

RATING ACTION COMMENTARY

Fitch Affirms ICBC (Almaty) at 'BBB+'; Outlook Stable

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Fitch Ratings - Dubai - 13 Jan 2025: Fitch Ratings has affirmed Kazakhstan-based Industrial & Commercial Bank of China (Almaty) JSC's (ICBCK) Long-Term Foreign- and Local-Currency (LTFC and LTLC) Issuer Default Ratings (IDRs) at 'BBB+' with Stable Outlooks. A full list of rating actions is below.

KEY RATING DRIVERS

ICBCK's IDRs and the National LT Rating reflect potential support from the bank's parent, Industrial and Commercial Bank of China Limited (ICBC; A/Negative), as reflected by ICBCK's Shareholder Support Rating (SSR) of 'bbb+'. The parent bank's own ratings are driven by a very high probability of support from the government of China (A+/Negative). We believe that state support available to the Chinese bank would likely be extended to ICBCK.

High Probability of Support: Our view of shareholder support is based on the full ownership of ICBCK by ICBC, the high level of managerial integration between the parent and the subsidiary, and the high reputational risk should ICBCK default, given common branding and the group's large international presence. It also reflects the low cost of potential support, given the subsidiary's small size, at less than 0.1% of the group's consolidated assets at end-3Q24.

Country Ceiling Constraint: ICBCK's SSR and LTFC IDR are capped by Kazakhstan's Country Ceiling of 'BBB+', reflecting potential transfer and convertibility restrictions, and the risk the subsidiary bank may not be able to benefit from parent support to service its FC obligations. This also drives the Short-Term FC IDR at the lower of the two options mapping to its 'BBB+' LTFC IDR. The bank's LC IDRs also consider Kazakhstan's country risks. The Stable Outlooks on the LT IDRs mirror those on Kazakhstan's sovereign ratings.

Close Integration with Parent: Fitch has not assigned ICBCK a Viability Rating (VR) because it views the bank as a deeply integrated subsidiary that is highly dependent on

the parent for new business origination and risk management, while the group's management is involved in all major decision-making at the subsidiary level. Under Fitch's Bank Rating Criteria, such deeply integrated subsidiaries are not usually assigned VRs.

Low-Risk Assets, No Impairments: ICBCK has low risk appetite and only finances a few good-quality local corporates, resulting in an extended record of zero impaired loans. Cash and other investment-grade assets, including Kazakh sovereign debt and short-term placements with the National Bank of the Republic of Kazakhstan, made up a high 89% of total assets at end-3Q24.

Strong Profitability: ICBCK reported a high return on average equity of 27% in 9M24 (2023: 29%). Strong profits were underpinned by very low funding costs (about 1% in recent years), high operating efficiency (cost/income ratio has averaged 12% over the past four years), and limited impairment charges.

Large Capital Buffer: ICBCK's regulatory core Tier 1 ratio was equal to an exceptionally high 189% at end-3Q24, due mainly to low risk-weights on liquid assets. We expect the bank's capitalisation to remain very strong in the medium term, supported by the bank's conservative risk profile and healthy internal capital generation.

Concentrated Funding; Strong Liquidity: ICBCK is largely funded by customer deposits (73% of total liabilities at end-3Q24). These are raised from Kazakh subsidiaries of Chinese companies and some local corporates serviced by the bank. Given the prevalence of liquid assets in ICBCK's asset structure, the bank's liquidity position is very strong, with total liquid assets fully covering total liabilities at end-3Q24.

RATING SENSITIVITIES

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

A downward revision of Kazakhstan's Country Ceiling would trigger a downgrade of the bank's SSR and IDRs.

ICBCK's ratings could also be downgraded on a multi-notch downgrade of the parent or the sale of the subsidiary bank to a lower-rated owner, or if the parent's propensity to support its subsidiary considerably weakens. However, Fitch views these scenarios as unlikely.

The National LT Rating could be downgraded following a multi-notch downgrade of the bank's LTLC IDR.

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

The bank's SSR and IDRs could be upgraded if Kazakhstan's Country Ceiling is revised upward.

The National LT Rating is at the highest possible level on Fitch's scale and cannot be upgraded.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

ICBCK's LT IDRs ex-government support of 'BBB-(xgs)' are notched down once from the parent's LT IDR (xgs) of 'BBB(xgs)', due to its constrained role within the group, given the subsidiary's limited size and its operations in a fairly small market.

ICBCK's 'F3(xgs)' Short-Term IDRs (xgs) are mapped to the bank's Long-Term IDRs (xgs).

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

ICBCK's Long-Term IDRs (xgs) are sensitive to changes in ICBC's Long-Term IDR (xgs) and Fitch's assessment of probability of the parent's support to ICBCK. The Short-Term IDRs (xgs) are sensitive to changes in the Long-Term IDRs (xgs).

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

The bank's IDRs and IDRs (xgs) are linked to the ratings of ICBC.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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 on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

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RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
Industrial & Commercial Bank of China (Almaty) JSC	LT IDR	BBB+ Rating Outlook Stable		BBB+ Rating Outlook Stable
		Affirmed		
	ST IDR	F2	Affirmed	F2
	LC LT IDR	BBB+ Rating Outlook Stable		BBB+ Rating Outlook Stable
		Affirmed		
	LC ST IDR	F2	Affirmed	F2
	Natl LT			AAA(kaz) Rating Outlook Stable
		AAA(kaz) Rating Outlook Stable		
		Affirmed		
	LT IDR (xgs)	BBB-(xgs)	Affirmed	BBB-(xgs)
	Shareholder Support	bbb+	Affirmed	bbb+
	ST IDR (xgs)	F3(xgs)	Affirmed	F3(xgs)
	LC LT IDR (xgs)	BBB-(xgs)	Affirmed	BBB-(xgs)
	LC ST IDR (xgs)	F3(xgs)	Affirmed	F3(xgs)

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

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

[Bank Rating Criteria \(pub. 16 Mar 2024\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

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