



Update on the Restructuring Process – 18th August 2009





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1. **Recent Events and Government Intervention**
2. **Key Strategic Priorities**
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4. **BTA Restructuring Process & Strategy**
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 - b. Presentation of the Troubled Assets Portfolio
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1. Recent Events and Government Intervention



CHRONOLOGY OF EVENTS

- Following its investigation of BTA Bank's loan portfolio, AFN requested BTA Bank to create additional provisions to the level of not less than 24.9% of gross loans as of 01/02/2009 (c. KZT 340 billion). This additional provisioning would have resulted in the breach of prudential capital and liquidity requirements by BTA Bank
- The Government issued a directive requesting the mandatory increase of share capital by BTA Bank and the acquisition of newly issued shares of BTA by National Welfare Fund "Samruk-Kazyna"
- Samruk-Kazyna acquired 25,246,343 newly issued shares of BTA Bank for KZT212bn. Samruk-Kazyna's stake in BTA Bank post capital injection amounted to 75.1%
- BTA Bank fulfilled AFN's directive regarding additional provisions by 01/06/2009. In the period from 01/02/2009 to 01/06/2009 c. KZT 1 trillion of additional provisions was created with the provisioning ratio reaching 57.6% of gross loan portfolio as at 01/06/2009

Source: Company information

Note: exchange rate: 31/12/2008 to 03/02/2009 US\$ 1 = 120 KZT, 04/02/2009 onwards US\$ 1 = 150 KZT

Board of Directors

- **Arman Dunayev**, Deputy Chairman of Samruk-Kazyna, is appointed as Chairman
- New members of the Board of Directors elected on 6th March
 - **Mr.Iskandirov**, **Mr.Aitekenov** and **Mr.Karibzhanov** represent Samruk-Kazyna Fund
 - **Mr.Wokurka** (Managing Director at Metzler Asset Management) and **Dr.Korishenko** (the current President of MICEX) join **Mr.Talvite** (principal at East Capital) as independent directors
- There are nine Board Members in total – the other two are **Mr.Saidenov** (CEO) and **Mr.Tatishev**
- The Bank also announced revision of its corporate governance standards to create higher transparency by formalisation of division of responsibilities and control structures

Management Appointments

Management Board

- **Anvar Saidenov**, former Governor of the National Bank of Kazakhstan, appointed as CEO
- In addition, six new Board Members (there are eight Board Members in all) have joined since February 2009, including:
 - **Mr.Sartbayev**, the former Deputy Governor of the National Bank
 - **Mr.Mameshtegi**, Chairman of the Board of Directors of Astana-Finance
 - **Mr.Orumbayev**, the former Chairman of the Kazakhstan Investment Fund
- Former management dismissed, some face criminal charges
 - Mr. Ablyazov, former controlling shareholder and Chairman, is accused of money laundering and fraud
 - Mr. Solodchenko, the former CEO, is sought on suspicion of theft
- Changes to organisational structure with a view to systematise the Bank's risk management and enhance transparency

On 6 March EGM Appointed New Board of Directors

Name	Member since	Background
NEW Arman Dunayev, Chairman of the Board of Directors	February 2009	<ul style="list-style-type: none"> 2008: Vice-Chairman of Samruk-Kazyna Fund 2006: Chairman, Agency on Regulation and Supervision of Financial Markets and Financial Organisations 2004-2006: First Vice-Minister, Finance Minister of Kazakhstan
NEW Anvar Saidenov, Chairman of the Executive Board	February 2009	<ul style="list-style-type: none"> 2004: Governor of the National Bank of Kazakhstan 2000: Chairman of the Executive Board of Halyk Savings Bank of Kazakhstan JSC 1999: Chairman of the Investment Agency of Kazakhstan, Vice-Minister Finance of Kazakhstan 1998: Executive Director of the State investment Committee
Yerlan Tatishev	June 2005	<ul style="list-style-type: none"> 2000-2005: Vice-Chairman of Temirbank 1994-2000: Kazkommertsbank, where held a variety of managerial roles, such as Director of Branches Management and Development Department, and Director Strategic Development
NEW Abai Iskandirov	March 2009	<ul style="list-style-type: none"> 2008: Managing Director of Samruk-Kazyna Fund 2008: Deputy Leader at the Centre for Strategic Development and Analysis in the Administration of the President of Kazakhstan
NEW Kairat Aitekenov	March 2009	<ul style="list-style-type: none"> 2007: Deputy Chairman on Government Affairs and Operations of Samruk-Kazyna Fund 2006-2007: Vice-Minister, Tourism and Sport 2003-2006: Vice-Minister, Economics and Budget Planning
NEW Aidan Karibzhanov	March 2009	<ul style="list-style-type: none"> 2008: Managing Director of Samruk-Kazyna Fund 2005-2007: President of VISOR Investment Solutions Previous roles in State Privatisation Committee of the Russian Federation, Credit Commercial de France, Kazkommerts, Kazmunaygaz
Yurki Talvite (Independent)	September 2006	<ul style="list-style-type: none"> 2005: Head of Moscow Representative Office of EAST CAPITAL 2003-2005: Head of International Trade and General Manager of URALSIB 2003: Senior Vice-President of BNP Paribas Securities Services
NEW Ulf Wokurka (Independent)	March 2009	<ul style="list-style-type: none"> 2007: Independent Director of Kazyna Capital Management, Kazakhstan Development Bank; member of the International Council of the Regional financial Centre Almaty 2006-2008: Vice-Chairman of Executive Board of State Assets Management Holding Samruk
NEW Konstantine Korishenko (Independent)	March 2009	<ul style="list-style-type: none"> 2008: President and CEO of the Moscow Inter-Bank Currency Exchange 2002-2008: Vice-Chairman of Board of Directors of the Central Bank of the Russian Federation 2001-2002: Managing Director of Troika Dialogue

Source: Company information

New Management Board

New Management Team Formed, consisting of Seasoned Banking Professionals

Name	Member since	Responsibility	Background
NEW Anvar Saidenov, Chairman	February 2009	<ul style="list-style-type: none"> Chief Executive Officer 	<ul style="list-style-type: none"> 2004-2009: Governor of the National Bank of Kazakhstan 2000: Chairman of the Executive Board at Halyk Savings Bank of Kazakhstan 1999: Vice-Minister Finance of Kazakhstan 1998: Executive Director of the State Investment Committee
NEW Nikolay Varenko, First Vice-Chairman	February 2009	<ul style="list-style-type: none"> Corporate business Investment projects Moscow and Ukraine offices 	<ul style="list-style-type: none"> 2005: President of Venture Fund Advant 2003-2004: Chairman of Central Asia Cement, Compass Inv. Mgt. 2001: Chairman of VISOR Investment Solutions
NEW Medet Sartbayev	March 2009	<ul style="list-style-type: none"> Finance, audit Credit and operations risk Int'l offices and business 	<ul style="list-style-type: none"> 2006-2009: Deputy Governor of the National Bank of Kazakhstan 2001-2003: Vice-President of Kazakhstan Development Bank 2000-2001: Vice-Chairman of the Executive Board at Halyk Savings Bank 2000: Vice-Minister of Economy of Kazakhstan
NEW Saduakas Mameshtegi	February 2009	<ul style="list-style-type: none"> Treasury 	<ul style="list-style-type: none"> 1999-2008: Chairman of the Board at the Kazakhstan Exchange Council 2008: Chairman of the Board of Directors of Astana-Finance 2005-2007: Chairman of BTA Bank
NEW Ardak Orumbayev	March 2009	<ul style="list-style-type: none"> Problem loans Asset restructuring 	<ul style="list-style-type: none"> 2008-2009: Chairman of Kazakhstan Investment Fund 2006-2007: Vice-Chairman of the National Company Sary-Arka 2006: Vice-Chairman of National Innovation Fund Kazyna
NEW Nurzhan Botabayev	April 2009	<ul style="list-style-type: none"> Legal department Compliance IT 	<ul style="list-style-type: none"> 2001-2009: Deloitte & Touche, reached Partner for Caspian Region 2003-2004: Independent Director, Alliance Bank 2001: legal adviser to Office of Prime Minister of Kazakhstan
NEW Malik Mukhametkaliyev	July 2009	<ul style="list-style-type: none"> Bank branches SME Retail 	<ul style="list-style-type: none"> 2005-2009: Entrepreneurial activities 1997-2004: Bank TuranAlem, in 2004 was Deputy Director of Almaty Branch of Retail Business
Abilakim Zhumakhmetov	August 2000	<ul style="list-style-type: none"> Astana Branch 	<ul style="list-style-type: none"> Joined Bank TuranAlem in 1998 as Director of Kzylorda Branch office Previously worked in Kazkommertsbank

Source: Company information



2. Key Strategic Priorities



- Following careful examination of the financial and commercial situation of the Bank, and in particular the loan portfolio, BTA's new Management has identified a series of key strategic priorities:

