



“Қазақстанның Даму Банкі” АҚ
Қазақстан Республикасы, 010000, Астана қ.,
Орынбор көшесі, 10-үй, «Қазына Тауэр» ғимараты
тел.: +7 (7172) 79 26 00
факс: +7 (7172) 79 26 38
e-mail: info@kdb.kz

АО “Банк Развития Казахстана”
Республика Казахстан, 010000, г. Астана,
ул. Орынбор, д. 10, здание «Казына Тауэр»
тел.: +7 (7172) 79 26 00
факс: +7 (7172) 79 26 38
e-mail: info@kdb.kz

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на № _____

АО «Казахстанская фондовая биржа»

АО «Банк Развития Казахстана» (далее – Банк), в соответствии со статьей 29 Листинговых правил АО «Казахстанская фондовая биржа», сообщает о том, что рейтинговое агентство S&P Global Ratings (далее – Агентство) подтвердило Банку долгосрочные и краткосрочные кредитные рейтинги эмитента в иностранной и национальной валютах на уровне «BBB-/A-3». Прогноз по рейтингам – «Негативный».

Одновременно долгосрочные рейтинги приоритетных необеспеченных долговых обязательств (ISIN: XS0860582435, XS0248160102, XS0220743776, MYBVI1202859) Банка подтверждены Агентством на уровне «BBB-». Рейтинг по национальной шкале - «kzAA».

Рейтинги Банка приравнены к суверенным рейтингам Республики Казахстан, негативный прогноз по рейтингам Банка отражает прогноз по долгосрочным рейтингам страны.

Приложение: Пресс-релиз Агентства от 30 июня 2016 года на 8 л.

Заместитель Председателя Правления

Д. Бабичев

RatingsDirect®

Research Update:

Development Bank of Kazakhstan Ratings Affirmed At 'BBB-/A-3'; Outlook Negative

Primary Credit Analyst:

Maxim Rybnikov, London (44) 20-7176 7125; maxim.rybnikov@spglobal.com

Secondary Contact:

Annette Ess, CFA, Frankfurt (49) 69-33-999-157; annette.ess@spglobal.com

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Overview

- In our view, the Development Bank of Kazakhstan (DBK) remains a core entity within the government-controlled Baiterek group of development institutions and plays a critical role for the authorities in implementing several strategic programs and projects.
- We also believe that DBK benefits from an integral link with the Kazakh government, which fully owns the institution through National Management Holding Baiterek.
- We therefore consider that there is an almost certain likelihood that DBK would receive timely and extraordinary support from the Kazakh government should the need arise.
- We are affirming our 'BBB-/A-3' ratings on DBK.
- The outlook is negative, mirroring that on the sovereign.

Rating Action

On June 30, 2016, S&P Global Ratings affirmed its 'BBB-/A-3' long- and short-term foreign and local currency issuer credit ratings on the Development Bank of Kazakhstan (DBK). The outlook is negative.

We also affirmed the Kazakhstan national scale rating on DBK at 'kzAA'.

Rationale

The affirmation reflects our view that there is an almost certain likelihood that the government of Kazakhstan would provide timely and extraordinary support to the Development Bank of Kazakhstan in a financial stress scenario. DBK is the largest subsidiary of the government-owned National Management Holding Baiterek and we expect it to remain core to the overall Baiterek group strategy, which is broadly aimed at supporting Kazakhstan's economic development and diversification.

We rate DBK under our criteria "Group Rating Methodology" and "Rating Government-Related Entities: Methodology And Assumptions." In our view, DBK will remain a core institution within the Baiterek group. It accounted for just over 60% of the group's consolidated assets as of end-2015. DBK's general mandate to contribute to the development of Kazakhstan's economy through investments in priority sectors closely aligns with the overall Baiterek group strategy. We also consider it highly unlikely that DBK would be sold.

In our view, there is an almost certain likelihood that the government will provide timely and extraordinary support to the institution in a potential stress scenario

and consequently we equalize the ratings on DBK with those on Kazakhstan. Our view of the likelihood of timely extraordinary government support is based on:

- DBK's integral link with the government of Kazakhstan, which fully owns and monitors DBK through National Management Holding Baiterek. DBK was established in 2001 by a Presidential Decree, and it has special public status as a national development institution under the Law On Development Bank of Kazakhstan. For instance, DBK is not required to have a banking license or to comply with prudential regulations applicable to commercial banks.
- DBK's critical role as the primary institution mandated to develop Kazakhstan's production infrastructure and the processing industry. It generally provides long-term funding to large and capital-intensive investment projects which have strategic significance for the government of Kazakhstan for economic or social reasons. DBK plays a key role in implementing several government programs including the five-year State Program of Industrial and Innovative Development (SPIID) 2015-2019 and the Nurly-Zhol State Program for Infrastructure Development.

