchange Criteria', dated 2 August 2013 and 'National Scale Rating Criteria', dated 30 October 2013, are available at [www.fitchratings.com](http://www.fitchratings.com).

**Additional Disclosure**

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