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АО «КАЗАХСТАНСКАЯ  
ФОНДОВАЯ БИРЖА»

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**Кредитные рейтинги агентства Fitch Ratings, подтвержденные Банку 15.12.2017 г.**

Наименование рейтинга	Рейтинг
Долгосрочный рейтинг дефолта эмитента («РДЭ») в иностранной и национальной валюте	B
Краткосрочный РДЭ в иностранной валюте	B
Национальный долгосрочный рейтинг	BB+(kaz)
Прогноз	Стабильный

Рейтинги ценных бумаг АО Банк ЦентрКредит (CCBN)	Рейтинг
Долгосрочный рейтинг эмитента	
Приоритетные необеспеченные долговые обязательства: ССВ№25, ССВ№26, ССВ№27	B / BB+(kaz)
Срочные субординированные долговые обязательства: ССВ№18, ССВ№19, ССВ№20, ССВ№22, ССВ№23	B- / BB (kaz)
Бессрочные субординированные обязательства в иностранной валюте: ССВ№3	CCC

*Приложение: Пресс-релиз агентства Fitch Ratings от 15.12.2017 г. на англ.яз. на 7 листах.*

С уважением,

Директор Департамента казначейства

  
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## **FITCH UPGRADES ATF BANK; AFFIRMS THREE OTHER MID-SIZED KAZAKH BANKS**

Fitch Ratings-Moscow-15 December 2017: Fitch Ratings has upgraded the Long-Term Issuer Default Ratings (IDRs) of ATF Bank JSC to 'B' from 'B-' and affirmed the ratings of Bank Centercredit (BCC) at 'B'. The Outlooks on both banks' IDRs are Stable. The agency has affirmed Subsidiary Bank Sberbank of Russia, JSC (SBK) at 'BB+/'Positive, and maintained the ratings of Altyn Bank JSC (Subsidiary Bank of Halyk Bank of Kazakhstan JSC) (AB) at 'BB'/Rating Watch Positive (RWP). A full list of rating actions is at the end of this commentary.

### **KEY RATING DRIVERS - IDRS, NATIONAL LONG-TERM RATINGS (ALL BANKS)**

The affirmation of SBK's 'BB+' Long-Term Foreign- and Local-Currency IDRs and '3' Support Rating reflects Fitch's view of the high propensity of its owner, Sberbank of Russia (SBR; BBB-/Positive), to provide support in case of need. This view is based on SBK's small size relative to its parent, the strategic importance of the CIS region for SBR, and possible reputational risks for the parent in case of a subsidiary default.

The Long-Term IDRs of ATF and BCC are in line with their Viability Ratings (VRs), and the upgrade of ATF's Long-Term IDR reflects the upgrade of its VR. The two banks now hold large buffers of junior debt (equal to an estimated 12.7% and 10.9% of risk-weighted assets, respectively), which may offer significant protection for the banks' senior creditors in case of failure. However, Fitch has not notched the banks' IDRs (which reflect the risk of default on senior obligations) up from their VRs (which capture failure risk) due to significant uncertainty about the extent of possible recapitalisation needs in a failure scenario, and whether junior debt would be sufficient to absorb these.

The higher National Rating of SBK compared to ATF and BCC reflects the benefits of shareholder support for its credit profile.

### **KEY RATING DRIVERS - VRS (ALL BANKS)**

The VRs, at 'b+' (SBK) and 'b' (ATF and BCC), primarily reflect the still significant size of potential asset quality problems at all three banks. However, on the positive side, the ratings reflect the banks' reasonable capital adequacy and liquidity profiles.

ATF and BCC's capitalisation has benefited significantly from sizeable capital injections in the form of subordinated debt from the National Bank of Kazakhstan (NBK) in 4Q17, as part of a programme to support the solvency of larger domestic banks. As the subordinated debt is quite long-term (15 years) and carries a low (4%) interest rate, the banks will book fair-value gains, and therefore positive adjustments to their equity, equal to more than half of the nominal value of the issues in both their IFRS and, Fitch understands, regulatory accounts.

The one-notch higher VR of SBK, compared to ATF and BCC, reflects its somewhat stronger capacity to absorb credit losses through the income statement and therefore gradually resolve its asset quality issues, and some ordinary benefits of support from its parent, SBR, in terms of potential problem asset sales. It also reflects the somewhat less deep-seated nature of SBK's asset quality problems, given that these have been generated relatively recently in contrast to the longstanding legacy exposures of ATF and BCC; however, the volume of problematic assets is similar across the three banks.