Funding and Liquidity

- Due to the impairment of capital markets and scarcity of funding resources, BTA is now largely dependent on Samruk Kazyna funds
- BTA's objective is threefold: **stop deposit outflow from clients, continue to participate in State funds** as well as **attract new and stable client funds**
- BTA will also actively manage its loan portfolio to maximize future cash-in of the existing portfolio

Loan Portfolio Restructuring & Asset Recovery

- The poor quality of the existing loan portfolio has led the Bank to post extraordinary provisions that have significantly deteriorated its capital position
- So called "**troubled**" or "**dubious**" assets have been precisely identified and a team supported by external advisors is to tackle these to **maximise recovery**

Strategic Plan

- Along with its advisors, BTA is currently reviewing its strategic position across all business lines and assessing growth and development opportunities
- The **preliminary strategic guidelines**, which are described by client segment in the next slides, shall (i) insure long term **viability & profitability** of the bank using a diversified portfolio and enhanced commission driven revenues and (ii) improve the overall bank's risk profile
- The Bank shall also identify and retain its **best talent** internally to sustain and implement the strategic guidelines and set up appropriate actions
- **Lending procedures** are being reviewed and improved with a focus on minimising credit risk

- Following careful examination of the financial and commercial situation of the Bank, and in particular the loan portfolio, BTA's new Management has identified a series of key strategic priorities (cont'd):

Clients

- BTA has recently lost several clients due to poor communication. **BTA is now implementing measures to regain clients and select best the risks among Retail & Corporate segments**
- Strict segmentation of clients will allow to create a strong CRM tool to **maximise cross-selling opportunities** (cash management products)
- Successful completion of the restructuring process will help clients regain confidence in BTA Bank, which will undoubtedly have synergetic effects (deposits)

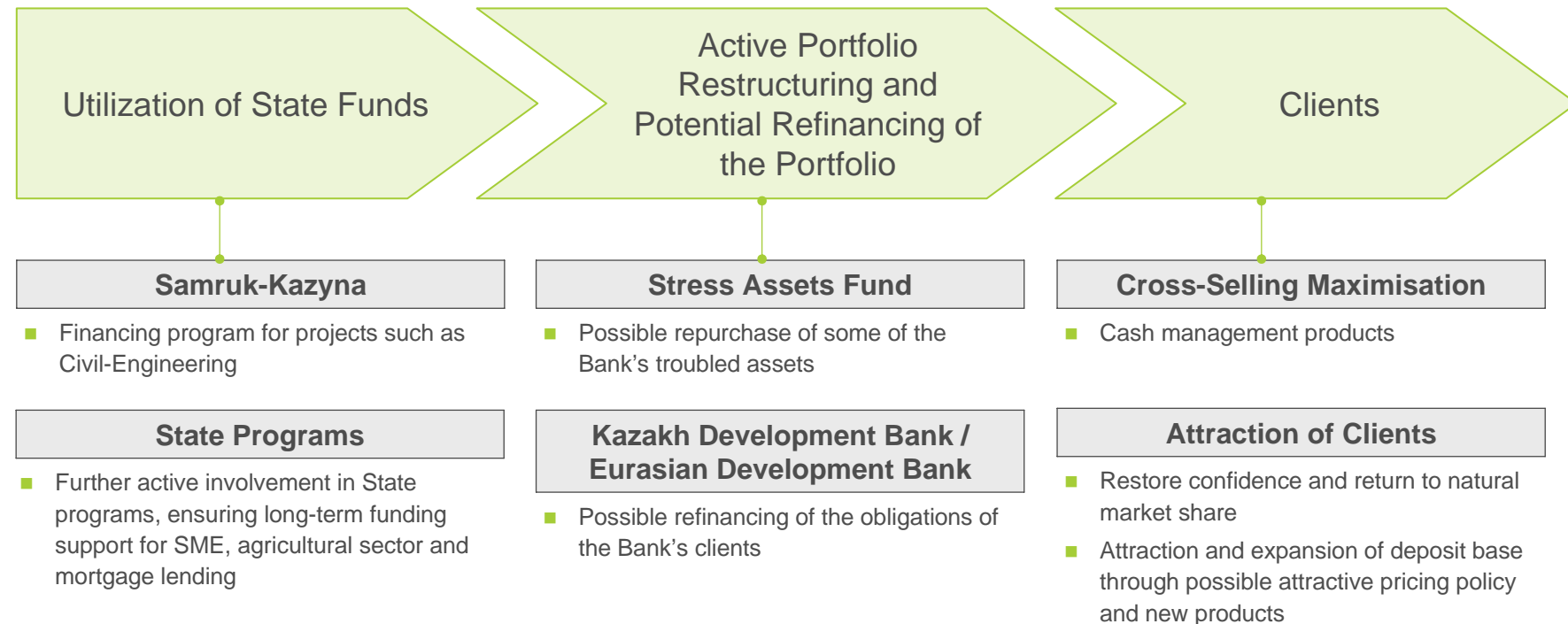
Optimization of the Bank's Structure

- Increased focus on domestic market and exiting subsidiaries and affiliates that are not viewed as strategically important
- BTA is **downsizing its network** by closing some outlets as well as its staff to reduce its cost base
- Combined with specific training actions and better individual assessment system, getting rid of less efficient branches will result in **gains in productivity**

Focus on Sustainable Profitability

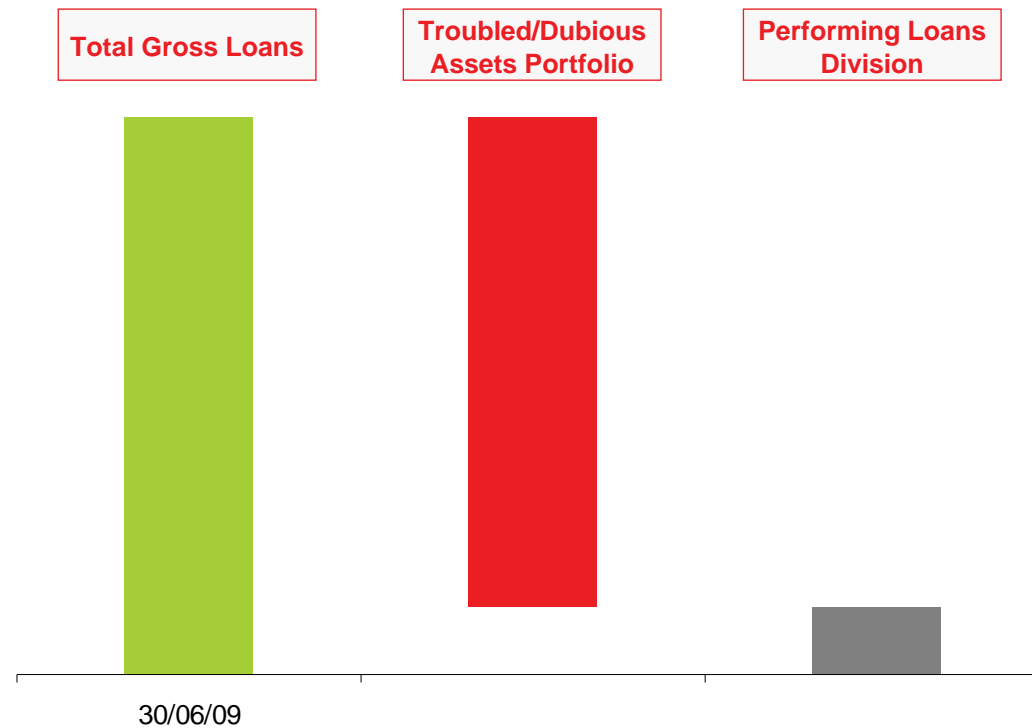
- **BTA's new strategy will be focused on attaining strong and sustainable profitability instead of asset base expansion**
- Key product and client segments as well as regional markets are being thoroughly evaluated with respect to their revenue and profitability potential. Those segments that are not profitable will be discontinued

- In the very short term, the Bank's liquidity is highly dependent on the State Funds; in the mid-term, the Bank will progressively reduce this dependence:

