



Steering Committee Meeting

19 March 2012



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I Executive Summary

BTA management team has recently been reinforced with highly skilled professionals to design its turn-around plan

BTA TOP MANAGEMENT

Anvar Saidenov	<i>Chairman of the Board</i>
Yerik Balapanov	<i>Designated CEO</i>
Askhat Besenbaiev	<i>CFO</i>
Natalia Loginova	<i>Head of Finance Dept</i>
Dzhanna Akhmetzhanova	<i>Head of Risk Mgt</i>
Arman Shakenov	<i>Head of Corporate Business</i>
Aslan Sultanov	<i>Head of SME Business</i>
Kunsulu Kapbassova	<i>Head of Retail Business</i>
Maksat Azhbenov	<i>Head of Asset Recovery – Kazakhstan</i>
Ulugbek Maksatbekuuly	<i>Head of Asset Recovery - CIS</i>

OBSERVATIONS

- **BTA's management team has been reinforced with newly appointed senior managers**
- **The position of the designated CEO was filled by Mr Yerik Balapanov**
 - Mr. Balapanov served as Member of the Management Board and Managing Director of Kazkommertsbank (“KKB”) from 2003 until recently. Formerly held managerial positions at BTA and the Development Bank of Kazakhstan. He graduated in Economics from the Kazakh State Academy of Management and in Finance from the Eurasian Institute of Market.
- **Several key operational managers have been recruited recently**
 - The Head of the Corporate business was appointed in December 2011
 - The Head of SME business was appointed in Q3 2011
 - The Head of the Risk Management Department has also just joined from KKB where she held the Head of Corporate position
- **The Management Team has implemented a number of changes in 2011 and is finalising the business model for strategic purposes under the supervision of Mr Balapanov**
 - Optimisation plans are being put in place (900 FT headcount reductions)
 - Business units have started to improve products and processes (9 new products in SME, retail optimisation)
- **Additionally, PwC has been hired to support management of the Bank in the assessment of its organisational and financial requirements**

Despite its issues, the Bank has preserved a performing portfolio that could be sustainable. Clear separation of operational activities, particularly when considering NPLs, should be implemented in order to enable more focused management

The current organisational structure is associated with a large universal bank – because of the size of non-performing activities, this should be changed

PERFORMING ACTIVITIES

- The “Performing” activities should focus on developing and optimising the go-forward opportunities the bank faces
- This portfolio should be invested in to ensure long-term sustainability

NON - PERFORMING ACTIVITIES

- The “Recovery” activities should be held under a distinct governance structure, with performance and incentivisation matching the requirement to optimise economic returns (i.e. closer to asset management)
- Current processes require operational enhancements

- The Bank is developing a split of assets, revenues and costs between "Performing" and "Recovery" activities
- The performing activities and the recovery activities in the Business plan should be assessed separately

Preliminary Strategic Assessment & Diagnostic

Today, the management and its advisors will primarily focus on debriefing the Steering Committee on the work performed to date in establishing a diagnostic of the current operations and the envisaged strategy going forward

Market Fundamentals	<ul style="list-style-type: none"> High growth market with strong potential in all segments Increasing competition to drive further concentration
The Bank	<ul style="list-style-type: none"> The Bank has one of the largest networks in Kazakhstan High awareness of the BTA brand
Vision	<ul style="list-style-type: none"> BTA is a universal Kazakh bank with strong capabilities to service Retail and SME clients
Strategic Execution considerations	<ul style="list-style-type: none"> Historically a corporate bank, leading to relatively weak SME and Retail systems and processes Focus on cross-selling and building customer-focused organisation Improve/accelerate business processes Improve risk management systems Overhaul decision-making processes Continue improving management structure (Chief Administrative Officer, Chief Information Officer, etc.) and attract new talents Optimise cost structure IT systems required as critical enabler of efficiency
Mission Statements <i>(Performing Activities)</i>	<ul style="list-style-type: none"> <u>Retail</u>: Regain market share by (i) improving service offering and quality, (ii) rationalising processes and (iii) improving customer approach <u>SMEs</u>: Build upon unique branch network to drive streamlined portfolio of products with improved efficiency and regain customers <u>Corporate</u>: Gradually rebuild Corporate business back under revamped structure
Performing Activities Goals	<ul style="list-style-type: none"> Need to improve customer segmentation and develop assessment system (service-oriented model) Increase loan issuance Lower NPLs Optimise funding structure
Management of Non-Performing Activities	<ul style="list-style-type: none"> Accelerate recoveries Improve actions and facilitate cash conversion Strengthen decision framework

Under the helm of new management, several workstreams have been launched and are on-going at BTA, with the support of consultants, to design a turn-around strategy and put in place the right organisation to execute it

- Today, the Bank’s management will present its observations and preliminary views vis-à-vis the Bank’s future strategy

WORKSTREAMS	KEY ACTIONS	OBJECTIVES	STATUS
Diagnostic	<ul style="list-style-type: none"> ■ Review “Performing ”/” Non Performing ” activities ■ Assess business issues; ■ Assess organisational issues; 	<ul style="list-style-type: none"> ■ Clear view of “cornerstones” to build upon ■ “Problem areas” to fix 	
Strategic Mission/Vision	<ul style="list-style-type: none"> ■ Based on (i) market analysis, (ii) bank capabilities and (iii) bank strengths ■ Determine strategic objectives “where to play” 	<ul style="list-style-type: none"> ■ Assess viability of performing activities ■ Set goals for the Bank and its personnel to achieve and regain market share 	
Path to Implementation	<ul style="list-style-type: none"> ■ Key requirements for a successful implementation of the strategy – “ how to play” <ul style="list-style-type: none"> ■ Comprehensive assessment: infrastructure, personnel, organisation, product offering, etc. 	<ul style="list-style-type: none"> ■ Best position “Performing activities” for success <ul style="list-style-type: none"> ■ Restore efficiency / capabilities/ brand image ■ Improve ways of doing business and organisation ■ Accelerate recovery of underperforming portfolio 	
Financial Forecast	<ul style="list-style-type: none"> ■ Establish financial objectives for the Bank’s performing activities ■ Asses financial profile of the Bank and investment requirements ■ Construct business plan 	<ul style="list-style-type: none"> ■ Assess turnaround potential/ pace of recovery <ul style="list-style-type: none"> ■ Set achievable goals in a realistic timeframe ■ Track upside at underperforming activities 	



- Design clear path to recovery with achievable financial targets;
- Establish sustainable business profile;
- Basis for determination of financial needs and restructuring requirements

In keeping with pursuing a turn-around strategy in its key segments, the Bank needs to improve its “ways of doing business” substantially – such process would be gradually implemented over the medium term.



Key Actions Required

- 1 ■ Establishing new governance arrangements and agreeing short term priorities to stabilise the business.
- 2 ■ Build tactical MI reports and systems to improve decision making and accountability across the Bank, including performance measurement of staff, branches and products.
- 3 ■ Automate loan origination for retail and micro SME segment to address the critical issue that it currently takes far too long and hence is uncompetitive.
- 4 ■ Take actions to align headcount levels with suitable benchmarks and drive more efficient working practices in remaining staff.
- 5 ■ Align views between H.O. and Business Units

Considerations

- The Bank’s current capabilities are limited.
- The central cost reduction team will need to be enhanced.
- Complexity in the Bank’s functions will arise.
- Technology costs will tend to drive the rest of the realisation costs
- Support from the consulting team will be important in accelerating change



	Objectives	Description
Strategic and Commercial due diligence and business plan	<ul style="list-style-type: none"> Quality of management analysis and assumptions in relation to the financial, operational and market profile Value creation opportunities and competitive advantage of the Bank Feasibility of operational and management improvement plans currently being considered by management 	<ul style="list-style-type: none"> Help management assess current status of its business planning and support the Bank in defining its business vision and areas for operational improvement
Balance sheet and capital analysis	<ul style="list-style-type: none"> Analysis of the balance sheet, including Recovery Units accounting 	<ul style="list-style-type: none"> Initial review of the current balance sheet and commenting
Loan portfolio review & recoveries	<ul style="list-style-type: none"> Analyse the performing loan portfolio quality Comment on the management of the recovery process 	<ul style="list-style-type: none"> Management interviews and data analysis (without calculating new LLP)

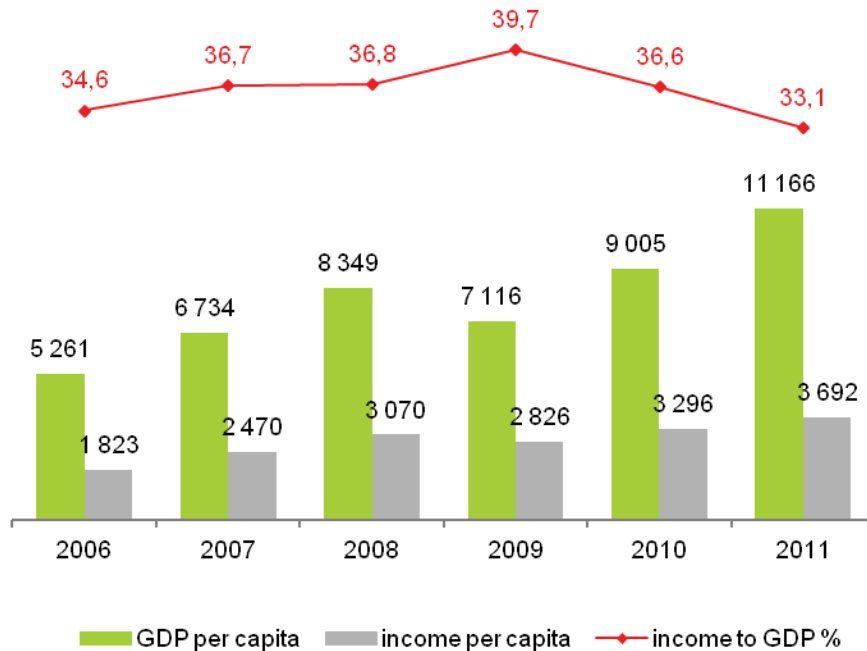
DISCLAIMER: PARTS OF THIS PRESENTATION SUMMARISES SOME FINDINGS AS SET OUT IN A DRAFT REPORT DATED 8 MARCH 2012 PREPARED BY PRICEWATERHOUSECOOPERS ADVISORY SERVICES LIMITED (PWC). PWC ONLY ACCEPTS LIABILITY TO SPECIFIED PARTIES AS EXPLAINED IN THEIR ENGAGEMENT LETTER WITH THE BANK IN RESPECT OF THEIR FINAL REPORTS. PWC DOES NOT ACCEPT LIABILITY TO ANYONE IN RELATION TO THIS PRESENTATION.