The bank's development strategy for 2014-2023 specifies that, among other things, the institution aims to target investments in non-oil sectors of the country. In our view, this function has been only partially fulfilled so far, given that the oil and gas sector amounted to over 40% of the bank's gross loan portfolio in 2015, but we believe this largely reflects the difficulty of diversifying the Kazakh economy away from oil in a short period of time. In addition, the projects in DBK's portfolio are generally focused on processing (for instance, refining) rather than crude commodity extraction.

Over the next several years, DBK plans to introduce a number of new instruments, including mezzanine financing, syndicated loans, and equity participation. These instruments were already specified in the development strategy published in 2014 and the Law on Development Bank of Kazakhstan has now been amended, allowing the bank to start gradually deploying them. DBK also aims to increase its financing of the economy via commercial banks, which started in 2014. Overall, however, we anticipate that direct lending under various government programs will remain a key part of the portfolio over the medium term.

DBK also plans to increasingly provide financing in the local currency, which at present constitutes about 30% of the loan book. We expect this percentage to increase soon as the institution has decided to convert some foreign-currency loans provided in the past into Kazakhstani tenge (KZT) at historical exchange rates. This is primarily aimed at supporting the borrowers most affected by the depreciation of the tenge in the second half of last year.

Our baseline scenario assumes that DBK's role for and link with the government of Kazakhstan will remain unchanged over the next few years and that the government will maintain its commitment to provide timely support to DBK in the future. We note that the institution's capital has been increased on multiple occasions in the past. More recently, the government promptly injected KZT40 billion (equivalent to about \$120 million or 2% of the bank's assets) into DBK in December 2015 to support its financial standing, following the depreciation of the local currency. Historically, the government has also supported DBK through other channels. For example, over the last few years, DBK's balance sheet has been cleaned up by moving the nonperforming

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loans (NPLs) to the Investment Fund of Kazakhstan--another subsidiary of the Baiterek Holding. As a result, there are no NPLs in DBK's portfolio at the moment. However, the government provides no explicit guarantee on DBK's obligations.

We have revised our stand-alone credit profile (SACP) of DBK to 'b' from 'b+' reflecting our changed assessment of DBK's capital and earnings to adequate from strong. The SACP reflects DBK's anchor of 'bb-' for a financial institution operating in Kazakhstan, as well as its adequate business position, adequate capital and earnings, moderate risk position, below average funding, and adequate liquidity, as our criteria define these terms.

Our assessment of DBK's business position as adequate balances its public-policy role as a specialized development institution with the aim of financing infrastructure and industrial projects in the private and public sectors, and its significant size, against the government-directed nature of its lending, which impedes its business stability. DBK is Baiterek's largest subsidiary and accounted for 60% of Baiterek's consolidated assets at year-end 2015. That said, DBK had assets of KZT2.1 trillion (\$6.2 billion) as of March 31, 2016, making it somewhat smaller than the two largest commercial banks--Kazkommertsbank JSC (KKB) and Halyk Savings Bank of Kazakhstan (Halyk), both of which have assets of more than KZT4 trillion.

We revised our assessment of DBK's capital and earnings to adequate from strong due to the pronounced weakening of capitalization in 2015 and our expectation that the negative trend in capitalization will continue in 2016-2017, as there are no concrete plans for capital increases to support continued loan growth. We forecast that our risk-adjusted capital (RAC) ratio could weaken to about 8.5%-9.5% in the next 18 months from 10.3% at year-end 2015. Despite a government capital injection of KZT40 billion in December 2015, which was not originally planned, RAC weakened more than we previously expected in 2015 from 14.8% at year-end 2014. This was due to much higher-than-expected loan growth, itself largely due to a revaluation of the bank's foreign currency loans (around 75% of total loans as of year-end 2014) on the back of the devaluation of the tenge since August 2015.

DBK does not have a minimum regulatory capital ratio but targets a Tier 1 ratio above 12%, a capital adequacy ratio of 14%, and leverage of 6x. Its Basel II capital adequacy ratio was 17.3% as of March 31, 2016 and the Tier 1 ratio was 15.1%.