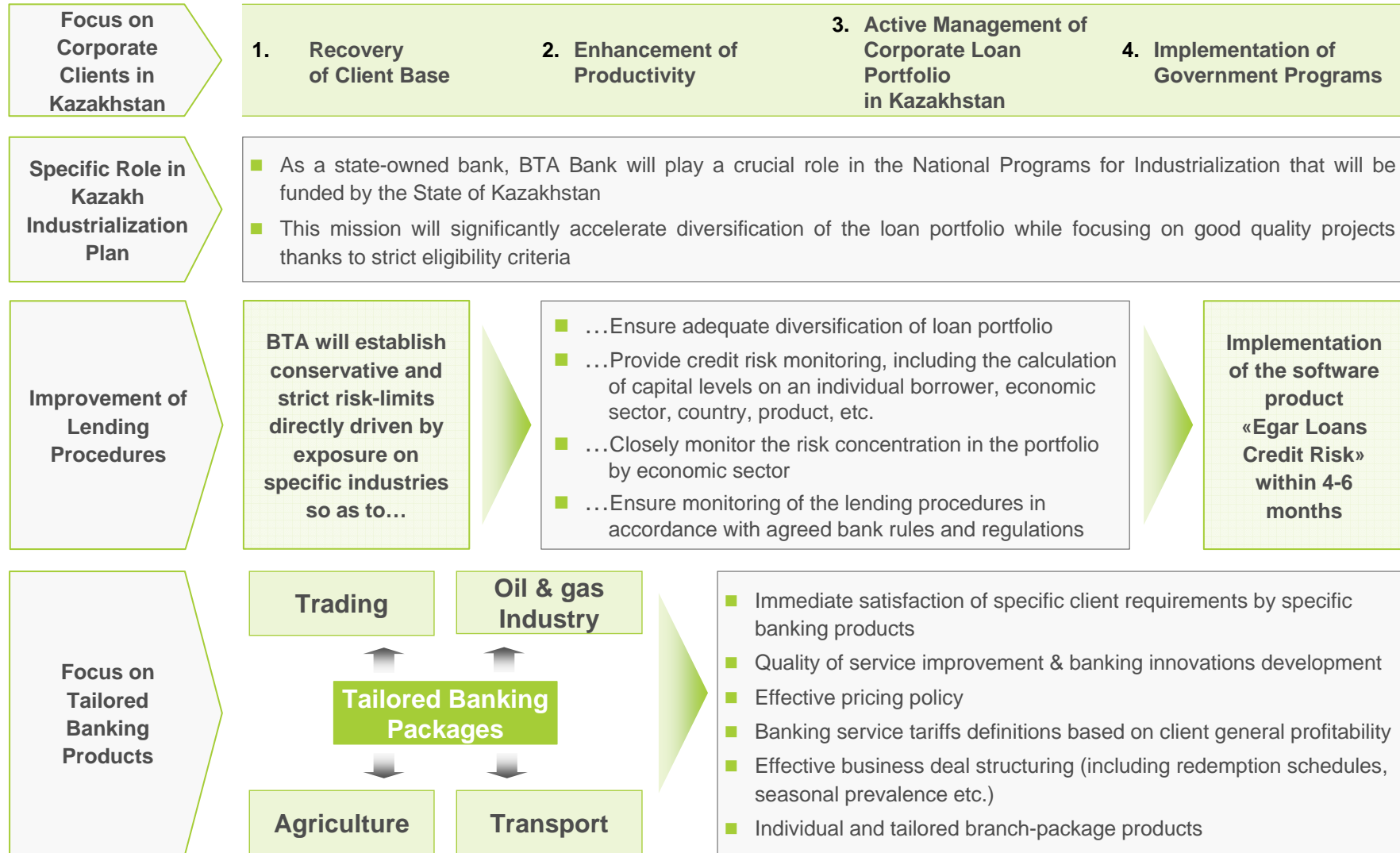


■ It is crucial for BTA Bank to restore confidence with its clients to attract new deposits. This effort will have to target stability of client funds, which will lead BTA Bank to increase its Retail base

- The Bank has set strict criteria to define the economic scope of the "Troubled Assets Portfolio" in the Corporate loan portfolio. These criteria have led to an economic split of the Corporate loan portfolio:



- Details on the classification of loans which are included into the Troubled Assets Portfolio are presented in the coming slides



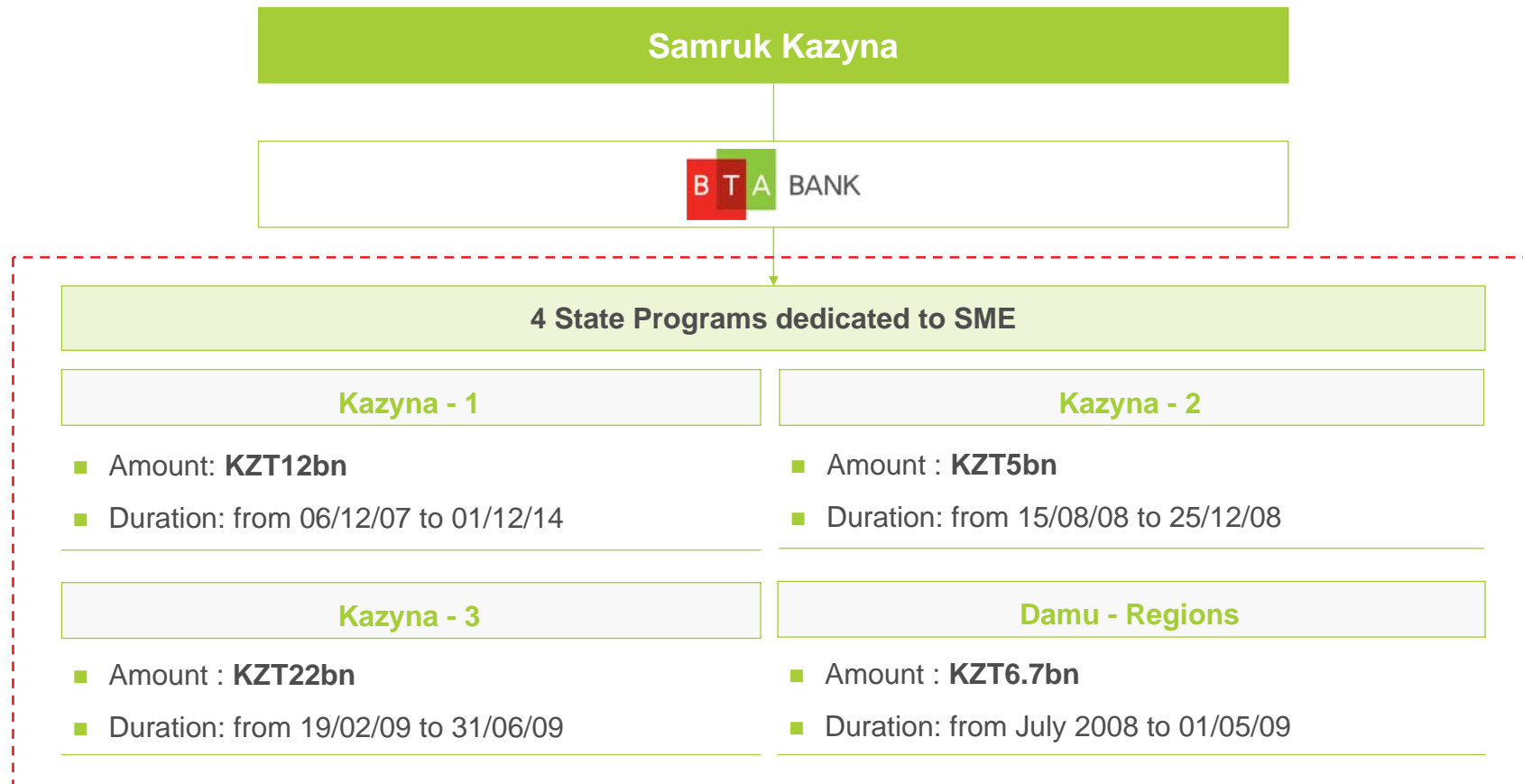


Three Key Issues to Enhance Efficiency

- 1
Optimization of business processes. Reduce service time for clients
- 2
Increased performance efficiency of personnel through specific and regular training sessions and individual assessment
- 3
Optimization and adaptation of business products. Focus on customer needs and tailored banking solutions

Conclusions

- Automation of internal processes and reporting to address clients needs
- Acceptance period of a loan application will be cut from 32 days to 16 days (mid-sized loan)
- Secure growth of the client portfolio through, for instance, financing of partners of selected Corporate clients
- Measures planned to increase efficiency per employee and to individualize responsibility will produce cost savings and therefore an increase of productivity as well as profit-making
- Analysis of customer needs and choice of the right approach will increase business yield and market share



<p>Deposits</p>	<p>First Priority</p> <ul style="list-style-type: none"> ■ Recovery of BTA's lost share and leadership position (objective is to be a top three Kazakhstan bank with market share of not less than 15%) ■ Achievement of 2008 sales by attraction of Middle and Mass segment customers (portfolio diversification – decrease of VIP segment share) ■ Consequently, an important thing is to forge customer relations and launch loyalty programs with current customers. <p>Image is important</p>
<p>Non - credit transactions:</p> <ul style="list-style-type: none"> ■ Exchange transactions ■ Payments ■ Transfers 	<p>Forced development of non-credit products as a source to support viability of all retail business infrastructure and leverage massive cross-selling potential due to vast existing client base of the Bank</p> <ul style="list-style-type: none"> ■ BTA shall become major exchange transactions market operator and have a wide choice of currencies (recovery of share from 12% to 20%) ■ Payments are vital products for customers. Customer's choice is subject to the channel availability and range of services (from current 8% to 15% - and share maintenance) ■ Transfers is an a highly profitable service (recovery of share by WesternUnion – 25%, increase of Bank's faster network)
<p>Loans</p>	<ul style="list-style-type: none"> ■ Active participation in Governmental Programs realization (mortgage loans refinancing, interest-holder financing) ■ Lending under market programs (auto, express loans, credit cards, education, under estate collateral) to the employees under salary projects and of accredited financially stable companies ■ Work on NPL – NPL portfolio's to remain at 20%
<p>Cards</p>	<ul style="list-style-type: none"> ■ Main communication channel with the customer and main access to the banking services via all types of channels ■ Attraction of new customers via salary projects channel (from 600k to 1m customers)

