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**АО «КАЗАХСТАНСКАЯ  
ФОНДОВАЯ БИРЖА»**

Всего страниц, включительно – 7

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Сообщаем, что 20 марта 2015 г. международное рейтинговое агентство Moody's Investors Service подтвердило рейтинги АО БЦК как указано ниже:

Долгосрочный рейтинг по депозитам в иностранной и национальной валюте	B2
Краткосрочный рейтинг по депозитам в иностранной и национальной валюте	NP
Долгосрочный рейтинг по национальной шкале	B1.kz
Рейтинг приоритетного необеспеченного долга в иностранной валюте	B3
Рейтинг неприоритетного субординированного долга в иностранной валюте (международные купонные облигации, код CCBNe3, ISIN XS024558690)	Сaa2
Прогноз	Стабильный

Приложение: Рейтинговый отчет Moody's от 20.03.2015 г. на 6-ти листах на англ. языке

С уважением,

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# MOODY'S

## INVESTORS SERVICE

### Credit Opinion: Bank CenterCredit

Global Credit Research - 20 Mar 2015

Almaty, Kazakhstan

#### Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	B2/NP
Baseline Credit Assessment	b3
Adjusted Baseline Credit Assessment	b3
Jr Subordinate	Caa2 (hyb)

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#### Key Indicators

##### Bank CenterCredit (Consolidated Financials)[1]

	[2]6-14	[2]12-13	[2]12-12	[2]12-11	[2]12-10	Avg.
Total Assets (KZT billion)	1,138.1	1,093.5	1,087.8	1,081.9	1,224.6	[3]-1.8
Total Assets (USD billion)	6.2	7.1	7.2	7.3	8.3	[3]-7.1
Tangible Common Equity (KZT billion)	87.5	83.8	83.8	83.3	81.0	[3]2.0
Tangible Common Equity (USD billion)	0.5	0.5	0.6	0.6	0.5	[3]-3.5
Problem Loans / Gross Loans (%)	0.0	27.6	25.0	25.9	22.6	[4]20.2
Tangible Common Equity / Risk Weighted Assets (%)	9.0	9.3	9.1	9.3	9.3	[5]9.2
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	0.0	95.5	104.1	109.8	96.8	[4]81.2
Net Interest Margin (%)	3.6	3.0	1.7	2.1	1.2	[4]2.3
PPI / Average RWA (%)	4.6	3.4	1.6	2.7	1.1	[5]2.7
Net Income / Tangible Assets (%)	0.2	0.1	0.1	0.3	-2.5	[4]-0.4
Cost / Income Ratio (%)	36.9	48.1	65.4	54.3	71.3	[4]55.2
Market Funds / Tangible Banking Assets (%)	14.6	11.5	13.5	18.9	22.5	[4]16.2
Liquid Banking Assets / Tangible Banking Assets (%)	24.3	23.7	23.5	25.8	39.3	[4]27.3
Gross Loans / Total Deposits (%)	112.5	116.2	110.0	110.5	90.0	[4]107.9

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

We assign **B2** local- and foreign-currency deposit ratings to Bank CenterCredit (BCC). The deposit rating incorporates our assessment of moderate probability that systemic support would be extended to the bank's

depositors in case of stress, thus providing a one-notch uplift for BCC's deposit rating from its b3 baseline credit assessment (BCA). The ownership by Kookmin Bank (deposits A1 stable; BFSR C-/BCA baa1 stable), which currently holds a 41.93% stake in BCC, has no impact on BCC's ratings.

BCC's standalone BCA of b3 is primarily constrained by (1) weak asset quality with high level of problem loans, (2) low capital buffer and pressured profitability in the context of limited problem loans coverage, and (3) volatile deposit base prone to panic-driven customer behaviour. At the same time, the rating captures the bank's established positions on the local market, especially in the SME and retail segments; its stabilising recurrent profitability and process of problem loans work out.

We assign a B3 global foreign-currency debt rating to the bank's senior unsecured obligations; the rating is solely based on the bank's b3 BCA, and we assign a Caa2 (hyb) global foreign-currency debt rating to its junior subordinated obligations. The ratings take into account the relative seniority ranking of the obligations in the event of liquidation. Unlike deposit ratings, the B3 and Caa2 (hyb) debt ratings do not incorporate any assessment of systemic support.

