



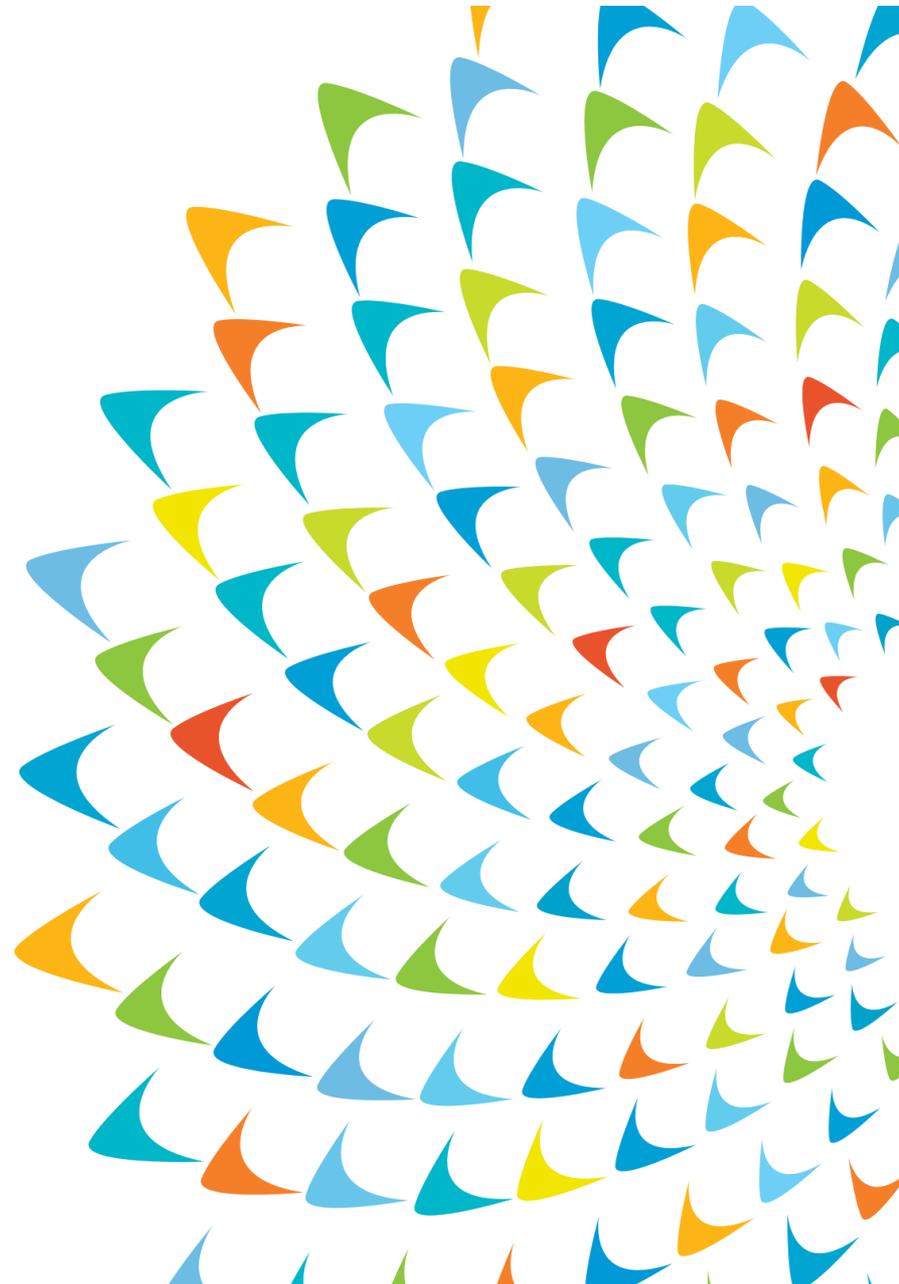
FINANCING ADB PROJECTS IN KAZAKHSTAN

Local Currency Bonds Issues

Giovanni Capannelli

**Country Director
Kazakhstan Resident Mission
Asian Development Bank**

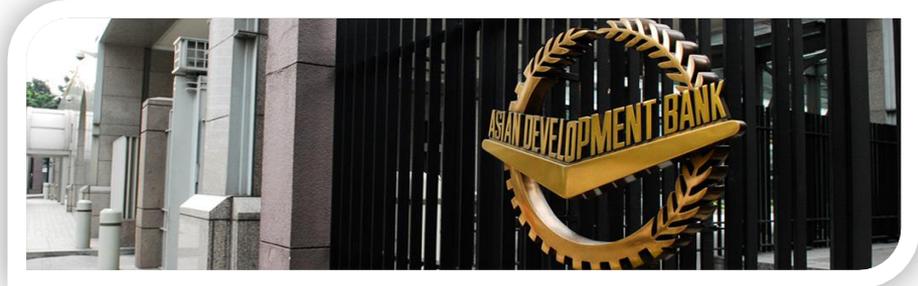
Almaty, 14 March 2019





STRONG SHAREHOLDER SUPPORT

Credit rating AAA/Aaa/AAA
by Standard&Poor's,
Moody's, and Fitch



Non-Borrowing Shareholders		Shareholdings ¹
	Ratings ²	2017
Japan	A1/A+	15.6%
United States	Aaa/AA+	15.6%
Australia	Aaa/AAA	5.8%
Canada	Aaa/AAA	5.2%
Republic of Korea	Aa2/AA	5.0%
Germany	Aaa/AAA	4.3%
France	Aa2/AA	2.3%
United Kingdom	Aa2/AA	2.0%
Italy	Baa3/BBB	1.8%
New Zealand	Aaa/AA	1.5%
Others		7.4%
27 Countries		66.8%

Borrowing Shareholders		Shareholdings ¹
	Ratings ²	2017
People's Republic of China	A1/A+	6.4%
India	Baa2/BBB-	6.3%
Indonesia	Baa2/BBB-	5.4%
Malaysia	A3/A-	2.7%
Philippines	Baa2/BBB	2.4%
Pakistan	B3/B	2.2%
Thailand	Baa1/BBB+	1.4%
Bangladesh	Ba3/BB-	1.0%
Others		5.4%
40 Countries		33.2%

Totals may not add up because of rounding.

1/ Percent of Total Subscribed Capital as of 31 December.

2/ Moody's and Standard & Poor's ratings are as of 24 January 2019. (Source: Bloomberg)

Borrowing shareholders, Others, includes Kazakhstan, BBB-/Baa3/BBB – 0.8%

67 members:
48 in the region





CAPITAL STRUCTURE AND BALANCE SHEET OVERVIEW

ADB Capital Structure as of 30 September 2018

	\$billion
Subscribed capital	148.1
Callable capital	140.7
Paid-In capital	7.4
Ordinary Reserves	43.4

- ADB has raised its capital base five times since 1966
- Callable capital is available for the protection of ADB's bondholders
- ADB has never made a call on its callable capital