II Business Model Considerations & Performing Activities

Current status of the Kazakh economy

After the crisis, the Kazakh economy has been improving and the outlook is strong, providing banks with significant opportunity in a growing, stable and relatively predictable economic environment.

Dynamics of GDP and income of the population (US\$, %)

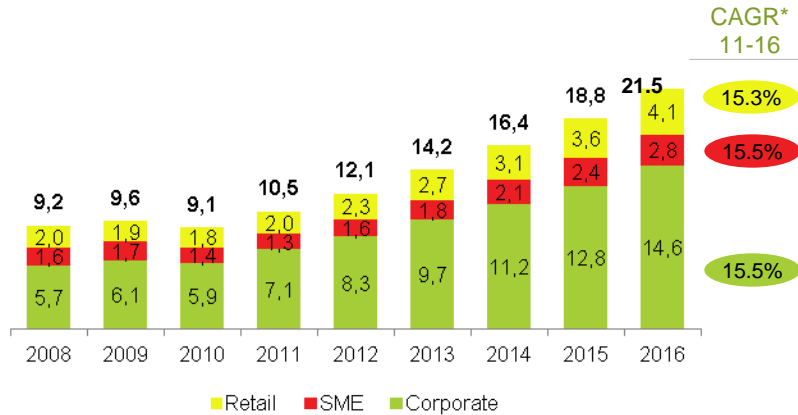


Population and unemployment



The banking market is expected to grow at a steady rate fuelled across all segments by relatively strong economic growth and driven by low penetration.

Loan portfolio of Kazakhstan commercial banks, KZT tn

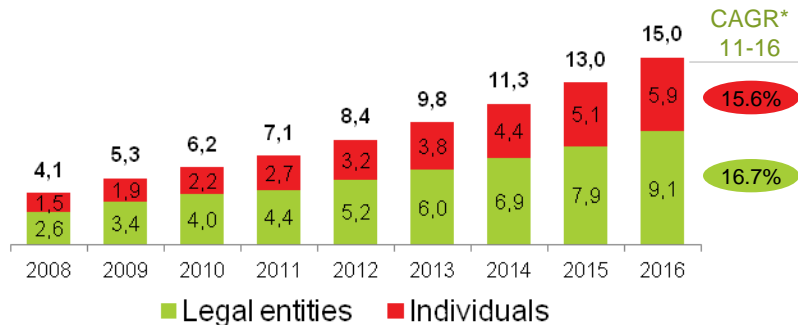


Real GDP/capita and disposable Income/capita growth, %



Source: EIU

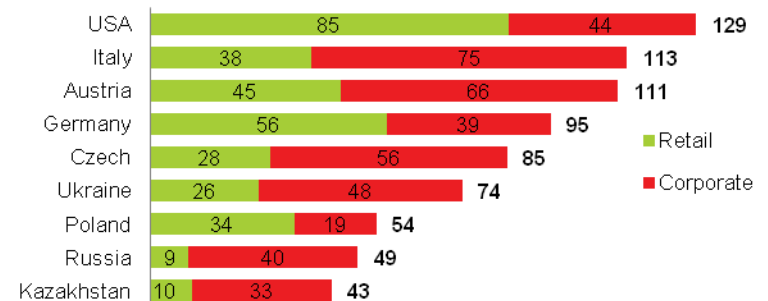
Deposits at Kazakhstan commercial banks, KZT tn



Source: NBK, forecast – analysis based on IMF data, VTB capital

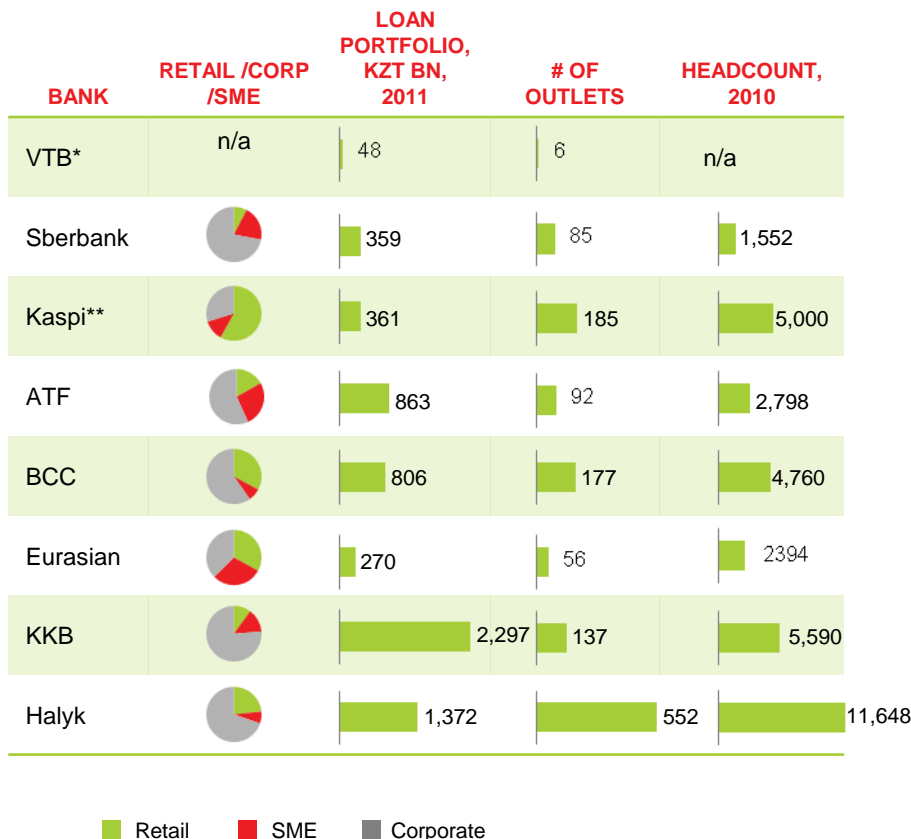
* - Compounded annual growth rate

Bank loans to GDP, 2010, %



Source: IMF

Large incumbents are losing share to SME & Retail niche players and Russian banks with aggressive growth strategies, pricing and improved processes



LARGE KAZAKH BANKS	<ul style="list-style-type: none"> Halyk, KKB, BTA losing share to smaller /Russian banks Overall still dominant Likely to retain substantial share of corporate business, incl. salary accounts
FOCUSED PLAYERS	<ul style="list-style-type: none"> Kaspi achieved high growth rate by pursuing retail-focused strategy Eurasian Bank acquired ProstoCredit Alliance has regained some market position (lost in 2009 due to restructuring) and is expected to be strong in retail A number of smaller players targeting the retail segment, such as HomeCredit
RUSSIAN BANKS	<ul style="list-style-type: none"> Sberbank aggressively growing with lower funding costs and by leveraging mother company ties to organise syndicated loans VTB appears to have ambitious plans to grow share in Retail
OTHERS	<ul style="list-style-type: none"> A number of foreign-owned banks (RBS, ATF, HSBC, Citi) will continue to be present, but do not appear to have aggressive plans and are more focused on corporate and high net worth individuals

Notes: *VTB entered Kazakh market in 2009, actively expanding bank, ** - Most corporate loans are issued to affiliated companies of Kaspi bank, Source: AFN KZ, banks' annual reports, Sange, Industry interviews

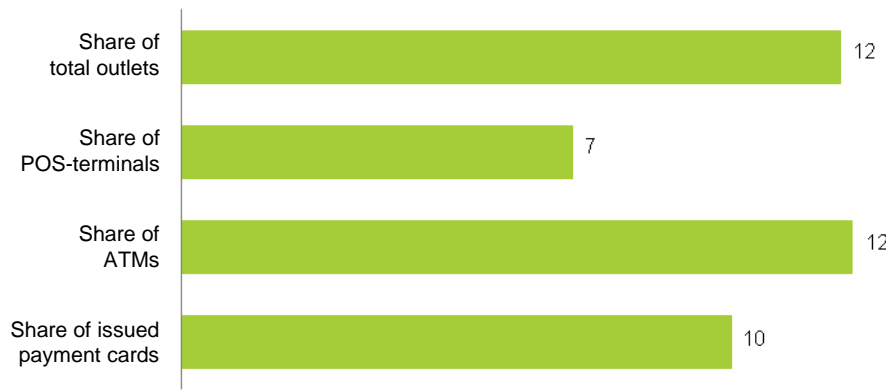
Although BTA is losing overall market share, it possesses a good network and customer base which it could leverage to recapture some of its lost market share to drive its profitable business.