Retail Segment (cont'd)

Better Segmentation of Retail Base Client

To determine risk groups from the point of view of account and loyalty control
(customer/ non-customer of the Bank)

By Activities

By Income Level

■ Basic segmentation:

Category A

- Salary card/current account holders as per the category of financially stable company
- Bank's depositors
- Holders of AmEx type credit cards of any banks
- Shareholders and directors of major companies as per official segmentation by corporate unit

Category B

- Employed applicants confirming income by SCPP receipt
- Shareholders of legal entities provided the companies have stable status and the legal entity is not Bank's customer

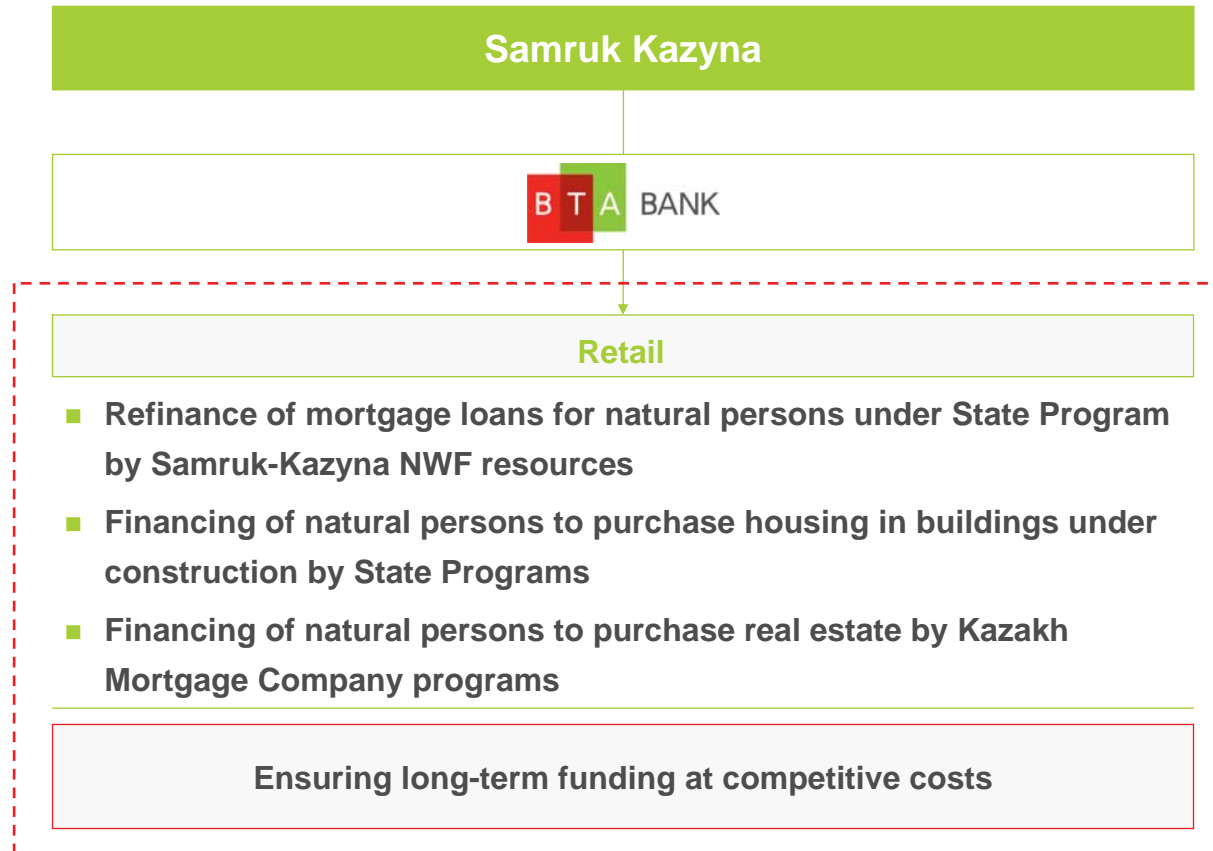
Category C

- «Grey» employees, whose pension payments are partially confirmed by SCPP receipt or without any pension payments to Pension Funds

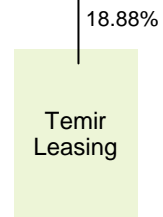
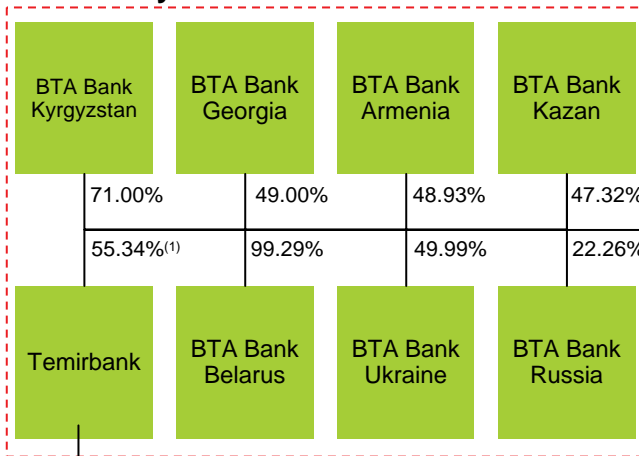
Category D

- Self-employed natural persons engaged in entrepreneurial activities

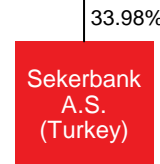
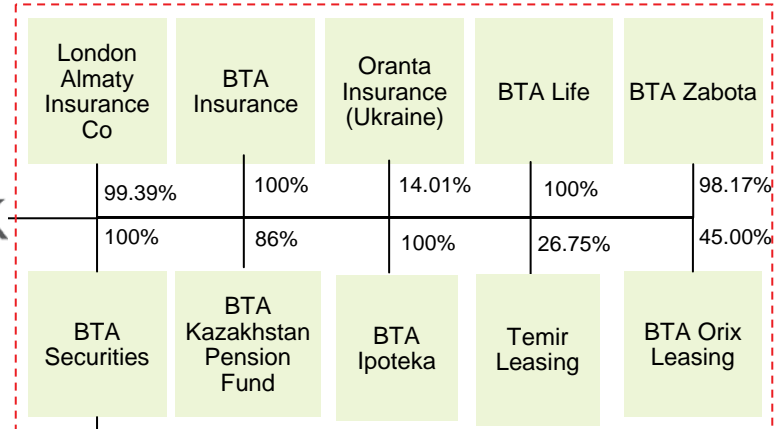
- **Priority target segment employees of companies with Governmental participation to guarantee salary payments from the budget, other financially stable companies – 80% of all BTA salary project companies base**
- **Mass segment for “non-credit transactions” – population of Bank’s units territories. The Bank’s units cover 100% of city inhabitants and 55% regional inhabitants. About 600k people apply to Bank’s units monthly**



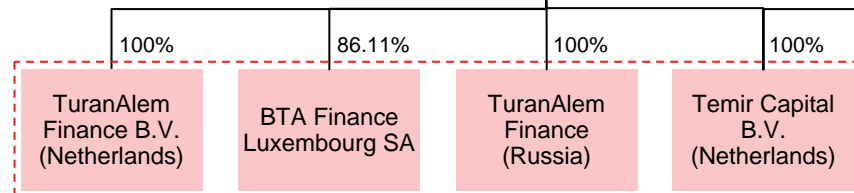
Subsidiary Banks



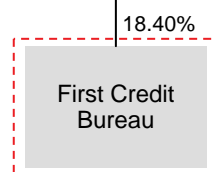
Other Financial Institutions



SPV



Non-Commercial Entities



Source: Company information
 Note: % of total shares (69,85% of voting shares)

New BTA strategy will envisage refocus on the domestic market. BTA is in the process of a comprehensive review of its subsidiary network to decide which assets are core for its operations and which assets the Bank should dispose of

KEY SUBSIDIARIES

- The largest four subsidiaries below together account for c.80% of total carrying value of BTA's investments
- BTA views BTA Securities, BTA Russia and BTA Ukraine as its core assets. At the moment, the Bank pursues legal actions against its former shareholders aimed at regaining operational management control in its Russian and Ukrainian subsidiaries
- Temir is regarded as non-core asset as BTA envisages development of its retail business on BTA platform

KEY CRITERIA FOR CORE TREATMENT

- 1 Strategic importance to servicing BTA key client segments (cross-selling capabilities, product expertise, access to regional markets)
- 2 High growth and profitability potential of business segment where subsidiary operates