Assets



Liabilities and Equity

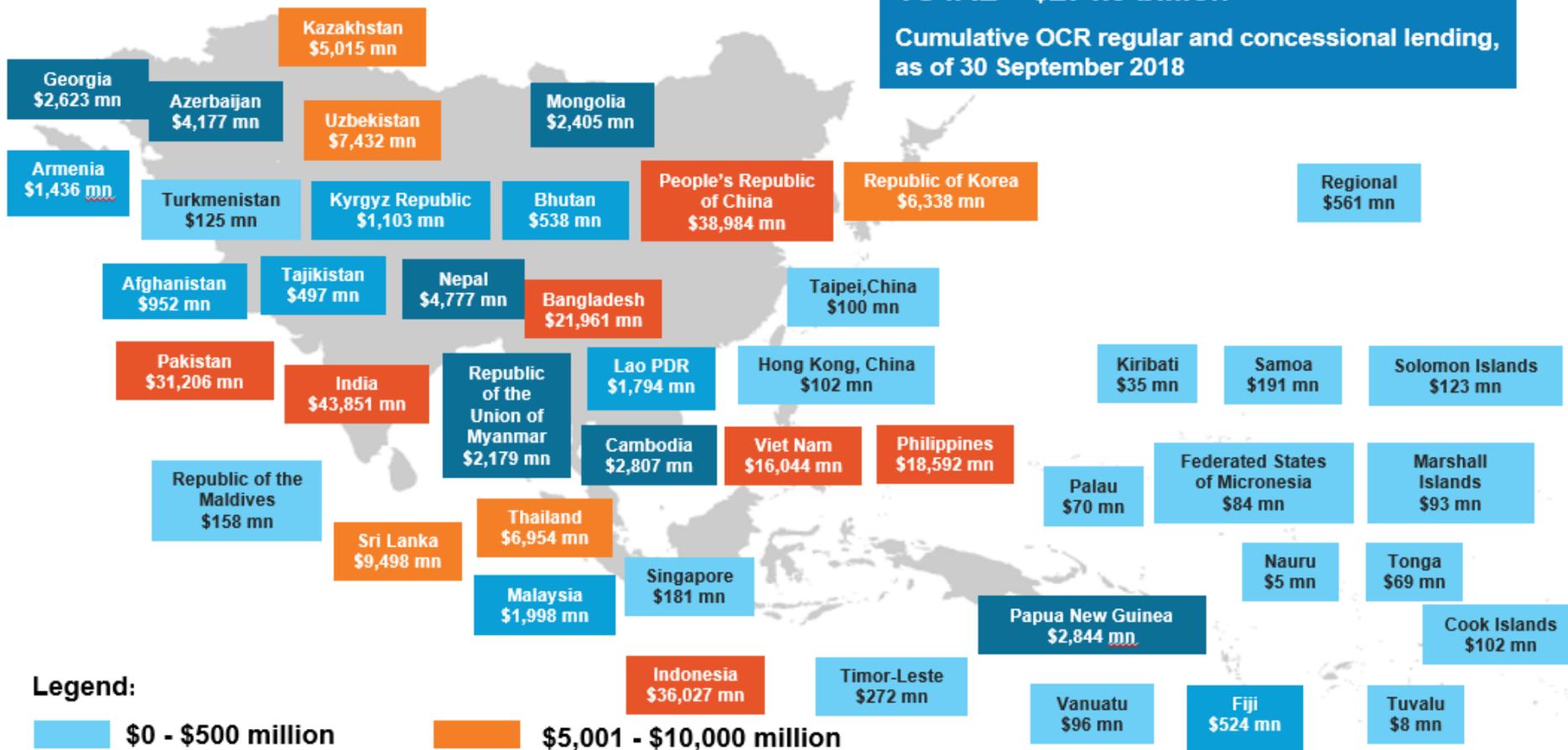




APPROVED LOANS BY BORROWER

TOTAL – \$274.9 billion

Cumulative OCR regular and concessional lending,
as of 30 September 2018



Legend:

- \$0 - \$500 million
- \$501 - \$2,000 million
- \$2,001 - \$5,000 million
- \$5,001 - \$10,000 million
- \$10,001 - \$15,000 million
- \$15,001 million - and above

