



**DEVELOPMENT BANK
OF KAZAKHSTAN**

Presentation

October 2008





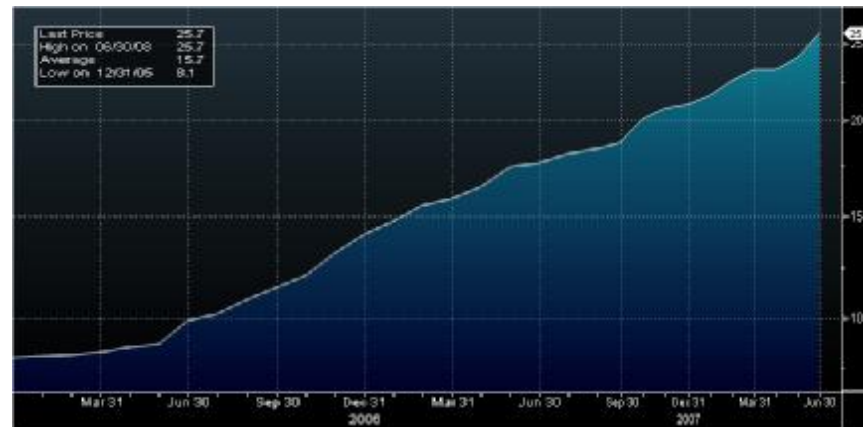
Stable Economic Basis of Kazakhstan

Key economic indices of Kazakhstan

	2005	2006	2007	2008F	2009F
Real growth of GDP (%)	9.70	10.70	8.50	5.40	5.00-7.00
Inflation (%)	7.60	8.60	10.80	10	8.50-10.5
Refinancing rate of the National Bank of Kazakhstan (%)	8,00	9.00	11.00	10.00	9,00
Average annual rate of KZT/USD (tenge)	132.88	126.10	122.55	121.50	123.50
Aggregate foreign debt (bn USD)	43.40	74.00	96.40	98.70	-
Budget Deficit (% of GDP)	+0.6	+0.6	-2.2	-1.4	-3
External public debt (bn USD)	2.30	4.20	6.70	8.40	8.40
National Fund Assets (bn USD)	8.1	14.1	21.0	21.6	38.4
Public gold and foreign currency reserves (bn USD)	7.10	16.00	17.60	22.00	-

Source: National Bank of Kazakhstan, Fitch

National Oil Fund Kazakhstan as of July 1, 2008 was equal to 25.7 bln. USD



Source: Bloomberg



DBK is the Principal Agent for Implementing ...

Foundation

- n DBK was founded in 2001 in accordance with a Presidential Decree and the Special Law on Development Bank of Kazakhstan

Mission

- n To facilitate the sustainable economic growth and development of the Republic of Kazakhstan by providing long-term financing and various financial services to non-extracting industries

Status and ratings

- n Sole shareholder is the 100% Government owned Fund "Samruk-Kazyna"
- n Quasi-Sovereign status and strong support of the Government
- n One of the most capitalised banks in Kazakhstan with strong shareholder commitment (Share capital of \$759 million, equity of \$826 million as of October 1, 2008)
- n Credit Rating: BBB-(S&P)/A2 (Moody's)/BBB (Fitch)

... the Government's economic development policy



Government Control and Policy

Timeline

- n Before December 2002, authority to manage DBK was vested with the Ministry of Finance
- n In December 2002, the Ministry of Finance was replaced as primary supervisor and voting shareholder by the Ministry of Economy and Budget Planning
- n “Industrial and Innovative Development Strategy of Kazakhstan for 2003-2015”, approved by Presidential Decree in May 2003, sets out Government policy of industrial economic development in Kazakhstan, promoting diversification of industrial growth and integration of Kazakhstan’s economy in the global economy
- n The Ministry of Industry and Trade replaced the Ministry of Economy and Budget Planning as holder of DBK’s authority during first quarter of 2004, pursuant to a Government Resolution in January 2004 that granted responsibility to the Ministry of Industry and Trade to support and monitor implementation of Development Strategy by developing financial institutions, including DBK
- n In April 2006, “Kazyna” was established to improve the system of state administration and corporate management in the area of industrial and innovative development

Pursuant to Development Strategy, DBK’s principal role remains to support Government initiatives through low-cost medium to long-term lending and the issuance of guarantees to secure loans extended by other financial institutions



“Samruk-Kazyna” Fund



- n “Samruk-Kazyna” Fund is the National Welfare Fund established through the merger of “Kazyna” Sustainable Development Fund and “Samruk” Holding for Management of State Assets
- n “Samruk-Kazyna” Fund is a joint-stock company, established in October 2008
- n 100% owned by the Government
- n Established by decree of the President of Kazakhstan to improve the system of state administration & corporate governance of National Development Institutions and the effectiveness of the state assets’ management
- n Ultimate purpose of increasing and stimulating investment and innovation

Mission

- n Effectively manage state investments and state assets to diversify and increase competitiveness of Kazakhstan’s economy

Strategy

- n Identification and implementation of investment projects in non-extractive sectors through co-ordination with National Development Institutions and effective management of the state assets
- n Plan to broaden cooperation with the international financial institutions in supporting economic development