(USD m)	Temirbank	BTA securities ¹	BTA Russia	BTA Ukraine
Strategic Approach	NON-CORE	CORE		
Description	Leading local retail bank	Investment arm of BTA	Russian subsidiary of BTA	Ukrainian subsidiary of BTA
BTA Stake (%)	55%	100%	22%	50%
Net assets	145	360	460	199
Carrying Value in BTA's books	487	336	226	182
BTA exposure²	383	-	-	2

Note:

1 Owns 33% stake in Turkish Sekerbank

2 Loan facilities and funding extended by BTA to its subsidiaries and affiliates



3. KPMG Preliminary Findings



Recent Financial Performance

Balance Sheet – extracted without adjustment from BTA management accounts as at 31/12/08 and 30/06/09 – Local GAAP		
	31/12/08	30/06/09
KZTm	KAP	KAP
Assets		
Cash and balances with the NB RK	111,712	67,376
Financial assets	145,871	779,865
Due from banks	33,851	78,302
Derivative financial instruments	50,655	33,703
Loans to customers	2,289,556	1,294,748
Investments	213,305	233,408
PP&E	11,657	11,136
Other assets	58,504	67,473
	2,915,111	2,566,011
Liabilities		
Due to credit institutions	642,868	554,085
Debt securities issued	22,165	689,157
Subordinated debt	208,709	209,028
Customer accounts	1,588,532	1,490,427
Derivative financial instruments	2,724	26,690
Other financing	1,441	363,520
Other liabilities	31,745	123,398
	2,498,184	3,456,305
Net liabilities	416,927	(890,294)

Principal Areas for KPMG Preliminary Focus

- Principal areas for KPMG preliminary focus:

Loan Loss Provisions

- Sample of each type of loan – focussed on larger loans
- Assessed each file against central bank criteria and recalculated provision levels

Investments and Financial Assets

- Considered the valuation of the investments held in the parent company – relevant for consideration of the level of capital required for reconstruction
-

Loan Loss Provision Analysis

Loan Loss Provision Analysis as at 30 June 2009							
KZTm	Number of borrowers	Principal amount	Off-balance	The Bank's LLP			
				Loan principal amount	%	Off-balance	%
Credit files assessed							
CIS: related to former controlling ex-shareholders	30	511,789	42,917	(481,142)	94.0%	(37,276)	86.9%
CIS: partly related to former controlling ex-shareholders	4	69,237	-	(38,601)	55.8%	-	n/a
CIS: market	6	119,458	14,531	(119,458)	100.0%	(11)	0.1%
Investment in Kazakhstan related to former controlling ex-shareholder: active	9	171,318	33,569	(89,711)	52.4%	(301)	0.9%
Artificial loans	11	247,139	24,069	(247,139)	100.0%	(24,069)	100.0%
Commercial loans	19	282,127	59,365	(150,586)	53.4%	(26,304)	44.3%
Loans to SME	14	15,883	5,846	(5,490)	34.6%	(926)	15.8%
Retail loans	13	8,932	-	(2,827)	31.7%	-	n/a
Off-balance	1	-	811,134	-	n/a	-	-
	107	1,425,883	991,431	(1,134,954)	79.6%	(88,887)	9.0%
Credit files not assessed							
CIS: related to former controlling ex-shareholders	n/d	81,058	n/d	(44,683)	55.1%	n/d	n/d
CIS: partly related to former controlling ex-shareholders	n/d	40,108	n/d	(15,050)	37.5%	n/d	n/d
CIS: market	n/d	102,048	n/d	(62,367)	61.1%	n/d	n/d
Investment in Kazakhstan related to former controlling ex-shareholder: active	n/d	148,959	n/d	(44,717)	30.0%	n/d	n/d
Artificial loans	n/d	119,697	n/d	(81,411)	68.0%	n/d	n/d
Commercial loans	n/d	285,201	n/d	(118,721)	41.6%	n/d	n/d
Loans to SME		184,799	n/d	(43,169)	23.4%	n/d	n/d
Retail loans		227,355	n/d	(66,337)	29.2%	n/d	n/d
Off-balance	n/d	n/a	107,539	n/a	n/a	(10,377)	9.6%
	n/d	1,189,225	107,539	(476,455)	40.1%	(10,377)	9.6%
Total	n/d	2,615,108	1,098,970	(1,611,409)	61.6%	(99,264)	9.0%
Coverage			65%				

- Status of KPMG work – a work in progress with further investigation to be concluded:

Loan Loss Provisions

- Initial review of sampled borrowers completed on 14 August – outstanding questions being followed up with bank management (eg information about collateral and differences in scoring marks)
- Potential review of additional sample for corporate loans for extrapolation of loan loss provisions on total corporate loan book to be finalized by 21 August

Investments and Financial Assets

- Quoted shares compared to market
- Unquoted shares carrying value compared against the Bank's share in underlying reported net assets of the companies (NB work not done at the underlying company level)
- Considered the level of control over subsidiaries

- KPMG Findings to date – subject to change in the light of further investigation:

Loan Loss Provisions

- Additional LLP identified as a result of reperforming AFN scoring and differences in scores for selected sample
- Differences in dealing with incomplete and outdated information (financial statements, collateral agreements and revaluations, etc) by the Bank
- Collateral - insufficient documentation and outdated valuation – impact of this is reflected in LLP reassessment
- Note that the Bank has provided a further KZT 120 billion in August 2009 reflecting some of these issues and further stress testing work

Investments and financial assets

- BTA Russia - the Bank did not have a significant influence over its subsidiary BTA Russia. The Bank provided 100% for this investment in the draft IFRS financial statement as at 30 June 2009
- Impairment of investment in BTA Russia of KZT 34 billion and potentially in other subsidiaries and associates

Further KPMG Work in Progress

- Further KPMG work in progress:

Loan Loss Provisions

- Sample is not necessarily representative of remaining portfolio
- Additional sample for extrapolation of results for assessment of total corporate loan book; for SME and for retail book
- SME and retail samples can only provide comfort over the Bank's application of the AFN methodology but cannot be used for extrapolation
- AFN LLP methodology does not necessarily result in commercial assessment of quality of loan book - IFRS or similar approaches may deliver more appropriate "commercial" results

Investments and Financial Assets

- Mark-to-market valuation of FVTPL investment likely to lead to lower valuation than book value – analysis not yet complete

Other Areas

- Work in progress – expected to be finished end August
- Reliance on KPMG work
- Final report will be available to lenders under an assumption of responsibility approach – comments here are preliminary and subject to change



