

KAZAHSTAN COUNTRY SEMINAR

INVESTMENT OPPORTUNITIES IN KAZAKHSTAN

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European Bank
for Reconstruction and Development

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EBRD largest investor in the region

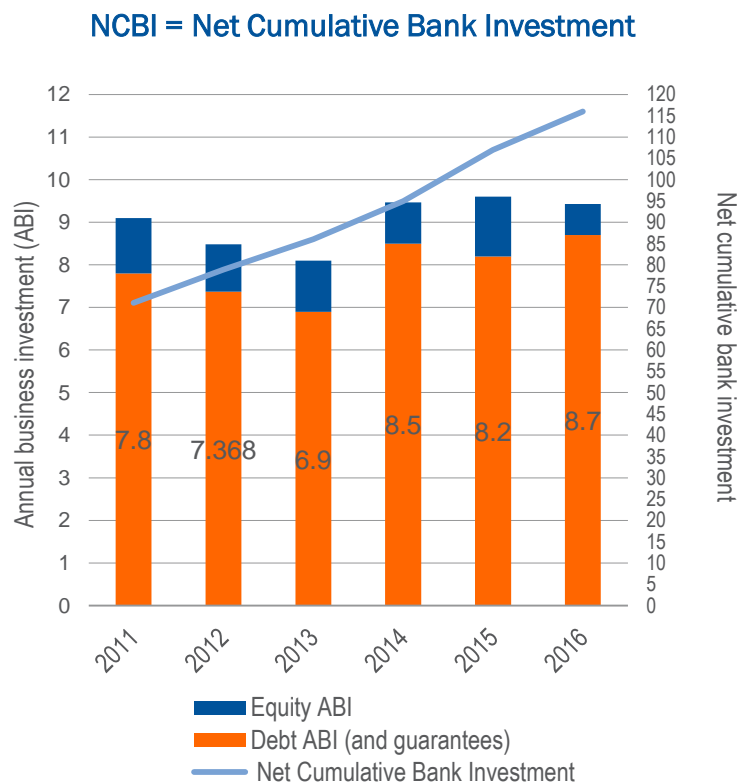


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Since 1991, EBRD invested over **€116 billion** in around **4,723** projects across private and public sectors in its countries of operations