BTA'S MARKET SHARE IN TOTAL PORTFOLIO, %



* - Impact of NPL write down
Source: NBK, AFN (market information), Management data

MARKET SHARE OF BTA IN 2011, %



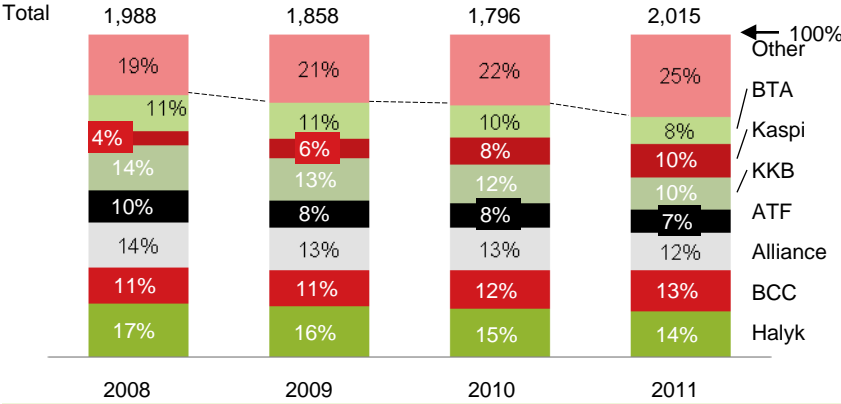
Source: NBK, AFN (market information), Management data

Strengths		Weaknesses	
1	One of the largest branch networks, with good geographical coverage	1	Not service-oriented
2	High brand awareness (SME and retail)	2	Insufficiency of Risk management system
3	Relatively strong relationships with past SME customers	3	Inefficient /slow business processes
4	Strong existing customer base (corporate salary accounts)	4	Weak market presence in Almaty /Astana
		5	Weak SME and Retail business systems and processes
		6	Inadequacy of IT system
Opportunities		Threats	
■	SME and Retail growth if weaknesses addressed and leverage brand, network and customer base	■	Greater competitive pressure from competitors such as Sberbank, VTB
■	Large efficiency gains with optimised HO, and increased level of centralisation and automation	■	Further loss of customers in Retail and SME due to restructuring process

Focus on Retail: Market Highlights

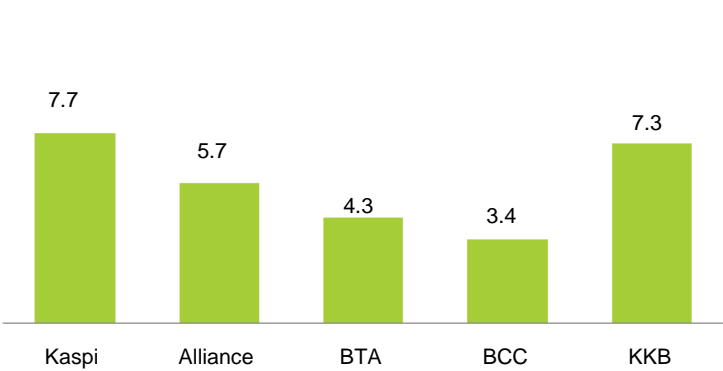
Some retail market competitors are gaining market share, have higher advertising expenditures and better processes.

LARGEST KAZAKHSTAN BANKS AND THEIR SHARES IN TOTAL RETAIL LOAN PORTFOLIO*, KZT BN

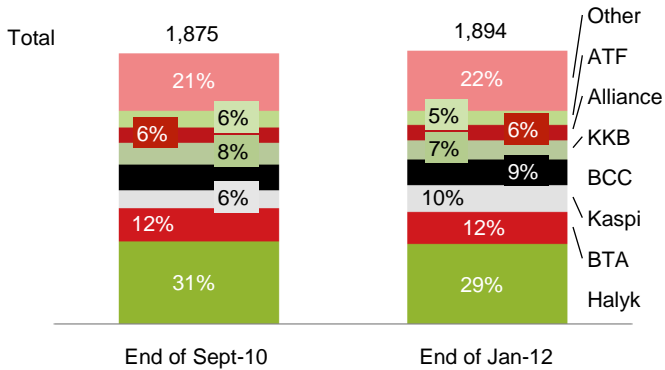


* - retail portfolio is calculated as "loans to individuals less loans to self-employed entrepreneurs"

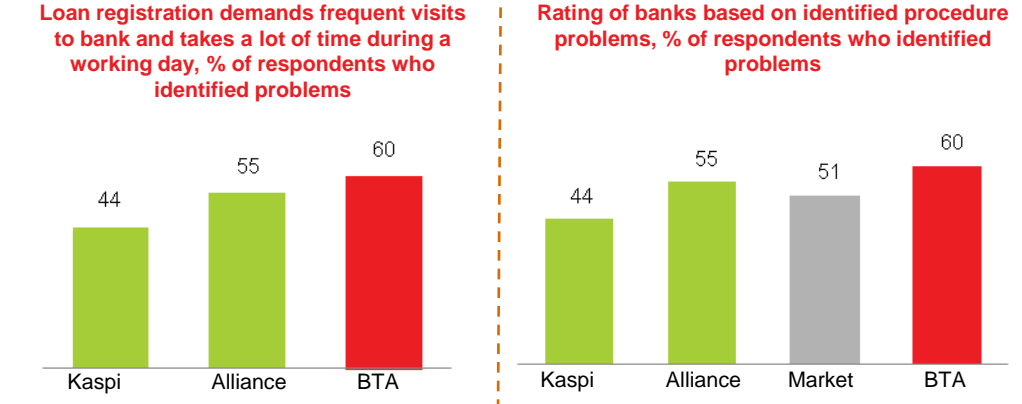
ADVERTISING, 2011, USD M



LARGEST KAZAKHSTAN BANKS AND THEIR SHARES IN TOTAL OUTLET NETWORK, #



ANALYSIS OF SEVERAL PROCESSES INDICATES THAT BTA UNDERPERFORMS COMPARED TO SOME OF THE LEADING PLAYERS



Source: Management data, Sange report.

Source: Sange report. Rating is based on the number of respondents who indicated an issue; the higher – the worse

Retail opportunities for BTA


Improved operations will be required to increase the quality of the loan portfolio and the branch network.

	POSSIBLE PLAN	FURTHER CONSIDERATIONS
PROCESSES & OPERATIONS	<ul style="list-style-type: none"> ■ Improve credit underwriting ■ Branches key channel, also using internet and network of agents. ■ Close non-performing locations ■ Increase number of outlets with open / full-cycle credit processes 	<ul style="list-style-type: none"> → Investigate the potential use of Ipoteka staff, processes and branches to strengthen retail offering and footprint → More actions required to fully address the competitive threats → The Retail area should concentrate on an increase in sales capabilities and sales effectiveness
CUSTOMERS	<ul style="list-style-type: none"> ■ Strong focus on salary accounts & cross-sell through corporate channel ■ Expand non-salary customers (large, untapped segment) 	<ul style="list-style-type: none"> → More focus on cross-selling by leveraging branch network (switch from cash desks to customer / sales oriented branches with customer centric sales approach). → Develop insight into retail customer segments, profitability and needs. → Slower move into high-risk non-salary customer segment

Retail opportunities for BTA (cont'd)

The bank benefits from one of the largest retail networks in Kazakhstan, it may attractively position itself on the retail segment. Customer service and product portfolio improvements are the ultimate goals.

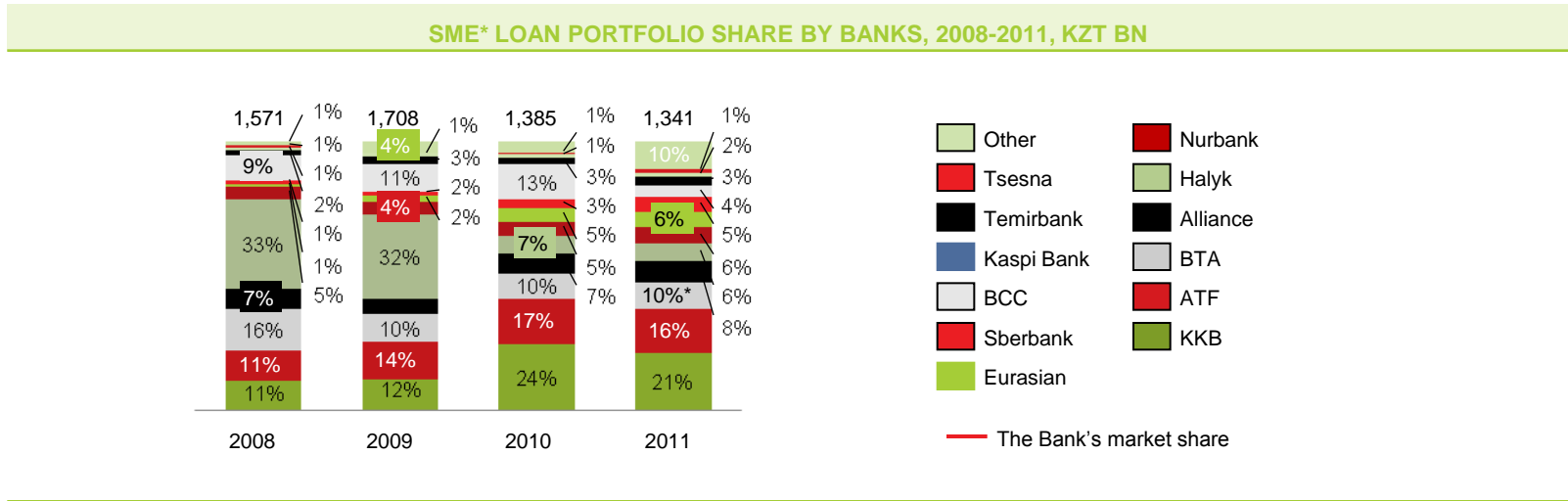
	POSSIBLE PLAN	FURTHER CONSIDERATIONS
PRODUCTS	<ul style="list-style-type: none"> ■ Focus on express loans, moderate growth through car loans & mortgages ■ New products for non-salary segment customers ■ Special loyalty programs to retain current salary customers & to attract new ones. ■ Introduce direct pre-approved selling of customer loans & credit cards ■ Restore deposit growth 	<ul style="list-style-type: none"> → The Bank has a leading position in debit cards, it is lagging with credit cards – strengthen this segment (which will require IT investments) → Wider market opportunity around car loans, leverage experience into mortgage market.