4. BTA Restructuring Process & Strategy





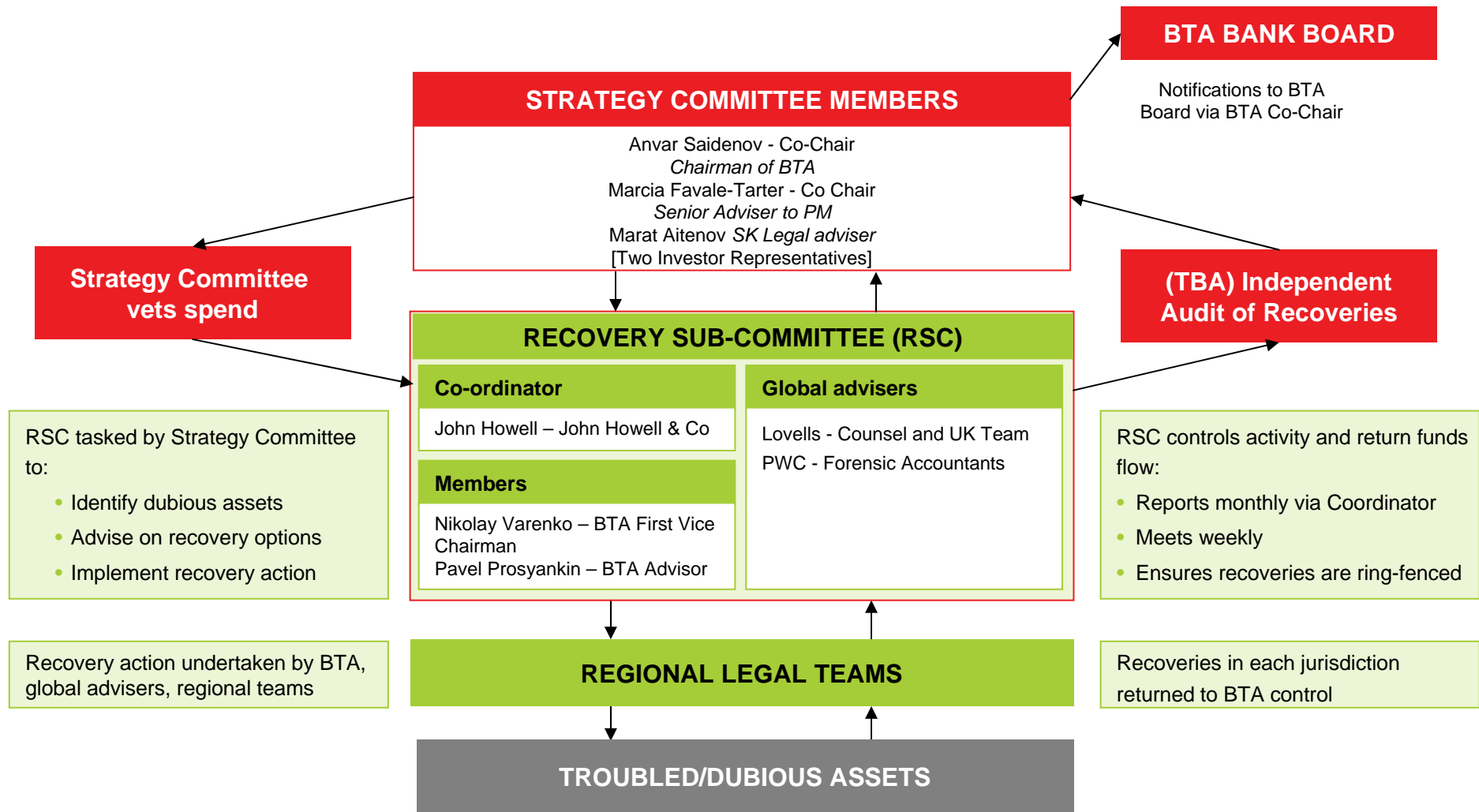
4. BTA Restructuring Process & Strategy

a. Presentation of the Recovery Governance & Detailed Organization



- **Size and significance of recovery adds to importance of transparent and accountable processes**
- **Important that authorities, responsibilities, checks balances and controls are properly structured**
- **Especially important to have proper governance of the main recovery activity to ensure:**
 - Recovery follows a strategy aligned with creditors' interests
 - Proper control of expenditure on recovery
 - Proper accounting and ring fencing of net recoveries
 - Regular management reporting and annual independent audit
- **Arrangements indicative of change in approach at BTA with better systems and improved credit and risk management infrastructure**

Detailed Organization



- **Receives reports from Recovery Sub Committee (RSC) and its advisers on assets and options for recovery**
- **Sets and monitors overall recovery strategy**
- **Sets and monitors targets for RSC activities and costs**
- **Has authority to agree disposal of assets**
- **Ensures net recoveries are properly accounted for and protected by the RSC**
- **Ensures regularity, efficiency, effectiveness and economy of RSC expenditure**
- **Informs BTA and government of progress and needs**



Recovery Sub-Committee

- Undertakes research, plans and executes recovery
- Works closely with national recovery teams
- Appointed and tasked by Strategy Committee (SC)
- Meets at least weekly, reports to SC at least monthly



4. BTA Restructuring Process & Strategy

b. Presentation of the Troubled Assets Portfolio



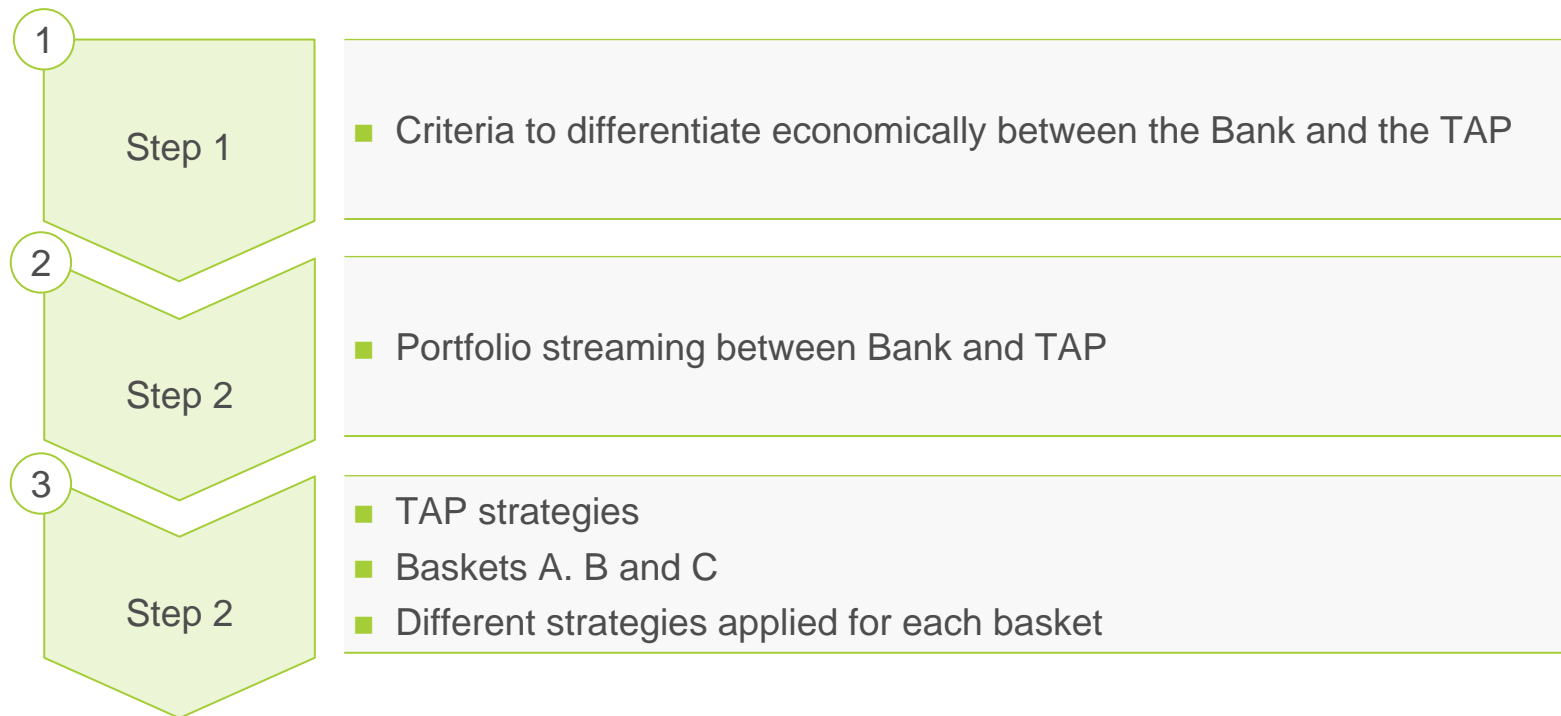
- **Replacement of management**
 - Most of senior positions changed since 1st February 2009
- **Total review of loan portfolio**
 - New valuations of loan securities
 - Review of credit dossiers
- **Introducing adequate provisioning**
 - Provisioning dictated by quality of loans and not financial capacity
- **Revised credit procedures**
 - No exceptions to rules
 - No secret 'safety box' agreement
 - No special procedures for investment loans
 - No expansion outside of Kazakhstan
 - Proper checks for beneficiary ownership of projects in tracing related parties transactions
- **Review of investments in subsidiaries based on market valuations**