In 2016: **€9.4 billion / 378 projects**

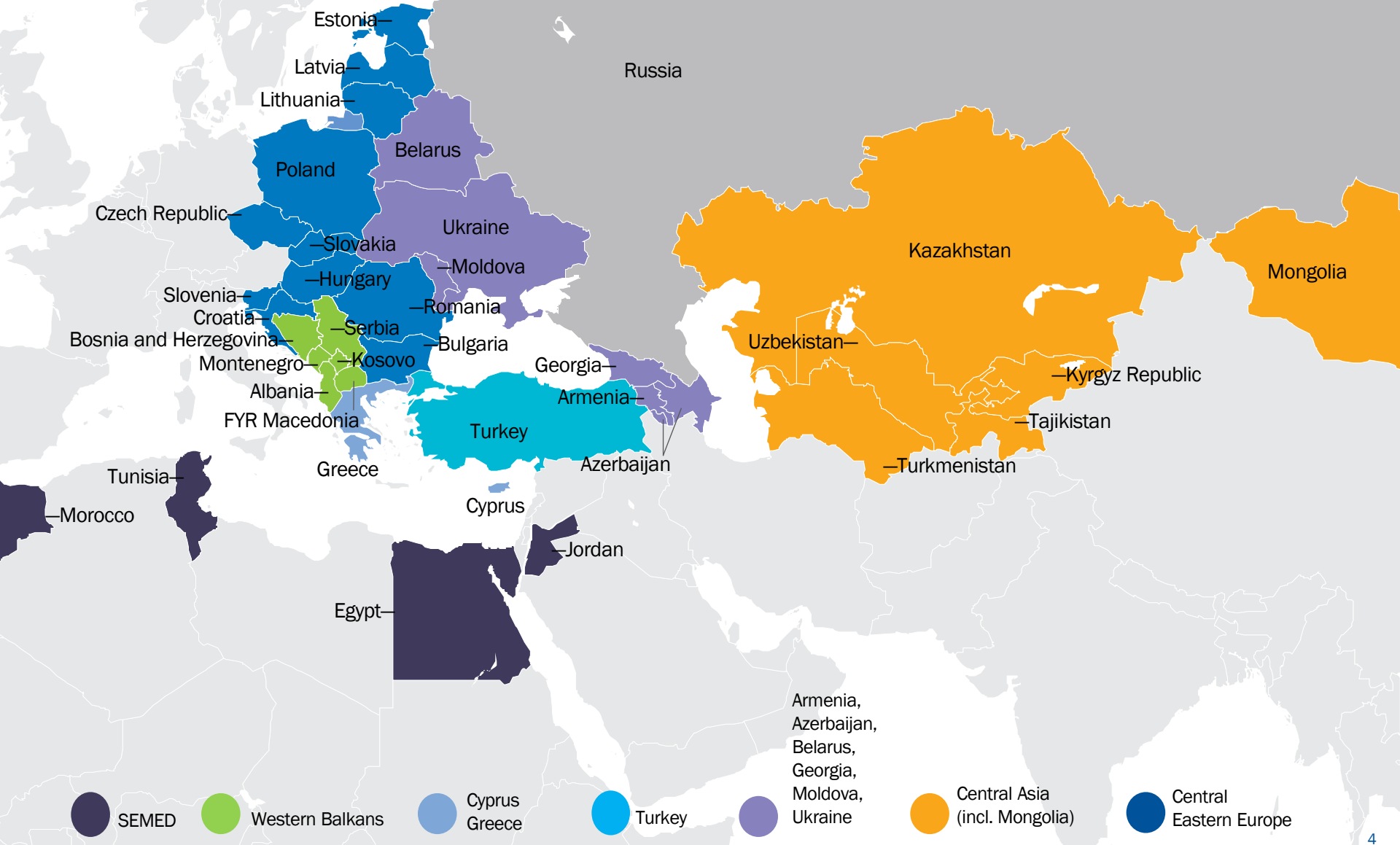
- Private sector accounted for 76% share
- Debt 87%, Equity 9% & Guarantee 4%



EBRD TOP 10 INVESTEE COUNTRIES IN 2016 (€, million)		
1	Turkey	1,925.2
2	Kazakhstan	1,051.1
3	Poland	776.2
4	Egypt	744.2
5	Bulgaria	620.9
6	Ukraine	581.2
7	Greece	484.9
8	Jordan	403.4
9	Croatia	311.2
10	Serbia	304.3