### **KEY RATING DRIVERS - VR (SBK)**

The affirmation of SBK's VR reflects Fitch's view of the limited changes in the bank's credit profile since the last review. The 'b+' VR continues to factor in the ordinary benefits of parental support, SBK's decent core profitability and comfortable liquidity, and some stabilisation, albeit at weak levels, of its asset quality and capitalisation metrics.

SBK's non-performing loans (NPLs, overdue by more than 90 days) stood at 11% of gross loans at end-3Q17, a ratio that has remained stable relative to end-2016, in part due to portfolio growth. In addition, restructured loans were a substantial 24%, albeit down from 31% at end-2016. Performing foreign-currency loans reduced to 11% from 15% of the portfolio; Fitch views such exposures as a potential source of problem recognition for all three banks given the large recent depreciation of the tenge.

Capitalisation remains weak in light of large unreserved problem loans, and SBK does not expect capital contributions from SBR in the near future. SBK's Fitch Core Capital (FCC) ratio of 11.4% at end-3Q17 was little changed in comparison with 11.6% at end-2016. The risks for capitalisation have slightly abated but remain considerable as NPLs less specific reserves fell to 0.3x FCC from 0.4x, and unreserved restructured loans reduced to 1.5x FCC from 1.9x FCC. Non-impaired foreign-currency loans contracted to 0.9x FCC from 1.1x FCC.

SBK's core profitability is relatively strong, helping the bank to provision or write off loans faster than peers. Annualised pre-impairment profit was equal to a high 7% of average gross loans for 9M17, the same level as in 2016. Operating profit has remained relatively low, at an annualised 8% of average equity in 9M17 after 6% in 2016, as SBK used most of its pre-impairment result to create provisions.

The funding profile remains under some pressure due to international sanctions on Russian state-controlled banks; this means SBK has to rely more on short-term non-retail funding and high-cost retail deposits. The bank maintains a solid liquidity buffer, equal to 35% of liabilities at end-3Q17.

#### KEY RATING DRIVERS - VR (ATF)

The upgrade of ATF Bank's VR to 'b' from 'b-' reflects the significant recent improvement in its solvency as a result of the NBK's capital support. High impaired loans, weak core profitability and high funding concentrations continue to weigh on ATF's ratings.

Of the KZT100 billion of low-rate, long-term subordinated debt provided by the NBK, Fitch expects about KZT60 billion to be booked as a fair-value gain, boosting equity, with the remaining KZT40 billion adding to Tier 2 capital. Adjusting end-3Q17 metrics for these contributions, ATF's FCC ratio would rise to 14% from 9%, and its Basel I Total capital ratio to 26% from 17%.

After reducing slightly in recent years, ATF's NPL ratio was still a high 19% at end-3Q17, with restructured loans an additional 12%. Foreign-currency loans reported as performing were a further 40%. ATF has agreed with the NBK to gradually create over five years KZT150 billion of additional impairment provisions (equal to 15% of loans at end-3Q17), primarily through utilisation of the new capital injection.

Following the capital increase, Fitch expects non-performing and restructured loans less specific reserves to have reduced to 0.6x and 0.4x FCC from 1.0x and 0.6x, respectively, at end-3Q17. Non-impaired foreign-currency loans less reserves should have fallen to 1.3x from 2.0x. Additional pressure comes from foreclosed property, equal to 0.5x post-support FCC.

Core profitability has been weak, but could improve somewhat as a result of business growth and earnings on NBK notes into which ATF placed the proceeds of the subordinated debt issue. Annualised pre-impairment profit adjusted for interest accrued but not received in cash was equal to a low 0.2% of average total assets in 9M17, but could add about 0.5pp as a result of the coupon

income on the notes. Net income, at 15% of average equity in 9M17, could, in Fitch's view, turn into a moderate loss next year as a result of the higher planned impairment charges.

Liquid assets fell to a still reasonable 26% of liabilities at end-3Q17 from 46% at end-2016 as a result of a Eurobond repayment and some deposit outflows. Furthermore, high single-name concentrations, with the largest 20 depositors contributing 47% of the total, continue to constrain ATF's funding position and liquidity.