Overall View of Corporate Portfolio Problems

Suspicious Transactions

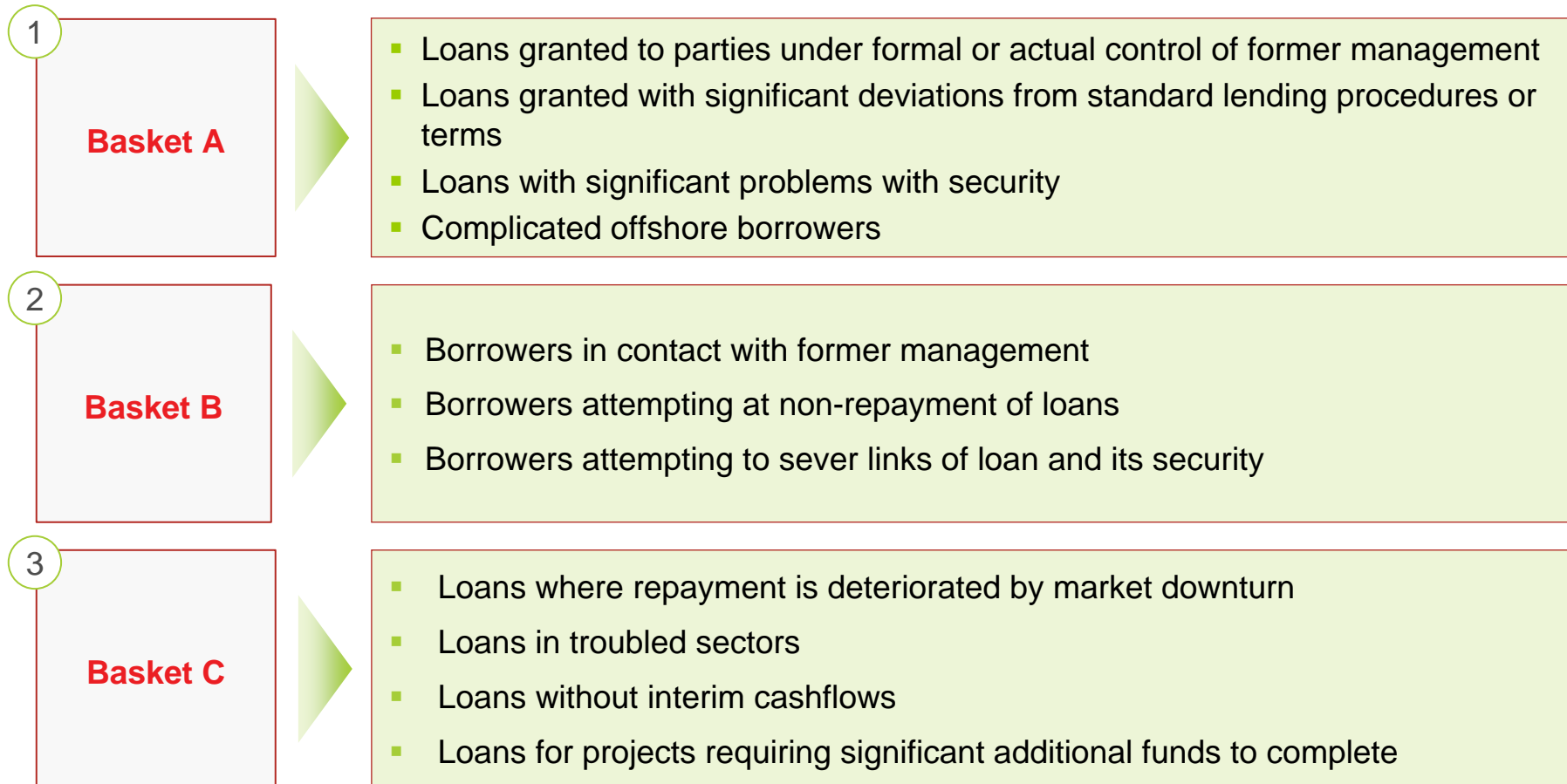
- **Scope of alleged fraudulent activity is wide**
 - Easily one of top 5 largest cases worldwide
- **Complicated cross-border structures**
 - Special purpose vehicles
 - Multiple jurisdictions
 - Several changes of jurisdiction through life of projects
- **Lack of cooperation**
 - Former senior management has fled the country
 - Related companies and banks continue open opposition to action (BTA Moscow, BTA Ukraine)
 - Concerns about validity of documents
 - Security re-pledged with influential third parties
- **Abuse of trade finance schemes**

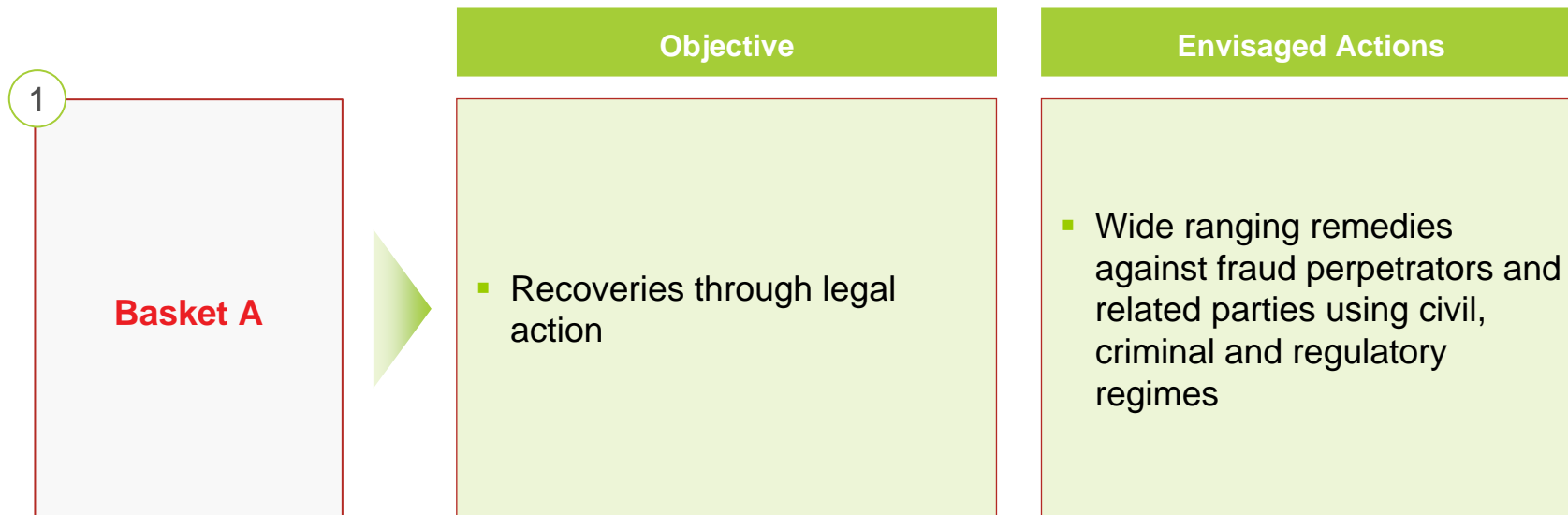
- **Significant deviations in valuations**
 - Most of existing loan security several times overpriced against real values
 - Use of questionable valuation techniques
- **Bad investment decisions**
 - Over-concentration in development with top entry prices
 - Above-the-market valuations even at boom times
 - Inclination for development at early stages without steady cash flows
 - No equity co-financing
- **Significant deficiencies in loan security**
 - Unreliable security in many cases (shares of companies, which then lost ownership of assets, expired insurance with related companies, non-existing commodities)

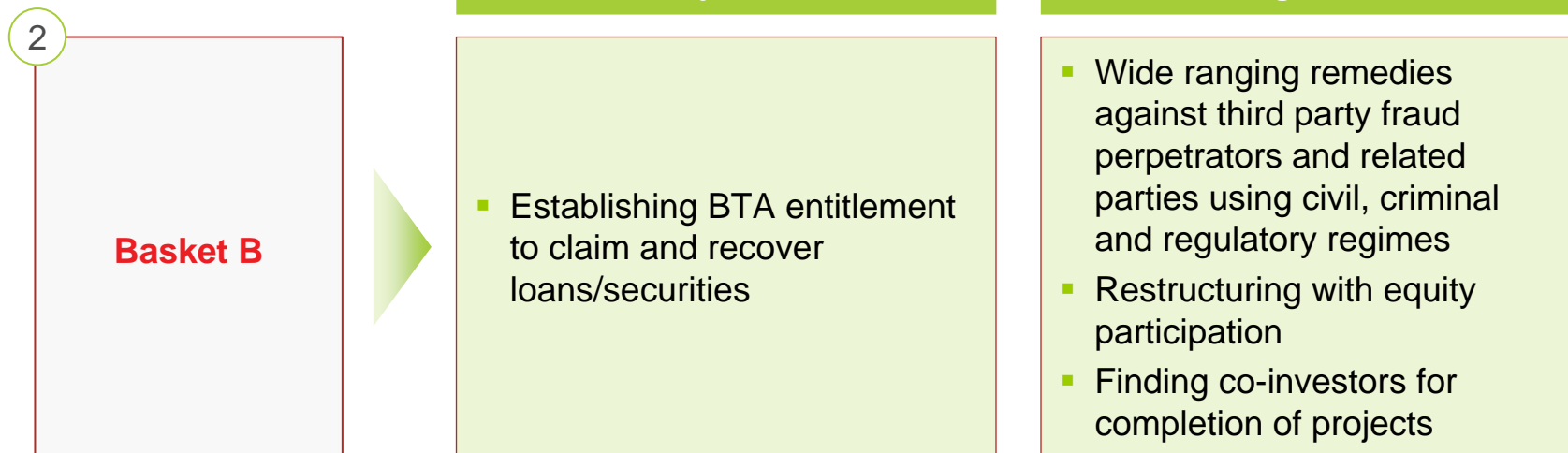


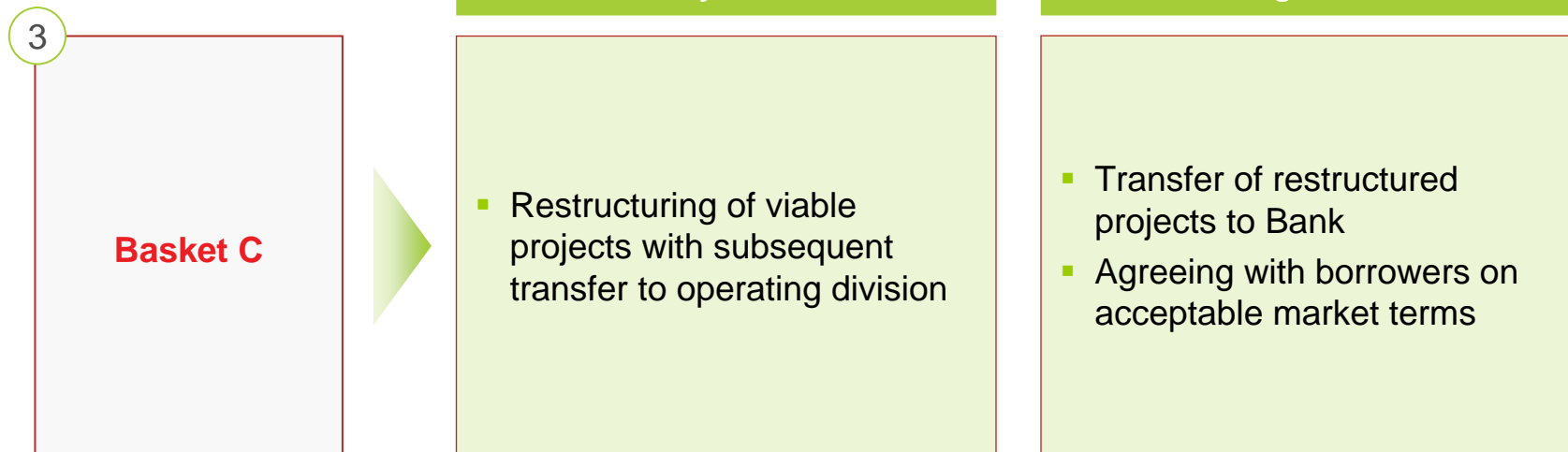
Three Categories of Troubled Assets

Key features of each class of assets in the TAP (non-exhaustive)