Note: unaudited as at 31 December 2016

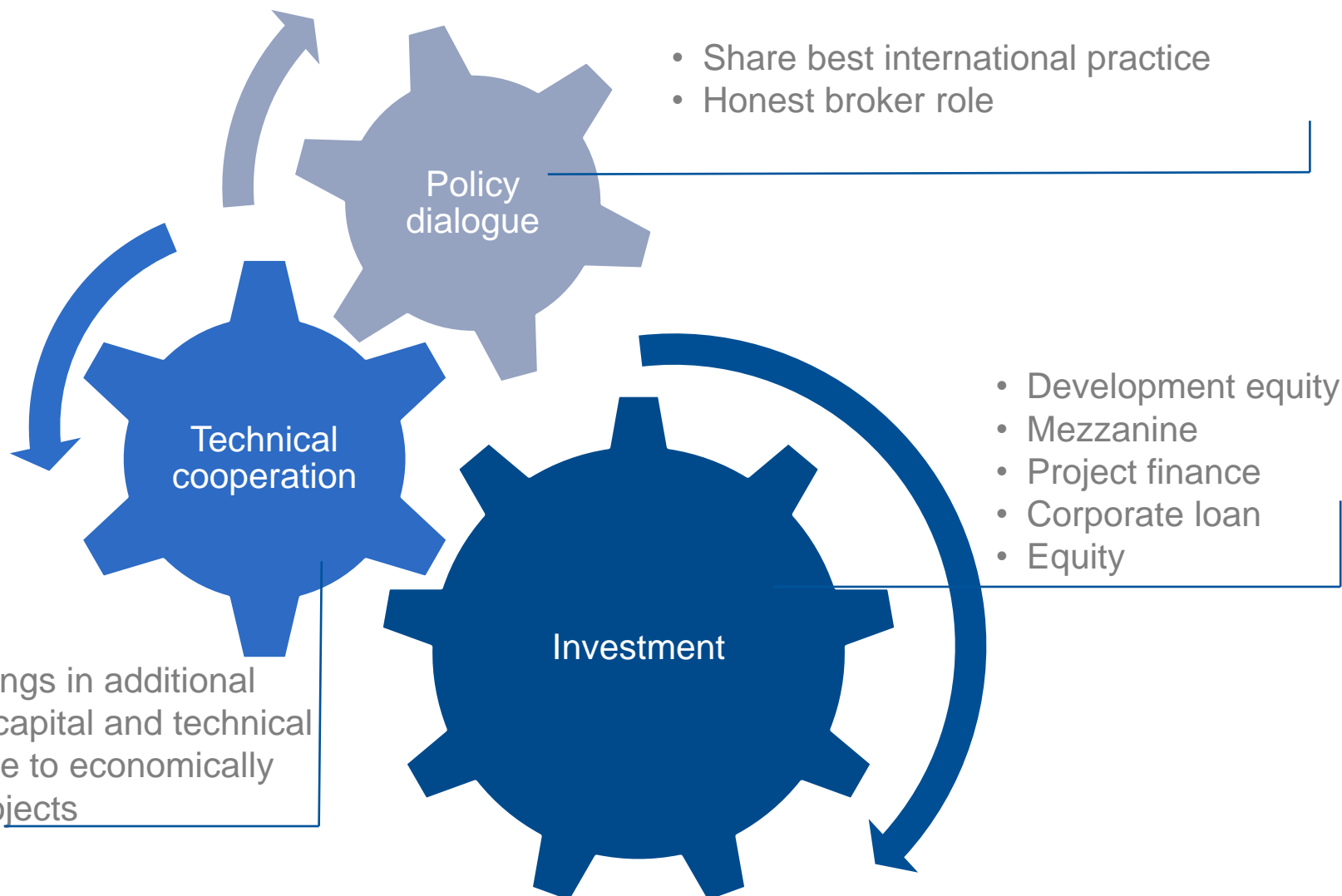
Where we invest – increasing footprint



EBRD's operational approach



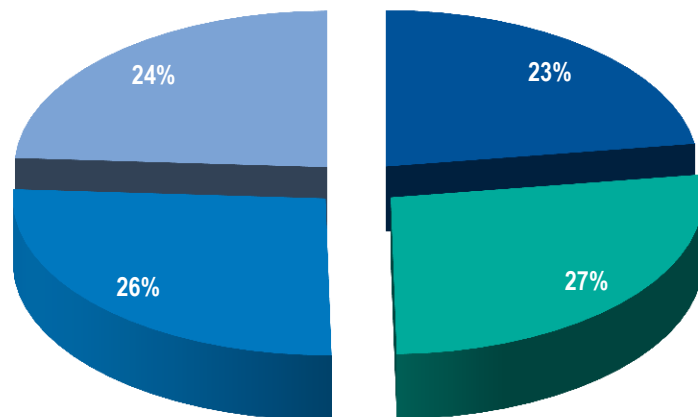
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Portfolio distribution by sector and region

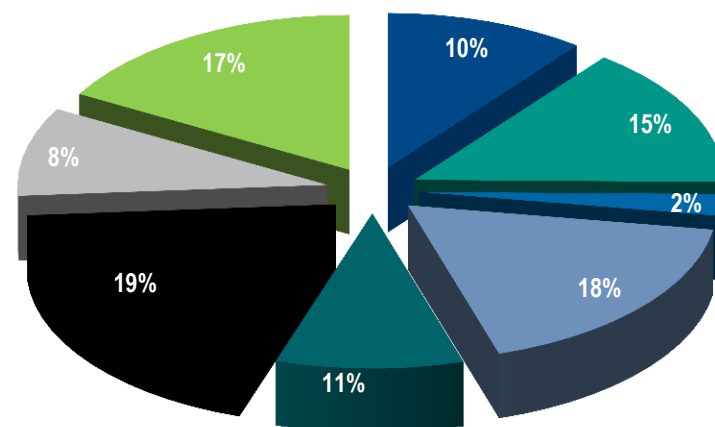
EBRD Portfolio (at 31 December 2016): € 41,750 million

