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13.07.15 № 19/3090

на № _____

АО «Казакстанская фондовая биржа»

АО «Банк Развития Казахстана» (далее – Банк), в соответствии со статьей 29 Листинговых правил АО «Казакстанская фондовая биржа», сообщает о том, что рейтинговое агентство Standard&Poor’s (далее – Агентство) подтвердило Банку долгосрочные кредитные рейтинги контрагента в иностранной и национальной валютах на уровне «BBB», прогноз – «Негативный».

Одновременно долгосрочные рейтинги приоритетных необеспеченных долговых обязательств (ISIN: XS0860582435, XS0570541317, XS0248160102, XS0220743776, MYBVI1202859, KZ2C00003002) и программ эмиссии также подтверждены Агентством на уровне «BBB».

Приложение: Пресс-релиз Агентства от 10 июля 2015 года на 6 л.

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Overview

- In our view, the Development Bank Of Kazakhstan (DBK) continues to play a critical role for the government as key development institution mandated to implement the government's economic diversification and industrialization agenda.
- We also believe that DBK benefits from the 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-2' ratings on DBK.
- The outlook is negative, mirroring that on the sovereign.

Rating Action

On July 10, 2015, Standard & Poor's Ratings Services affirmed its 'BBB/A-2' long- and short-term foreign and local currency issuer credit ratings on the Development Bank of Kazakhstan. 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 institution in a financial stress scenario. DBK is the largest subsidiary of the National Management Holding Baiterek and we expect it to remain core to the overall Baiterek Group's strategy, which is broadly aimed at supporting Kazakhstan's economic development and diversification. These strengths are moderated by DBK's relatively weak stand-alone credit profile (SACP) of 'b+', primarily reflecting concentrated wholesale funding, high industry concentrations in the loan book, and volatile and low core profitability.

We rate DBK under our criteria, "Group Rating Methodology" and "Rating Government-Related Entities: Methodology And Assumptions." We equalize the ratings on DBK with those on Kazakhstan as we believe there is an almost certain likelihood that the government will provide timely and extraordinary support to the institution in a potential stress scenario. Our view of the

likelihood of extraordinary government support is based on:

- DBK's integral link with the government of Kazakhstan, which fully owns 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. DBK does not have a banking license and is not required to comply with prudential regulations applicable to commercial banks.
- DBK's critical role as the primary institution mandated to implement the government's economic diversification and industrialization agenda. DBK provides long-term credit to the non-extractive sectors of the economy, particularly the industrial and manufacturing sectors. DBK is the key financial operator of the government's five-year State Program of Industrial and Innovative Development (SPIID) 2015-2019.

In our view, DBK will remain a core institution within the Baiterek Group, accounting for about 60% of the group's consolidated assets. DBK's mandate to promote the development and diversification of the national economy by providing long-term funding to priority sectors closely aligns with the overall Baiterek Group strategy. We also consider it highly unlikely that DBK would be sold.

In July 2014, DBK's board approved the bank's strategy for 2014-2023. The strategy aims to significantly increase DBK's portfolio over the next 10 years. DBK has also been instructed to implement new financing tools, including project financing and syndicated financing. For the first time, DBK will be involved in interbank lending and encouraged to enhance cooperation with commercial banks. DBK is also tasked with providing longer and cheaper financing in local currency for the economy. The strategy also includes a focus on improving business processes and information technology management, strengthening the institution's human resources and public relations policies, and improving risk management.

In the past, the government has demonstrated its commitment to DBK by providing low interest budget loans and capital injections: these amounted to Kazakhstani tenge (KZT) 125 billion in 2014 (about 0.3% of Kazakhstan's GDP). More recently, DBK has received the second tranche of KZT70 billion from the National Fund of The Republic Of Kazakhstan. This is for financing projects in the manufacturing industry under the government's new "Nurly Zhol" Program. DBK has also received KZT50 billion, which will be channeled into the economy through commercial banks, in line with the provisions of DBK's strategy for 2014-2023.

Our 'b+' SACP for DBK reflects the anchor of 'bb-' for a financial institution operating in Kazakhstan, as well as its adequate business position, strong capital and earnings, moderate risk position, below average funding, and strong 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 National Management Holding Baiterek's largest subsidiary and accounted for 60% of Baiterek Group's consolidated assets at year-end 2014. That said, DBK had assets of KZT1.4 trillion (\$7.6 billion) as of March 31, 2015, making it somewhat smaller than the largest two commercial banks--Kazkommertsbank JSC (KKB) and Halyk Savings Bank of Kazakhstan (Halyk), both of which have assets of more than KZT2.6 trillion. In 2014, the majority of the bank's management board was replaced, so the track record of the new board is nascent.

Our assessment of DBK's capital and earnings as strong reflects our expectation of continued regular and sizable capital injections from the government to support the bank's growth. We forecast that our risk-adjusted capital (RAC) ratio could weaken, but stay above 10% in the next 12-18 months due to expected moderating loan growth. It was 14.8% at year-end 2014. The amount and timing of the shareholder capital injections and credit growth greatly influence our RAC ratio. If the bank's future growth rates and its capital policy and philosophy started to improve or worsen materially from our current expectations, we would likely reconsider our RAC projection and capital assessment.

As a state development bank, DBK's business strategy is policy focused rather than profit-driven. Nevertheless, the bank seeks to ensure a return sufficient to cover its operating and borrowing costs. DBK's income has been volatile and core profitability low over the past five years, and we expect it to remain so.

Our moderate assessment of DBK's risk position mainly reflects a weaker loss experience than Kazakh commercial banks that have not been restructured, a very high share of loans in foreign currencies, and high industry concentrations. Because it transferred most of its nonperforming loans (NPLs) to Investment Fund of Kazakhstan, another subsidiary of National Management Holding Baiterek, in late 2013 and in 2014, NPLs reduced to 4.7% at year-end 2014 (including NPLs on leases) from 41% at year-end 2012. Restructured loans were an additional 2.2% on March 31, 2015. NPLs were covered by provisions by 107% at year-end 2014.

In our opinion, DBK's funding is below average, reflecting high refinancing risk due to its concentrated wholesale funding profile. Of loans from financial institutions, about 95% was accounted for by Export-Import Bank of China and China Development Bank. Debt securities are dominated by Eurobonds. We assess liquidity as strong, reflecting significant holdings of liquid assets and moderate wholesale debt repayments of KZT82 billion in 2015, including Eurobonds of \$277 million (KZT51 billion) maturing in December 2015. We expect them to be replaced by loans from China Development Bank. We anticipate that the bank's liquidity would gradually decline to adequate levels in line with its strategy to increase percentage of loans on its balance sheet.

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.

We consider that the likelihood that we could lower the rating independently from the sovereign rating is low. This could, however, be the case if we no longer assessed extraordinary government support as almost certain--for example, if we consider that policy changes had weakened the bank's role, or if we saw signs of weakening government support.

Related Criteria And Research

Related Criteria

- Rating Government-Related Entities: Methodology and Assumptions, March 25, 2015
- National And Regional Scale Credit Ratings, Sept. 22, 2014
- Group Rating Methodology, Nov. 19, 2013
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010

Ratings List

Ratings Affirmed

Development Bank of Kazakhstan

Issuer Credit Rating	BBB/Negative/A-2
Kazakhstan National Scale	kzAA+/--/--
Senior Unsecured	BBB

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