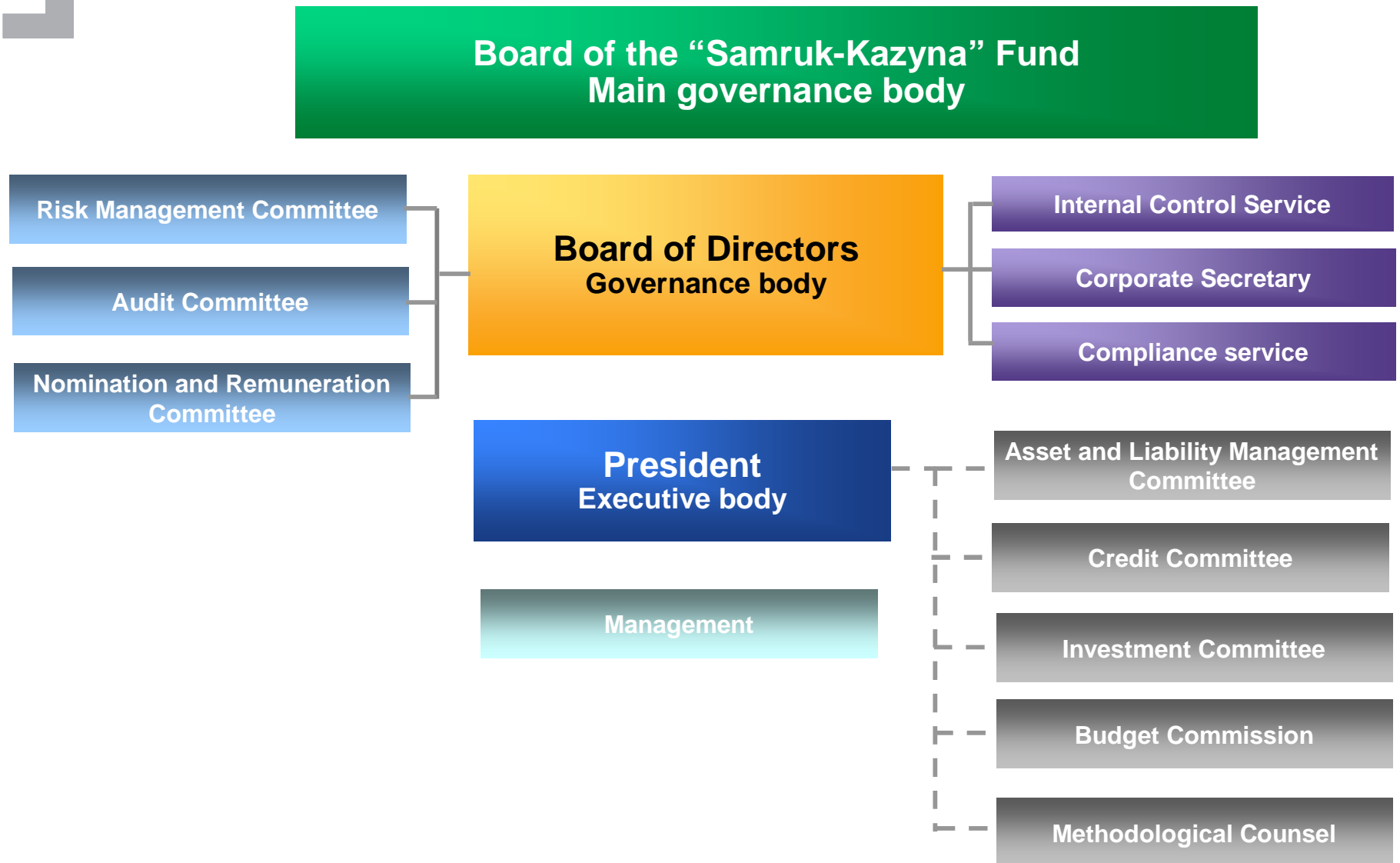
Samruk-Kazyna Structure

- n Development Bank of Kazakhstan
- n Investment Fund Kazakhstan
- n National Innovation Fund
- n State Insurance Corporation
- n DAMU Entrepreneurship Development Fund
- n KAZNEX
- n KazInvest

- n Kazyna Capital Management
- n KazMunayGas
- n Kazakhstan Temyr Zholy
- n KEGOC
- n Kazpost
- n Kazakhtelecom
- n and other infrastructure development companies



Organizational Structure





DBK's main functions and statutory purpose

Main Functions

- n To provide medium (5 to 10 years) and long-term (10 to 20 years) financing for investment projects and export operations in sectors of the economy considered to be development priorities and reducing dependence on oil and gas revenues
- n To act as a servicing agent for national and regional investment projects financed by the State Budget and Government guaranteed borrowing
- n To act as financial advisor and consultant to borrowers, providing expertise on investment projects
- n To earn a return on investments (ROI) sufficient to cover the average borrowing and operating costs

Statutory Purpose (As Stated in DBK Law)

- n To enhance the effectiveness of industrial investment activity of by the Government
- n Attracting foreign and domestic investment into Kazakhstan's economy
- n Stimulating the development of industrial infrastructure and industries involved in the processing of extracted raw materials (not related to oil and gas)



DBK Strategy

Increase Activities in Priority Sectors

- n Focus on increasing lending to major infrastructure projects and export related operations and sectors
- n Develop a customer segmentation system and introduce prospective borrower categories
- n Establish tailored approach to major corporates, including national companies, involved in science intensive and hi-tech export orientated production
- n Diversify corporate finance product, improve loan pricing techniques and enhance marketing efforts

Expand International Presence

- n Particularly in neighbouring countries to take advantage of opportunities outside of Kazakhstan
- n Currently have 5 representative offices (Almaty, Tashkent, Moscow, Beijing, and London)

Improving Funding Base

- n Lending activities funded through issuance and placement of debt securities domestically and internationally, through borrowing from financial institutions and loan funding from the State Budget
- n Interact with various multinational financial development organisations through project co-financing to promote investment opportunities in Kazakhstan

Enhance Advisory and Agency Services

- n Increase competitive abilities of domestic companies on international markets and export potential
- n Provide investment banking services (e.g. underwriting, securitisation and syndicated lending)
- n Explore new sources of structured and project financing including project-linked bonds by economically viable companies in priority sectors approved by Kazyna, including guarantees for such bonds
- n Provide credit support and liquidity, broaden access to international capital markets and lower costs of financing for target companies

Managing Investment Portfolio

- n Diversify investment portfolio and improve application of risk methods
- n Maintain high liquidity, profitability of assets and acquire information and expertise in asset management, plan to place part of investment portfolio into trust management with international financial institutions / international asset management companies



Cooperation with International Financial Institutions

SCO Interbank Consortium



Bank is a full member of SCO Interbank Consortium.
Since October 2007
Bank is the Chairman of the SCO Interbank Consortium.

