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DEVELOPMENT BANK OF KAZAKHSTAN ("DBK")

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## Presentation outline

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Kazakhstan profile and its macroeconomic fundamentals

Overview of DBK

Positioning in banking sector

Financial Highlights

Loan portfolio

Funding base and international activity

DBK 2020 Development Strategy

# Kazakhstan profile

Key Facts and Figures



Capital city	Astana
<ul style="list-style-type: none"> <li>President</li> <li>Prime Minister</li> </ul>	Mr. Nursultan Nazarbayev Mr. Karim Massimov
Territory	2.7 mln. sq. km. (# 9 in the world)
Population	16.2 mln. people
Currency	Tenge (KZT)
Investments/GDP	31.9%
Exports breakdown	Oil and related products 59%, ferrous metals 19%, chemicals 5%, machinery 3%, other 14%
Main countries for Kazakh exports	China 13.4%, Russia 11.1%, Italy 6.9%, Romania 6.6%, France 5.7%, Ukraine 5.4%, Turkey 4.1%

Source: The National Statistics Agency of the Republic of Kazakhstan

# Stable macroeconomic fundamentals

Key economic indices of Kazakhstan	2005	2006	2007	2008	2009
Real GDP growth (%)	9.7	10.7	8.5	3.3	1.1
Inflation (%)	7.6	8.6	10.8	9.5	6.2
Refinancing rate of the National Bank of Kazakhstan (%)	8.0	9.0	11.0	10.5	7.0
Average annual rate of KZT/USD (tenge)	132.88	126.10	122.55	121.10	147.50
Aggregate foreign debt (US\$ bln.)	43.4	74.0	96.4	106.0	106.7
Foreign public debt (US\$ bln.)	2.3	4.2	6.7	2.2	2.2
Budget Balance (% of GDP)	+0.6	+0.6	-2.2	-2.1	3.1
National Oil Fund Assets (US\$ bln.)	8.1	14.1	21.0	26.6	24.4
Public gold and foreign currency reserves (US\$ bln.)	7.1	16.0	17.6	22.9	23.2

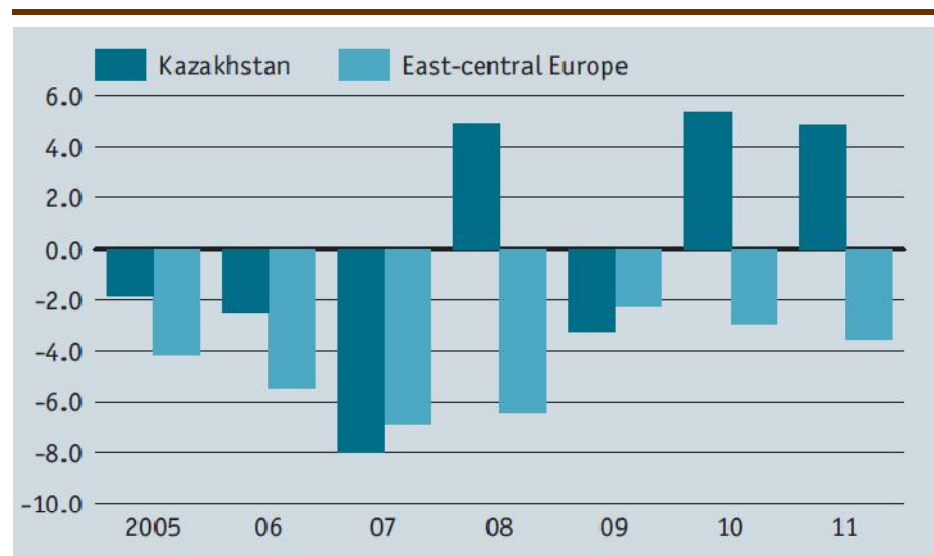
Source: National Bank of Kazakhstan, National Statistics Agency, Ministry of Economic Development and Trade of the Republic of Kazakhstan

Proven track record for economic progress

Real GDP Growth (% change)



Current-account Balance (% GDP)



Source: Economist Intelligence Unit

**Strong economic performance in relation to other East – central European countries**

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## DBK – State investment policy instrument

Facilitating sustainable economic growth & development

### Foundation

- Founded in 2001 in accordance with a Presidential Decree
- Has a special legal status which gives DBK special rights and responsibilities not applicable to other participants in the Kazakh banking sector

### Mission

- *Facilitate sustainable economic growth and development of the Republic of Kazakhstan* by providing long-term financing and various financial services to non-extracting industries
- Enhance the effectiveness of industrial investment activity of the Government of the Republic of Kazakhstan
- Facilitate foreign and domestic investments into Kazakhstani economy
- Stimulate and develop the industrial infrastructure and industries involved in the processing of extracted raw materials (not related to oil and gas exploration and extraction)

### Instruments

- 5 to 20 years financing for investment projects
- Leasing and export operations
- Project, mezzanine, bridge, working capital financing
- Agent services for national and regional investment projects financed by the Government or Government guaranteed debt