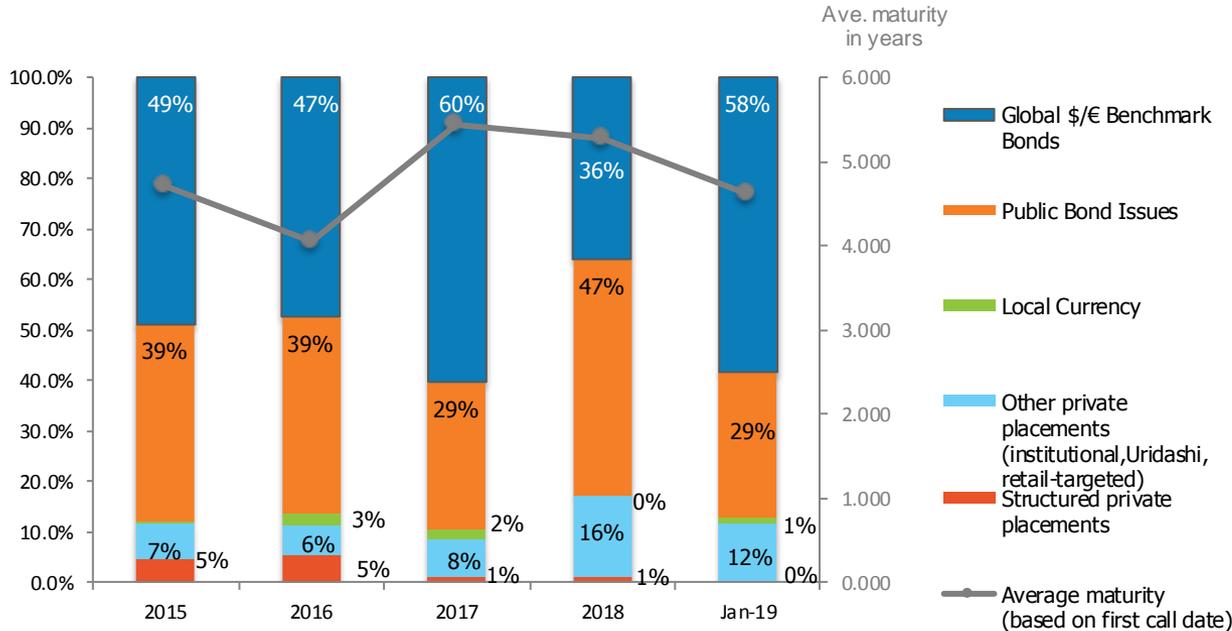




ADB

IN THE CAPITAL MARKETS

Borrowings by Type: 2015 – YTD 2019. Outstanding: \$90.1 billion as of 30 Sep 18



YTD 2019 Currency Mix

- Benchmark Bonds (USD)
- Public Bond Issues (AUD, GBP)
- **Local Currency (KZT, PHP)**
- Other private placements (institutional, uridashi) (CNH, JPY, NOK, SEK, USD, ZAR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD 2019
No. of Currencies	13	7	7	9	9	8	10	11	11	14	15	17	9
No. of Transactions	94	113	44	92	68	77	58	50	56	74	91	130	16

Note: Excluding Euro-Commercial Paper issues (ECPs). YTD 2019 figures include trades up to 24 January 2019.
Totals may not add up because of rounding.





SELECTED BOND ISSUES IN ASIA AND THE PACIFIC

2019	Philippines (Offshore) Kazakhstan (Onshore)	PHP 5.2204bn (4.1 years) KZT 15.234bn (5 years) KZT 15.234bn (7 years)	2013	Singapore	SGD 500mn bond (5 years)
2018	Armenia (Onshore)	AMD 2.66bn (4.6 years)	2010	Hong Kong, China	CNY1.2bn bond (10 years)
2017	Indonesia (Offshore) India (Offshore)	IDR 1tn bond (11 years) INR 11bn bond (10 years) INR 1.9bn bond (5 years) INR 5bn green bond (3.5 years) INR14bn bond (5.5 years)	2009	People's Republic of China	CNY 1bn bond (10 years)
2016	Georgia India (Offshore)	GEL 64mn bond (3 years) INR 3bn bond (3.8 years) INR 17bn bond (5 years) INR 9bn bond (10 years)	2007	Kazakhstan	KZT 6bn bond (5 years)
2015	Georgia	GEL 100mn bond (3 years)	2005	People's Republic of China Philippines Thailand	CNY 1bn bond (10 years) PHP 2.5bn bond (5 years) THB 4bn bond (5 years)
2014	India Hong Kong, China	INR 3bn bond (2 years) CNY 1.0bn bond (5 years)	2004	India Malaysia Singapore	INR 5bn bond (10 years) MYR 400mn bond (5 years) SGD 200mn bond (5 years)
			1995	Taipei, China Republic of Korea	NTD 2.6bn bond KRW 80bn bond
			1970	Japan	JPY 6bn bond

