

Industrial & Commercial Bank of China (Almaty) JSC

Update

Key Rating Drivers

The Industrial & Commercial Bank of China (Almaty) JSC's (ICBCK) Issuer Default Ratings (IDRs) of 'BBB+' reflect potential support from the bank's parent, Industrial and Commercial Bank of China Limited (ICBC; A/Negative). This is expressed by ICBCK's Shareholder Support Rating (SSR) of 'bbb+'. The parent bank's own ratings are driven by government support from China (A+/Negative). Fitch Ratings believes that state support available to the Chinese bank is also likely to 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 the subsidiary default, given their common branding and the group's large international presence. It also reflects the low cost of potential support, considering the subsidiary's small size, at less than 0.1% of the group's consolidated assets at end-1H24.

Country Ceiling Constraint: ICBCK's SSR and Long-Term Foreign-Currency (FC) IDR are capped by Kazakhstan's Country Ceiling of 'BBB+'. This reflects the probability of transfer and convertibility restrictions, and the risk the subsidiary bank may not be able to benefit from parent support to service its FC obligations. The bank's Local-Currency (LC) IDR also considers Kazakhstan's country risks.

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. Strategic and operational integration between the subsidiary and the parent is significant as 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 Balance Sheet: The bank has low risk appetite for Kazakhstan's corporate borrowers. Cash and liquidity, of mostly investment-grade credit quality, made up 94% of the bank's total assets at end-1H24. ICBCK has no impaired loans.

Strong Profitability: ICBCK reported a high return on average equity of 28% in 1H24 (2023: 29%). Strong profits were underpinned by a minimal cost of funding (2023: 1%), a sustained low cost/income ratio (an average of 13% in 2020–2023), and historically negligible impairment charges.

Large Capital Buffer: ICBCK's common equity Tier 1 (CET1) ratio was exceptionally high at 306% at end-1H24, reflecting low risk-weightings on liquidity placements. We expect the CET1 ratio to remain very strong, supported by the bank's conservative risk profile and healthy internal capital generation.

Concentrated Funding; Strong Liquidity: ICBCK is largely funded by customer deposits (62% of total liabilities at end-1H24). These are raised from a few Kazakh subsidiaries of Chinese companies and some local entities, to which the bank provides cash-management and settlement services. Liquid assets fully cover total liabilities.

Ratings

Foreign Currency

Long-Term IDR	BBB+
Short-Term IDR	F2

Long-Term IDR (xgs)	BBB-(xgs)
Short-Term IDR (xgs)	F3(xgs)

Local Currency

Long-Term IDR	BBB+
Short-Term IDR	F2
Long-Term IDR (xgs)	BBB-(xgs)
Short-Term IDR (xgs)	F3(xgs)

Shareholder Support Rating	bbb+
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National Rating

National Long-Term Rating	AAA(kaz)
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Sovereign Risk (Kazakhstan)

Long-Term Foreign-Currency IDR	BBB
Long-Term Local-Currency IDR	BBB
Country Ceiling	BBB+

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

[Bank Rating Criteria \(March 2024\)](#)
[National Scale Rating Criteria \(December 2020\)](#)

Related Research

[EM Banks Tracker – End-2023 \(June 2024\)](#)
[Industrial and Commercial Bank of China Limited \(June 2024\)](#)
[Kazakhstan \(June 2024\)](#)
[CIS+ Banks: Positive Side of The Credit Cycle; Structural Risks Still There \(June 2024\)](#)
[CIS+ Bank Eurobond Issuance to Increase Significantly in 2024–2025 \(April 2024\)](#)

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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.

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.

Other Debt and Issuer Ratings

ICBCK's Short-Term IDRs of 'F2' are the lower of two options mapping to its 'BBB+' Long-Term IDRs under Fitch's criteria, due to the latter being constrained by the Country Ceiling.

ICBCK's Long-Term IDR ex-government support of 'BBB-(xgs)' excludes assumptions of extraordinary government support that may be provided to its parent, ICBC. ICBCK's Long-Term IDR (xgs) is notched down once from the parent's Long-Term 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 IDR (xgs) is mapped to the bank's Long-Term IDR (xgs).

The National Long-Term Rating of 'AAA(kaz)' reflects Fitch's view that the bank ranks among the strongest credits in Kazakhstan.

