Astana Finance

Presentation to International Creditors Committee

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ASTANA FINANCE

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Contents

Principles of Restructuring

- Objective remains to reach a consensual agreement
- Astana Finance (AF) is committed to a fair, equitable and transparent treatment of all stakeholders
- AF following the same process of transparency, disclosure and consensus building as in the BTA Bank, Alliance Bank and Temirbank restructurings
- Proposed work-out framework allows creditors to work along with Astana Finance as partners in the process to select best outcomes.

- As in the other restructurings, the framework is based on
  - Returns to creditors driven by the quality of AF assets and operations
  - Creditors to receive limited cash support, equity and debt securities
  - Domestics creditors to be treated fairly and in keeping with previous deals

- Samruk Kazyna (SK) remains supportive
  - Considering offering limited cash support to a consensual solution
  - Offering majority shareholding – for the creditors to have control over the process
  - Lobbying for restoration of certain assets
  - Lobbying for the inclusion of AF in the Bank Restructuring Law
  - Lobbying for the inclusion of AF in the tax exemption benefits extended to banks restructured to date

  - Astana Finance is of the view that without the support of Samruk Kazyna values to creditors would be substantial less or, at worse, a work-out would not be possible.

Restructuring scenarios

Scenario A: Restructuring

- AF loan portfolio and assets other than AFL to be sold
- AFL continues to operate to service debt
- SK is considering – without prejudice at this stage – to provide a loan of $190m to allow for an upfront payment (enabling some immediate payment to creditors Day 1) and any operating/working capital requirements in the restructuring period; a repayment schedule to be agreed
- Creditors provided with debt instruments and Recovery Loan Notes to capture excess returns

Scenario B: Wind-down

- SK is considering – without prejudice at this stage - to provide a loan of $190m; getting paid first out of recoveries
- Assets/subsidiaries are realised as soon as practical
- AFL is wound down
- Proceeds distributed and AF dissolved by 2016

in mln USD (rounded)	Scenario A	Scenario B
Current cash in hand	18	18
Expected loan from SK	190	190
Returns from loan books	252	252
Inflows from AFL	471	200
Proceeds of sale of subsidiaries	334	210
Other inflows	35	35
Total inflows	**1,300**	**905**
Other outflows	(233)	(72)
Total cash available	**1,067**	**833**

Creditors offered a framework within both scenarios within which to agree a consensual solution
Creditors offered control of the process through majority shareholding under both scenarios

Scenario A: underlying cash flows

USD mln	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021-2030	Total
Opening balance	**18.3**	**302.4**	**433.0**	**500.9**	**548.9**	**638.2**	**934.0**	**941.9**	**950.0**	**958.4**	**965.3**	18.3
Total inflows	**310.1**	**150.3**	**77.9**	**56.1**	**97.2**	**303.7**	**15.9**	**16.3**	**18.3**	**17.2**	**219.1**	**1,282.1**
Inflows from loan portfolio	60.0	66.2	46.3	28.5	50.8	-	-	-	-	-	-	251.8
Inflows from sale of asset portfolio	1.6	48.5	-	-	-	284.4	-	-	-	-	-	334.4
Inflows from securities portfolio	9.8	0.5	0.5	0.5	4.2	-	-	-	-	-	-	15.5
Net inflows from AFL	47.3	34.7	30.7	26.7	26.0	19.3	15.9	16.3	18.3	17.2	219.1	471.5
Other inflows	1.4	0.4	0.4	0.4	16.2	-	-	-	-	-	-	18.9
Expected loan from SK	190.0	-	-	-	-	-	-	-	-	-	-	190.0
Total outflows	**(26.0)**	**(19.7)**	**(10.0)**	**(8.0)**	**(8.0)**	**(7.9)**	**(7.9)**	**(8.2)**	**(9.9)**	**(10.3)**	**(116.9)**	**(232.8)**
Operating expenses	(16.0)	(13.0)	(10.0)	(8.0)	(8.0)	(7.9)	(7.9)	(8.2)	(9.9)	(10.3)	(116.9)	(216.2)
Investments in subsidiaries	(10.0)	(6.7)	-	-	-	-	-	-	-	-	-	(16.7)
Net cash flow	**284.1**	**130.6**	**67.9**	**48.1**	**89.2**	**295.8**	**8.0**	**8.1**	**8.4**	**6.9**	**102.2**	**1,049.2**
Net cash available for distribution	**302.4**	**433.0**	**500.9**	**548.9**	**638.2**	**934.0**	**941.9**	**950.0**	**958.4**	**965.3**	**1,067.5**	**1,067.5**

