



«KASPI BANK» АҚШИОНЕРЛІК ҚОҒАМЫ АҚШИОНЕРНОЕ ОБЩЕСТВО «KASPI BANK»

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На № _____ от _____

**Председателю Правления
АО «Казахстанская фондовая биржа»
г-же Алдамберген А.Ө.**

Настоящим сообщаем о том, что 31 октября 2017 г. международное рейтинговое агентство Moody's Investors Service подтвердило долгосрочный рейтинг депозитов АО «Kaspi Bank» (далее – «Банк») в местной и иностранной валюте на уровне «В1»; пересмотрело прогноз долгосрочного рейтинга депозитов по глобальной шкале с «негативный» на «позитивный» и повысило рейтинг долгосрочных депозитов Банка по национальной шкале с «Ваа3.kz» до «Ваа2.kz».

Копия пресс-релиза Moody's Investors Service прилагается.

С уважением,

Мосидзе Т.
И.о. Председателя Правления

Исп. Дедикова Л. (т. 356-34-19)

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MOODY'S

INVESTORS SERVICE

Rating Action: Moody's affirms Kaspi Bank JSC's global scale ratings with a positive outlook, upgrades national scale rating to Baa2.kz

Global Credit Research - 31 Oct 2017

London, 31 October 2017 -- Moody's Investors Service (Moody's) has today affirmed Kaspi Bank JSC's (Kaspi Bank) global scale ratings: the long-term local and foreign-currency deposit ratings at B1, long-term local currency senior unsecured Medium Term Notes (MTN) program at (P)B2, long-term local currency subordinate debt at B3, as well as subordinate MTN program at (P)B3. The outlook on the global scale long-term deposit ratings has been revised to positive from negative.

The bank's Baseline Credit Assessment (BCA) and adjusted BCA have been affirmed at b2 and the Counterparty Risk Assessment (CRA) at Ba3(cr)/NP(cr) has also been affirmed. Moody's incorporates a moderate probability of government support into the bank's deposit ratings, which results in a one-notch uplift above the bank's BCA.

In addition, Moody's Investors Service has upgraded the national scale long-term deposit rating to Baa2.kz from Baa3.kz.

A full list of affected ratings can be found at the end of this press release.

RATINGS RATIONALE

Moody's rating action with the change of the outlook to positive reflects improving asset quality indicators with decreased credit costs, improved coverage of problem loans by reserves and strengthening profitability metrics. Additionally, Kaspi Bank maintains high capital buffer and ample liquidity cushion. At the same time, the bank's ratings remain constrained by high reliance on risky consumer finance segment and FX mismatches, which require relatively costly hedging.

Kaspi Bank's asset quality indicators showed a positive trend. Annualized cost of risk reduced to 6% in H1 2017, down from the peak of 9.4% in 2016 amid stabilizing operating environment and renewed lending growth. Problem loans (all past due corporate loans plus retail loans overdue more than 90 days) plus net charge-offs decreased to 10.9% of gross loans as of H1 2017 from 20.6% as H1 2016. Loan loss reserves coverage of problem loans was restored to the level of 2014 and amounted to a sufficient 128.3% as of 30 June 2017. After the loan book contraction in 2015-2016 Kaspi Bank renewed its lending activity in 2017, primarily among the existing clientele with good credit history. Moody's forecasts that asset quality metrics will be stable in the next 12 months with credit costs averaging at 6%.

Kaspi Bank improved its profitability with the reported return on average assets (RoAA) at 3.3% in the first half of 2017, up from 0.4% in 2016 (1.4% in 2015). Strong bottom-line financial results were underpinned by lowered credit costs, sound fees and commissions income and recovery in net interest margin (NIM). Net fees and commissions income represents a stable earnings source, comprising the largest share of the bank's net revenues (67% in H1 2017) and covers more than 100% of operating expenses. Moody's expects the positive trend in bank's profitability to continue in the next 12 months, supported by the growth in business volumes.

Kaspi Bank maintains solid capital buffer with reported regulatory Tier 1 and total capital adequacy ratio (CAR) of 11.9% and 18.4%, respectively, as of 1 September 2017, which are much higher than the regulatory thresholds. This serves as a cushion against potential credit losses. Moody's believes that Tangible Common Equity (TCE) to risk-weighted assets will not fall below 14% in the next 12 months (15.7% as of 30 June 2017), even factoring in planned loans growth and dividends payout.

GOVERNMENT SUPPORT

Moody's incorporates one notch of government support uplift into Kaspi Bank's deposit ratings, given our assessment of a moderate probability of government support for the bank's deposit holders. This assessment primarily reflects Kazakhstan government's historical track record of ensuring resolution for its largest banks, whereby public funds are injected predominantly to bail-out depositors. As of 1 September 2017, Kaspi Bank's systemic importance to Kazakhstan's banking system is supported by its 10% market share in retail deposits

and 5.6% in total banking system assets.

WHAT COULD MOVE THE RATINGS UP/DOWN

Kaspi Bank's ratings could be upgraded in case of (1) a sustained trend in asset quality indicators, despite bank's active loan growth in the consumer segment, (2) further improvement in profitability metrics up to pre-crisis levels and/or (3) reduction in FX risks.

The revision of the outlook back to stable could occur if (1) the bank fails to sustain its credit costs at the expected level amid rapid loan growth, (2) profitability worsens and capital adequacy decreases below our current expectations, and (3) the government propensity and ability to provide support in case of stress significantly weakens.

LIST OF AFFECTED RATINGS

Issuer: Kaspi Bank JSC

Upgrades:

...NSR LT Bank Deposits, Upgraded to Baa2.kz from Baa3.kz

Affirmations:

...LT Bank Deposits, Affirmed B1, Outlook Changed To Positive From Negative

...ST Bank Deposits, Affirmed NP

...Subordinate, Affirmed B3

...Senior Unsecured MTN Program, Affirmed (P)B2

...Subordinate MTN Program, Affirmed (P)B3

...Adjusted Baseline Credit Assessment, Affirmed b2

...Baseline Credit Assessment, Affirmed b2

...LT Counterparty Risk Assessment, Affirmed Ba3(cr)

...ST Counterparty Risk Assessment, Affirmed NP(cr)

Outlook Actions:

...Outlook, Changed To Positive From Negative

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in September 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in May 2016 entitled "Mapping National Scale Ratings from Global Scale Ratings". While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1060333.

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