Financials

Financial Statements

	30 Jun 24		31 Dec 23	31 Dec 22	31 Dec 21
	1st half (USDm)	1st half (KZTm)	12 months (KZTm)	12 months (KZTm)	12 months (KZTm)
	Unaudited	Unaudited	Audited – unqualified	Audited – unqualified	Audited – unqualified
Summary income statement					
Net interest and dividend income	20	9,492	17,867	12,944	9,257
Net fees and commissions	0	107	185	161	186
Other operating income	5	2,578	3,422	3,240	823
Total operating income	26	12,177	21,474	16,345	10,266
Operating costs	2	1,085	2,176	2,134	1,431
Pre-impairment operating profit	24	11,092	19,299	14,211	8,835
Loan and other impairment charges	0	-29	13	-126	-502
Operating profit	24	11,121	19,286	14,336	9,337
Other non-operating items (net)	—	—	—	—	—
Tax	2	1,165	2,607	1,502	1,158
Net income	21	9,956	16,679	12,834	8,179
Other comprehensive income	—	—	—	—	—
Fitch comprehensive income	21	9,956	16,679	12,834	8,179
Summary balance sheet					
Assets					
Gross loans	43	20,439	12,696	6,422	10,310
– of which impaired	0	0	0	0	0
Loan loss allowances	—	—	143	131	257
Net loans	43	20,439	12,553	6,291	10,053
Interbank	1	497	—	68,138	122,784
Derivatives	—	—	—	2	—
Other securities and earning assets	109	51,246	51,346	42,690	59,500
Total earning assets	153	72,182	63,899	117,121	192,338
Cash and due from banks	601	283,426	284,811	172,445	67,769
Other assets	2	868	786	794	774
Total assets	756	356,475	349,496	290,361	260,880
Liabilities					
Customer deposits	369	174,137	241,019	169,495	217,108
Interbank and other short-term funding	225	106,191	42,326	30,118	3,045
Other long-term funding	—	—	—	40,980	4,133
Trading liabilities and derivatives	—	—	0	—	0
Total funding and derivatives	595	280,329	283,345	240,592	224,286
Other liabilities	1	349	310	605	266
Preference shares and hybrid capital	—	—	—	—	—
Total equity	161	75,798	65,842	49,163	36,329
Total liabilities and equity	756	356,475	349,496	290,361	260,880
Exchange rate		USD1 = KZT471.46	USD1 = KZT454.56	USD1 = KZT462.65	USD1 = KZT431.67

Source: Fitch Ratings, Fitch Solutions, ICBC

Key Ratios

	30 Jun 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	90.2	77.8	97.8	56.5
Net interest income/average earning assets	28.6	23.9	12.3	7.1
Non-interest expense/gross revenue	8.9	10.1	13.1	13.9
Net income/average equity	28.3	29.0	30.2	25.1
Asset quality				
Impaired loans ratio	0.0	0.0	0.0	0.0
Growth in gross loans	61.0	97.7	-37.7	-84.9
Loan loss allowances/impaired loans	—	—	—	—
Loan impairment charges/average gross loans	-0.4	0.1	-1.6	-0.9
Capitalisation				
Fitch Core Capital ratio	305.3	265.5	335.1	219.6
Tangible common equity/tangible assets	21.2	18.8	16.9	13.9
Net impaired loans/Fitch Core Capital	—	-0.2	-0.3	-0.7
Funding and liquidity				
Gross loans/customer deposits	11.7	5.3	3.8	4.8
Customer deposits/total non-equity funding	62.1	85.1	70.5	96.8
Source: Fitch Ratings, Fitch Solutions, ICBCCK				

Support Assessment

Shareholder Support	
Parent IDR	A
Total Adjustments (notches)	-2
Shareholder Support Rating	bbb+
Shareholder ability to support	
Shareholder Rating	A/ Negative
Shareholder regulation	1 Notch
Relative size	Equalised
Country risks	2+ Notches
Shareholder propensity to support	
Role in group	1 Notch
Reputational risk	1 Notch
Integration	Equalised
Support record	1 Notch
Subsidiary performance and prospects	1 Notch
Legal commitments	2+ Notches

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

ICBCK’s Long-Term Foreign-Currency IDR is constrained by Kazakhstan’s Country Ceiling of ‘BBB+’. This is indicated in the table above by the ‘country risks’ factor, which has a higher influence for the institutional support assessment.

In absence of country ceiling, Fitch would likely rate ICBCK one notch lower than the parent. This is captured by the ‘role in group’ factor. ICBCK is a strategically important, rather than a core, subsidiary for the parent, given the subsidiary’s limited size and its operations in a relatively small market.

Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

Industrial & Commercial Bank of China (Almaty) JSC has 5 ESG potential rating drivers

- Industrial & Commercial Bank of China (Almaty) JSC has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

Overall ESG Scale				
key driver	0	issues	5	
driver	0	issues	4	
potential driver	5	issues	3	
not a rating driver	4	issues	2	
	5	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality

E Scale

How to Read This Page				
5				
4				
3				
2				
1				

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile

S Scale

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).				
5				
4				
3				
2				
1				

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)

G Scale

CREDIT-RELEVANT ESG SCALE				
How relevant are E, S and G issues to the overall credit rating?				
5				Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4				Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3				Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2				Irrelevant to the entity rating but relevant to the sector.
1				Irrelevant to the entity rating and irrelevant to the sector.

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 www.fitchratings.com/esg

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