MOODY'S
INVESTORS SERVICE

Rating Action: Moody's changes outlook on DBK Leasing's Ba3 rating to stable from negative

Global Credit Research - 19 Dec 2013

London, 19 December 2013 -- Moody's Investors Service has today changed to stable from negative the outlook on the following ratings of DBK Leasing: Ba3 long-term local- and foreign-currency corporate family and issuer ratings, the provisional (P)Ba3 local-currency rating assigned to the issuer's KZT15 billion ($102 million) domestic bond programme, and the Ba3 local currency debt rating assigned to the issuer's senior unsecured Medium-Term Notes (MTN) issued under this programme. Concurrently Moody's affirmed all the company's long-term ratings and its Not Prime short-term issuer rating.

RATINGS RATIONALE

The rating action reflects Moody's assessment of the stabilisation in DBK Leasing's credit profile following a large-scale equity injection into the company in Q3 2013. The rating agency expects that DBK Leasing's enhanced capital will be sufficient to absorb possible losses stemming from the company's weak asset quality and to offset its weak earnings generations in the next two-to-three years.

The KZT11.44 billion (about $75 million) recapitalisation of DBK Leasing by its parent Development Bank of Kazakhstan (Baa3, stable) more than doubled the company's equity, which resulted in the company reporting a very strong equity-to-assets ratio of 38.4% at end-Q3 2013, according to its unaudited IFRS financial statements.

According to DBK Leasing, nearly 40% of its leasing book was overdue over 90 days or restructured as of end-Q3 2013. Against these problem leases the company held reserves of 16.9% of the leasing book, which will likely be insufficient to cover all expected credit losses, and the company will have to substantially increase these reserves over the next 12-18 months.

Higher reserves against problem leases and low net interest margin will maintain negative pressure on DBK Leasing's already weak profitability. The company reported a net loss of KZT691 million for the first nine months of 2013, which resulted in a negative annualised return on assets (RoA) of 1.92%.

DBK Leasing's liquidity profile is adequate, with an ample liquidity cushion amounting to 31% of total assets as of end-Q3 2013. The company's refinancing risks are limited as it is highly reliant on parental funding, which accounted for around half of its non-equity funding at end-Q3 2013. Whilst DBK Leasing has repaid a considerable portion of the parent funds following its recapitalisation, the rating agency expects that the resources provided by the parent can be rolled over if necessary.

DBK Leasing's Ba3 corporate family and issuer ratings incorporate a three-notch uplift from the company's standalone credit assessment of b3, which is based on our assessment of the very high probability of extraordinary support from the parent. The very high probability of parental support reflects: (1) DBK Leasing's 100% ownership and around 50% (at end-Q3 2013) non-equity funding by Development Bank of Kazakhstan; (2) the company's relatively small size, which enables the parent to extend the necessary level of support in the event of need; and (3) its good fit with its parent strategy.

WHAT COULD MOVE THE RATINGS UP/DOWN

Upward pressure could be exerted on DBK Leasing's ratings as a result of improving asset quality and profitability.

A further material deterioration of DBK Leasing's leasing book could have negative rating implications, as could any downgrade of the parent's ratings. Signs of a diminished willingness on the part of Development Bank of Kazakhstan to further develop DBK Leasing, or the parent's decision to privatise the company could also exert negative pressure on the company's ratings.

PRINCIPAL METHODOLOGIES

The principal methodology used in this rating was Finance Company Global Rating Methodology published in March 2012. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Headquartered is Astana, Kazakhstan, DBK Leasing reported total assets of KZT43.9 billion ($291.4 million), shareholders equity of KZT7.7 billion ($51.1 million), and net income of KZT95 million ($630,000) as of year-end 2012, according to the company's audited financial statements.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Armen L. Dallakyan
Vice President - Senior Analyst
Financial Institutions Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Yves Lemay
MD - Banking
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

MOODY'S
INVESTORS SERVICE

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

 All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.