As a state development bank, DBK's business strategy is focused on its policy role instead of its profits. Nevertheless, the bank seeks to ensure its returns cover its operating and borrowing costs. DBK's income has been volatile and its core profitability low over the past six years, and we expect this to continue to be the case. In 2015, DBK's net income was negatively affected by large provisions, and its return on assets (ROA) decreased to 0.3% from around 1% in 2014. We expect ROA in 2016-2017 to be below 1%.

Our moderate assessment of DBK's risk position balances a weaker loss experience than the Kazakh commercial banks that have not been restructured, a very high share

of loans in foreign currencies, and high industry concentrations with a relatively clean asset quality due to the transfer of all its NPLs to the Investment Fund of Kazakhstan, another Baiterek subsidiary.

The loan portfolio is concentrated in the oil and gas sector (specifically oil refining and gas processing) and the metallurgy sector. The share of top 20 loans was 3.4x of total adjusted capital (TAC) as of March 31, 2016, which is in line with midsize Kazakh banks but is very high by international standards.

DBK's share of loans in foreign currencies (close to 70% as of March 31, 2016) was about twice the average of Kazakhstan commercial banks. We believe that high tenge devaluation since August 2015 put pressure on some borrowers who do not have a natural hedge in foreign currencies; we therefore expect some further asset quality deterioration in the next 18 months.

In our opinion, DBK's funding is below average, reflecting high refinancing risk due to its concentrated wholesale funding profile. Loans from financial institutions constituted about 50% of liabilities at end-2015, predominantly comprising borrowing from the Export-Import Bank of China and China Development Bank. Debt securities are dominated by Eurobonds (amounting to approximately 30% of liabilities at end-2015), with major repayments in 2022.

We assess liquidity as adequate, reflecting adequate holdings of liquid assets and moderate wholesale debt repayments of \$226 million in 2016 and \$302 million in 2017, mainly interbank loans. As the bank's loan leverage is expected to increase, in line with its strategy, we expect our liquidity coverage ratio to weaken but still remain adequate. Cash and cash equivalents and placements with banks accounted for 15% of total assets at March 31, 2016. Investments in available-for-sale securities accounted for an additional 8%.

Outlook

The negative outlook on DBK mirrors our outlook on the sovereign ratings on Kazakhstan. We would likely revise the outlook or raise or lower the ratings on DBK if we took similar rating actions on the sovereign over the next two years.

Additionally, we could also lower the ratings if, contrary to our current expectations, we no longer assessed the potential for timely extraordinary government support for DBK and the Baiterek group as almost certain. Among other things, this could result from:

- Policy changes that weaken the bank's role and correspondingly the importance of its credit standing to the government;
- Unanticipated fiscal pressures affecting the government that may reduce its overall readiness to bail out the quasi-sovereign sector in a stress scenario;
- An increasing likelihood that for any reason the government could prioritize extraordinary support (to service debt on time and in full) for other government-related entities ahead of DBK; or
- The government allowing DBK's stand-alone creditworthiness to deteriorate further,

which may signal a weakening government commitment to the institution.

Related Criteria And Research

Related Criteria

- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables - June 01, 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions - March 25, 2015
- General Criteria: National And Regional Scale Credit Ratings - September 22, 2014
- General Criteria: Group Rating Methodology - November 19, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions - July 17, 2013
- Criteria - Financial Institutions - Banks: Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework - June 22, 2012
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions - November 09, 2011
- Criteria - Financial Institutions - Banks: Bank Capital Methodology And Assumptions - December 06, 2010
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks - March 23, 2004

Related Research

- Republic of Kazakhstan 'BBB-/A-3' Ratings Affirmed On Strong Fiscal And Debt Position; Outlook Negative, March 11, 2016
- Ratings on Development Bank of Kazakhstan Lowered To 'BBB-/A-3' Following Kazakhstan Downgrade; Outlook Negative, Feb. 24, 2016
- Credit FAQ: A Closer Look At Recent Rating Actions On Kazakhstan Government-Related Entities, July 22, 2015

Ratings List

	Rating	
	To	From
Development Bank of Kazakhstan		
Issuer Credit Rating		
Foreign and Local Currency	BBB-/Negative/A-3	BBB-/Negative/A-3
Kazakhstan National Scale	kzAA/--/--	kzAA/--/--
Senior Unsecured		
Foreign and Local Currency	BBB-	BBB-

Certain terms used in this report, particularly certain adjectives used to express

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our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

Additional Contact:

SovereignEurope; SovereignEurope@standardandpoors.com

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