

Ratings

| Category | Moody's Rating |
|-------------------------------------|----------------|
| Outlook | Stable |
| Bank Deposits | B3/NP |
| Bank Financial Strength | E+ |
| Baseline Credit Assessment | B2 |
| Adjusted Baseline Credit Assessment | B2 |
| Senior Unsecured MTN -Dom Curr | (P)B3 |
| Subordinate -Dom Curr | Caa1 |

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Key Indicators

Kazinvestbank (Unconsolidated Financials)[1]

| | [2]12-10 | [2]12-09 | [2]12-08 | [2]12-07 | [2]12-06 | Avg. |
|---|----------|----------|----------|----------|----------|----------|
| Total Assets (KZT billion) | 61.9 | 72.3 | 68.2 | 57.9 | 25.3 | [3]25.1 |
| Total Assets (USD billion) | 0.4 | 0.5 | 0.6 | 0.5 | 0.2 | [3]20.5 |
| Tangible Common Equity (KZT billion) | 7.9 | 10.6 | 10.5 | 10.4 | 4.6 | [3]14.2 |
| Tangible Common Equity (USD billion) | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | [3]10.0 |
| Net Interest Margin (%) | 4.8 | 5.1 | 6.8 | 5.2 | 3.4 | [4]5.1 |
| PPI / Avg RWA (%) | 2.2 | 2.9 | 4.0 | -- | -- | [5]3.0 |
| Net Income / Avg RWA (%) | -3.7 | 0.1 | 0.4 | -- | -- | [5]-1.1 |
| (Market Funds - Liquid Assets) / Total Assets (%) | -17.3 | -17.4 | -5.7 | -3.7 | -20.9 | [4]-13.0 |
| Core Deposits / Average Gross Loans (%) | 91.1 | 98.3 | 101.6 | 112.5 | 106.3 | [4]102.0 |
| Tier 1 Ratio (%) | 9.5 | 12.7 | 14.5 | -- | -- | [5]12.3 |
| Tangible Common Equity / RWA (%) | 10.9 | 14.2 | 14.6 | -- | -- | [5]13.2 |
| Cost / Income Ratio (%) | 59.4 | 53.4 | 43.1 | 50.2 | 75.5 | [4]56.3 |
| Problem Loans / Gross Loans (%) | 31.8 | 12.5 | 10.5 | 0.7 | 1.0 | [4]11.3 |
| Problem Loans / (Equity + Loan Loss Reserves) (%) | 99.0 | 44.9 | 42.8 | 2.4 | 3.2 | [4]38.5 |

Source: Moody's

[1] All 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

KazInvestBank's (KIB) Bank Financial Strength Rating (BFSR) is E+, which translates into a Baseline Credit Assessment (BCA) of B3. The rating is constrained by the bank's small franchise, high concentrations on both sides of the balance sheet, weak asset quality and profitability. However, the rating also takes into account its acceptable liquidity position and shareholders support.

KIB's B3 deposit rating does not factor in any probability of systemic support in the event of a stress situation, based on the bank's insignificant national market share and relative importance to the country's banking system. Consequently, the bank's GLC deposit rating is at the same level as its B3 Baseline Credit Assessment.

Credit Strengths

- Acceptable liquidity position

- Shareholders support to enhance the bank's capitalisation
- Satisfactory corporate governance

Credit Challenges

- Small and underdeveloped franchise
- High level of borrower concentration
- Weak asset quality and profitability
- High dependence on funding from a limited number of customers

Rating Outlook

All of the bank's ratings carry a stable outlook.

What Could Change the Rating - Up

KIB's ratings are unlikely to be upgraded in the near-term. In the medium-term the BFSR of E+ can map to a higher BCA than B3 in the event of a significant strengthening of the bank's franchise and a reduction in borrower and funding concentrations, coupled with good profitability and capitalization. A higher BCA would result in an upgrade of the bank's deposit ratings.

What Could Change the Rating - Down

A material deterioration in the liquidity position, asset quality (if not adequately covered by loan-loss provisions) or a further rise in borrower concentration would weigh on KIB's ratings.

Recent Results and Company Events

KIB reported total audited IFRS consolidated assets and net loss of US\$ 419.4 million and US\$18.3 million, respectively, at year-end 2010.

DETAILED RATING CONSIDERATIONS

Detailed considerations for KIB's currently assigned ratings are as follows:

Bank Financial Strength Rating

Moody's assigns an E+ BFSR to KIB, reflecting the bank's small franchise, high concentrations on both sides of the balance sheet, weak asset quality and profitability, but also its acceptable liquidity and shareholders support. .

As a point of reference, the assigned BFSR is one notch lower than the D- outcome generated by Moody's bank financial strength scorecard. The scorecard outcome does not fully capture the bank's small size and underdeveloped franchise, nor its large borrower concentration.