## BCC

The affirmation of BCC's VR reflects the bank's still significant problem loans. However, the rating is supported at the 'b' level by the strengthening of BCC's core capital position following the contribution from the NBK, the bank's improved performance, and its reasonable funding and liquidity profile. The ownership linkages between BCC and Tsesnabank, the third-largest domestic lender, are neutral for BCC's rating given Fitch's view of the broadly similar credit profiles of the two banks.

At end-3Q17, BCC's NPLs were equal to 11% of gross loans and were fully covered by loan impairment reserves. However, additional asset quality risks stem from significant exposure to restructured loans (17% of gross loans or 1.2x FCC post-recap) and a related-party loan to a reportedly performing special-purpose vehicle, which holds BCC's problem assets (5% of gross loans or 0.4x FCC). Performing and non-restructured foreign-currency loans were a further 14% of gross loans (1x FCC). Fitch believes that BCC will have to absorb additional impairment losses from the above-mentioned loan exposures. BCC has agreed with the NBK to gradually create over five years KZT90 billion of additional impairment provisions (equal to around 10% of gross loans at end-3Q17), primarily through utilisation of the new capital injection.

Of the KZT60 billion subordinated debt provided by the NBK, Fitch expects about KZT35 billion to be recognised as a fair-value gain, boosting core capital. As a result, BCC's FCC ratio should increase to 12.5% from 9.3% at end-3Q17.

BCC's annualised pre-impairment profit, net of uncollected accrued interest, was equal to a reasonable 2.7% of average gross loans in 9M17, up from a low 0.8% in 2016 due to a stronger net interest margin. Headline profitability indicators also improved, with ROAE reaching 12% in 9M17, although Fitch expects internal capital generation capacity to soften from 2018, as most of the pre-impairment profit will likely be consumed by additional loan loss provisions.

The funding and liquidity profile remains a rating strength. BCC is predominantly customer funded (83% of end-3Q17 liabilities), and wholesale funding repayments for 4Q17-2018 are limited. At end-3Q17, BCC's liquid assets covered a high 31% of total liabilities.

## AB - ALL RATINGS

AB's Long-Term IDRs at 'BB' reflect Fitch's opinion that AB's parent institution, Halyk Bank of Kazakhstan (HB; BB/Stable), would likely have a high propensity to support its subsidiary in light of AB's modest size and the planned sale of a majority equity stake in AB to China CITIC Bank Corporation Limited (CNCB; BBB/Stable).

HB and CNCB signed a memorandum of understanding in November 2016. The sale was originally expected to close this year but was later postponed to 2018.

Fitch has not assigned a VR to AB given that the bank's business model has been evolving after AB's acquisition by HB in 2014 and is likely to be the subject of potential further transformations after the expected ownership change.

## DEBT RATINGS

Senior unsecured debt ratings are aligned with Long-Term IDRs based on average recovery expectations. Recoveries for senior creditors of defaulted Kazakh banks (typically in the 30%-50% range) have depended on the extent to which the authorities supported banks' restructurings with capital injections, and so were essentially the outcome of political decisions.

The dated subordinated debt issues of ATF and BCC are notched down once from the banks' VRs and National Long-Term Ratings, reflecting below-average recovery prospects. SBK's subordinated debt is notched down once from its Long-Term IDR and National Long-Term Rating, reflecting Fitch's view that support from SBR would likely be available to prevent non-performance on this.

The upgrade of the National Long-Term Rating on BCC's dated subordinated debt to 'BB(kaz)' from 'BB-(kaz)' is to bring the notching into line with that on the international scale.

The perpetual debt ratings of BCC and ATF are rated two notches lower than their VRs, reflecting greater non-performance risk and more limited recovery expectations. Kazakh banks' subordinated debt issues do not currently envisage any formal loss absorption triggers but, in Fitch's view, could absorb losses as "going-concern" instruments if in the regulator's view the bank had ceased to be viable.

SBK's debt ratings relate to debt issues made prior to 1 August 2014.

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#### SUPPORT RATINGS (SRS) AND SUPPORT RATING FLOORS (SRFS)

The affirmations of the SRFs of ATF and BCC at 'No Floor' reflect their only moderate market shares of around 5% in sector assets and deposits and the fact that they have not been designated as systemically important institutions.