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)



Since 2003 Bank is a member of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and a member of its Board of Directors

International Financial Organizations

Signed Memorandums

- 2003** – JBIC
- 2004** – EBRD
IDB
China Development Bank
Turkey Development Bank
Slovak Eximbank
- 2005** – SCO Interbank Consortium
- 2006** – Romania Eximbank
Vnesheconombank, RF
Korean Development Bank
- 2007** – IBRD
Nordic Investment Bank
US Eximbank
Mizuho Corporate Bank
Sumitomo Mitsui Banking Corp.
- 2008** – Bank of Tokyo Mitsubishi UFJ
Bayern LB

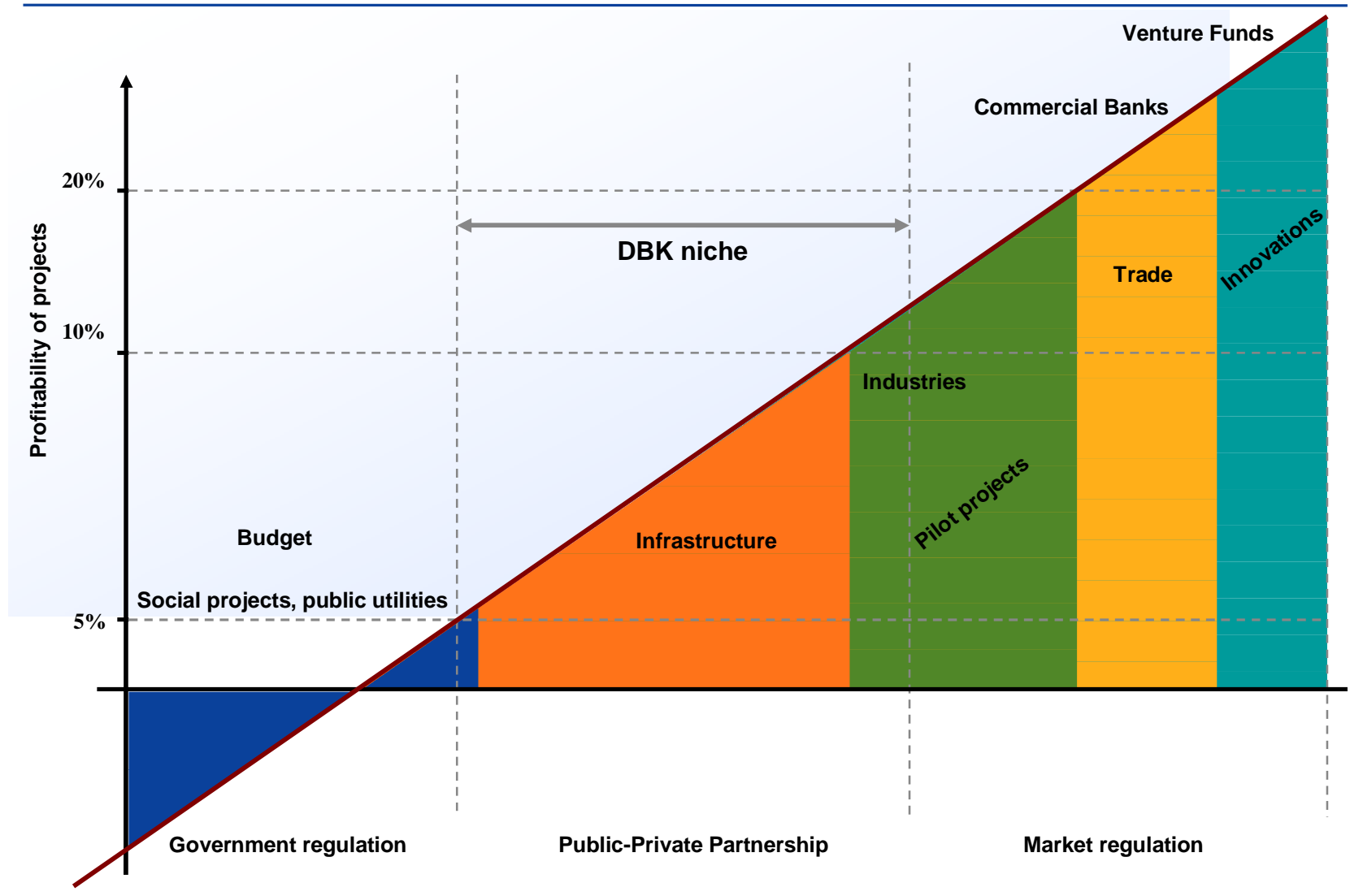
Internationally recognized financial journal Euromoney rewarded DBK:

- “A Leading Bank in Corporate Governance in Emerging Europe” (2007);
- “The Most Dynamic Development Bank in the World” (2005).

In 2004, 2006, and 2007 DBK projects were recognized by ADFIAP as the best in transport and energy infrastructure, communication, technology. In 2008 ADFIAP recognized two projects of the Development Bank of Kazakhstan as the best projects in innovation and technology development.



Positioning and Niche of DBK's Lending Activities





Lending Activities

DBK is a development financial institution that provides medium and long-term financing for investment projects and trade financing for export operations in priority sectors of Kazakhstan

Priority Sectors:

- n Value added manufacture of agricultural products (excluding alcohol and tobacco)
- n Production (fragmentation, decomposition, enrichment and agglomeration) of construction materials from raw material from mining industry, excluding extraction and transportation
- n Yarn and finished textiles production
- n Production of leather, leather goods and shoe production
- n Wood processing and wood production
- n Pulp and paper industry
- n Coke, refined petroleum and nuclear materials production
- n Chemical production (excluding explosives)
- n Production of rubber and plastic goods
- n Production of other non-metal mineral products
- n Metallurgy and manufacture of finished metal products
- n Machinery and equipment manufacturing (excluding weapon and ammunition manufacturing)
- n Manufacture of electric, electronic and optical equipment
- n Manufacture of vehicles and transportation equipment
- n Distribution of electric power, gas, steam and water
- n Transportation and communications
- n Construction of tourism infrastructure objects