Scenario A: an illustrative outcome

The outcome summarised opposite provides an indication of the shape of a potential settlement, using cash flows from the group's assets to achieve exits in line with the previously voiced wishes of the creditors:

- Eurobond/ PPN creditors – day 1 exit;
- ECAs/domestic creditors - near par NAV returns; and
- a running yield for domestic creditors.

Creditors would be offered debt instruments and Recovery Loan Notes to capture potential upside should assets be realised for values over those in management's plan

Sources of potential outperformance include:

- enhanced collections based on management's actions and creditor support
- restoration of assets/collateral lost in recent Court actions; and
- monies recovered from any successful arbitration with Barclays Bank (together with a reduction in liabilities)

Creditors will also be offered a majority equity stake

USD mln	Euro	ECA	Domestic Senior	Domestic Sub	State	Secured	SK
Opening balance (@ 147.47 KZT/USD)	1,050.3	291.0	376.4	184.9	42.9	2.5	
Barclays Bank claim (subject to arbitration)	-						
	1,050.3	291.0	376.4	184.9	42.9	2.5	
	53.9%	*14.9%*	*19.3%*	*9.5%*	*2.2%*	*0.1%*	
Expected loan from SK							190.0
Repayment method	*Day 1 cash out*	*Loan basis as below*	*Portfolio sales and cash sweep post Euro/ECA/SK settlement*		*Outside restructuring*		*Loan basis as below*
Exchanged/written off NAV	(880.3)	(75.0)	(105.0)	(92.0)	-	-	
Write off in PV terms	(880.3)	(199.4)	(266.5)	(149.6)	(13.9)	(0.8)	
Day 1 cash out	170.0	-	-	-			
%age portfolio asset disposals	-	-	55.0%	15.0%			
Grace period		2					
Term		8					7
Coupon	-	-	1.0%	1.0%			8.0%
Cash sweep proportion			75%	25%			
Total NAV	**170.0**	**216.0**	**271.3**	**92.9**	**42.9**	**2.5**	**250.8**
Total discounted cash	**170.0**	**91.6**	**109.8**	**35.3**	**29.0**	**2.3**	**154.0**
NAV return	**16%**	**74%**	**72%**	**50%**	**100%**	**100%**	**132%**
NPV return	**16%**	**31%**	**29%**	**19%**	**68%**	**94%**	**81%**
Minimum cash balance	5.0						
End cash balance	20.6						

Enhanced returns from Recovery Loan Notes	Euro	ECA	Domestic Senior	Domestic Sub
Proportion to creditors	51.0%			
Relative distributions to creditors	60.0%	15.0%	15.0%	10.0%
Over recovery	20.0%			
Barclays claim successful (Yes/No)	Yes			
Settlement	2012			
Proceeds	100.0			
Enhanced NAV return	**23%**	**80%**	**77%**	**56%**
Enhanced NPV return	**20%**	**35%**	**32%**	**23%**

AF and SK are working to enhance creditor returns

- SK and AF are lobbying for:
  - extension of the Bank Restructuring Law so that a consensual solution can be enforced with a qualified majority of creditors rather than requiring unanimity;
  - restoration of assets or collateral lost to AF;
  - the application of relief from taxation on the gain arising from any reduction in debt obligations – critical to any meaningful return to creditors. Any waiver is effectively a government injection which Astana Finance estimates as at least $150m
- These actions to improve the situation for creditors continue despite AF being advised by:
  - English legal counsel that:
    - an English court would determine that the Comfort Letters are governed by Kazakh law
    - English courts will not have jurisdiction to adjudicate any proceedings relating to the Comfort Letters
    - in the unlikely event that an English court did determine that the Comfort Letters were governed by English law, it would hold that:
      - the Comfort Letters are not legally binding and do not create any legal obligations and, therefore, are not actionable either as guarantees or as contracts generally; and
      - the Comfort Letters are not actionable under the law of misrepresentation, since they did not induce anyone to enter into a contract
  - Kazakh legal counsel that:
  - a court in Kazakhstan would apply Kazakh law