4. BTA Restructuring Process & Strategy

c. Assets Recovery Strategy (PWC – Lovells)



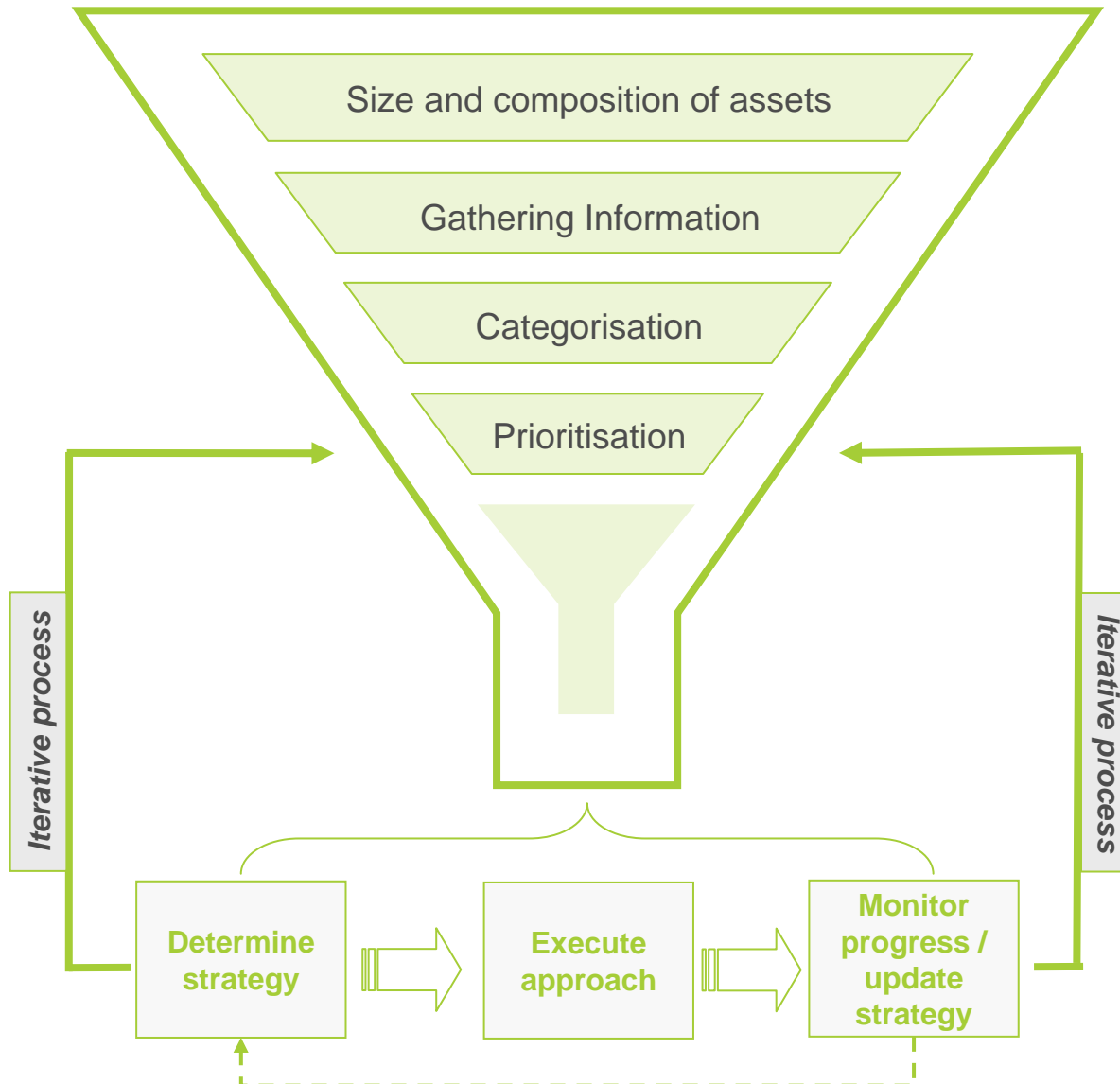
Aims and Objectives

- **Maximise recovery (vs. time and cost) on Basket A & B assets**
- **Achieve recoveries through a process that is:**
 - Orderly
 - Independent
 - To international standards
- **Taking credible and transparent steps in accordance with international standards**
- **Build on work to date with full scale recovery effort**
- **Use extensive global experience and resources**

Principles for Asset Recovery

- Commercial approach with strategic targeting of assets for recovery.
- Coordinated approach between legal advisors, forensic accountants and the bank.
- Close collaboration to build on and develop work already undertaken
- Close liaison with prosecuting authorities nationally / internationally
- Alignment of proposed strategy with the restructuring exercise
- Support of creditors is crucial

Asset Recovery Strategy



- **Identify** the full population of assets potentially recoverable.
- **Capture** and preserve evidence necessary to support recovery.
- **Review** assets and categorise into appropriate groupings for analysis.
- **Pursue** assets for recovery on most efficient basis.
- **Strategy** will focus on viable recoveries.
- **Implement** appropriate legal mechanisms to recover assets.
- **Manage** our investigation to allow timely changes to strategy based on results achieved

- **Early assessment of options**
 - Understand the full portfolio of assets from forensic perspective
 - Leverage investigation work already undertaken
 - Refining categorisation of assets to maximise recovery
- **Using forensic technology to maximise value of evidence extracted from BTA and other records**
- **Gathering useful open source intelligence on targets and assets**
- **Robust shared case management and project control systems:**
 - Manage the evidence collection process
 - Rapid and effective decision making
 - Prioritise asset classes for potential recovery

Challenges to Successful Recovery Process

- Access to information / evidence
- Coordination of restructuring and recovery processes
- Getting a strong flow of recoveries to self fund
- Operating on a coordinated global basis
- Establishing a robust decision making process
- Coordination with criminal / regulatory and similar agencies
- Retaining confidentiality / data security

Achievements to Date

- Sub judge – tight limits on what can be said
- Certain key assets already prioritised and recovery action advanced
- Efficiency gains and increased effectiveness over time
- Focussed recovery route creates relentless pressure
- Encouraging early signs



Key Contributors to Success

- BTA has made **a commitment** to meet initial funding
- Access to **data and logistical back-up** in Kazakhstan
- **Liaison** with criminal justice system in Kazakhstan and elsewhere
- **RSC Coordination** of various highly experienced teams involved
- Strategy Committee **oversight and independence**



5. Next Steps



Restructuring Process – Key Steps

KEY STEPS OF THE RESTRUCTURING PLAN OF BTA BANK		TARGET COMPLETION DATE
FINANCIAL DUE DILIGENCE	<ul style="list-style-type: none"> ■ Release of financial Due Diligence loan review results by KPMG <ul style="list-style-type: none"> ■ Detailed review of the assets & quantification of additional provisions required (loan portfolio) ■ Impact of the overstatement on capital position ■ Additional provisions on residual financial assets 	2-4 Sep
LEGAL DUE DILIGENCE	<ul style="list-style-type: none"> ■ Release of Due Diligence review by White & Case 	TBD
ASSET RECOVERY	<ul style="list-style-type: none"> ■ PwC/Lovells to report on progress in development and implementation of asset recovery strategy 	TBD
STRATEGIC ASSESSMENT OF THE BANK / BUSINESS PLAN	<ul style="list-style-type: none"> ■ Management Presentation ■ Presentation of BTA Bank’s revised Business Plan results <ul style="list-style-type: none"> ■ Review of the new Corporate / SME / Retail strategies ■ Identification of the impacts of the ongoing debts restructuring / agreements, if any 	2-4 Sep
RESTRUCTURING & RECAPITALISATION PLAN	<ul style="list-style-type: none"> ■ Submission to AFN of a restructuring plan ■ Identification of required solvency capital in accordance with conclusions stemming from the financial due diligence and the Business Plan 	By 18 Sep