# Samruk-Kazyna SWF – DBK’s sole shareholder

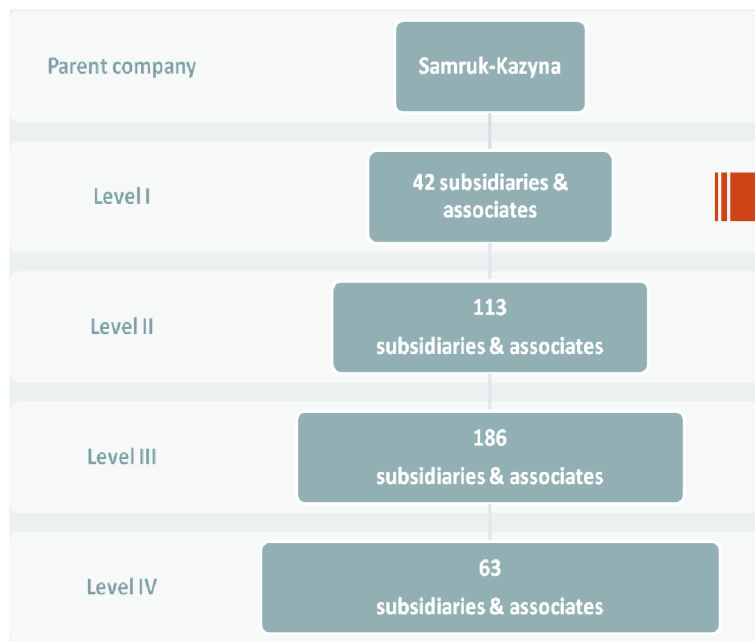
100% Government owned shareholder committed to the long-term growth of national welfare

- Mission of Samruk-Kazyna Sovereign Wealth Fund is to contribute to the growth of national welfare via increasing the long-term value of the Fund’s companies, as well as to support stable development, diversification and modernization of the country’s economy

Financial Highlights	US\$ bln.
<b>Consolidated Assets (as at January 2010)</b>	<b>75</b>
% of GDP	70%
<b>Consolidated Equity</b>	<b>32</b>
Consolidated Revenues for the 2009	20
<b>% of State Budget</b>	<b>80%</b>

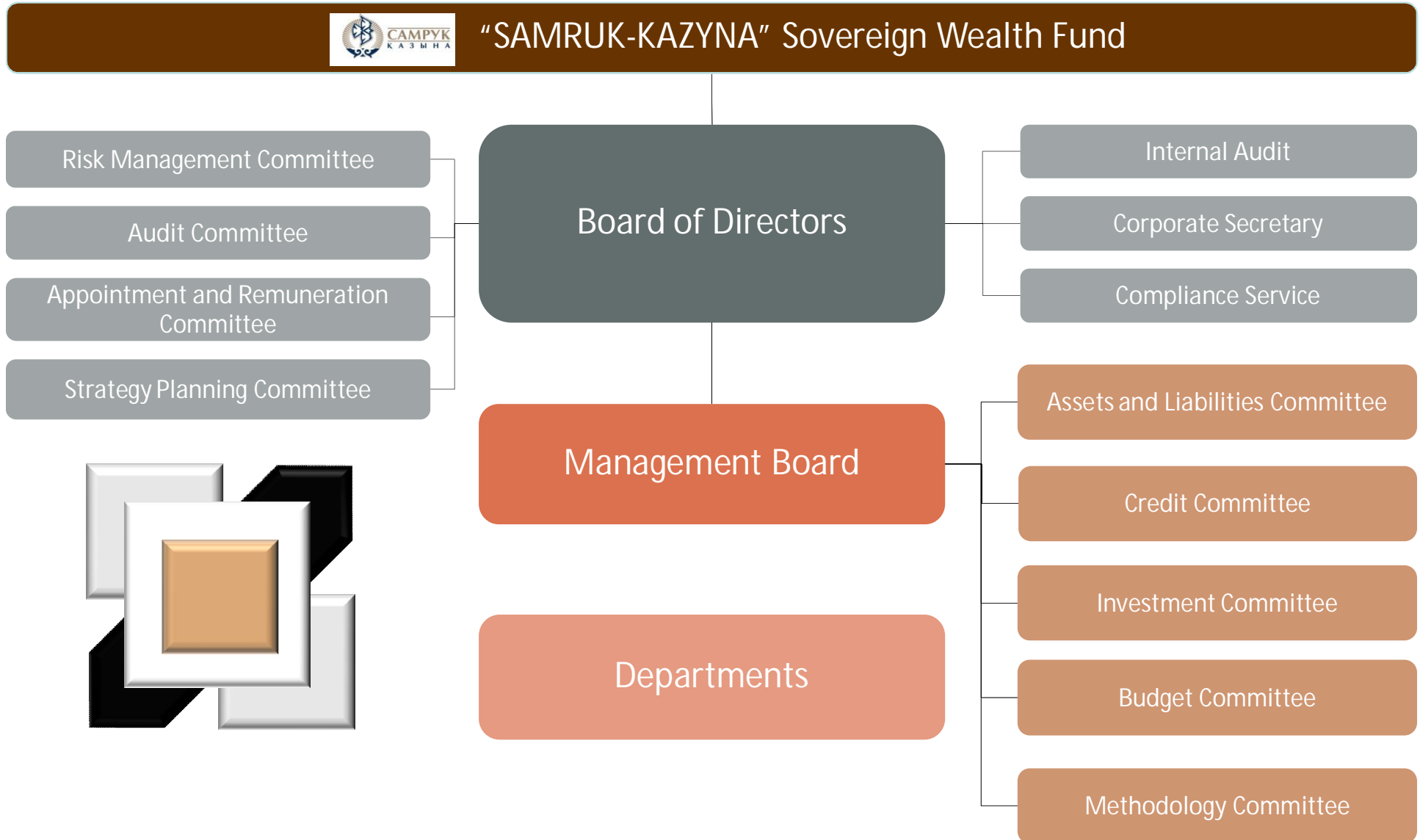
Source: Data of SWF "Samruk-Kazyna", as of July, 2010

- 100% owned by the Government of the Republic of Kazakhstan
- Board of Directors is chaired by the Prime-Minister of the Republic of Kazakhstan
- Group employees - more than 300 000
- Consolidates more than 400 companies
- Well diversified with strong positions in the following industries:
  - Energy
  - Mining
  - Telecom and Transportation
  - Finance & Banking