**Bond issues used for direct lending to projects*



KAZAKHSTAN AND ADB



- Member since 19 January, 1994
- Shareholding (as of 31 Dec 2018): 0.8%
- Cumulative volume of projects: \$5.015bn (H2 2018)
- Transport (41%) Public Sector Management (31%); Finance (20%); Other (8%)
- Financial assistance: sovereign and nonsovereign loans, guarantees, equity, trade finance, grants and B-loans
- Lending currencies: hard currencies (dollar, euro, yen and other currencies in which ADB can intermediate) and tenge
- ADB provides loans in local currency to both private sector and sovereign sector projects (in Kazakhstan).



ADB PROJECTS IN KAZAKHSTAN: FINANCING MODALITIES

- **SOVEREIGN**
 - Borrower: Ministry of Finance (MOF), or national public entity receiving a MOF sovereign guarantee
 - Interest rate: 6-month LIBOR plus 50 bps
- **PUBLIC NONSOVEREIGN**
 - Borrower: National Company receiving a corporate guarantee from a National Holding Company
 - Interest rate: Sovereign+ (depending on credit risk assessment)
- **PRIVATE SECTOR**
 - Borrower: Private entity on which ADB conducts thorough due diligence (financial, governance, etc.)
 - Interest rate: commercial basis

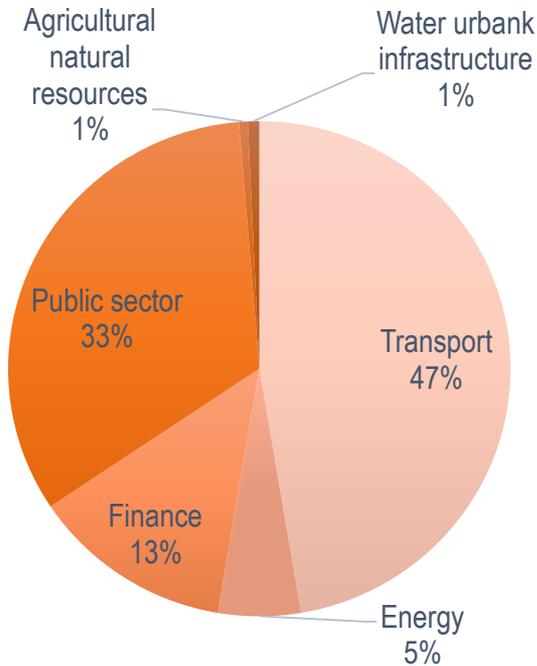


OUTSTANDING LOANS

KAZAKHSTAN

Outstanding Loan Portfolio Sovereign and Nonsovereign By Sector

As of 30 September 2018
(\$ million)



Loans Outstanding	2,459.2
Undisbursed Effective Loans	510.6
Loans Approved Not Yet Signed	52.0
Total Loans	3,021.8
No. of Outstanding Loans	20

In the press:

12 November 2018 — ADB signed loan agreements for equivalent of \$120 million in tenge with Samruk-Energy, to help increase its balance sheet flexibility by reducing foreign exchange risk, enhance its operational efficiency, and identify a renewable energy pipeline.

18 May 2018 - ADB extends \$12 million in tenge to a 50-MWp solar project, to be located near the space center in Baikonur.

Ongoing project studies for loans requiring KZT funding, including projects in energy, water, transport and urban sectors.



