



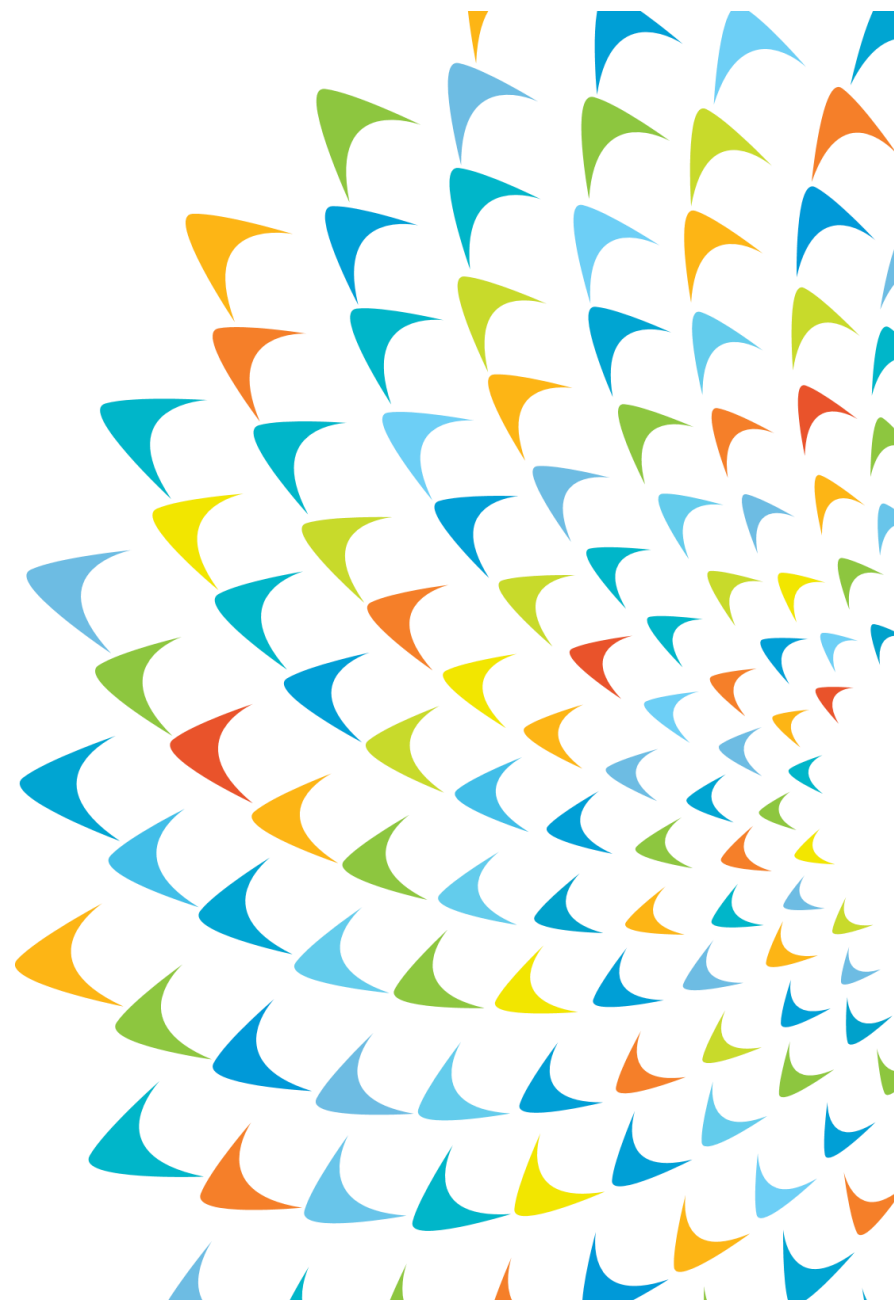
FINANCING ADB PROJECTS IN KAZAKHSTAN

Local Currency Bonds Issues

Giovanni Capannelli

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

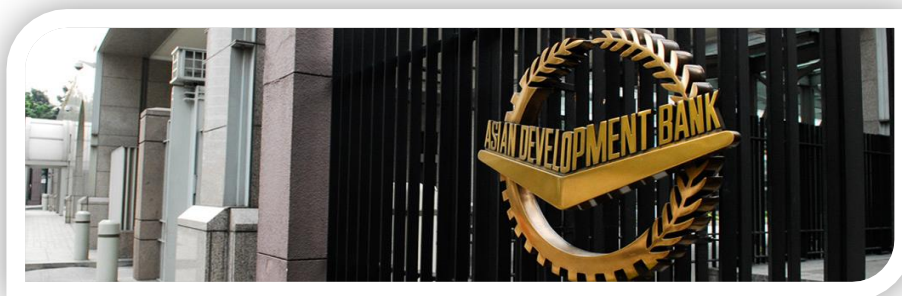
Almaty, 14 March 2019





STRONG SHAREHOLDER SUPPORT

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



		Shareholdings ¹
Non-Borrowing Shareholders	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%