# DBK organizational chart

Transparent and effective organizational structure



# DBK Strengths

100% government owned institution with special legal status

Strong Shareholder	▶	<ul style="list-style-type: none"> <li>Sole shareholder is the 100% Government owned "Samruk-Kazyna" Sovereign Wealth Fund</li> </ul>												
Special Status	▶	<ul style="list-style-type: none"> <li>Quasi-sovereign status and strong Government support separates DBK from the rest of the banking sector in Kazakhstan</li> <li>Major role in the Government-run Accelerated Industrialization Program</li> </ul>												
High Capitalization	▶	<ul style="list-style-type: none"> <li>One of the most capitalised banks in Kazakhstan with strong shareholder commitment (total equity – US\$ 1.8 bln., assets – US\$ 6 bln.)</li> <li>Capital increase by US\$ 1.1 bln. in September 2009</li> </ul>												
Investment Grade Credit Ratings	▶	<table border="0"> <thead> <tr> <th></th> <th>DBK</th> <th>Republic of Kazakhstan</th> </tr> </thead> <tbody> <tr> <td>S&amp;P</td> <td>BBB-</td> <td>BBB-</td> </tr> <tr> <td>Fitch</td> <td>BBB-</td> <td>BBB-</td> </tr> <tr> <td>Moody's</td> <td>Baa3</td> <td>Baa2</td> </tr> </tbody> </table>		DBK	Republic of Kazakhstan	S&P	BBB-	BBB-	Fitch	BBB-	BBB-	Moody's	Baa3	Baa2
	DBK	Republic of Kazakhstan												
S&P	BBB-	BBB-												
Fitch	BBB-	BBB-												
Moody's	Baa3	Baa2												
Strategic borrowing tool	▶	<ul style="list-style-type: none"> <li>Under current market conditions DBK positions itself as a major counterparty to foreign Export Credit Agencies, Export-Import Banks, Financial Development Institutions and other capital markets participants</li> </ul>												
Sound Corporate Governance	▶	<ul style="list-style-type: none"> <li>Foreign Independent Directors on the Board of Directors</li> <li>Four board-level committees: Audit, Appointment and Remuneration, Risk Management, Strategy Planning Committee</li> <li>High level of financial transparency</li> </ul>												

# Rating Agency Highlights

Investment Grade Credit Ratings

*"The Baseline Credit Assessment (BCA) of 11-13 reflects DBK's sufficient current liquidity and relatively high level of capital..."*

*DBK's (has) very close links with the government ...as a specialised financial institution with a specific role to develop the national economy..."*

(Moody's, Credit Opinion, Sep 2010)

*"The ratings of Development Bank of Kazakhstan (DBK) reflect the high probability of support from the Kazakh authorities..."*

*DBK's status as a borrower in major international transactions, in particular with China, underlines its strategic role"*

(Fitch, Mar 2010)

*"We expect continued strong government support to DBK, as reflected by a long-term commitment to increase the bank's capital"*

(S&P, Aug 2010)

Rating Agencies emphasis DBK's significance to and support from the Government

- President adopted Government's five-year Plan for Accelerated Industrialization of Kazakhstan
- According to the Plan, DBK is the primary lending vehicle for providing long-term financing to infrastructure development and strategic investment projects in:

### DBK priority sectors

Metallurgy

Infrastructure

Energy

Petrochemicals

Chemicals

DBK aims to increase the share of these industries in its loan portfolio

Government policy defines priorities for DBK

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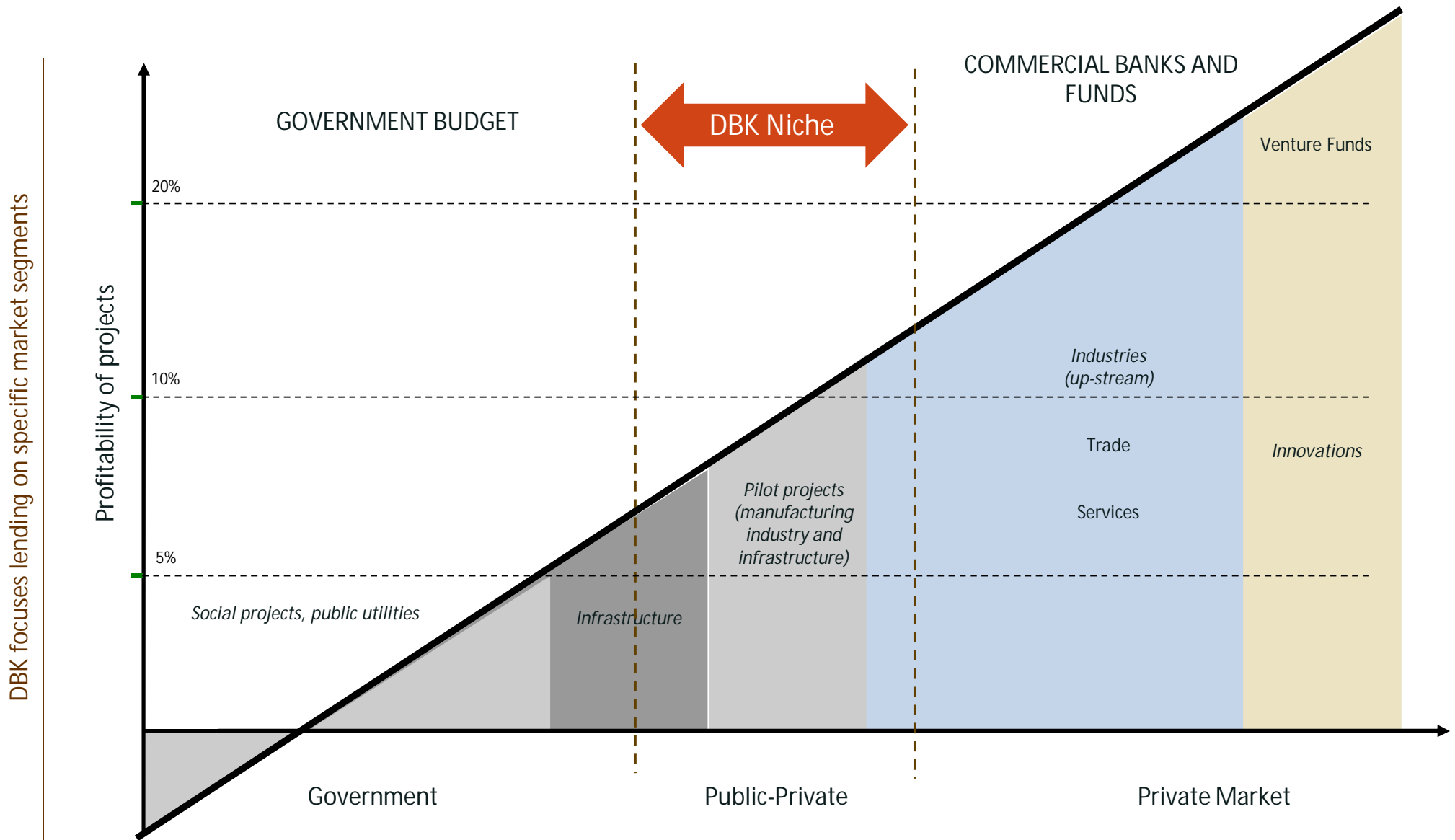
Financial Highlights