New management's actions

- Subsidiary Companies: change of management
- Improved financial discipline using SK subsidiary governance framework
- Set plans on recoveries of subsidiary companies
- Decrease SG&A of the whole group by $1.5 m, headcount decreased by 184
- Recapitalization of subsidiary companies to meet FMSA requirements:
  - BAF – $12m
  - Insurance Company – $3m
  - Life Insurance Company – $2m

  - It is important to recognize that the recapitalization of the subsidiaries and AF itself is required in order to protect and enhance creditor returns:
    - AF has an obligation as a Bank Holding Company to maintain the licenses of its subsidiaries. This obligation, and the obligation to at least meet the 10% risk weighted capital regulatory threshold (see below) are important in order that AF is able to:
      - apply under the extension to the Banking Restructuring Law;
      - avoid a tax charge on provisions raised and tax allowable at the time when AF was in compliance with regulations
      - continue to be exempt from charging VAT on interest receivable
    - the subsidiary recapitalizations are essential if the subsidiaries are to be exempt from charging VAT on interest receivable and, in the Scenario A model, are invested in for growth and enhanced returns to creditors

New management's actions (continued)

AF Loan Book value

- 82 clients - $920 m, provisions – $803 m or 87.1%
- NPL – 72 clients, with total amount of $892 m

Work on NPLs – volume and quantum of loans

- Collection – $17.6 m
- Notice of Default – 100% on all NPLs
- Arrest on banking accounts – 100% of NPLs, proceeds – $0.9 m
- Legal claims
- Attorney general support
    - Already filed – 19 loans – $240 m (Economy on state duty – $7.1 m)
    - Ready to file – 20 loans – $236 m (Expected economy on state duty – $7.07 m)
- Company itself
    - Already filed – 12 loans – $110 m
- Criminal suits to KNB and Financial Police
    - Already filed – 25 loans – $400 m

- Restructuring – 5 clients – $35 m
- Work on confiscated property (Astana City Palace, Bolashak, etc) – has initiated legal proceedings

Barclays Bank vs Astana Finance:
Background

- July 2007: Barclays and Astana enter into a cross-currency swap Tenge / Euro; embedded credit default swap referencing BTA Bank; credit linked deposit agreement. All subject to English law and an arbitration / jurisdiction clause in favour of English arbitration / Courts.

- August 2007: First margin call by Barclays – USD 4 million. (Further collateral calls through until December 2008 up to a total collateral of c. Euros 79.3 million).

- March 2008: Swap restated with a nominal value of Euros 180 million.

- February – April 2009: further margin calls by Barclays totalling just under Euros 30 million, not paid on time, leading to an Event of Default.

- April - May 2009: Credit Event and transaction terminated. Credit Linked Deposit Agreement terminated.

- 15 June 2009: Settlement Amount Notice from Barclays calculating total amount due as EUR 125,731,243 and taking c. Euro 79.5 million on account (i.e. moneys Barclays already held (including interest) as collateral).

- 18 October 2010: Barclays served a Request for LCIA Arbitration seeking recovery of Euros 46 million plus interest.

- 29 October 2010: Jonathan Hirst QC appointed arbitrator.

- 9 December 2010: Astana served a Response.

- Next steps –
  - Barclays to serve a full Statement of Claim (a detailed pleading document) by 14 January 2011.
  - Astana to serve its detailed Defence by 12 February 2011.

Possible upsides to the base scenario are represented by inflows from following sources:

USD mln	2012	2013	2014	2015	Total
Astana City Palace				29.4	**29.4**
BC Bolashak	16.9				**16.9**
Best Pig Farm			2.1		**2.1**
Forest Holding				3.5	**3.5**
Asia Logistic SIB		1.0			**1.0**
Total debt	**16.9**	**1.0**	**2.1**	**32.9**	**52.9**

- **Astana City Palace.** In case of a positive outcome, the Company expects to sell collateral based on incurred costs of CIP and price of land
- **BC Bolashak.** In case of a positive outcome, the Company expects to sell collateral based on market prices for collateral.
- **Best Pig Farm**. The amount represents potential selling price of collateral based on bidding price from a potential investor
- **Forest holding**. The amount represents potential selling price for MLDK shares based on valuation results.
- **Asia Logistic SIB**. The amount represents the potential price for collateral.