- Process improvements have been made, including faster underwriting and issuing time for express loans
- Although there is significant room for growth, the implementation and support should be carefully detailed and mapped out
- More detailed bottom-up operational plan required to support growth projections, with time-line, costs, responsibilities and a strong rationale
- The detailed strategic plan is in the process of being designed

Focus on SME: Market Highlights

After losing market share since 2008, BTA's market share has stabilised.



Source: Management data; for BTA – portfolio size as provided by the SME business unit

* Note: Market size and share of BTA should be considered as indicative due to variations in "SME" definitions across banking sector. Total market size here is more representative of the "Small Business" sector. BTA portfolio is given excluding the effect of IFRS reclassification of KZT 28.9 bn done in 2011

SME opportunities for BTA

Delivery of successful SME strategy will require the implementation of improved processes and standards.

	POSSIBLE PLAN	FURTHER CONSIDERATIONS
<p>PROCESSES & OPERATIONS</p>	<ul style="list-style-type: none"> ■ New scoring model for micro-segment ■ Provide more credit authority to branches with good track record & reengineer existing procedures to streamline lending process (for example, tender guarantee disbursement period was shortened from 3 days to 6 hours); ■ Implement CRM system ■ Introduce motivation program for sales personnel ■ Roll-out BTA on-line 	<ul style="list-style-type: none"> → Improve interaction between Head Office and branches to improve control over branch directors. → Product development and launch takes a long time, up to 4 months. → The current scoring system is manual which significantly hinders the potential to grow in micro and small segments. → Need for a detailed business plan with granular actions / support for the micro-segment growth, as well as the aggressive growth in selected regional markets.

SME opportunities for BTA (cont'd)

In SME, the Bank needs to standardise procedures and service offerings while relying on its broader network

	POSSIBLE PLAN	FURTHER CONSIDERATIONS
CUSTOMERS & PRODUCTS	<ul style="list-style-type: none"> ■ Strategic aim is to retain existing customer base and increase the market share ■ Focus on growth in regions (oblasts) with promising economic development and large SME population ■ Develop standardised products and automate processes for small (including micro) segment to increase their share in total portfolio ■ Follow the leader approach in product and service offerings (9 products revised or launched in the last 3 months) ■ Maintain positions in governmental SME support programs (as at 2011 BTA was voted #1 by SME applications processed under the Business Roadmap 2020) 	<ul style="list-style-type: none"> → Increased focus on micro-financing is a high risk strategy, with the majority of competitors focusing on larger and medium sized SME clients → Credit scoring / pricing of risks will need to be addressed → Further segmentation of business plans between micro & small clients → BTA should focus on offering microfinance customers simplified products and processes – closer to a retail approach → Given high level of competitiveness in Almaty and Astana, and BTA's weak presence in these markets, further development of how this growth will be achieved is required



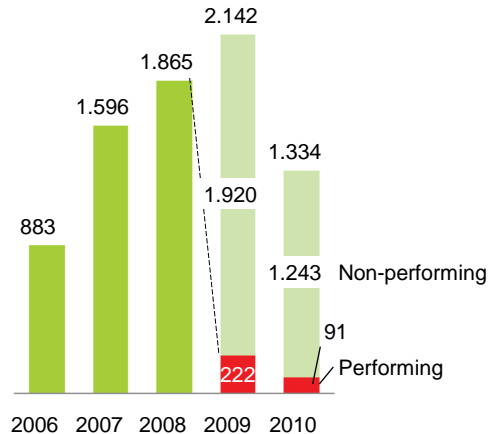
- Product and process improvement initiated when Mr Sultanov arrived in Q3 2011
 - Initial work started on improving credit processes, including initiating changes of authority limits of branches, products are being revised and new ones introduced
- Finalisation of the business plan is in progress (financial, process, execution)

Focus on Corporate: Market Highlights

BTA's market share has deteriorated – due to the emergence of NPLs.

THE BANK'S CORPORATE LOAN PORTFOLIO, 2006-2010

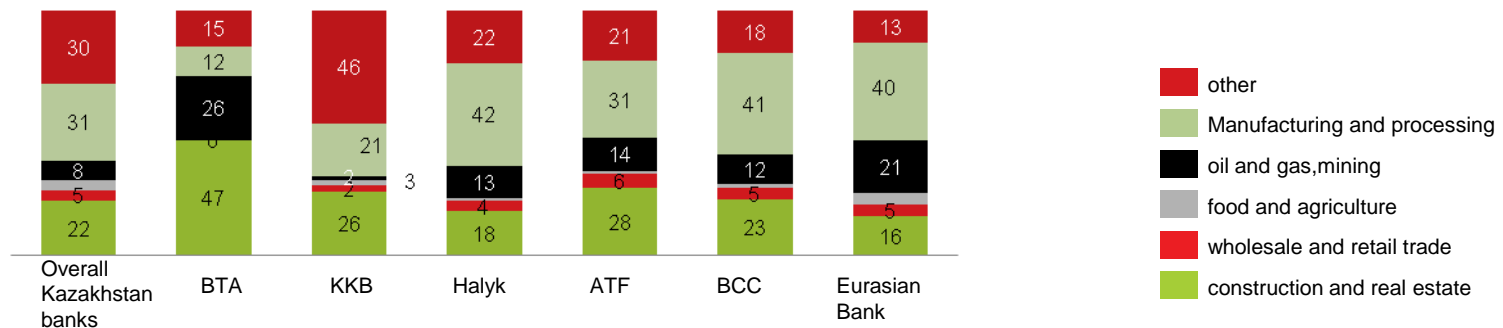
KZT bn



OBSERVATIONS

- Among the top-500 companies in Kazakhstan, the 100 largest represent over 85% of total revenues
- Foreign-owned banks, such as Sberbank and VTB are actively penetrating the corporate segment, including part of the large Tier 1 companies, by leveraging their parent bank's ties
- During 2006-2008 BTA aggressively grew its loan portfolio. Most of this portfolio is currently non-performing; market share is therefore low
- Due to the strong decline of the performing corporate business, the sales staff was reduced and relationships were lost

STRUCTURE OF LOAN PORTFOLIO BY INDUSTRY, 2010



Corporate opportunities for BTA

As the management of the Corporate business unit is being reorganised to ensure better monitoring and operational efficiency...

	BANK PLAN	FURTHER OBSERVATIONS
PROCESSES & OPERATIONS	<ul style="list-style-type: none"> ■ Risk management team reinforced and process strengthened (including centralisation) ■ Further upgrade processes to facilitate credit decision-making and improve motivation system ■ Organisational structure of the BU has been redesigned to speed up credit approval processes ■ Funding policy has to be changed (i.e., retail deposits cannot fund corporate activities) ■ It is envisioned that Relationship Managers will be driving business development, while branches will service existing customers and transactions 	<ul style="list-style-type: none"> → Rebuilding will require a period of focused & sustained efforts (which the Bank is starting) → BTA is attracting more experienced managers to support the corporate business → The turnaround of corporate lending is still at an early stage, the benefits are expected to be evidenced during 2012 → BTA has lost a significant portion of its capabilities and has lost corporate customer relationships, partially due to the previous restructuring process. The successful outcome of the “London Process” is seen as an upside

Corporate opportunities for BTA (cont'd)

... the Bank sees opportunity in reviving the segment to leverage a significantly growing market where it used to command a strong position

	POSSIBLE PLAN	FURTHER OBSERVATIONS
CUSTOMERS & PRODUCTS	<ul style="list-style-type: none"> Keep presence in main industry sectors with some focus on new large industrial and energy companies and the oil industry Develop new products including those tailored to the needs of contractors working within SK, such as tender guarantees, plus liquidity management Contractual and underwriting process refinements to facilitate cross selling of products to corporates Kazakh banks are projected to have faster approval processes due to the absence of credit limits and no need to go for approval to a foreign HO. 	<ul style="list-style-type: none"> Some recovery should be achievable, however strong growth without SK support is challenging in the short / medium term The competition, Sberbank in particular, has been aggressive in winning customers. This will require continued focus.



- Potential but revival of the unit will take time
- Current focus on building operational model

Within BTA, there are viable performing activities. However, investment is required to transform the Bank

There is a performing portfolio that could cover its funding costs if the deposit base is matched to the loan portfolio size

Significant upside exists, originating from market dynamics, the customer base and cost reduction opportunities

To be successful, immediate action is required as:

- Competition is moving fast
- The Bank is losing market share
- The Bank is constrained by the current state of its management information system and some business processes
- As a result of the restructuring, the Bank has not been able to make significant progress

Growth and CAPEX for improvement will need to be funded

Some of the shorter term tactical investments should pay back quickly whilst a longer term investment programme is needed to create a competitive bank

Operational Improvement Opportunities

There is existing infrastructure which could be utilised; with targeted enhancements, costs could be reduced and the operational improvements could enable revenue growth.