Notwithstanding the recent record of capital support for medium-sized banks, including ATF and BCC, in Fitch's view such support cannot be relied upon over the long term and in all circumstances, as the recent default of the ninth-largest bank in the country, Bank RBK (unrated), suggests.

#### RATING SENSITIVITIES

The Long-Term IDRs and VRs of ATF and BCC are primarily sensitive to material changes in these banks' asset quality and capitalisation. A material reduction in their exposure to problem assets, combined with maintenance of core capital ratios at current levels, could result in upgrades of the VRs. If asset quality problems abate while junior debt buffers remain substantial and are, in Fitch's view, sustainable, the banks' Long-Term IDRs could be notched up once from their VRs.

Conversely, a significant increase in problem asset exposures or recognition of greater-than-expected losses on these could result in downgrades of both VRs and Long-Term IDRs.

The Long-Term IDRs of SBK would likely change in tandem with the ratings of its parent, SBR. The Positive Outlook on SBK reflects that on SBR.

The RWP on AB's ratings reflects the potential for these to be upgraded as a result of the bank's expected acquisition by the higher-rated CNCB. The acquisition could take more than six months to complete.

Debt ratings would likely change in line with their respective anchor ratings, ie Long-Term IDRs for senior debt and SBK's subordinated debt, and VRs for ATF and BCC's subordinated and hybrid instruments.

ATF and BCC's 'CCC' hybrid ratings are unlikely to change as a result of the finalisation of Fitch's revised Global Bank Rating Criteria, an Exposure Draft for which was published on 13 December 2017. This is because these ratings are consistent with the proposed revised guidelines for notching of subordinated and hybrid instruments included in the Exposure Draft.

The rating actions are as follows:

**ATF Bank JSC**

Long-Term Foreign- and Local-Currency IDRs: upgraded to 'B' from 'B-'; Outlook Stable

Short-Term IDR: affirmed at 'B'

National Long-Term Rating: upgraded to 'BB+(kaz)' from 'BB-(kaz)'; Outlook Stable

Viability Rating: upgraded to 'b' from 'b-'

Support Rating: affirmed at '5'

Support Rating Floor: affirmed at 'No Floor'

Senior unsecured debt: upgraded to 'B'/BB+(kaz)' from 'B-/BB-(kaz)'; Recovery Rating at 'RR4'

Dated subordinated debt: upgraded to 'B-/BB(kaz)' from 'CCC'/B'; Recovery Rating at 'RR5'

Perpetual debt: upgraded to 'CCC' from 'CC'; Recovery Rating at 'RR6'

**Bank Centercredit**

Long-Term Foreign- and Local-Currency IDRs: affirmed at 'B'; Outlook Stable

Short-Term IDR: affirmed at 'B'

National Long-Term Rating: affirmed at 'BB+(kaz)'; Outlook Stable

Viability Rating: affirmed at 'b'

Support Rating: affirmed at '5'

Support Rating Floor: affirmed at 'No Floor'

Senior unsecured debt: affirmed at 'B'/BB+(kaz)'; Recovery Rating at 'RR4'

Dated subordinated debt: affirmed at 'B-'; Recovery Rating at 'RR5'

Dated subordinated debt National Rating: upgraded to 'BB(kaz)' from 'BB-(kaz)'

Perpetual debt rating: affirmed at 'CCC'; Recovery Rating at 'RR6'

**Subsidiary Bank Sberbank of Russia, JSC**

Long-Term Foreign- and Local-Currency IDRs: affirmed at 'BB+'; Outlook Positive

Short-Term IDR: affirmed at 'B'

National Long-Term Rating: affirmed at 'AA-(kaz)'; Outlook Positive

Viability Rating: affirmed at 'b+'

Support Rating: affirmed at '3'

Senior unsecured debt: affirmed at 'BB+/'AA-(kaz)'

Subordinated debt: affirmed at 'BB'/A+(kaz)'

**Altyn Bank JSC (Subsidiary Bank of Halyk Bank of Kazakhstan JSC)**

Long-Term Foreign- and Local-Currency IDRs: 'BB'; maintained on RWP

Short-Term IDR: 'B'; maintained on RWP

National Long-Term Rating: 'A+(kaz)'; maintained on RWP

Support Rating: '3'; maintained on RWP

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Applicable Criteria  
Global Bank Rating Criteria (pub. 25 Nov 2016)  
<https://www.fitchratings.com/site/re/891051>

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