All mentioned inflows are conditional and subject to legal or market driven uncertainties.

Scenario B: underlying cash flows

USD mln	2011	2012	2013	2014	2015	2016	Total
Beginning balance	**18.3**	**312.4**	**442.3**	**667.9**	**712.6**	**796.5**	**18.3**
Total inflows	**320.1**	**149.6**	**235.5**	**52.7**	**91.9**	**36.7**	**886.5**
Inflows from loan portfolio	60.0	66.2	46.3	28.5	50.8	-	251.8
Inflows from sale of subsidiaries	1.6	48.5	160.3	-	-	-	210.4
Inflows from securities portfolio	9.8	0.5	0.5	0.5	4.2	-	15.5
Inflows from AFL	57.3	34.0	28.0	23.3	20.7	36.7	200.0
Other inflows	1.4	0.4	0.4	0.4	16.2	-	18.9
Expected loan from SK	190.0	-	-	-	-	-	190.0
Total outflows	**(26.0)**	**(19.7)**	**(10.0)**	**(8.0)**	**(8.0)**	**-**	**(71.7)**
Operating expenses	(16.0)	(13.0)	(10.0)	(8.0)	(8.0)	-	(55.0)
Investments in subsidiaries	(10.0)	(6.7)	-	-	-	-	(16.7)
Net cash flow	**294.1**	**129.9**	**225.5**	**44.7**	**83.9**	**36.7**	**814.9**
Net cash available foe distribution	**312.4**	**442.3**	**667.9**	**712.6**	**796.5**	**833.2**	**833.2**

An orderly winding up vs formal procedures

- The options to recover and distribute value to creditors are:
  - Liquidation under Kazakh Law; or
  - Rehabilitation under Kazakh Law; or
  - A consensual solution with creditors so that an orderly wind down is achieved

- Liquidation
  - Liquidation process will be under Kazakh law
  - There is a 5 stage “waterfall” to creditors
  - Unsecured creditors rank 5th (i.e. last)
  - Process will be handled by court appointed entities registered and licensed in Kazakhstan

- Rehabilitation
  - Rehabilitation offers a quasi debtor-in-possession route through a Kazakh “rehabilitation manager” under which a rehabilitation period of up to 3 years (extendable by a further 6 months) may be imposed during which there is a moratorium on accrual of interest, fees and penalties, any payments to the creditors can be made only upon the approval of the creditors register by rehabilitation manager and all recovery proceedings are deemed to be stayed
  - Process will be handled by court appointed entities registered and licensed in Kazakhstan

Current capital shortage

$1.4bn recapitalisation is needed to meet regulatory requirements in order to proceed with any consensual framework and obtain tax benefits

Data on Astana Finance on a consolidated basis as of 30 September 2010

- RWA (risk weighted assets) = $0.9bn
- Required regulatory capital = 10% of RWA = $0.1bn
- Regulatory capital = negative $1.3bn
- Required recapitalization = $1.4bn (adjacent to the implied capitalization in Scenarios A and B)

The Company also needs to meet KASE listing requirements to issue bonds post restructuring:

- total equity to be more than authorized capital
- profitability to be sustained

Process

- It is recognised that a consensual solution offers best returns for creditors
- AF management are cognisant of the need to drive a plan which is fair to all stakeholder classes
- Even under the Bank Restructuring Law a super majority of creditors will need to approve of the plan and, given the relative proportion of the constituent creditor groups (ie Eurobond/ECAs/Domestic senior/Domestic subordinated), it is possible that to obtain a super majority a proportion of each of these creditor groups will need to agree
- The ECAs have requested time to diligence the AFL business plan which will be performed during January 2011
- Thereafter, AF expects that any consensual settlement to be agreed in early February with creditors voting on proposals during March and completion shortly thereafter

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