Sector



- Financial Institutions 23% (Depository credit (banks), Leasing finance, non-depository credit (non-bank), Insurance, Pension, Mutual Funds)
- Corporate 27% (Manufacturing/Services, Agribusiness, Equity funds, Property & Tourism, Information & Communication technology)
- Infrastructure 26% (Municipal & Environmental infrastructure, Transport)
- Energy 24% (Power & Energy, natural resources)

Region



- Central Asia 10%
- Central Europe & Baltics 15%
- Cyprus & Greece 2%
- Eastern Europe & Caucasus 18%
- Russia 10%
- South-Eastern Europe 19%
- Southern Eastern Mediterranean 9%
- Turkey 17%

Note: unaudited as at 31 December 2016



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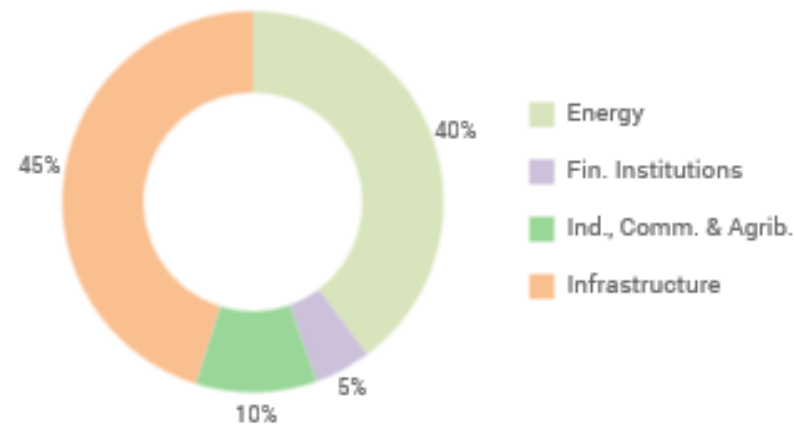
EBRD in Kazakhstan



EBRD IN KAZAKHSTAN: MORE THAN 20 YEARS OF EXPERIENCE

- The largest foreign investor outside oil and gas sector.
- In 2016 the Bank invested over EUR 1 billion in 33 projects.
- Since establishing its office in Kazakhstan in 1993, the Bank invested more than EUR 7 billion in more than 200 projects.

Portfolio composition



Kazakhstan is weathering crisis well, monetary conditions have improved

- supported by reforms and financing from State, in particular

However, material downside risks to growth remain

- global and regional security incidents observed recently
- build up of challenges in other Central Asian countries over 2014-16
- improvements in external environment since beginning of this year

Growth in Kazakhstan in 2016 is projected at 0.7 per cent

- a slight reduction from the EBRD May 2016 projection of 1.1 per cent
- forecast for 2017 stands at 2.4 per cent

(Average annual) inflation in 2016 projected at 14.8 per cent

- going down to 7.5 per cent in 2017, within the NBK target range of 6-8 per cent

KAZAKHSTAN: WHAT IS NEXT?



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Economy has bottomed-out

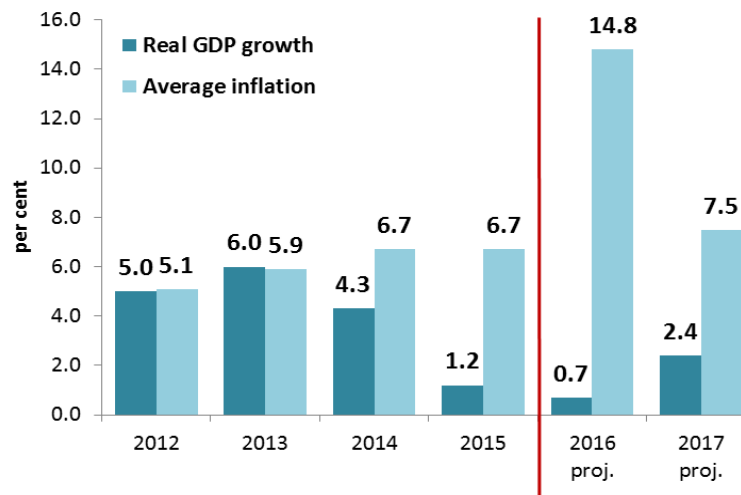
- > growth is projected to improve
- > inflation to stabilise

But growth remains subdued, when considering convergence to G7/G20

What can Kazakhstan do?