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# Niche of DBK's lending business



# Kazakhstani banking sector league table

Differentiated from the commercial banking sector

## Assets

1	Kazkommertsbank	US\$ 15.9 bln.
2	Halyk Bank	US\$ 14.3 bln.
3	BTA Bank	US\$ 12.6 bln.
4	Bank Center Credit	US\$ 8.7 bln.
5	ATF Bank	US\$ 7.6 bln.
6	<b>DBK</b>	<b>US\$ 5.9 bln.</b>
7	Alliance Bank	US\$ 3.1 bln.
8	Eurasian Bank	US\$ 2.5 bln.

Number 6 by assets

## Equity

1	<b>DBK</b>	<b>US\$ 1.8 bln.</b>
2	Kazkommertsbank	US\$ 1.8 bln.
3	Halyk Bank	US\$ 1.7 bln.
4	Bank Centre Credit	US\$ 0.7 bln.
5	ATF Bank	US\$ 0.6 bln.
6	Nurbank	US\$ 0.3 bln.
7	Sberbank	US\$ 0.3 bln.
8	KASPI BANK	US\$ 0.2 bln.

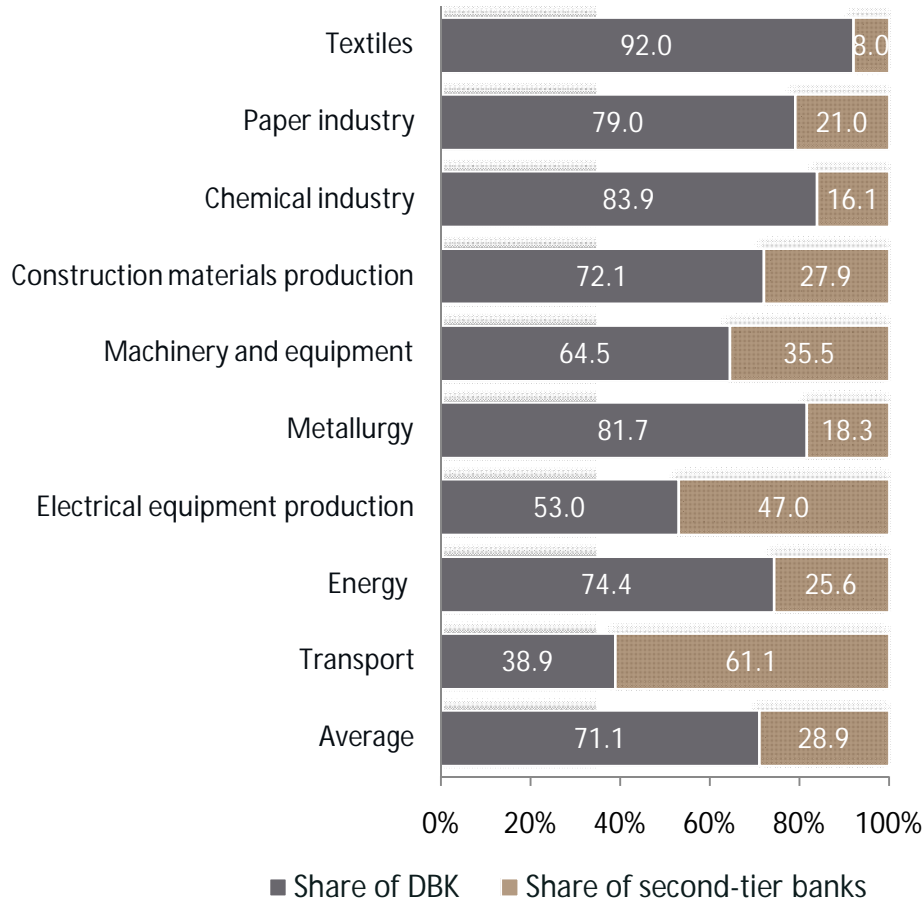
Number 1 by equity

Source: FMSA, as of July 2010

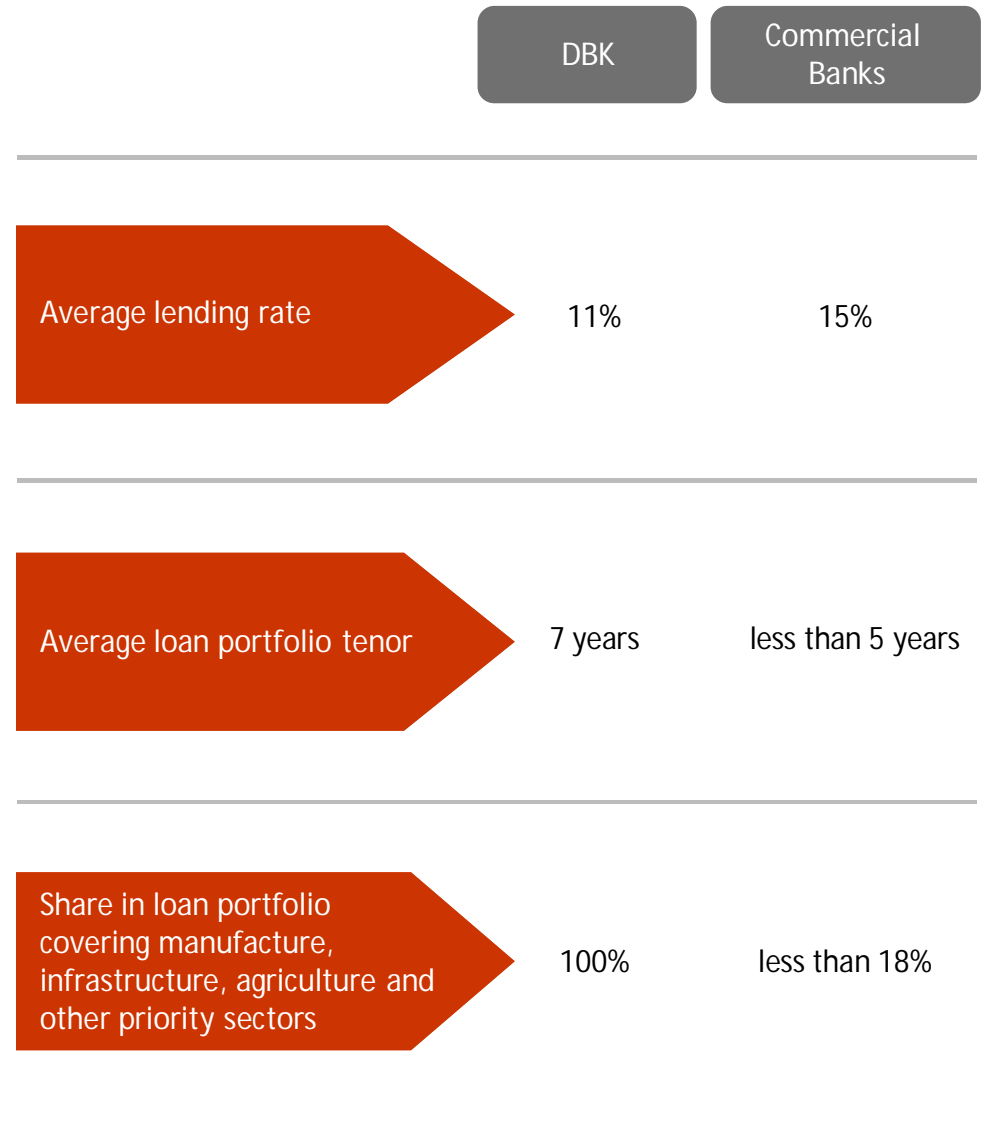
# DBK and commercial banks loan portfolio comparison

- The weighted-average share of DBK in total banking sector loans for financing capital expenditures in non-extracting sectors of the economy is around 71% (July 2010)

Focus on longer term lending to non-extracting economic sectors



Source: DBK calculations, as of July 2010  
 "Second Tier Banks" - i.e. Kazakhstan's largest commercial banks



Source: National Bank of Kazakhstan calculations and DBK calculations

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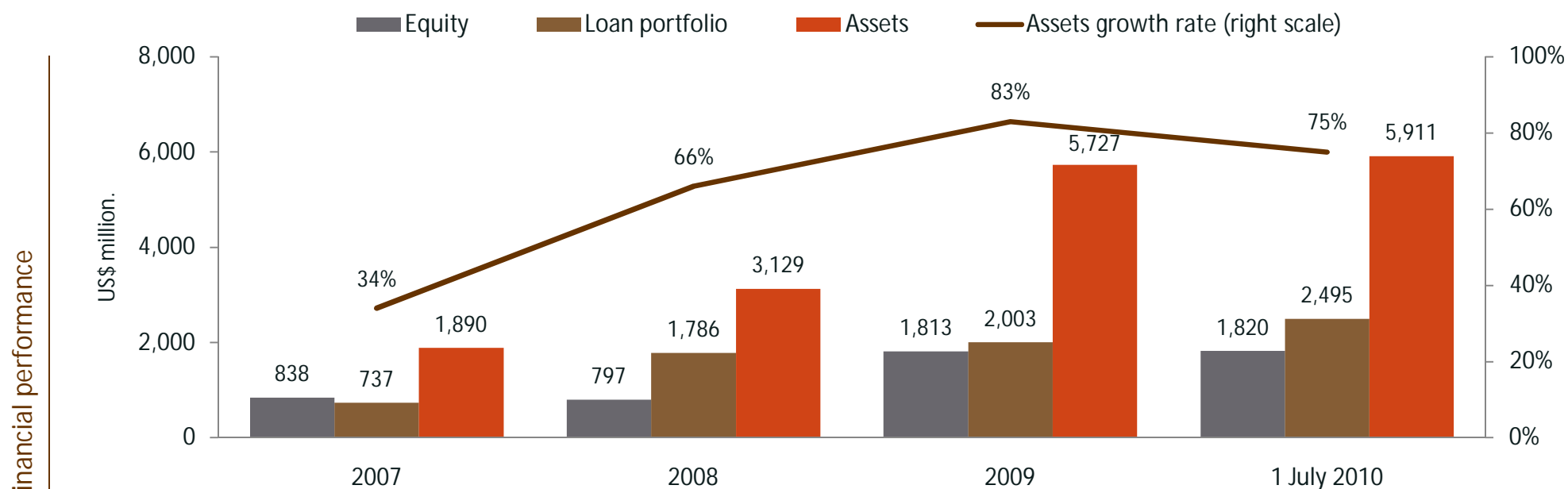
**Financial Highlights**

