

Strategic Development Directions of the Development Bank of Kazakhstan JSC for the years 2007-2011

Mission and Objectives

The Mission of the Development Bank of Kazakhstan JSC (hereinafter referred to as the “Bank”) is to promote stable long-term economic growth of the Republic of Kazakhstan by way of satisfaction, on a commercial basis, of the investment needs of the accelerated development of the competitive secondary industries of the national economy in the credit resources, which are not supported by the second-tier banks.

The objectives of the Bank’s activity include: improvement and enhancement of efficiency of the public investment activity; development of industrial infrastructure and processing industry and assistance in attracting the foreign and domestic investments to Kazakhstan’s economy.

Commercial Objectives

Provided that the key factors for the achievement of the set objectives are in place and with an adequate amount of financial support, in years 2007-2011 the Bank is planning to bring the annual lending (project approval) volumes to \$500 million, \$700 million, \$900 million, \$950 million, and \$1000 million, accordingly.

As a result, the volume of the Bank’s financing of the economy by the end of 2007 should reach the amount equivalent to \$1.4 billion, and by the end of 2010 and 2011 – \$4.2 billion and \$5.3 billion, accordingly.

Main financial and economic indicators for the period of 2007-2011, million USD

Indicators	2005 fact	2006 estimate	2007 outlook	2008 outlook	2009 outlook	2010 outlook	2011 outlook
Volume of lending accrued, including:	748,20	891,50	1 452,50	2 218,50	3 188,50	4 254,80	5 329,80
Investment projects	548,80	648,80	1 184,80	1 848,80	2 748,80	3 734,00	4 734,00
Export transactions	199,4	242,7	303,7	369,7	439,7	520,8	595,8
Volume of agency servicing of projects	316,4	549,8	767,8	929,3	977,6	882,8	802,2
Income from lending	26,9	31,1	42,1	60,6	98,6	150,7	215,9
Net income	20,6	15,7	10,1	20,5	26,4	31,9	39,5
Dollar-tenge exchange rate	133,98	122,7	117	117	117	117	117

Volume of State Support for 2007-2011, million USD

Character of the state support	2007	2008	2009	2010	2011
Additions to the Bank's charter capital	114,6	352,8	352,8	434,2	325,6
Budget credits for reduction of the cost of funding	0,0	265,9	303,9	325,6	293,1

* volumes of the state support will be adjusted annually with the approval of the state budget for a corresponding year

Dividend Policy

In accordance with the Law “On the Development Bank of Kazakhstan” net income of the Bank goes directly to forming reserves including reserve capital. The amount of net income directed for reserve capital formation is fixed during the approval of Bank’s annual financial statements by the General Shareholders’ Meeting. Retained net income is used for creation of general provisions (reserves) on banking assets during the year.

Key Performance Indicators

Indicators	Unit of measurement	2007	2008	2009	2010	2011
Volume of lending, accrued, including:	mln. dollars.	1452,5	2218,5	3188,5	4254,8	5329,8
Investment projects	mln. dollars.	1148,8	1848,8	2748,8	3734	4734
Export transactions	mln. dollars.	303,7	369,7	439,7	520,8	595,8
Number of financed projects	unit	15	19	23	27	31
Including breakthrough projects	unit	3	5	9	12	15
Volume of agency servicing of projects	mln. dollars.	767,8	929,3	977,6	882,8	802,2
(Interest) income from the lending activity, accrued	mln. dollars.	42,1	60,6	98,6	150,7	215,9
Provision for impairment losses on loans	mln. dollars.	17,6	31,7	32	42,2	46,4
(Interest) income from the lending activity (accrued) less provision for impairment losses on loans	mln. dollars.	24,5	28,9	66,6	108,5	169,5
Non-performing loans (NPL)	%	0	0	0	0	0
Reserve requirements	%	5,5	6	6	6	6

Multiply effect of projects	Ratio of volume of the Bank loan to the volume of the project	2,41	2,44	2,49	2,54	2,64
Weighted average term of projects lending	years	11,77	13,93	15,37	16,13	17,44
Cumulative volume of the new goods (know-how) produced and technologies introduced at the enterprises put into operation with help of the Bank's financing (during the reporting period)	mln. dollars.	464,8	710	1020,3	1417,3	1775,4
ROE	%	1,1	1,7	2	1,9	2,7
ROA	%	0,5	0,8	0,9	0,8	1,1
Term of investment project examination in working days (from the end of the express analysis till the approval by the Credit Committee)	days	26	26	26	26	26
Dollar-tenge exchange rate		117	117	117	117	117

Major Development Directions

Priority development directions of the Development Bank of Kazakhstan are as follows:

1. The sectors of the economy to receive financing on the priority basis are going to be Power and transport infrastructure, Water-power engineering, Bio energy generation, Metallurgy, Chemical and Petrochemical Industries;
2. Expanding the Bank's activity abroad.

The major results of the accomplishment of the objective should be:

- Engagement of one of the international asset management companies or international financial institutions to manage part of its investment portfolio to gain new experience in asset management.
 - Examination and financing of investment projects with the participation of the Bank outside the Republic of Kazakhstan.
3. Maintaining a positive credit history and adequate funding of the Bank's activities.
 4. Examination and performance of the agent functions for servicing government and municipal investment projects (programs) and projects financed at the account of loans guaranteed by the Government.