Reforms

- improved effectiveness of the role of state in economy
- enhanced investment attractiveness
- improved connectivity
- greening of the country
- etc.



Source: EBRD, National Bank, statistics

Drivers of growth

- improved external environment?
- improved connectivity arising from Belt & Road implementation?
- innovation?

10 REASON TO INVEST IN KAZAKHSTAN



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1. Attractive investment climate
2. Reform minded government
3. Centrally located between Europe and Asia
4. Infrastructure/logistics needs
5. Oil, gas and mineral rich country
6. Agribusiness potential: top 10 global wheat producer
7. Low taxes and strong investment incentives
8. Educated workforce: 99% literacy rate
9. Access to regional and global markets through Eurasian Economic Union/ WTO membership
10. Government's commitment to energy efficiency/green economy

INVESTMENT OPPORTUNITIES IN INFRASTRUCTURE



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- Infrastructure investment needs in Central Asia exceed \$21 billion, according to ADB estimates. Kazakhstan is among the key players to close that infrastructure gap.
- According to the United Nations Conference on Trade and Development, trade volume among major markets of the Eurasian continent will reach \$1.2 trillion by 2020, up from \$800 billion in 2014.
- The Government is determined to capitalize on Kazakhstan's geographic location, lying on the crossroads between China and EU and over the last few years has been massively investing in transport infrastructure to boost transit.
- Roads, railways, regional airports and port infrastructure continue to represent significant investment opportunities.

INVESTMENT OPPORTUNITIES IN AGRIBUSINESS



- Large and growing food and agriculture industry : 10th largest wheat producer with c. 80% being high quality; #1 flour exporter in the world
- FDI-driven import of expertise, particularly in the processing industries
- Strong Government support towards the sector, in particular via Agribusiness 2020 Program by provision of investment ad industrial subsidies, tax exemptions, etc.
- The sector benefits from natural compliance with global environmental and food safety requirements – Kazakhstan has one of the lowest levels of chemicals application in crop production
- An ever increasing demand for food in major markets which are geographically close to Kazakhstan (China, Central Asia, Russia)

INVESTMENT OPPORTUNITIES IN ENERGY, RENEWABLES AND NATURAL RESOURCES



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- Abundant renewable energy resources – hydro, wind, solar and others
- A strategic initiative called “Green Economy” to support development of “green” projects, including renewable energy projects
- Encouraging policies backed by feed-in tariffs are expected to ensure an increased share in the forms in coming years
- Government strategy to extend energy production from renewables (3% in 2020, 10% in 2030, 50% in 2050)
- Key theme of the upcoming EXPO-2017 is Energy of the Future
- Natural resources : top 10 world producer of uranium, chrome, zinc, coal and lead

ADVISE FOR SMALL BUSINESSES



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- SME Finance & Development Group supports both through financing and through providing the access to know-how
- We support projects on strategy, marketing, organization and operations management, ICT, engineering solutions, quality management, energy efficiency and environment

Advice for Small Businesses Programmes:

- Business Advisory Services Programme
- Women in Business Programme. Financing and advice for women entrepreneurs
- Small and Medium Business Support Programme, EBRD together with Tengizchevroil (TCO) LLP. Development of local content
- Women and Youth-Focused Micro and Small Enterprise Development Programme in the Burlinskiy District of Western Kazakhstan, EBRD together with Shell Kazakhstan.

Achievements :

70% of projects
implemented in the
regions



84% of enterprises
increased turnover



68% of enterprises
increased productivity



6% of enterprises
received external
financing



71% of enterprises
increased the number
of employees

- EBRD is interested in providing long terms financing solutions both to private and state sector clients, across sectors of economy, including:
 - (1) infrastructure (transport and municipal),
 - (2) green energy, power and natural resources,
 - (3) financial institutions,
 - (4) agribusiness and
 - (5) support SMEs via Advice for Small Businesses programme.