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DBK 2020 Development Strategy

## Financial highlights



### Balance Sheet and Income Statement Highlights

	2007	2008	2009	1 July, 2010
Loan portfolio/Assets (%)	39.0	57.1	35.0	42.2
Equity/Assets (%)	44.3	25.5	31.7	30.8
Debt/Equity (%)	84.3	214.9	195.0	238.7
Net operating income (US\$ mln.)	30.7	106.3	179.1	88.8

Source: DBK audited financial statements [http://kdb.kz/reports/fin\\_results/fin\\_reporting.php](http://kdb.kz/reports/fin_results/fin_reporting.php)

(1) Financial Statements for 1 July 2010 are reviewed but unaudited

## Capital adequacy

In October, 2009 DBK received an equity increase by the amount of over US\$ 1.1 bln.

- Evidence of solid state support of DBK and the strategic public policy role assigned to DBK in the State Industrialization Strategy for 2010-2014
- As a result DBK's share capital has increased by more than two times, up to US\$1.8 bln

DBK's total capital adequacy is well above required levels

	DBK	Banking sector average*
Debt/Equity ratio	2.4	13.0
Capital adequacy ratio	17.0 %	8.2 %

Source: DBK and FMSA. As of July, 2010

\* 10 largest commercial banks excluding BTA Bank

Note: Capital Adequacy ratio based on FMSA rules and methodology

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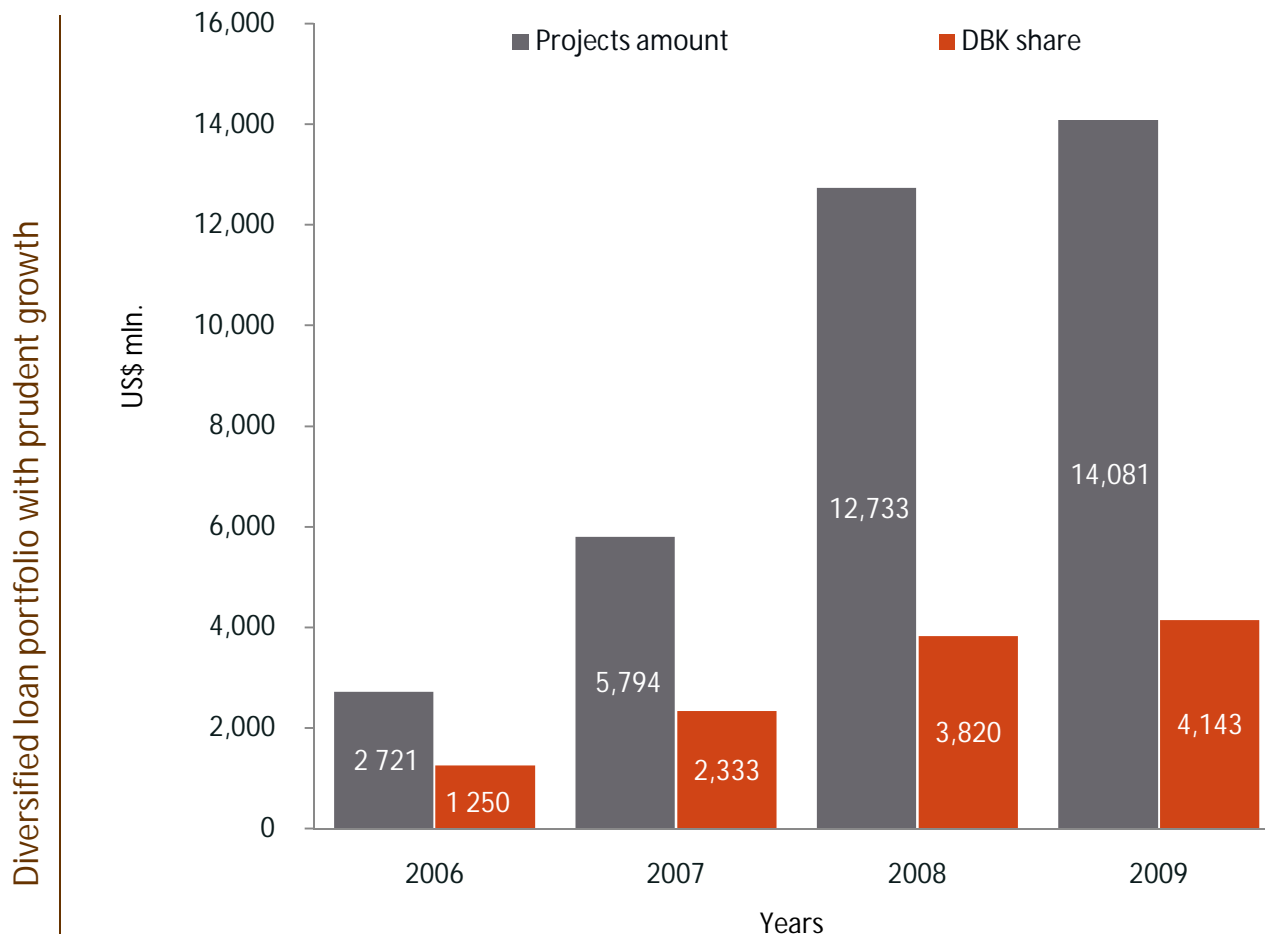
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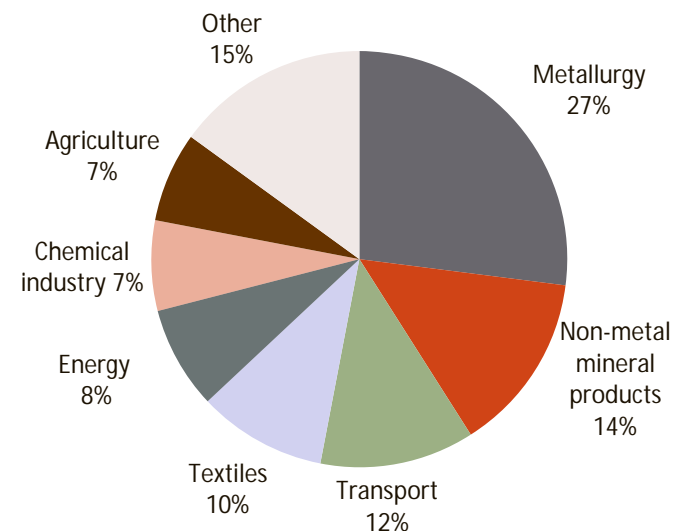
DBK 2020 Development Strategy