KEY HIGHLIGHTS



- BTA already has many of the building blocks required to operate viably, but these are not sufficiently used or aligned with customer and market requirements.



- In the absence of strategic direction and properly-governed investment, it has fallen back to highly manual, bureaucratic and inefficient processes.



- We see significant opportunity for cost reduction while at the same time improving the service levels and efficiency of the business, leading to better customer penetration and higher revenue

Operational Improvement Opportunities (cont'd)

There is an opportunity to improve BTA's efficiency by centralising back-office processes and reducing branch cash handling.

KEY METRICS

Effectiveness of branch operating model: staff/branch, FTE



Retail sales bonus total compensation, %



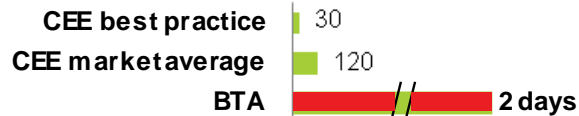
Branch: front office/other staff ratio, %



Unsecured – applications/analyst/month



Unsecured (standard) – time to decision, minutes



Operational Improvement Opportunities (cont'd)

Although investments are required, BTA can leverage its existing infrastructure and should be able to realise quick wins



A Costs : First phase focuses on quick wins and leveraging existing infrastructure

- There is surplus staff at BTA
- Kazakh severance costs are typically 1 month's salary with few other employee benefits or legal constraints;
- BTA has already licensed and/or implemented a number of IT systems that have never been fully embedded / used to their full extent;
- Creating a Single Customer View should significantly improve efficiency;
- Centralising a proportion of the branch-based processing and systems would drive meaningful headcount reductions, consistency of service and reduce opportunities for local overrides of Bank policy.



B Savings : The savings could come from a mixture of

- Pure FTE headcount and expenditure savings where there is currently excess capacity;
- Operational process improvements and efficiencies;
- Technological improvements driving efficiencies; and
- FTE headcount and expenditure reductions resulting from the above.



C Increasing loan issuance through

- Increased cross-selling
- Better outlet network with improved retail and sales capabilities
- Improved products and faster processes

Operational Improvement Opportunities (cont'd)

A majority of improvements can be introduced within 2-3 years after which larger investments will be required



Implementation timeline

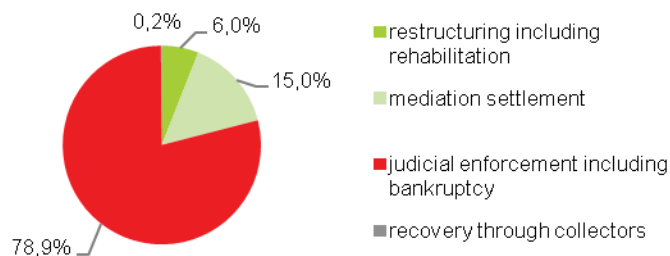
- Over the first three years, it ought to be possible to drive through a significant number of operational and IT initiatives that will drive significant benefits for automation, efficiency and customer service levels.
- Beyond this period, BTA will face the same challenges as many other established banks, namely that more fundamental and expensive restructuring is required to compete with newer entrants. This will include initiatives such as:
 - Replacement of core banking systems with the functionality to handle new products and maximise automation of existing ones;
 - Complete centralisation of branch-based operations and systems, and creation of shared service centres;
 - Full data-warehouse implementation, to provide maximum access to data, on a more self-service basis, to facilitate good decision making and performance measurement.

III Focus on Non-Performing Activities

In Kazakhstan, the NPL portfolio is primarily composed of corporate loans, although there are tens of thousands of cases in SME and Retail.

CORPORATE BUSINESS – Breakdown by value

C. 150 cases

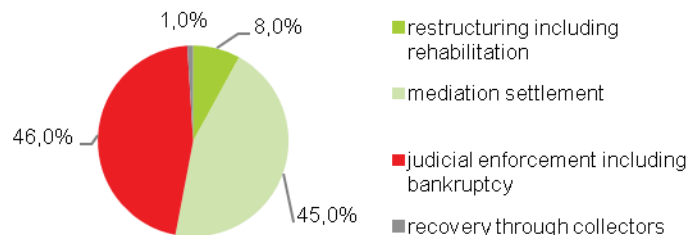


OBSERVATIONS

- In order to secure the recovery of debts on credits, the NPL Department is working in four main areas: restructuring, mediation settlement, judicial enforcement and collection through third party collectors.
- The largest share in the portfolio of Corporate business (c. 150 cases) makes up judicial enforcement (almost 80.0% of the total work); 6.0% and 15.0% compose of restructuring and mediation settlement.
- In the SME portfolio mediation settlement and judicial enforcement account for almost equal shares - by 46.0% and 45.0%, respectively; restructuring is less than 10.0%.
- Similar situation in the Retail business (57,000 cases) - a comparable proportion form mediation settlement (41.0%) and judicial enforcement (40.0%); recovery through collectors is approximately 10.0%, which is due to the specifics of individuals' problem loans.

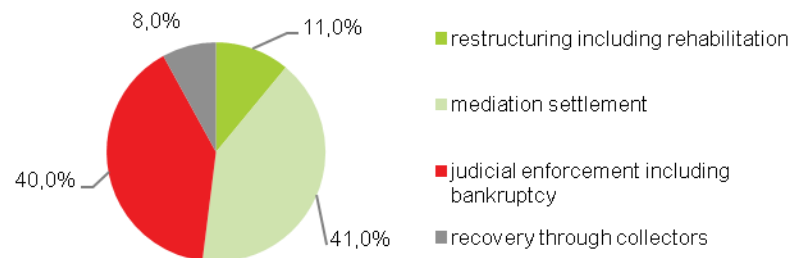
SMALL & MEDIUM BUSINESS – Breakdown by value

C. 3,300 cases



RETAIL BUSINESS – Breakdown by value

C. 57,000 cases



Due to the reliance on judicial proceedings, conservative valuation and asset liquidation complexities, the recovery process in Kazakhstan is lengthy and currently limited.



Current Status

- Currently there is no fully defined governance and operating model required for running a Bad Bank (i.e. as an Asset Management division).
 - For example, the economic net present value of each recovery situation (or pool of similar situations) is not formally assessed.
 - Sales of collateral in the last 14 months have been very limited (nil in FY11).
- Head office: 64 people / Branches: 254 people (Retail/SME) / legal department support for judicial operations



Issues

- Issues include a mismatch between valuations and actual market prices
- The current policy and legal requirements provide that collateral may not be sold at less than an independent 3rd party valuation)
- Collateral security documentation has sometimes been found to be missing or incomplete, which can act as an impediment to enforcement over collateral.



Timeline

- The process of collateral realisation from default to cash receipt has historically taken 2 to 4 years (which was longer than originally envisaged).

Tangible improvements could be realised

By improving its processes and strengthening its decision-making, the Bank may materially improve recoveries in Kazakhstan

- 1 ■ **Clear corporate mission statement and objectives** – Maximising the economic value of the assets in a timely, transparent and efficient manner.
- 2 ■ **Focused Responsibilities** – Reconfigure teams to manage distinct portfolios with different objectives, responsibilities, timelines and demands.
- 3 ■ **Strong leadership** – Strong Head of Asset Management and Recovery Department heads to drive and implement strategy.
- 4 ■ **Quality management information** – Critical for decision making, monitoring performance. Enables setting of appropriate KPIs. A clear link is needed between KPIs and remuneration at senior and case manager levels. Accountability drives progress.
- 5 ■ **Strong internal legal team** – Role of General Counsel is as important as heads of Recovery departments. Many cases will likely require legal action.



TACTICAL ACTIONS

- Participate in a state program on redemption of distressed assets via “Banks’ distressed assets redemption Fund” JSC (under NBK) and set up company on management of distressed assets to improve loan portfolio quality.
- Develop NPL sale procedures and search for third parties with appetite for the pool.
- Increase control over enforcement procedure and implement workout procedures with private enforcement officers.

Focus on International Recoveries: Introduction

- **CIS equivalent to Madoff/Stanford/BCCI**
- **BTA's obligations**
- **BTA's strategy**
- **Complex investigative issues; heavy opposition until February 2012**
- **Total value (c \$5 billion)**
 - Nature of claims
 - Trial scheduled for three cases (\$2 billion) November 2012
 - Contempt judgment February 2012
 - Default judgments expected by circa June 2012
- **Move to recovery phase**

Particular Issues/Difficulties

- **Most of BTA's bad loans (c. \$8 billion) were to Ablyazov ("MKA")**
 - Single adversary; support by multiple nominees
 - Absence of security
 - Multiple jurisdictions involved in litigation and asset structure: UK; CIS; Cyprus; BVI; Seychelles; Latvia
- **Carefully planned frauds; heavily concealed document trail**
 - c. 1,000 companies identified as connected to MKA
 - Misleading asset disclosure by MKA throughout – most information forced from him and nominees via Court orders and receivership
 - Restrictions on information disclosed by MKA
 - Dissipations by MKA
- **No meaningful offers at any stage**
- **MKA strategy of delay/obfuscation and ramping up costs**
- **"Political" arguments – to defeat or delay litigation process**
- **BTA forces pace to trial – very extensive disclosure exercise and witness preparation**

Procedure

INJUNCTION AND RECEIVERSHIP

- Injunction and related orders (from August 2009)
- Disclosure and other breaches by MKA
- Receivers (KPMG) appointed by the Court (from November 2010)
- Receivership later extended to circa 1,000 undisclosed companies
- Most wide ranging receivership in English legal history
- Receivership powers – control over ownership structures and access to information

