

13 JAN 2025

## Fitch Affirms AB Kazakhstan - Ziraat International Bank at 'B+'; Outlook Stable

Fitch Ratings - Dubai - 13 Jan 2025: Fitch Ratings has affirmed AB Kazakhstan - Ziraat International Bank JSC's (KZI) Long-Term (LT) Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'B+'. Fitch has also affirmed the bank's National LT Rating at 'BBB(kaz)'. The Outlooks are Stable. A full list of rating actions is below.

### Key Rating Drivers

KZI's IDRs and the National LT Rating reflect potential support from the bank's parent, Türkiye Cumhuriyeti Ziraat Bankası Anonim Şirketi (Ziraat; B+/Positive/b+), as reflected by its Shareholder Support Rating of 'b+'.

**High Support Propensity:** Fitch believes Ziraat has high propensity to support KZI, given its virtually full ownership, common branding, the high level of integration between the two banks, the low cost of potential support, due to the subsidiary's small size, and its record of equity support. However, Ziraat's ability to provide support to KZI is constrained by its 'B+' LT Foreign-Currency IDR.

**Ratings Equalised with Parent's:** The equalisation of KZI's and Ziraat's ratings reflects the high integration between the subsidiary and the parent as KZI operates similarly to a branch. In accordance with our Bank Rating Criteria, we tend to equalise ratings of a deeply integrated subsidiary if its parent is rated at the lower end of the rating scale.

**No Viability Rating Assigned:** KZI is a small bank, with total assets of USD0.5 billion as of 1 December 2024. Its client base - on both sides of its balance sheet - mostly comprises Ziraat's group clients and other Turkish businesses operating in Kazakhstan. Fitch has not assigned KZI a Viability Rating, because KZI is heavily reliant on its parent for new business origination and risk management, and as Ziraat's representatives are involved in all major decision-making at the subsidiary level.

**Adequate Loan Quality:** The bank's Stage 3 loans accounted for a low 2.1% of gross loans at end-2023 (latest available data) and were fully covered by total loan loss allowances on the same date. Its regulatory loans overdue for more than seven days decreased slightly to 1.1% of loan book at end-3Q24 (end-2023: 2.1%), driven by their work-out and 14% loan growth in 9M24. We expect the bank's loan performance, under IFRS 9, to remain healthy in 2025, although it is likely to be vulnerable, due to high loan concentrations.

**Healthy Profitability:** KZI reported KZT10.2 billion net income for 9M24, translating into a notable return on average equity of 17.3% (2023: 22.6%). The bank's bottom-line results were supported by a

wide net interest margin, good operating efficiency (9M24 cost/income ratio: 23%) and limited loan impairment charges. We expect the bank's profitability to remain robust in 2025.

**Large Loss-Absorption Buffer:** KZI's Fitch Core Capital ratio was a high 35% at end-3Q24 (end-2023: 36%), supported by strong profitability and absent dividend payments. The bank's regulatory common equity Tier 1 ratio was similarly high as of 1 December 2024. In Fitch's view, KZI's capital buffer allows for considerable loan growth in 2025.

**Concentrated Customer Funding; Healthy Liquidity:** KZI is deposit-funded (end-3Q24: 97% of total liabilities), with an outsized contribution from corporate clients (79% of total). This underpins a moderate loans/deposits ratio of 83% at end-3Q24 (end-2023: 73%). The bank's deposit base is highly concentrated by names, due to its limited scale. We estimate KZI's liquidity buffer, mostly cash and cash equivalents, covered a significant 66% of customer deposits at end-3Q24.

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A negative rating action on Ziraat's LT Foreign-Currency IDR would result in a corresponding rating action on KZI's ratings. In addition, KZI's ratings could be downgraded if Ziraat's propensity to support its subsidiary weakens considerably.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The bank's ratings could be upgraded on a multi-notch upgrade of the parent bank's LT Foreign-Currency IDR.

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

### Public Ratings with Credit Linkage to other ratings

KZI's ratings are linked to Ziraat's IDRs.

## ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation of the materiality and relevance of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <http://www.fitchratings.com/esg>.

## Fitch Ratings Analysts

**Maksim Maliutin**

Associate Director

Primary Rating Analyst

+971 4 424 1228

Fitch Ratings Ltd Dubai Branch Maze Tower, 18th Floor Sheikh Zayed Road, P.O. Box 215584, Dubai

**Artem Beketov**

Director

Secondary Rating Analyst

+971 4 424 1233

**Olga Ignatieva**

Senior Director

Committee Chairperson

+44 20 3530 1300







**Media Contacts****Peter Fitzpatrick**

London

+44 20 3530 1103

peter.fitzpatrick@thefitchgroup.com

**Rating Actions**

ENTITY/DEBT	RATING		RECOVERY	PRIOR
AB Kazakhstan - Ziraat International Bank JSC	LT IDR	B+ 	Affirmed	B+ 
	ST IDR	B	Affirmed	B
	LC LT IDR	B+ 	Affirmed	B+ 
	Natl LT	BBB(kaz) 	Affirmed	BBB(kaz) 
	Shareholder Support	b+	Affirmed	b+

## RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	○	

### Applicable Criteria

[Bank Rating Criteria \(pub.15 Mar 2024\) \(including rating assumption sensitivity\)](#)

[National Scale Rating Criteria \(pub.22 Dec 2020\)](#)

### Additional Disclosures

[Solicitation Status](#)

### Endorsement Status

AB Kazakhstan - Ziraat International Bank JSC    UK Issued, EU Endorsed

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