According to the National Bank of Kazakhstan (NBK), BCC ranks sixth among Kazakh banks by total assets as of year-end 2014. BCC holds 6% market share in total banking assets and 7.5% in total retail customer deposits as of 1 January 2015. It has an established customer franchise in the SME and retail segments, operating through countrywide branch networks, consisting of 20 branches and 121 outlets. Although BCC has a presence in Russia, Kyrgyzstan and Ukraine, its franchise is almost fully concentrated in Kazakhstan.

#### BCC's RATING IS CONSTRAINED BY KAZAKHSTAN'S WEAK+ MACRO PROFILE

Kazakhstan has maintained strong economic growth in recent years, though Kazakh banks have derived few benefits from this growth because the largest industries that drive economic output - energy and mining - do not borrow from domestic banks. Downside risks have recently increased as a result of the sharp decline in oil prices. Lower exports will reduce investments and will weigh negatively on the non-export sectors that borrow from banks. In addition, the geopolitical crisis in the broader CIS region has added to negative trends; in particular the maintenance of Kazakhstan's peg of the tenge to the US dollar, at a time when many other regional countries have experienced substantial depreciation, will lead to weaker competitiveness of Kazakhstan's non-oil economy, accelerated capital flight and higher interest rates, reinforcing negative pressure on the non-export sectors, i.e. banks' major borrowers.

The country is moderately susceptible to event risks such as the risk of political instability or of a sharp, prolonged decline in commodity prices. Weak depositor confidence in the banking sector and a lack of long-term local-currency funding have led to high interest rates, making bank loans unattractive for many creditworthy borrowers with direct access to international markets.

#### Rating Drivers

- Weak asset quality with high level of problem loans
- Low capital buffer renders the bank vulnerable in the longer term
- Profitability is pressured by loan loss provisions, but earnings are stabilising
- Volatile deposit base prone to panic-driven customer behaviour

#### Rating Outlook

BCC's ratings carry a stable outlook.

#### What Could Change the Rating - Up

Positive pressure could develop on BCC's ratings as a result of improved asset quality and capital adequacy metrics, coupled with a stable liquidity profile. Potential control of the bank by Kookmin Bank may also benefit BCC's ratings.

#### What Could Change the Rating - Down

Any deterioration in BCC's asset quality and profitability, leading to a further weakening of the bank's capital adequacy, as well as liquidity shortage, could result in a downgrade of the bank's ratings.



## **DETAILED RATING CONSIDERATIONS**

### **WEAK ASSET QUALITY WITH HIGH LEVEL OF PROBLEM LOANS**

The bank's non-performing loans (NPLs - overdue more than 90 days) accounted for 12.04% of gross loans as of 1 January 2015, down from 16.3% at year-end 2013, according to the regulatory data. Total problem loans, which include NPLs more than 90 days overdue, plus restructured loans, amounted to around 24.3% as of 1H-2014, down from 27.6% as of year-end 2013 according to bank's management data. The decrease in problem loans within 2014 was mainly attributable to the loans write offs following changes introduced to the Kazakh tax code. BCC remains vulnerable to potential Kazakh tenge devaluation given that 20% of its loan book is in foreign currency, as well as worsening of households indebtedness. We expect the bank's asset quality to be further pressured by deteriorating retail loans performance and the challenging domestic operating environment. Therefore, the current loan loss reserves-to-gross loans ratio at 15.9% is not very high.

### **LOW CAPITAL BUFFER RENDERS THE BANK VULNERABLE IN THE LONGER TERM**

BCC's core capital adequacy is modest with the shareholder equity-to-assets ratio at 8% as of 1H-2014, virtually unchanged since 2012, according to the bank's IFRS statement. BCC's total capital adequacy ratio (CAR) under Basel amounted to 15.36% at 1H-2014 (15.96% at year-end 2013), benefiting from subordinated and junior subordinated debt. We consider the bank's loss absorption buffer to be modest in the context of the low level of capital, mediocre earnings generation and the need for higher loan loss reserves.