CONTEMPT APPLICATION AND ITS AFTERMATH

- Breaches leading to contempt application
- Three week trial December 2011
- 16 February 2012 contempt judgment and MKA's disappearance
- MKA credibility with the Court destroyed
- 29 February 2012 debarring order
- Appeal by MKA; timing issues

Next Steps

ASSUMING DEFAULT JUDGMENT AGAINST MKA

- Potential judgment circa \$5 billion, plus interest
- £45 million BTA security expected to be released
- Sale of UK properties
- Valuation of potential recoverable assets
- BTA and Receivers to exercise control/ownership over MKA's disclosed (value range from \$250 million to \$1 billion) and undisclosed assets (value range by definition uncertain but possibly of the same order of magnitude) and to realise, it being emphasised that these values are unverified, speculative and uncertain and there can be no assurance at all as to the value of any assets BTA and/or the Receivers may ultimately realise

ASSUMING MKA'S APPEAL SUCCEEDS AND HE IS ALLOWED TO CONTINUE DEFENDING

- Apply for sale of UK properties
- Potential \$300 million summary judgment (within 3/4 months) and enforcing that judgment
- Continue preparation for November 2012 trials

Potential Assets

- **Admitted vs non-admitted assets**
- **Disclosure restrictions imposed by the Court**
- **Recent lifting of restrictions vis-a-vis disclosure to BTA re disclosed assets**
- **Some information now in public domain**
 - MKA's valuations (public domain)
 - KPMG valuations (public domain)
- **Issues with both**
- **More reliable BTA valuation exercise now possible**
- **Undisclosed assets – indications of value**

Process Costs & Fees

- Value
- Costs to date borne by BTA, not creditors
- Comparative costs
- Breakdowns of fees (legal, receivership)

BREAKDOWN OF LEGAL (INCLUDING RECEIVERSHIP) FEES (2009 TO DATE)	GBP
Hogan Lovells professional fees	39m
KPMG (including Receivers' own legal fees paid to Freshfields)	18.6m
Other lawyers instructed in eg BVI/Cyprus	2.5m
English barristers' fees	7.9m
Other professional services ¹	6.1m
Other disbursements ²	2.2m
TOTAL	76.3 million

¹ Including investigators and independent lawyers retained to supervise search orders and review documents and translators

² Including travel, hotels, copying, Court fees

IV 2011 Preliminary (Unaudited) Accounts

FY 2011 preliminary IFRS information vs. previously shared information

There have been a number of changes on the preliminary FY 2011 IFRS results from previously shared information

FY 2011 CONSOLIDATED PRELIMINARY ACCOUNTS (KZT BN)

Assets	2011E	FY11	Differences
Cash and cash equivalents	62	69	8
Securities	83	83	-
Amounts due from credit institutions	27	27	-
Loans to customers	680	588	(1) (92)
Bonds of NWF Samruk-Kazyna	529	529	-
Other assets	247	149	(2) (98)
Total assets	1,628	1,445	(183)

Liabilities	2011E	FY11	Differences
Repo&Special loans	431	430	(0)
Deposits (including state programs)	784	795	11
Amounts due to credit institutions	19	18	(2)
RCTFF	49	50	1
Debt securities issued	702	656	(3) (46)
Other liabilities	43	48	5
Total liabilities	2,028	1,997	(31)

Income statement	2011E	FY11	Differences
Interest income	142	157	15
Interest expense	(156)	(166)	(9)
Net interest before impairment	(14)	(8)	6
Impairment charge	(96)	(197)	(1) (102)
Net interest (expense)/income	(110)	(206)	(96)
Net fees and commission	1	2	1
Non interest income/(loss)	(3)	9	(2) (3) 12
Non interest expenses	(75)	(81)	(6)
Profit/(loss) before corporate tax	(188)	(276)	(89)
Corporate income tax expense	(98)	(159)	(2) (61)
Net income/(loss)	(285)	(435)	(150)

(1) Additional impairment charge on loans, particularly affecting the NPL portfolio due to a more rigorous credit review carried out at the year-end

(2) Decrease in other assets due to additional impairment of DTAs and impairment on subsidiaries

(3) Change of recognised recovery unit liability

The numbers presented are preliminary unaudited accounts.

The auditors are awaiting significant progress in the discussions with creditors before finalising the audit process

Recoveries Accounting Considerations

Existing balance sheet does not include a potential uplift for the value of the Recovery Units. The auditors may seek that the Bank makes this accounting adjustment

OBSERVATIONS

- As at 31 December 2011 the balance sheet recognised the fair value on these recovery notes at KZT 81bn (USD 0.6bn vs. 0.9bn as at 30 September 2011)
- Financial forecast computed from model initially drafted in the summer of 2010, revised to reflect delays in the recovery process
- The final amount to be recognised will reflect legal and accounting considerations
- From 1 July 2009 to February 2012, the recovery amount was less than KZT 132bn. The Bank has illustrated the potential impact on the Bank if the maximum impact of the liabilities were USD 5.2bn

KEY FIGURES

RECOVERY UNITS in billions	USD	KZT
Reference Amount of Recovery Units	5.20	769
Less:		
Fair value recognised as at 31 Dec FY11	(0.56)	(81)
Payment made to Collection Account	(0.02)	(4)
Difference	4.62	684

STATUS OF COLLECTION ACCOUNT FOR THE RECOVERY UNITS

KZT billions	Principal and written-off interests & commissions	Threshold	Payment made to Collection account
FY09		36	-
FY10	79	134	-
FY11	44	103	
YTD FY12	9	-	4

Deposit outflows started in November 2011, with significant Corporate deposit outflows. Significant Retail and SME deposits outflows followed in January. However the situation of Customer deposits seem to have stabilised since the beginning of February.

Deposit movement - breakdown

	Oct-11		Nov-11		Dec-11		Jan-12		Feb-12		15-Mar-12	
	USD mln	% of customer deposits	USD mln	% of customer deposits	USD mln	% of customer deposits	USD mln	% of customer deposits	USD mln	% of customer deposits	USD mln	% of customer deposits
Corporate	67	2.1%	(202)	-6.0%	(168)	-5.3%	(60)	-2.0%	(2)	-0.1%	18	0.8%
SMEs	(2)	-0.1%	76	2.3%	(3)	-0.1%	(272)	-9.1%	19	0.9%	(24)	-1.1%
Retail	29	0.9%	(21)	-0.6%	(23)	-0.7%	(398)	-13.2%	(35)	-1.5%	25	1.1%
Total	94	2.9%	(147)	-4.4%	(194)	-6.1%	(730)	-24.3%	(18)	-0.8%	19	0.8%

Source: Company data

Note: USD/KZT = 145; % of customer deposits as at previous month end

Cumulative Deposit movement since Sep 2011 - breakdown

	Oct-11		Nov-11		Dec-11		Jan-12		Feb-12		Mar-12	
	USD mln	% of customer deposits	USD mln	% of customer deposits	USD mln	% of customer deposits	USD mln	% of customer deposits	USD mln	% of customer deposits	USD mln	% of customer deposits
Corporate	67	2.1%	(134)	-4.1%	(303)	-9.3%	(363)	-11.2%	(365)	-11.2%	(347)	-10.7%
SMEs	(2)	-0.1%	73	2.3%	70	2.2%	(202)	-6.2%	(183)	-5.6%	(206)	-6.4%
Retail	29	0.9%	8	0.3%	(15)	-0.5%	(412)	-12.7%	(447)	-13.8%	(422)	-13.0%
Total	94	2.9%	(53)	-1.6%	(247)	-7.6%	(977)	-30.1%	(994)	-30.6%	(975)	-30.0%

Source: Company data

Note: USD/KZT = 145; % of customer deposits as at 30-Sep-2011

V Focus on Solvency

Solvency Situation: Key Observations

The Bank's 2011E IFRS Tier I Capital has been impacted by accounting impairments, and 2012 business performance is expected to further influence capital shortfall

OBSERVATIONS

- **Latest financial forecasts are negatively impacted by the following elements**
 - **Deferred Tax Assets:** \$(0.7)bn impairment of all DTAs (both DTAs due to future expected profitability and DTAs due to temporary differences)
 - **Loan portfolio:** additional loan impairment, mainly on corporate loans (Q4 2011E impairment of ca. \$(0.9)bn)
 - **Loss of pension fund:** \$(0.3)bn expenses on compensation of minimal level of pension assets profitability to depositors of pension fund "Ular-Umit"
- **Of those, \$(0.5)bn were expected between Q4 2011 and YE2012 in previous disclosures**
- **Expected change of the RU IFRS liability value has a direct impact on the capital shortfall through P&L**
 - Expected **accounting revaluation in the value of the RUs liability** as of 2011E
 - \$0.6bn as of 2011E vs. \$0.9bn as of Q3 2011, due to updated recovery forecasts

KEY CONSIDERATIONS

- **Depends on operational business forecasts to be assessed during the elaboration of the new business plan**
 - Business Plan will be closely monitored and validated by the Business Plan advisors, the Steering Committee and accountants
- **The impairment of DTAs, loan portfolio and pension fund is being reviewed by the auditors and have a high likelihood of realisation**
- **The IFRS value of the RUs liability is subject to auditors' opinion**
 - If auditors consider that the IFRS value should be \$5.2bn, the Tier 1 capital shortfall would then be further negatively impacted

Financial Situation – Capital Implications

Latest updates on pro forma financial accounts materialise a possible greater than expected equity deficit at year end 2011.