Contacts



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EBRD products and project cycle



EBRD Product Range

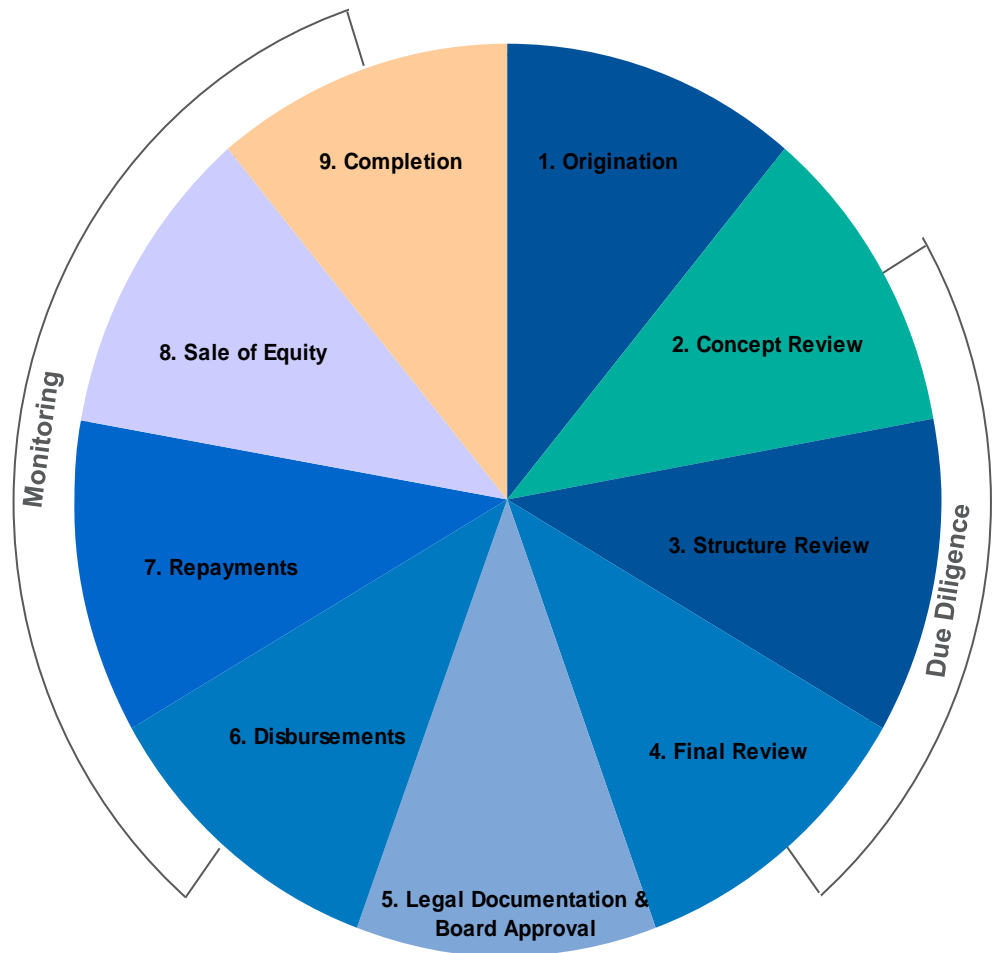
	Debt	Equity	Guarantees
Typical size	€10mIn + (less in less advanced countries)	€5-7mIn + (less in less advanced countries)	Typically €50 ths – €50mIn
Term	5-7 years (up to 10-15 years in case of infrastructure investments)	Typically from 3-7 years	1.5-2 (up to 3) years
Currency	Major foreign currencies as well as local currency		
Approach	Finance up to 35% of the project (60% with syndication)	Minority stake	Mainly through Trade Facilitation Programme
Structures	<ul style="list-style-type: none"> • Senior, subordinated or convertible, • Project finance • Floating or fixed rates 	<ul style="list-style-type: none"> • Portage equity finance • Risk equity 	<ul style="list-style-type: none"> • Import/export operations • Pure guarantees, cash advance trade finance
Applications	<ul style="list-style-type: none"> • Greenfield/Brownfield, JVs, • Capex for expansion/modernization, including resource efficiency improvements • Ownership change: acquisition, consolidation, privatisation • PPPs, etc. 		<ul style="list-style-type: none"> • Issues to international banks • Takes the risk of transactions of the banks in the EBRD's countries of operations