Qualitative Rating Factors (70%)

Factor 1: Franchise Value

Trend: Weakening

The bank is majority owned by a group of Kazakh entrepreneurs (none of them individually holds a controlling or a blocking stake), who jointly own 59.5% of the bank's capital. EBRD and CVCI - a private equity fund, each owns 20.25% of the bank's shares..

The bank's distribution network comprises of 7 branches and 1 sales outlet in six cities in Kazakhstan. KIB is funded predominantly by customer funds, which accounted for 95% of the bank's total liabilities at YE2010. KIB'S lending is focused on corporate and SME segments with retail loans accounting for only 3.7% of the loan book. The bank's highly concentrated loan book and customer funding increase earnings volatility and restrain the bank's franchise value. Muted demand for bank loans is another challenge for the bank's franchise, at least in the near-term. The ability of the bank to successfully enter new markets (e.g. consumer lending, lending to subcontractors of large corporations) has to be seen.

Factor 2: Risk Positioning

Trend: Neutral

We consider KIB's corporate governance better compared to its peers in Kazakhstan. This is reflected in the presence of an independent director on the bank's board along with representatives of EBRD and CVCI. Related party lending in KIB is immaterial.

However credit risk concentration is a key credit challenge as at end-2010 the top 20 borrowers accounted for 69% of the total loans and over 450% of the total equity. Industry concentration is reasonable as no single industry has over 15% share in the bank's loan portfolio.

On the liquidity and funding side the bank still remains reliant on a number of large corporate and retail customers' funds. As at year-end 2010 the top 20 largest customer accounts/deposits accounted for 68% of the bank's total customer funding.

KIB's market risk is not high as securities portfolio is insignificant - less than 2% of the total assets, while the levels of FX and interest rate risks are acceptable.

Factor 3: Regulatory Environment

For a discussion of the regulatory environment, please refer to Moody's Banking System Outlook on Kazakhstan published in June 2011.

Factor 4: Operating Environment

Trend: Neutral

This factor is common to all Kazakh banks. Moody's assigns an E+ score for the overall operating environment. For a discussion of the operating environment, please refer to Moody's Banking System Outlook on Kazakhstan published in June 2011.

Quantitative Rating Factors (30%)

Factor 5: Profitability

Trend: Weakening

KIB reported a net loss of US\$18.3 million in 2010 (net income of US\$0.7 million in 2009) under its audited IFRS financial statements, leading to an annualized ROAA of -4.02%. The negative financial result was due to more than doubling of loan loss provisions, as well as reduced net interest and fee income. We believe that the net interest margin will continue to be under pressure in the near term, as the cost of funding may remain high while interest income from the bank's significantly impaired loan book will be subdued. The bottom line result for 2011 will also depend on the level of new loan loss charges, as well as operating expenses that remain relatively high.

Factor 6: Liquidity

Trend: Neutral

The bank is funded mainly by customer accounts and deposits, with retail deposits accounting for 19% of the total customer funds at YE2010. The level of liquid assets is significant at 26% of the bank's total assets at end-Q2 2011, according to KIB's statutory reports. However customer funding is highly concentrated with the top 20 largest customer balances accounting for 68% of the total. Such a concentration creates significant refinancing risk in case some of the large customer accounts/deposits were withdrawn.

Factor 7: Capital Adequacy

Trend: Neutral

The bank's equity/assets ratio, according to the audited IFRS report, was down to 13.3% at YE2010 from 15.1% at YE2009, due to significant losses incurred in 2010. According to the Kazakh regulatory requirements, all commercial banks in the country should hold a minimum amount of total capital. For KIB that minimum amount is KZT10.21 bln (about US\$70) from July 1, 2011. The bank was in compliance with that requirement with a total capital of KZT10.7 billion on July 1, 2011. Nevertheless we believe KIB needs higher level of capital to avoid breaching that rule.

According to KIB, its shareholders are planning to increase the bank's capital by US\$30 mln. in H2 2011. Of the US\$30 million capital increase about US\$3 million has already been injected, while the remaining funds are expected to be provided in August-September and December. This capital increase, if materialised, will bring up the equity-to-assets ratio to around 16-17%. The bank's total capital adequacy is also supported by about US\$20 million of subordinated bonds.

Factor 8: Efficiency

Trend: Weakening

Relatively high operational expenses continue to restrain the bank's performance. Cost to income ratio increased to 59.4% at year-end 2010 from 53.4% at year-end 2009 as the bank's earnings declined while operating costs were little changed. Going forward we do not expect material improvements in efficiency ratios as the costs are unlikely to decline significantly, while earnings will remain under pressure.