- As a result of additional impairments, the pro forma capital shortfall at year end 2012 may reach \$(6.0)bn

IFRS BTA'S CAPITAL SHORTFALL (BASEL II)⁽¹⁾

<i>In \$bn</i>	Q3 2011	YE 2011E
Current year loss	(1.4)	(3.0)
Shareholder's Equity	(2.2)	(3.8)
Total Liabilities & Shareholder's Equity	11.7	10.0
Tier I Capital Adequacy Ratio	(22%)	(42%)
Total Capital Adequacy Ratio	(28%)	(47%)
Capital Shortfall	(3.2)	(4.7)

On the basis of 2012 expected financial performance, additional impairments and change in value of the RUs, the estimated capital deficit could exceed KZT(750)bn or \$(5.2)bn by YE 2012 corresponding to a capital shortfall of approx. KZT(850)bn or \$(6.0)bn

CIS BANKS - TIER I RATIO

BANK	Tier I ratio as at 30 June 2011
Bank Centercredit	14.8%
Kazkommertsbank	17.6%
Halyk Bank	16.5%
Sberbank	13.3%
VTB Bank	12.0%
Bank Saint Petersburg	9.7%
Bank Vozrozhdenie	11.8%

Source: Company data

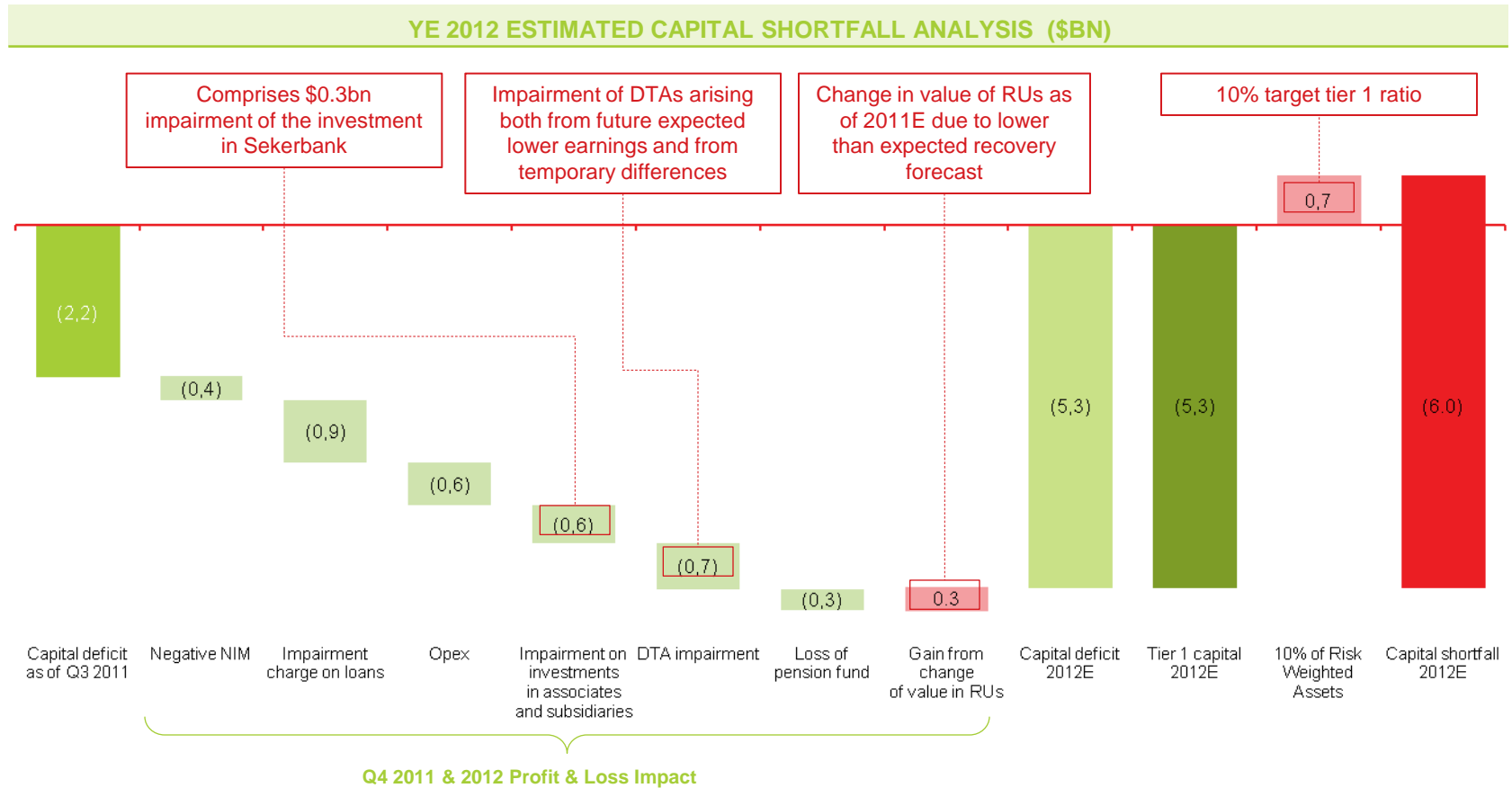
FX: 1 USD = 145 KZT

(1) Based on a minimal 10% Tier 1 ratio

Estimated Capital Shortfall at YE 2012

The Bank's capital deficit could further deteriorate in 2012, leading to an estimated capital shortfall of \$(6.0)bn

- These figures are subject to possible further adjustments as BTA's business plan and loan portfolio/collateral assets value are currently under scrutiny

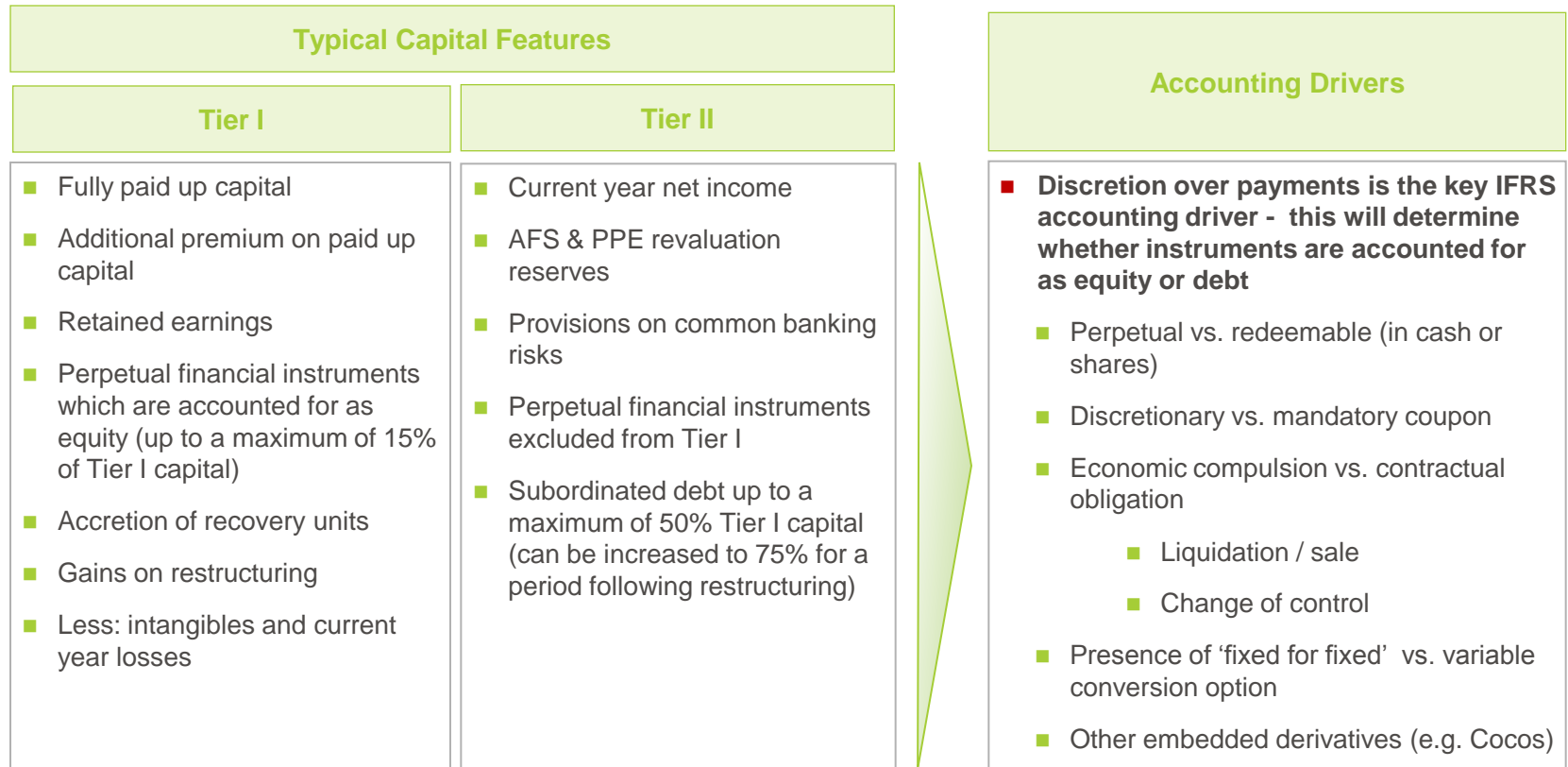


Source: BTA

Note: Assuming a constant exchange rate of USD1 = KZT145

Possible Debt Conversion Instruments

The regulatory capital impact of replacement instruments will be significantly dependent upon IFRS accounting.