# DBK's loan portfolio growth and sector breakdown

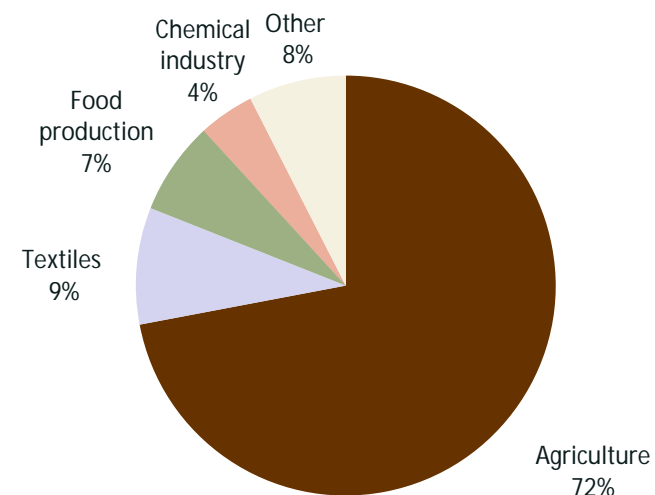
DBK participation in investment projects and export operations



Investment projects by sector



Export operations by sector



- Since the beginning of its activity DBK has approved financing for 181 investment projects and export operations in the amount of US\$ 14.1 bln. with DBK participation of US\$ 4.1 bln.
- All DBK loans are fully collateralized, total collateral is 130% of total loan value (as of October 2010) and includes govt. and corporate guarantees, real estate, inventories, securities, etc.

Source: DBK internal calculations as of Q2 2010

## Some of DBK's strategic investment projects

Strategic investment spans key economic priority sectors

Company	Project
Caustic	Production of Chlorine and Caustic soda in Pavlodar region
Moinak Hydroelectric power station	Construction of Moinak hydroelectric power station in Almaty region
Aktau Sea International Trade Port	Northbound expansion of Aktau Sea International Trade Port in Manghystau region
Chimbulak Development	Complex development of ski resort in Almaty region
Taraz Metallurgy Plant	Modernization of Taraz metallurgy plant in Zhambyl region
Akshabulak Gas and Turbine Electricity Station	Construction of Gas and Turbine Electricity Station on Akshabulak field in Kyzylorda region
Ural Gas and Turbine Electricity Station	Construction of Gas and Turbine Electricity Station in Uralsk
Production of freight wagons	Set-up of production of 1500 freight wagons in Ekibastuz, Pavlodar region
Kazakhstan Aluminum Smelter	Construction of the 2nd phase of Aluminum Smelter
Textiles KZ	Set-up of textile production in South Kazakhstan region
KEGOC	Construction of electric power line

Source: DBK (October 2010)

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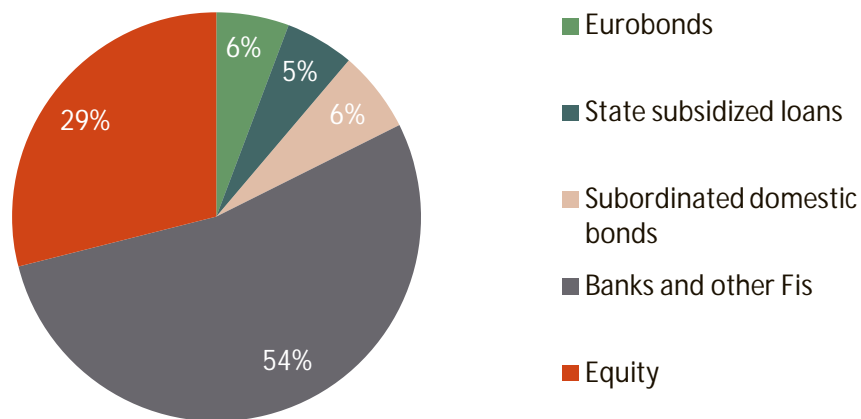
**Funding base and international activity**