DBK does not focus on lending to sectors of the economy regarded as already receiving significant levels of foreign investment, such as oil and gas production or exploration



DBK Follows Prudent Risk Management Practices

Asset and Liability Management Committee, ALCO

- ◆ Defines the Bank's risk management, asset distribution, and funding policies
- ◆ Sets the limits on margins of projects, borrowing rates, and off-balance sheet positions

Credit Committee

- § Defines credit policy and the Bank's loan portfolio
- § Evaluates investment projects and submits credit applications to Board of Directors for final approval
 - § Is eligible to approve financing for export transaction to the amount of up to 5 million USD
 - § Adheres to the limits set by the Memorandum of Credit Policy and ALCO

Investment Committee

- § Manages investment portfolio and treasury operations
- § Adheres to the limits set by ALCO



Managing Mandate in Reasonable Limits

- ◆ Equity Capital
 - Cannot be employed for financing investment projects
 - Can be invested into export transactions up to the limit of 20%
 - First level capital at the level of 6%

- ◆ Conservative liquidity limits
 - Liabilities/Assets 50%
 - Long-term liabilities/Equity 70%
 - Liquid assets/total assets 20–50%
 - Total assets/equity capital max. 2

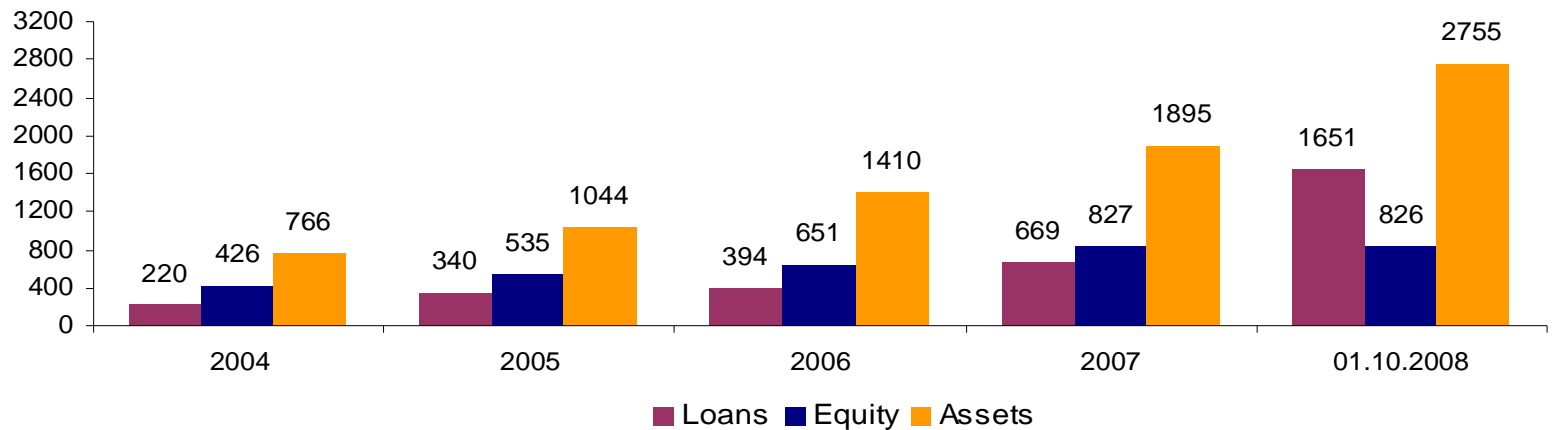
- ◆ Limits on loans
 - Limits on separate industries and regions
 - Limits of risks on a single borrower, not more than 25% of equity capital or 25% of the counterparties' equity capital

- ◆ Limits on currency positions
 - Net open currency position/equity capital 50%
 - Net open currency position on a single currency 30%



Financial Highlights

Balance Sheet Growth (in million USD)



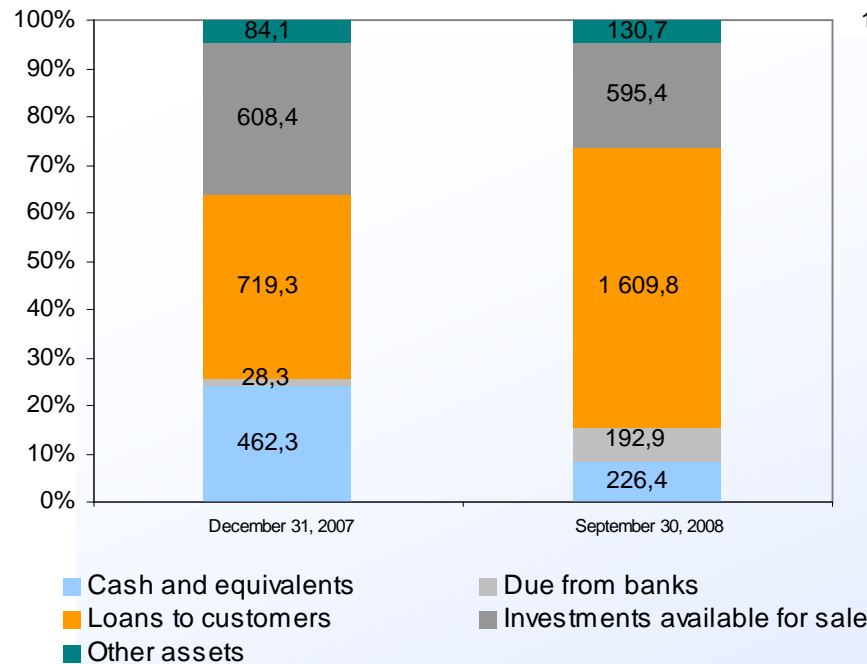
Balance Sheet and Income Statement Highlights