Possible Debt Conversion Instruments (cont'd)

Instrument	Legal form	Indicative terms	IFRS Accounting treatment	Regulatory capital treatment
Share capital	Equity	<ul style="list-style-type: none"> No defined maturity date Dividends are discretionary 	<ul style="list-style-type: none"> Equity 	<ul style="list-style-type: none"> Tier I
Perpetual callable debt with discretionary coupon	Debt	<ul style="list-style-type: none"> No defined maturity date Callable by the bank no sooner than 5 years post issue Cumulative dividend settled at the bank's discretion Step up clause on the coupon rate included to discourage non-payment of coupon 	<ul style="list-style-type: none"> Equity 	<ul style="list-style-type: none"> Tier I up to a maximum of 15% of total Tier I capital Tier II thereafter
Perpetual callable debt with non-discretionary coupon	Debt	<ul style="list-style-type: none"> No defined maturity date Callable by the bank no sooner than 5 years post issue Settlement of coupon is mandatory 	<ul style="list-style-type: none"> Liability 	<ul style="list-style-type: none"> Tier II
Contingent convertible subordinated debt	Debt with conversion option	<ul style="list-style-type: none"> Long dated maturity Ranks below senior debt Settled before perpetual debt on liquidation Callable by the bank Convertible to ordinary shares based on metrics / triggers 	<ul style="list-style-type: none"> Split between a liability element and either a derivative asset or equity element depending on conversion option 	<ul style="list-style-type: none"> Likely Tier II, with possible Tier I element if equity conversion option

Similar instruments to those highlighted on the previous slide already exist in today's marketplace.

Perpetual callable debt with discretionary coupon

- Barclays has an undated 'Fixed Rate Guaranteed Perpetual Subordinated Note' in issue
- This has no maturity date but may be settled by Barclays on a specified call date and every five years thereafter
- The coupon rate is fixed at 6.14%
- Coupon cash payments are discretionary, but if deferred, are required to be made if there are payments to shareholders or junior noteholders
- The instrument qualifies as Tier II capital in the UK
- Under Kazakhstan regulatory capital rules this would be expected to qualify as Tier I capital to the extent allowed by the 15% total Tier I threshold provided equity classification is achieved
- The instrument is accounted for by Barclays as subordinated debt however could be structured to achieve equity classification

Contingent convertible subordinated debt

- Lloyds Banking Group issued 'Enhanced Capital Notes' ("ECNs") in 2009
- The ECNs have a maturity term of between 10 and 15 years
- The ECNs' coupon rate is set between 1.5% and 2.5%
- Should the Group's core Tier I ratio fall below 5% the ECNs will convert into ordinary shares based on the observed share price
- The instruments qualify as Tier II capital under UK legislation, should conversion occur the ordinary shares will qualify as Tier I capital
- Regulatory capital classification under Kazakhstan legislation is currently unclear
- The instrument is accounted for by LBG as a liability and a derivative asset

VI Process Timeline and Next Steps

Implementing the Timeline in Practice

Upcoming Key Workstreams

Over the coming weeks, as management completes the design of the Bank's turn-around strategy and its implementation, due diligence will be able to commence in earnest.

	Objectives	Description	Timeline
Business Model	<ul style="list-style-type: none"> Ensuring the Bank's viability and sustainability in the short, medium and long run 	<ul style="list-style-type: none"> Management to assess current status and define strategy along with organisational changes required 	<ul style="list-style-type: none"> To be discussed and reviewed between March and May with SC advisors To be finalised late May and presented to the SC
Financial Model	<ul style="list-style-type: none"> Estimating financial requirements to implement the Business Model Determining the Bank's equity deficit and capital shortfall 	<ul style="list-style-type: none"> Pursuant to the finalisation of the Business Model, evaluate development potential and related cash flows at performing and non-performing businesses 	<ul style="list-style-type: none"> To be discussed and reviewed mid April to late June To be finalised end of June
Due Diligence	<ul style="list-style-type: none"> Ensuring consistency and accuracy of information provided Setting common ground for analysis as part of the restructuring negotiations 	<ul style="list-style-type: none"> Analysing and reviewing a comprehensive list of strategic, organisational, operational, financial, accounting and regulatory, items of the Bank Reviewing the SC's information request list Ensuring appropriate communication and information flow with the SC 	<ul style="list-style-type: none"> Due diligence workstream to commence in March Due diligence trip to Almaty to take place mid May

Implementing the Timeline in Practice Appointment of Creditors Directors and CEO

The appointment of new Creditor Directors is as a prerequisite to the legal process of the Restructuring

- Since the Restructuring must be initiated by the Bank's Board of Directors, and since the Board of Directors cannot hold a quorate meeting without Creditor Directors, the appointment of new Creditor Directors is a prerequisite to the process
- Notices convening Noteholders' meetings to approve those candidates nominated were distributed on 28 February and the meetings will be held on 21 March, voting closes on 19 March
- If Creditor Directors are duly elected at quorate Noteholders' meetings, the appointment of such Creditor Directors must then be approved by a supermajority at a GSM.
- The notice convening the GSM was distributed on 5 March and the GSM materials containing the names of the successful candidates will be distributed after the Noteholders' meetings
- The GSM to approve the appointment of Creditor Directors is scheduled to be held on 11 April
- The GSM on 11 April will also consider the appointment of one independent director and one Samruk-Kazyna director
- The appointment of the designated CEO as permanent CEO requires approval of the board of directors of the bank by a Qualified Majority which means a majority of the board, including both creditor directors and an independent director

Implementing the Timeline in Practice Restructuring Launch

Then, the Board of Directors will initiate the Restructuring by submitting a draft Restructuring Plan to the National Bank of Kazakhstan.

- Once Creditor Directors have been appointed, the Board of Directors will be able to approve the initiation of the Restructuring, which decision must be submitted to the NBK

- Within seven days of the submission of the Board of Directors' decision to the NBK, the Bank must enter into an agreement with the NBK and submit a draft Restructuring Plan for the NBK's sign-off containing:
 - The Restructuring procedure and timeframe

 - A list of assets and liabilities to be restructured

 - Restructuring actions to be taken

 - The anticipated financial results of the Restructuring and assumed restrictions on activities

- Once the draft Restructuring Plan has been approved by the NBK, the Bank will submit an application to the Specialised Financial Court in Almaty to formally initiate the Restructuring

Implementing the Timeline in Practice Restructuring Launch (cont'd)

The Bank will have to file key legal documents with the Specialised Financial Court to continue the process.

- **The following documents will need to be filed with the Specialised Financial Court with the application for the initiation of the Restructuring:**
 - Evidence of a default in payments to creditors and that more than seven calendar days have passed since such default
 - Evidence of a claim from creditors in respect of the payments on which the Bank has defaulted
 - Evidence that the Bank has defaulted due to insufficient liquidity
 - Board of Directors' decision approving the initiation of the Restructuring
 - Agreement between the Bank and the NBK on the Restructuring
 - The draft Restructuring Plan
- **The Specialised Financial Court has five days to consider the Bank's application for the initiation of the Restructuring**
- **On the approval by the Specialised Financial Court of the initiation of the Restructuring, the Bank will within seven days publicly inform its creditors, depositors and clients**

Implementing the Timeline in Practice Restructuring Process Completion

As any agreement between the Bank and its creditors must be approved by a GSM, a Unilateral Declaration of Restructuring Principles could avoid the submission of the agreement reached by the Steering Committee and the Bank to a GSM.

- As a result of provisions in the Bank's Charter, any agreement entered into by the Bank with its creditors related to the Bank's inability to satisfy the monetary claims of the creditors (whether legally binding or not) must be approved by a GSM
- To avoid a further GSM, the principle terms of the Restructuring agreed between the Bank and the Steering Committee will be documented by way of a Unilateral Declaration of Restructuring Principles by the Bank (on the contents of which the Bank will need to consult the NBK)
- An Information Memorandum setting out the Restructuring Plan will then be produced
- Notices convening meetings of Noteholders and Claimants, as well as the GSM, to approve the Restructuring Plan will be distributed on or about the date of publication of the Information Memorandum
- Noteholders' meetings will be held 22 days after the publication of the Information Memorandum, with potential adjourned meetings following 14 days later

Implementing the Timeline in Practice Restructuring Process Completion (cont'd)

The legal process of Restructuring will then involve Noteholders' and Claimants' meetings before the final approval of the Specialised Financial Court

- The GSM and then the Claimants' meeting will be held shortly after the adjourned Noteholders' meetings to approve the Restructuring Plan
- If the Restructuring Plan is approved by the Claimants' meeting, it must then, on the next day, be submitted to the NBK for review
- After the NBK's sign-off has been obtained, the Restructuring Plan must then be finally approved by the Specialised Financial Court in Almaty
- Once all approvals have been granted, the Bank will enter into the documents implementing the Restructuring and new entitlements can then be distributed to Claimants
- The Bank must then report the implementation of the Restructuring to the NBK, which will in turn submit an application to the Specialised Financial Court to approve the completion of the Restructuring
- The Specialised Financial Court has five days to consider the application for the completion of the Restructuring

Key considerations concerning the Bank's Charter are highlighted below

- The Bank's current Charter, which was adopted in the course of the first restructuring, is unwieldy and places excessive restrictions on the activities of the Bank
- It restricts the Bank from operating in a commercially viable manner and limits the Bank's ability to compete with other Kazakhstan commercial banks
- Too many activities of the Bank must be approved by shareholders and / or a Qualified Majority of the Board of Directors, making managing the day-to-day business of the Bank unduly cumbersome
- Board of Directors' meetings are currently only quorate if one Creditor Director is in attendance, and in many cases both Creditor Directors need to be present, meaning that the business of the Bank can grind to a halt if such directors are not present
- Matters requiring shareholder or Qualified Majority approval should be greatly reduced
- Further, recent amendments to Kazakhstan law will require amendments to be made to the Charter for it to comply with the provisions of the law

Indicative Timeline