DBK 2020 Development Strategy

# Capital & Liabilities structure

Diversified funding mix and prudent capital structure

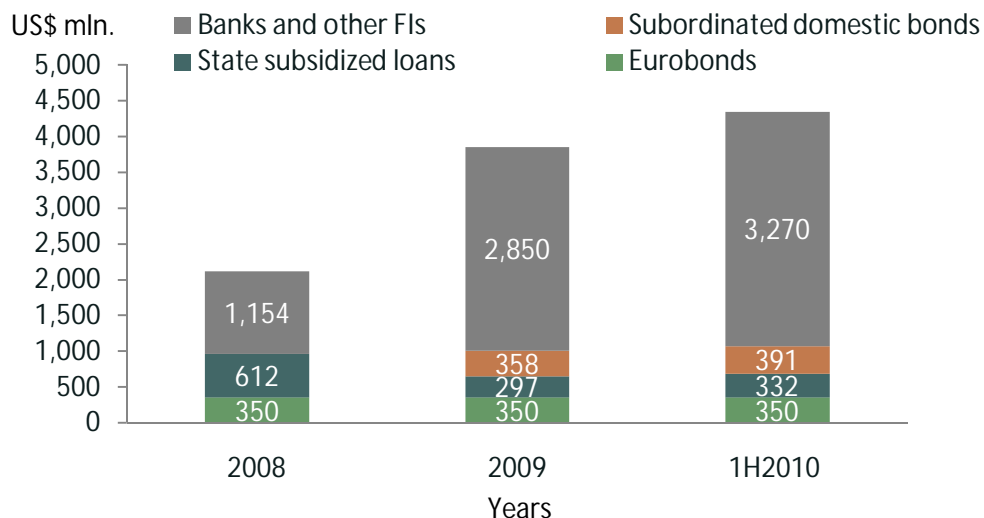
### Composition of Liabilities and Equity



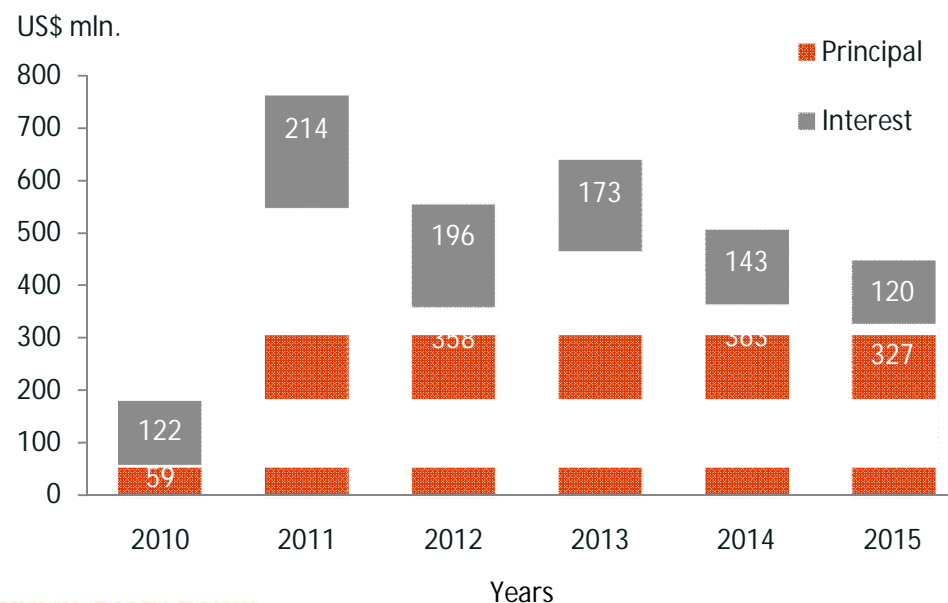
- Diversified funding base
- Sound equity standing
- Strong history in debt capital markets
- Balanced debt redemption schedule for the next 5 years
- International borrowings comprise the largest portion of liabilities and the Bank has low currency mismatch levels

Source: DBK internal calculations, as of July 2010

### Liabilities Chart



### Redemption schedule



# International activity

Strategic international borrower

## SCO InterBank Consortium



- DBK is a full member of InterBank Consortium of Shanghai Cooperation Organization
- Will be Chairing the Organization in 2011

## Main Credit Lines



China Export-Import Bank  
for energy cooperation – US\$ 5 bln.

China Export-Import Bank  
for Buyer's credits – US\$ 400 mln.



Vnesheconombank of Russia  
US\$ 300 mln.



BNP Paribas  
for ECA financing – € 200 mln.



JBIC/Citi  
for ECA financing - ¥3.4 bln.



Euromoney financial magazine awards:

- The most dynamic Development Bank in the World (2005)
- The best bank in corporate governance in Central and Eastern Europe (2007)

Source: Euromoney

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## DBK 2020 development strategy

Mission – development of competitive non-resource sectors of economy in Kazakhstan through provision of sustainable financing resources

Development strategy is defined by a clear mission

### Long-term strategy view

2010



2015

- One of the largest financial institutions in Kazakhstan in terms of assets (US\$10 billion)
- Internationally recognized and dynamic development bank
- Leading expert in long-term fixed capital lending in Kazakhstan
- Key investment projects of the state industrialization policy financed via DBK
- Bank actively employs a wide range of financing instruments apart from direct lending

By 2020

- Banking group, offering a wide range of services for execution of development projects
- Leading institution in Kazakhstan in evaluation and structuring of large-scale infrastructural and industrial projects of corporate sector and the Government
- Main agent for raising long-term and low-cost funding for corporate sector and the Government

**Facilitating sustainable economic growth & long term development of the non-resource sectors of the economy**

## DBK strategic goals

Strategic goals relating to operating and financial performance

- ➔ Increase the loan portfolio up to US\$7 bln by 2015 and US\$10 bln by 2020 - not less than 10% of fixed capital investments to be in manufacturing and infrastructure within the Government 2010-2014 Industrialization Plan to be financed by DBK
- ➔ Gradually increase ROE by 2020
- ➔ Maintain high loan portfolio quality – decrease loan loss reserves ratio down to 13% of the loan portfolio by 2015 and 10% by 2020
- ➔ Maintain the lowest cost of funding (capital markets) among Kazakhstani financial institutions (bringing the borrowing cost closer to that of the Ministry of Finance of Kazakhstan)
- ➔ Obtain an upgrade of S&P's Corporate Governance Rating up to GAMMA-6 by 2015 and GAMMA-7+ by 2020

## DBK's Investor Relations Team

### Top Management

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Managing Director – Board Member  
(Debt, Treasury, Corporate Strategy, IR)

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Director

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Deputy Director

Thank you for meeting with DBK representatives

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