	2004	2005	2006	2007	01.10.2008
Capital Adequacy Ratio (%)	37.0	32.0	30.0	24	18
Loans / Assets (%)	28.7	32.6	27.9	37.8	59.9
Equity / Assets (%)	55.6	51.2	46.1	43.1	30.0
Debt / Equity (%)	78.5	93.6	114.7	132.1	235.0
Net Income (USD millions)	18.6	22.2	28.5	18.3	16.3
NPLs / Total Loans (%)	0.0	0.0	0.0	0.0	0.1

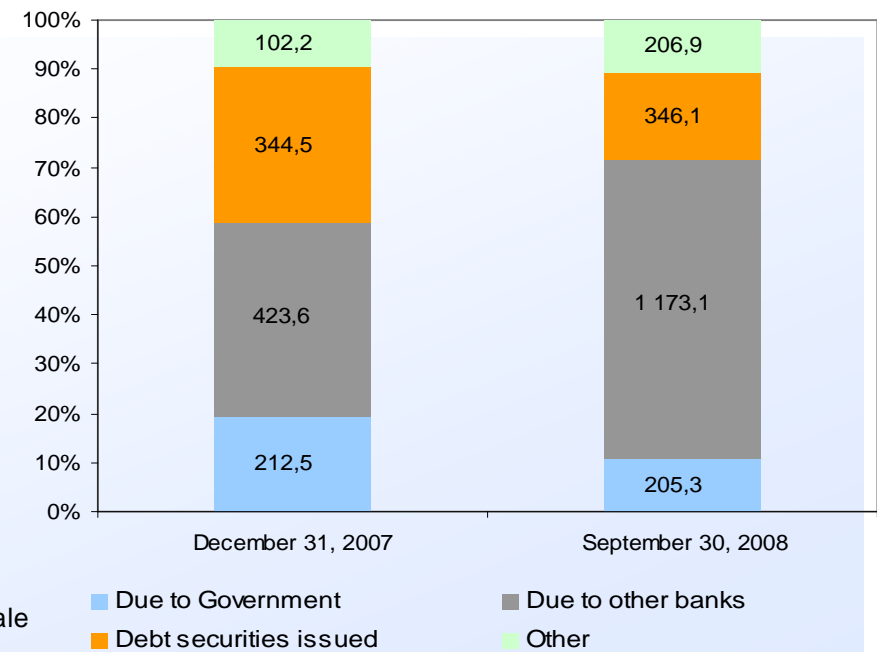


Balance Sheet Structure

Assets, million USD



Equity and Liabilities, million USD

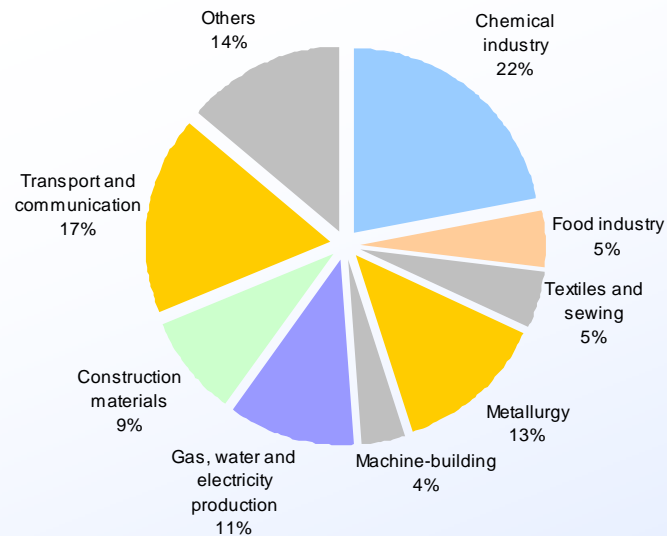


- n Government is committed to regular equity increases to maintain strong capitalisation
- n Extension and diversification of the maturity profile of liabilities: debt issue & government budget loan
- n Loan to the amount of 216 million USD attracted from the “Kazyna” in 2008

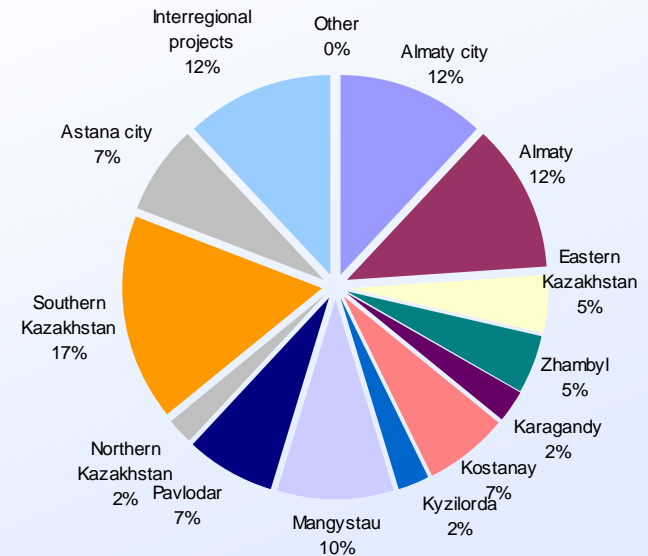


Diversified Loan Portfolio

Industry Distribution of Loan Portfolio (2008)



Regional Distribution of Loan Portfolio (2008)



Other includes Aktobe, Atyrau regions and projects implemented abroad

- n Provide medium and long-term financing for investment projects and export transactions in various priority sectors of the national economy
- n Aim to minimise industry and regional concentrations with exposure limits
- n Loan portfolio consists of non-Tenge loans, primarily denominated in U.S. dollars in order to limit exposure to currency fluctuations



Conservative Provisioning and Prudent Collateralisation

Loan Portfolio Classification, %

	01.10.2008	2007	2006	2005	2004	Provision Rate
Standard	69,3	40,6	40,1	38,8	71,7	2
Doubtful I	20,7	49,9	55,8	48	5,8	5
Doubtful II	3,8	9,1	-	5,2	22,5	10
Doubtful III	2	-	1,5	-	-	20
Doubtful IV	-	-	-	8,1	-	25
Doubtful V	4,2	0,4	1,8	-	-	50
Loss	0,1	-	-	-	-	100
Provisions	4,2	3,7	4,2	5,3	4	