Exact terms depend on specific needs and market conditions

EBRD Project Cycle

Stages of Project Cycle

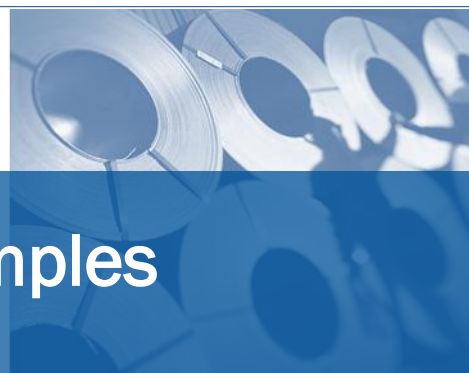
- Provided all necessary information is available, a project from Origination to Board Approval typically takes **3 to 6 months**, depending on the complexity, length of negotiations and other factors
- The total project cycle from origination to final repayment can range from **1 year**, for working capital or trade financing projects, to **10 years** for long term investments
- EBRD financing in individual projects has ranged from less than **€1 million** to more than **€150 million**





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Annex: EBRD Projects - Examples



EBRD Transactions: Case Studies

ICA, Kazakhstan – Gas storage and distribution facility expansion



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Signed in
2016



EBRD Finance

KZT 94 billion (EUR 245 million) multi-currency loan to Intergas Central Asia JSC (ICA), Kazakhstan's national gas transmission operator.

Project

KZT 112.5 billion (EUR 293 million) balance sheet restructuring and capex program that includes the modernization of the Bozoi underground gas storage facility. The project will help replace coal-based power generation and increase the security of gas supply while optimising ICA's balance sheet by replacing hard-currency loans.

Environmental Impact

The project will contribute to Kazakhstan's Green Economy strategy and efforts to fulfil its COP21 commitments through the direct reduction of CO2 emissions by 80,000 tonnes/year and a wider indirect effect via switch from coal to gas.

Transition Impact

(1) Demonstration of successful financial restructuring. (2) Improved standards of corporate governance leading to a secure gas network in the region and supply of natural gas.

[Link to Project Summary Document](#)



Client:

Shinhan Bank Kazakhstan (SBK), a 100% subsidiary of Shinhan Bank Korea, one of the largest financial institutions in South Korea.

EBRD finance and use of proceeds

Two medium-term senior loans in the amount of:

- USD 15 million in KZT equivalent for on-lending to eligible private micro, small and medium sized enterprises (MSMEs) in Kazakhstan (MSME loan); and
- USD 5 million in KZT equivalent for on-lending to eligible women-led MSMEs in Kazakhstan (WiB loan).

EBRD value added / impact

The proposed projects will improve an access to much needed long-term local currency funding for MSMEs in the country. The projects will also effectively support SBK entering new to it market segment of MSME lending in Kazakhstan, and facilitate diversification of SBK's portfolio.

The aim of the WiB loan is to promote women's entrepreneurship and women's participation in the economy through the development of a strong small business sector in Kazakhstan. For this purpose the WiB loan will also be complemented by the development of sustainable credit mechanisms targeted at women-led MSMEs through technical assistance to SBK and technical support for women-led SMEs in accessing know-how, non-financial business development services and networking opportunities.

Signed in 2016





Client:

FoodMaster is one of the leading dairy producers in Kazakhstan. The company was acquired by Lactalis Group a **French** family owned conglomerate, the world's largest raw milk collector and cheese processor, famous for its iconic brands such as President.

EBRD finance

EUR 15 million loan with a tenor of 5 years.

Use of proceeds and EBRD value added / impact

- To upgrade its three dairy processing plants, construct new cow stalls and make other investments in its two dairy farms, to increase its fleet of trucks and finance working capital needs.
- The investment will enable FoodMaster to increase the output and quality of locally-produced dairy products in line with best international practices, offering a wider range of dairy products available to Kazakhstan customers.

Signed in 2016