Factor 9: Asset Quality

Trend: Weakening

According to KIB's audited IFRS report the level of the bank's delinquent loans was very high at 31.8% of the gross loans at year-end 2010. We understand that around 10% of the loan book has been restructured, and therefore many such loans are not classified as delinquent. Loan loss reserves were increased largely in 2010 and stood at 17.4% of the gross loans. We believe this level of reserves may not be sufficient to cover all expected loan losses, therefore the bank probably will continue to incur provisioning charges in the near term.

Global Local Currency Deposit Rating (Joint Default Analysis)

Moody's assigns a long-term global local currency (GLC) deposit rating of B3 to KIB. The probability of systemic support for the bank in the event of a stress situation is judged to be zero, based on the bank's small size and its relative importance in the Kazakh banking system. Consequently, the bank's GLC deposit rating is in line with its B3 Baseline Credit Assessment.

Foreign Currency Deposit Rating

Moody's assigns a B3 foreign currency deposit rating to KIB.

ABOUT MOODY'S BANK RATINGS

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. BFSRs do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a

bank's ability to honor its domestic or foreign currency obligations. Factors considered in the assignment of BFSRs include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although BFSRs exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the BFSR as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, they are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, which includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of external elements of support into the bank's Baseline Credit Assessment. In calculating the Global Local Currency Deposit rating for a bank, the JDA methodology also factors in the rating of the support provider, in the form of the local currency deposit ceiling for a country, Moody's assessment of the probability of systemic support for the bank in the event of a stress situation and the degree of dependence between the issuer rating and the Local Currency Deposit Ceiling.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. AAaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be noted that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt ratings may also be constrained by the country ceiling for foreign currency bonds and notes; however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

About Moody's Bank Financial Strength Scorecard

Moody's bank financial strength model (see scorecard below) is a strategic input in the assessment of the financial strength of a bank, used as a key tool by Moody's analysts to ensure consistency of approach across banks and regions. The model 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

Kazinvestbank

| Rating Factors [1] | A | B | C | D | E | Total Score | Trend |
|---|---|---|---|---|---|-------------|------------------|
| Qualitative Factors (70%) | | | | | | D- | |
| Factor: Franchise Value | | | | | | E | Weakening |
| Market Share and Sustainability | | | | | x | | |
| Geographical Diversification | | | | | x | | |
| Earnings Stability | | | | | x | | |
| Earnings Diversification [2] | | | | | | | |
| Factor: Risk Positioning | | | | | | D- | Neutral |
| Corporate Governance [2] | | | | x | | | |
| - Ownership and Organizational Complexity | | | | | | | |
| - Key Man Risk | | | | x | | | |
| - Insider and Related-Party Risks | | | | | | | |
| Controls and Risk Management | | | | x | | | |
| - Risk Management | | | | x | | | |
| - Controls | | | | x | | | |

| | | | | | | | |
|---|---------|--------|---|---|--------|---------|-----------|
| Financial Reporting Transparency | | | | | | | |
| - Global Comparability | x | | x | | | | |
| - Frequency and Timeliness | | | | | x | | |
| - Quality of Financial Information | | | | x | | | |
| Credit Risk Concentration | | | | | x | | |
| - Borrower Concentration | | | | | x | | |
| - Industry Concentration | | x | | | | | |
| Liquidity Management | | | | | x | | |
| Market Risk Appetite | | | | | x | | |
| Factor: Operating Environment | | | | | | E+ | Neutral |
| Economic Stability | | | | | x | | |
| Integrity and Corruption | | | | | x | | |
| Legal System | | | | x | | | |
| Financial Factors (30%) | | | | | | D+ | |
| Factor: Profitability | | | | | | D+ | Weakening |
| PPI / Average RWA- Basel I | | 3.04% | | | | | |
| Net Income / Average RWA- Basel I | | | | | -1.06% | | |
| Factor: Liquidity | | | | | | C- | Neutral |
| (Mkt funds-Liquid Assets) / Total Assets | -13.47% | | | | | | |
| Liquidity Management | | | | | x | | |
| Factor: Capital Adequacy | | | | | | A | Neutral |
| Tier 1 Ratio - Basel I | 12.25% | | | | | | |
| Tangible Common Equity / RWA- Basel I | 13.23% | | | | | | |
| Factor: Efficiency | | | | | | B | Weakening |
| Cost / Income Ratio | | 51.97% | | | | | |
| Factor: Asset Quality | | | | | | E | Weakening |
| Problem Loans / Gross Loans | | | | | 18.28% | | |
| Problem Loans / (Equity + LLR) | | | | | 62.24% | | |
| Lowest Combined Score (9%) | | | | | | E | |
| Economic Insolvency Override | | | | | | Neutral | |
| Aggregate Score | | | | | | D- | |
| Assigned BFSR | | | | | | E+ | |

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information [2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral



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