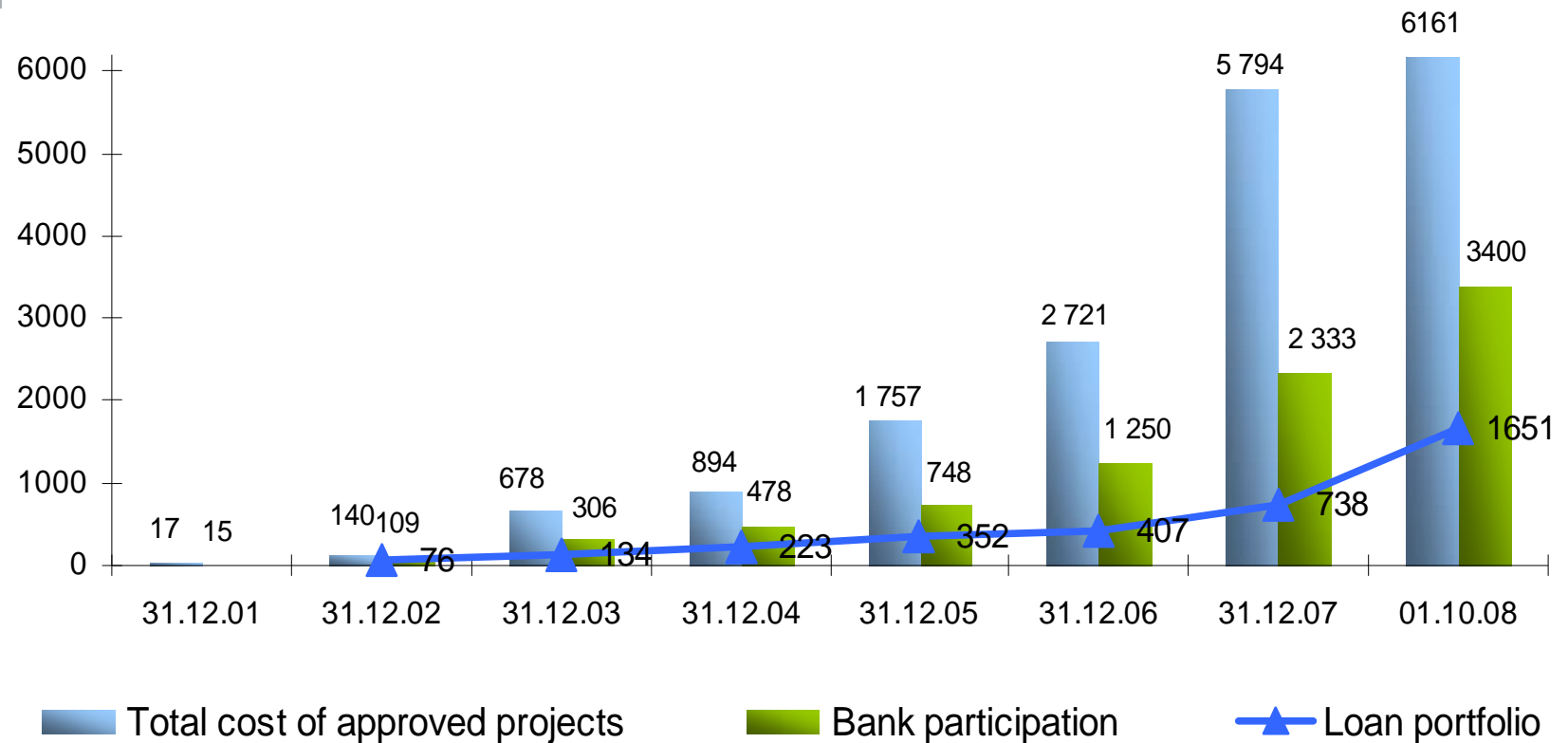
n DBK is required by law to request collateral from all borrowers

n Outstanding loan portfolio remains over collateralised. Collateral / Loan Value equals 141.2 % as of October 1, 2008

n Practically no bad loans. General provisions in excess of 4.2% of the total loan portfolio (2008)