### **PROFITABILITY IS PRESSURED BY LOAN LOSS PROVISIONS, BUT EARNINGS ARE STABILISING**

The bank reported a marginally positive net income of KZT1.2 billion as of 1H-2014 under IFRS (reviewed by the auditors), resulting in a return on average assets (RoAA) of 0.2% (0.03% as of year-end 2013). Its bottom-line earnings were constrained by loan loss provisions, that accounted for 3.5% of gross loan book as of 1H-2014 (2.9% at year-end 2013). At the same time, the bank reported stabilising core recurrent revenues, including improvement in net interest income and stable fees and commissions. The cost-to-income ratio amounted to sound 41% as at 1H-2014. We believe that within the next 12-18 months BCC's profitability will be constrained by provisioning burden.

### **VOLATILE CUSTOMER DEPOSIT BASE PRONE TO PANIC-DRIVEN CUSTOMER BEHAVIOUR**

BCC's customer deposits, accounting for 77% of liabilities, tend to be volatile and prone to panic-driven behaviour, as evidenced in February 2014 when the bank experienced around KZT100 billion deposit outflow (12% of customer deposits) within a two-week period. Maintenance of an acceptable liquidity cushion (nearly a quarter of total assets as of year-end 2013) plus a KZT80 billion loan provided by the NBK helped BCC to withstand the liquidity stress. The situation has stabilised and, as at end-1H-2014 customer deposits almost recovered to levels reported prior to the deposit outflow. However, we note to risks of future deposits volatility, which renders bank's liquidity profile vulnerable. Therefore, we make negative adjustment for the deposit quality.

### **NOTE ON DATA**

Unless noted otherwise, data related to system-wide trends is sourced from the central bank. Bank-specific figures originate from the bank's reports and Moody's Banking Financial Metrics. All figures are based on our own chart of account and may be adjusted for analytical purposes. Please refer to the documents entitled "Financial Statement Adjustments in the Analysis of Financial Institutions", published on 19 December 2013.

### **Notching Considerations**

#### **GOVERNMENT SUPPORT**

The deposit rating incorporates our assessment of a moderate probability that systemic support would be extended to the bank's depositors if a systemic crisis occurred, thus providing a one-notch uplift for BCC's deposit rating from its b3 baseline credit assessment (BCA). This is based on the material market share of BCC in total banking assets at 6% and retail customer deposits at 7.5% as of 1 January 2015.

#### **About Moody's Bank Scorecard**

Our Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our Scorecard may materially differ from that suggested by raw data alone (though it has been calibrated

to avoid the frequent need for strong divergence). The Scorecard 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

#### Bank CenterCredit

Macro Factors	
Weighted Macro Profile	Weak +

Financial Profile						
Factor	Historic Ratio	Macro Adjusted Score	Credit Trend	Assigned Score	Key driver #1	Key driver #2
<b>Solvency</b>						
<b>Asset Risk</b>						
<i>Problem Loans / Gross Loans</i>	27.6%	caa3	↑ ↑	caa1	Expected trend	
<b>Capital</b>						
<i>TCE / RWA</i>	9.0%	b2	↓	b3	Expected trend	
<b>Profitability</b>						
<i>Net Income / Tangible Assets</i>	0.2%	b3	↓	caa1	Expected trend	
<b>Combined Solvency Score</b>		caa1		caa1		
<b>Liquidity</b>						
<b>Funding Structure</b>						
<i>Market Funds / Tangible Banking Assets</i>	11.5%	ba2	← →	b1	Deposit quality	
<b>Liquid Resources</b>						
<i>Liquid Banking Assets / Tangible Banking Assets</i>	23.7%	ba3	← →	ba3		
<b>Combined Liquidity Score</b>		ba2		b1		

Financial Profile	b3
<b>Qualitative Adjustments</b>	<b>Adjustment</b>
Business Diversification	0
Opacity and Complexity	0
Corporate Behavior	0
<b>Total Qualitative Adjustments</b>	<b>0</b>
Sovereign or Affiliate constraint	Baa2
Scorecard Calculated BCA range	b2 - caa1
<b>Assigned BCA</b>	<b>b3</b>
Affiliate Support notching	0



Adjusted BCA

b3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency rating	Foreign Currency rating
Deposits	0	0	b3	1	B2	B2
Junior subordinated bank debt	-1	-1	caa2	0		Caa2(hyb)

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on <http://www.moody's.com> for the most updated credit rating action information and rating history.

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