		Shareholdings ¹
Borrowing Shareholders	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

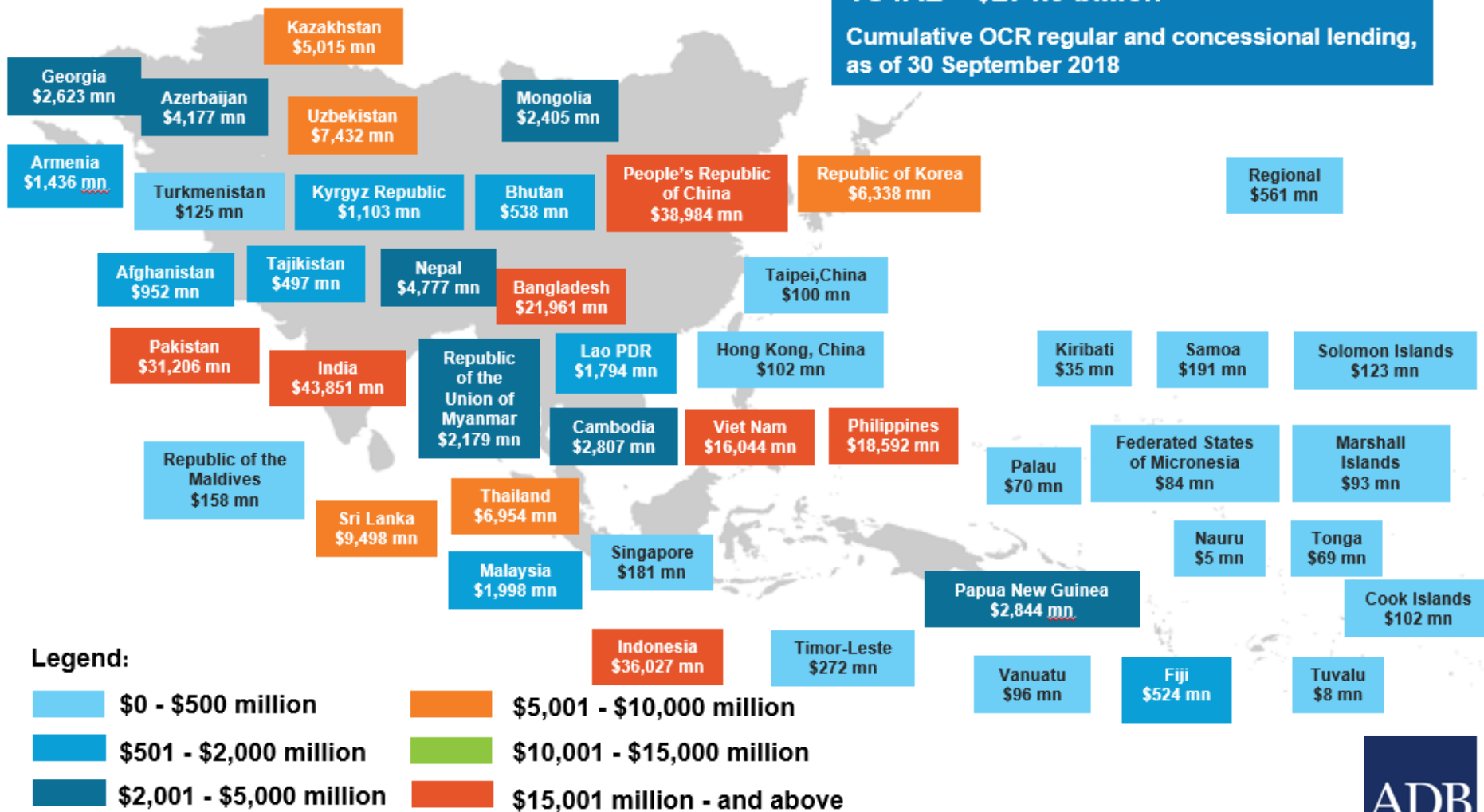




APPROVED LOANS BY BORROWER

TOTAL – \$274.9 billion

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

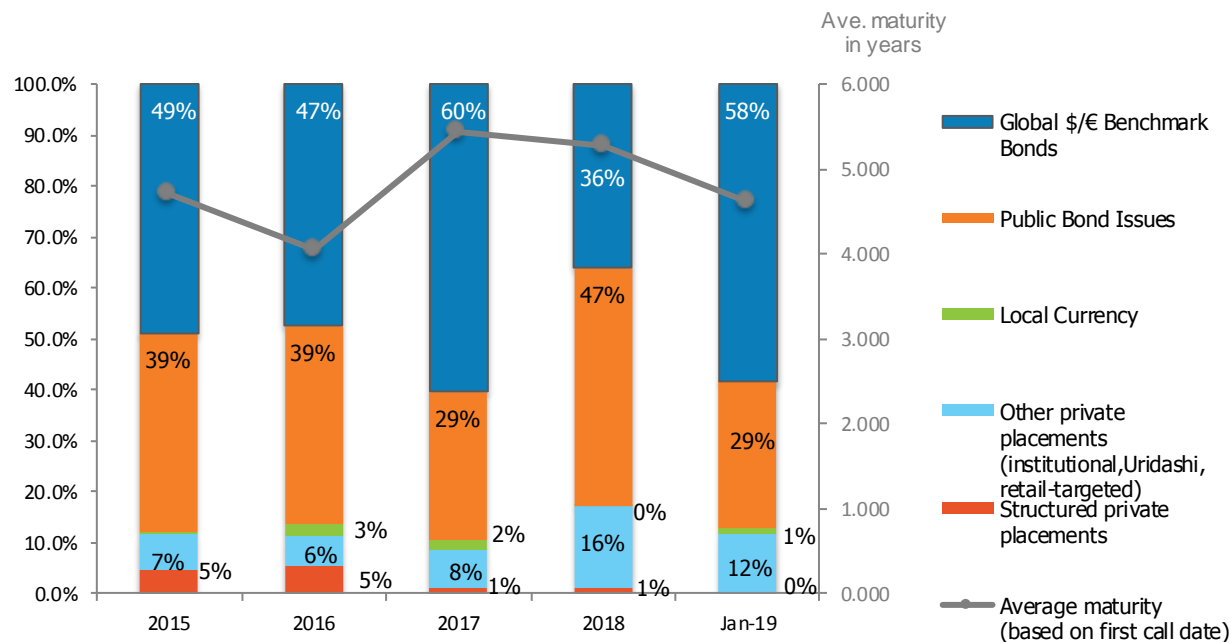




ADB

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

**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

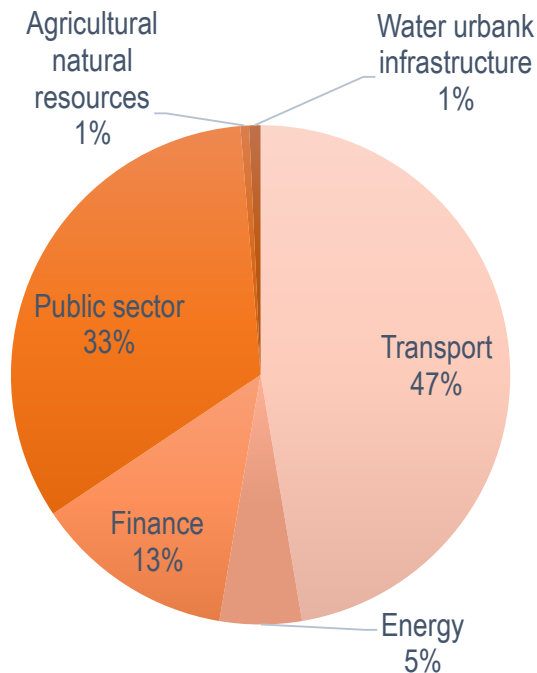


OUTSTANDING LOANS

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

- Luxembourg 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.

GRAB

ASIA Float 01/30/24 Corp

Settings

Page 1/12

Security Description: Structured Note

90 Notes

95 Buy

90 Sell

25 Bond Description

20 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

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

Australia 61 2 9777 8600

Brazil 55 11 2395 9000

Europe 44 20 7530 7500

Germany 49 69 9204 1210

Hong Kong 852 2977 6000

Japan 81 3 3201 8900

Singapore 65 6212 1000

U.S. 1 212 318 2000

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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.