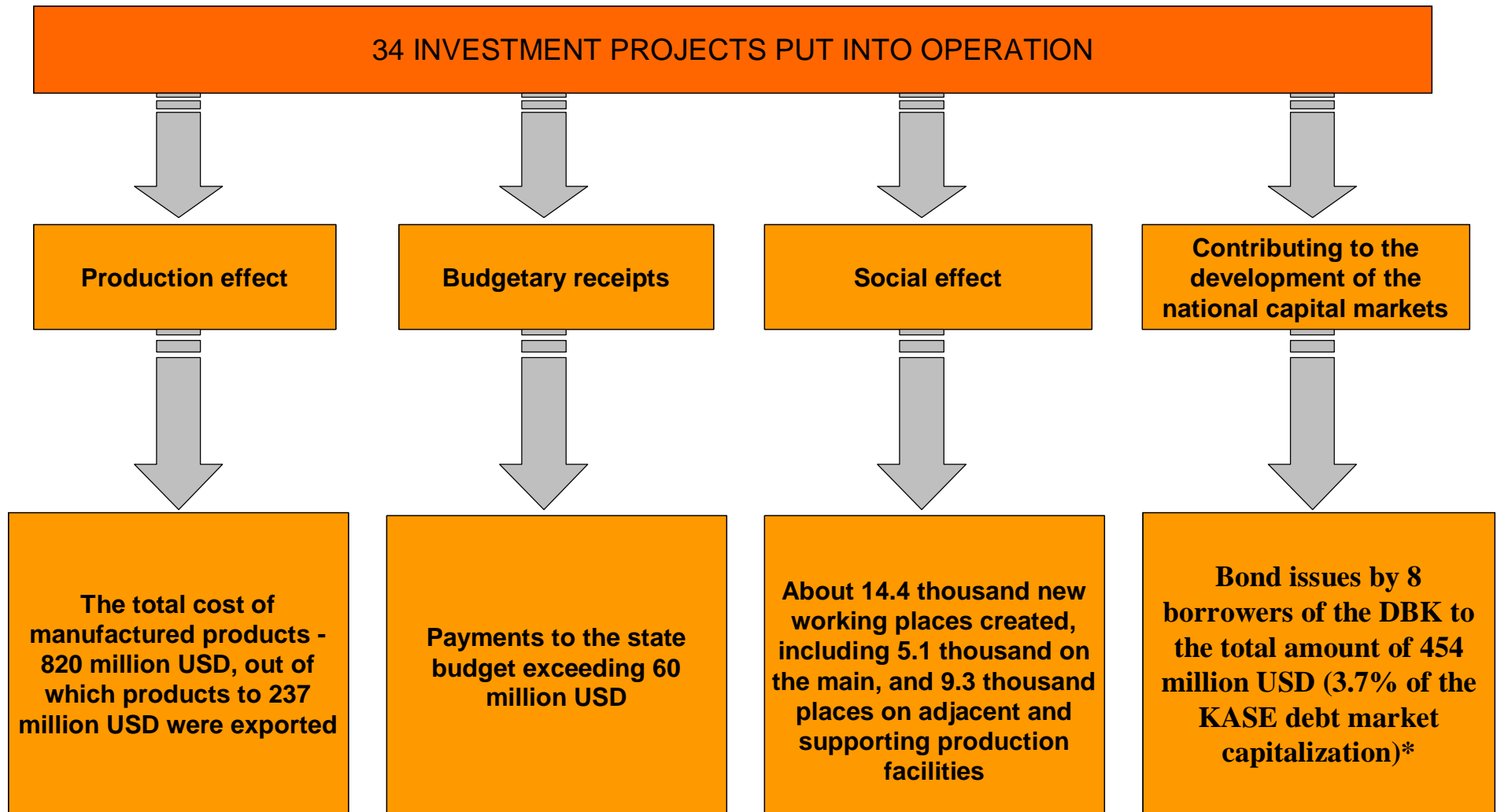
Dynamics of Bank's lending to the economy



Since the beginning of its activity DBK has approved financing for 169 investment projects and export transactions to the total amount of 6.2 billion USD with the DBK participation to the amount of 3.4 billion USD (as of October 1, 2008).



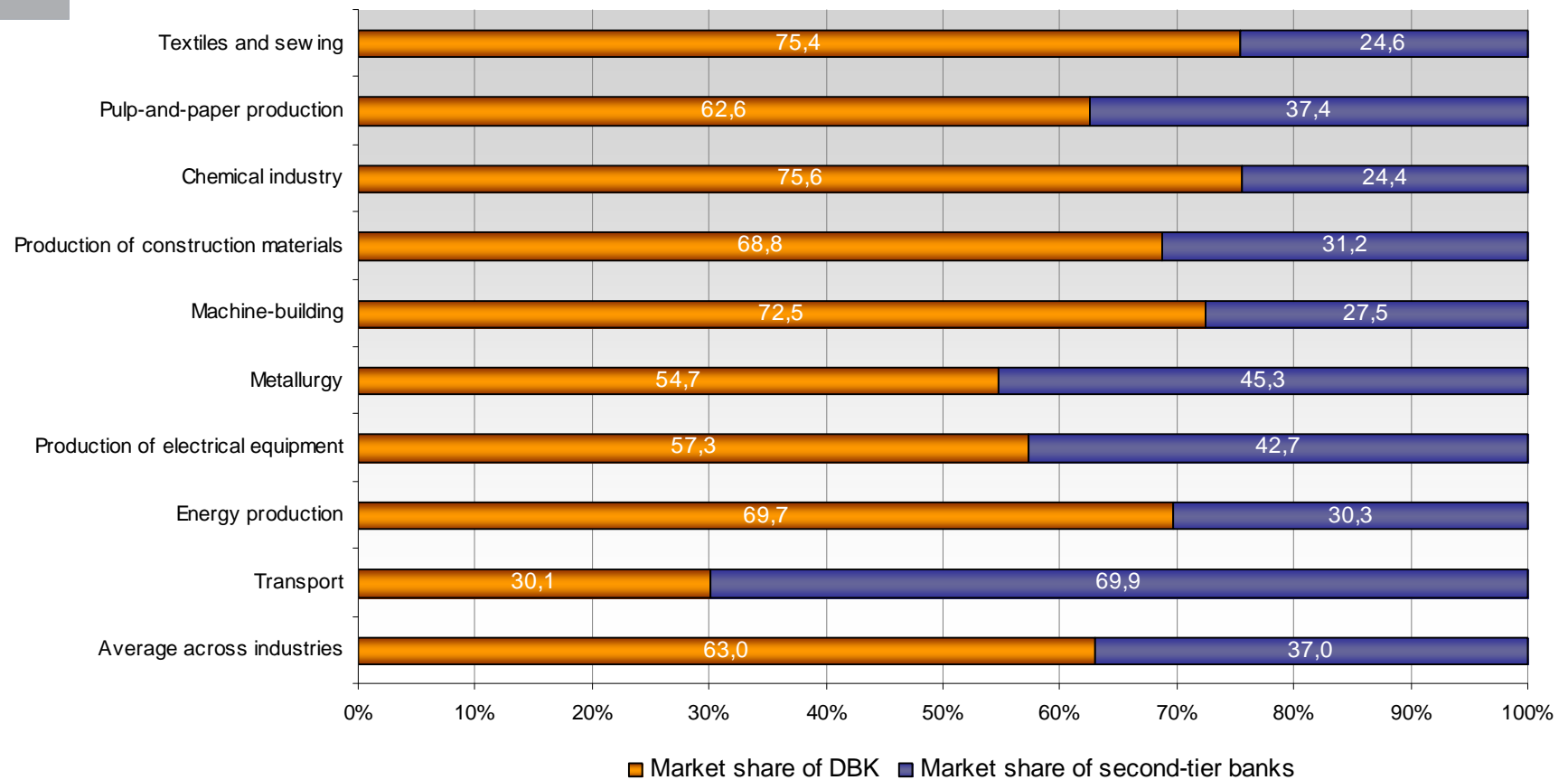
Influence of DBK projects on the economy of Kazakhstan



* Source: website of KASE, Kazakhstan Stock Exchange



DBK Share in Financing Manufacturing and Infrastructure



As of July 1, 2008, the market share of DBK in financing various sectors of processing industry and infrastructure reaches 70-75%. The weighted average share across different industries equalled 63% (for the corresponding period of 2007 - 51%).

