



Rating Action: Moody's assigns ratings to Eurasian Bank's bonds; outlook negative (Kazakhstan)

Global Credit Research - 18 Mar 2011

Moscow, March 18, 2011 -- Moody's Investors Service has today assigned a B1 long-term local-currency debt rating to two local-currency-denominated senior unsecured bond issuances and a B2 long-term local-currency debt rating to two local-currency-denominated subordinated bond issuances of Eurasian Bank (Kazakhstan). The outlook on these ratings is negative, in line with the negative outlook on the bank's long-term deposit ratings.

Moody's has assigned a B1 rating to the following debt instruments:

KZT10000M Senior Unsecured Regular Bond due 2023

KZT5000M Senior Unsecured Regular Bond due 2019

Moody's has assigned a B2 rating to the following subordinated debt instruments:

KZT5000M Subordinate Regular Bond due 2015

KZT15000M Subordinate Regular Bond due 2023

RATINGS RATIONALE

Moody's says that the bank's obligations to make payments under the senior unsecured bonds will rank -- at all times -- at least pari passu with the claims of all other unsecured and unsubordinated creditors of the bank, except for those claims that are preferred by any relevant law.

In its turn, the B2 rating, which is one notch below the bank's deposit rating, takes into account the extent of the bonds' subordination to senior classes of debt.

"The negative outlook on Eurasian Bank's debt and deposit ratings reflects pressure on the bank's credit profile from Kazakhstan's sustained tough credit conditions," explains Maxim Bogdashkin, a Moody's Assistant Vice President and lead analyst for the bank. "The bank's ratings may face downward pressure from any of the following developments: (i) a failure to maintain adequate capital ratios; (ii) a failure to reduce concentration in its loan book; or (iii) the bank's inability to improve revenue-generation capacity, which will further affect its capital," Mr. Bogdashkin adds.

At the same time, if Eurasian Bank's borrower concentration is significantly reduced (the 20 largest exposures accounted for around 4x Tier 1 capital in 2010) and its profitability on a pre-provision basis is restored, Moody's may change the rating outlook to stable.

Moody's previous rating action on Eurasian Bank was implemented on 30 June 2010, when the rating agency assigned a B1 long-term local currency debt rating to the bank's local currency-denominated bond issuance.

The principal methodologies used in this rating were Bank Financial Strength Ratings: Global Methodology published in February 2007, and Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology published in March 2007.

Headquartered in Almaty, Kazakhstan, Eurasian Bank reported total unaudited non-consolidated assets of KZT359 billion (US\$2.4 billion) as at YE2010, while the bank's net profit for the 2010 financial year amounted to KZT633 million (US\$4.3 million) under local accounting standards.

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