FINANCING INSTRUMENTS

ADB KZT BOND ISSUANCE

Possible bond terms

- 1 – 10-year maturities
- Size based on investor demand and loan requirements
- Placement: syndicated or subscription on KASE
- Fixed or floating rate (short-term interbank reference rate, inflation, or government securities rate)

Listing

- Luxemburg Stock Exchange, KASE

Repo eligibility

- ADB KZT-denominated bonds listed on KASE are eligible for repurchase transactions with NBK

Clearing

- International clearing systems (Clearstream, Euroclear) or KACD

Documentation

- GMTN Programme



TENGE FUNDING: ADB EXPERIENCE

Since 2007, projects financed by ADB in tenge exceeded KZT 90 billion (\$368 mln equivalent at the time of disbursements);

ADB funded the projects through:

- **Bond issuances:**

KZT 6 billion (\$49 million equivalent) 6.8% 5-year Amortizing Offshore, launched in 2007. The notes were issued under GMTN Program, listed on the Luxemburg Stock Exchange, and settled in Euroclear/Clearstream. The bond's cash flows in USD, was converted to KZT at the spot exchange rate for on-lending to projects;

KZT 30.5 billion (\$80 million equivalent) CPI-linked 5- and 7-year callable bonds, launched in 2019;

- **Bilateral cross currency agreements;**

Proceeds were used to fund ADB's private sector and sovereign-guaranteed loans in tenge, for on-lending to micro-, small- and medium-sized enterprises.



Why lend in Local Currency?

Better creditworthiness of the projects, which do not have foreign currency revenue

redirect liquidity to real economy

Extend tenor of funding otherwise available from private sector lenders

Reduce currency mismatch for borrowers



CASE STUDY: ADB ONSHORE BONDS IN KAZAKHSTAN TENGE

- ADB's first domestic bonds in Kazakhstan were mandated and priced in January 2019;
- The dual tranche issue raised KZT 30.5bn (\$80m) in equal five and seven year tenors;
- The bonds are callable on quarterly interest payment dates from the third and fifth anniversaries respectively;
- Structured as floating rate notes indexed to the Kazakhstan CPI;
- Documented under ADB's GMTN program and English law;
- Arranged by Tengri Capital;
- Immediately disbursed to fund ADB loan in Kazakhstan.

25 Bond Description		26 Issuer Description	
Pages			
11) Bond Info			
12) Addtl Info			
13) Reg/Tax			
14) Covenants			
15) Guarantors			
16) Bond Ratings			
17) Identifiers			
18) Exchanges			
19) Inv Parties			
20) Fees, Restrict			
21) Schedules			
22) Coupons			
Quick Links			
32) ALLQ Pricing			
33) QRD Qt Recap			
34) TDH Trade Hist			
35) CACS Corp Action			
36) CF Prospectus			
37) CN Sec News			
38) HDS Holders			
40) Send Bond			
Issuer Information			
Issuer ASIAN DEVELOPMENT BANK			
Industry Supranationals			
Security Information			
Mkt Iss Euro MTN			
Country	SNAT	Currency	KZT
Rank	Sr Unsecured	Series	GMTN
Coupon		Type	Variable
Cpn Freq	Quarterly		
Day Cnt	ACT/360	Iss Price	100.00000
Maturity	01/30/2024		
CALL 01/30/22@100.00			
Iss Sprd			
Calc Type (1455)CURRENT COUPON FRN			
Pricing Date		01/25/2019	
Interest Accrual Date		01/28/2019	
1st Settle Date		01/28/2019	
1st Coupon Date		04/30/2019	
KZT INFLATION LINKED. CPN = (AVG OF KACPI INDEX OF 1,2 & 3 MONTH LAG + 1%); CPN IS SET 10TH BUS DAY PRIOR TO CPN PAYMENT DT			
Identifiers			
ID Number	AW9838961		
ISIN	XS1937714597		
FIGI	BBG00N711XT4		
Bond Ratings			
Moody's	Aaa		
S&P	NA		
Composite	NR		
Issuance & Trading			
Amt Issued/Outstanding			
KZT	15,234,400.00 (M) /		
KZT	15,234,400.00 (M)		
Min Piece/Increment			
1,000.00 / 1,000.00			
Par Amount	1,000.00		
Book Runner	TENGRI		
Exchange	KAZAKHSTAN		

The notes were auctioned and listed on the Kazakhstan Stock Exchange and settled through the Kazakhstan Securities Depository. The borrower faces no redenomination or refinancing risk since the financing was secured back-to-back on a door-to-door basis.