* Data of National Bank of Kazakhstan, Agency of statistics of the RK.



Agency Services & Subsidiaries

Agency Services

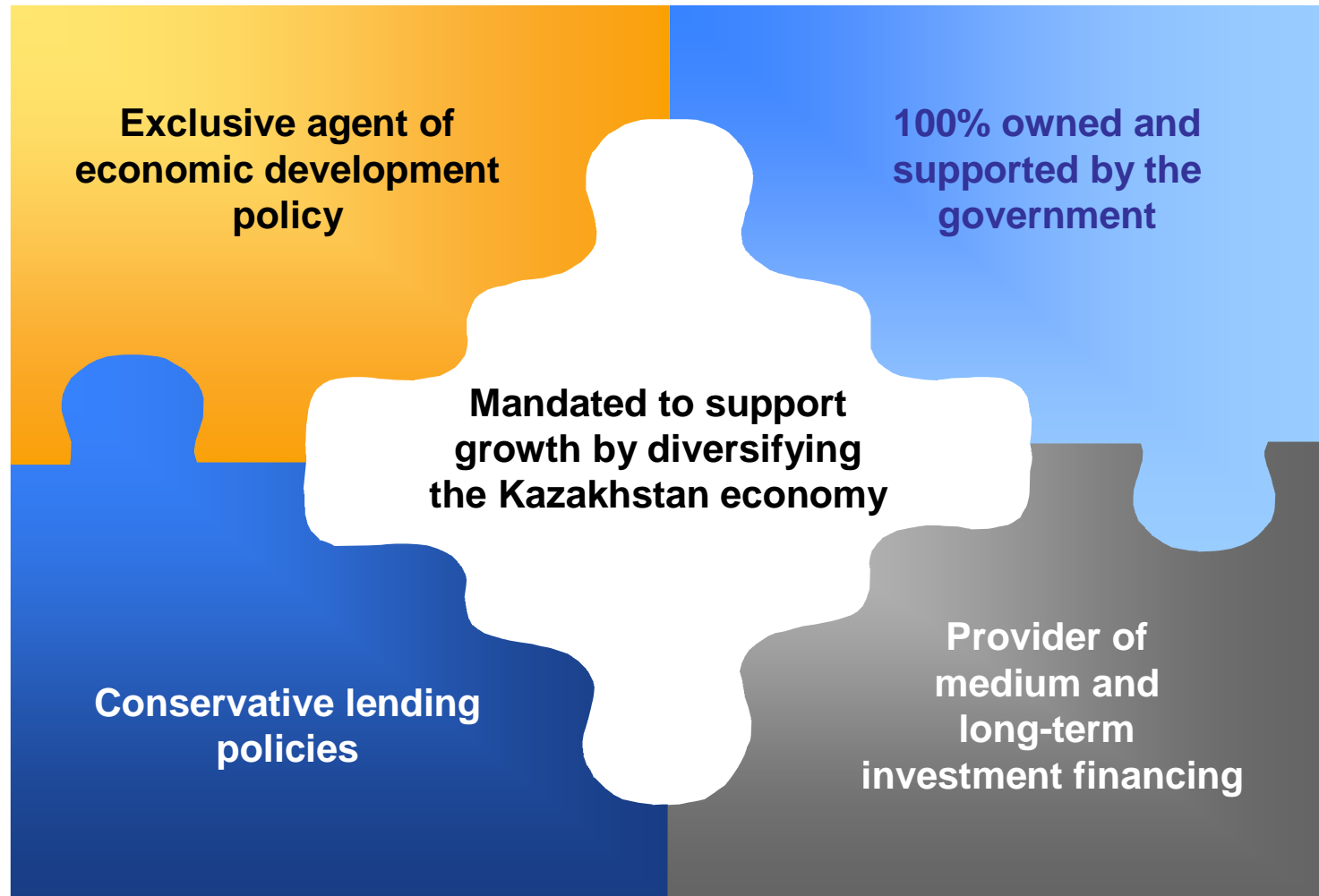
- n Pursuant to DBK Law, DBK acts as a payment agent for various national and regional investment projects (programmes) financed by the State or Local Government Budget or supported by Government guarantees
 - n Acting solely as a payment agent, DBK received fees but assumes no risk
 - n As of October 1, 2008, DBK is acting as a payment agent for 13 investment projects to the total amount of around 800 million USD
-

Subsidiaries — DBK Leasing

- n DBK Leasing is the only subsidiary of the Development Bank of Kazakhstan
 - n Established in September 2005 as joint-stock company under the laws of the Republic of Kazakhstan
 - n Authorised share capital of DBK Leasing (as of October 1, 2008) is KZT 8,0 billion (USD 66,7 million equivalent)
 - n DBK Leasing offers short and long-term lease financing for investment projects, including industrial leasing, venture leasing, leasing of industrial buildings and combined services:
 - n Leasing and Consulting (in collaboration with consulting companies)
 - n Equity and Leasing (in collaboration with Investment Fund of Kazakhstan)
 - n Capital and Leasing (in collaboration with second-tier banks)
 - n DBK Leasing head office is located in Astana and a representative office is in Shymkent
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DBK — a Driver of Sustainable Economic Growth



Thank you for your attention!