



Kazakh debt capital market update

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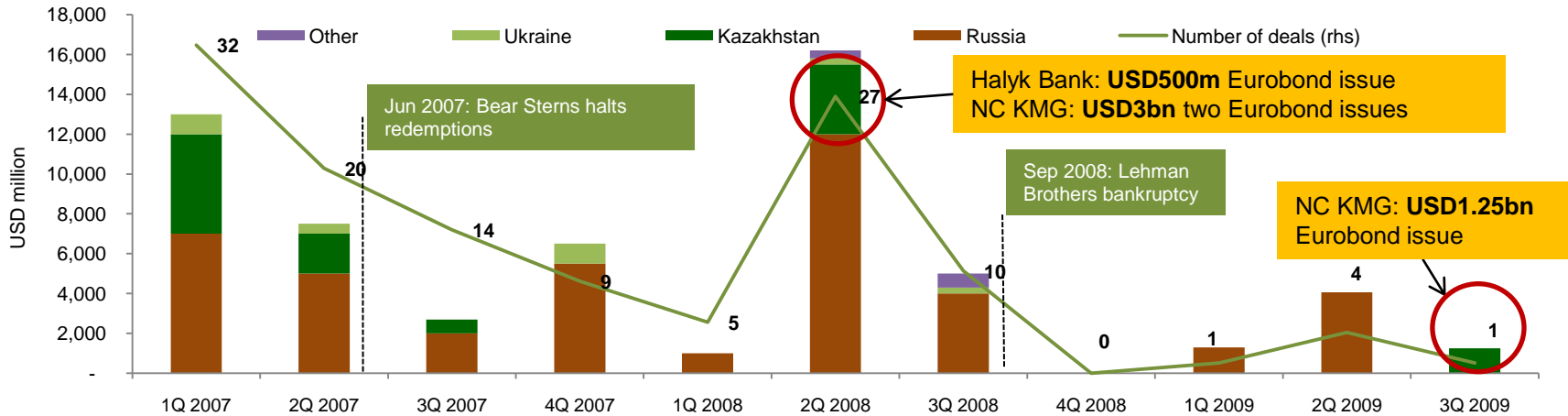
July 2009

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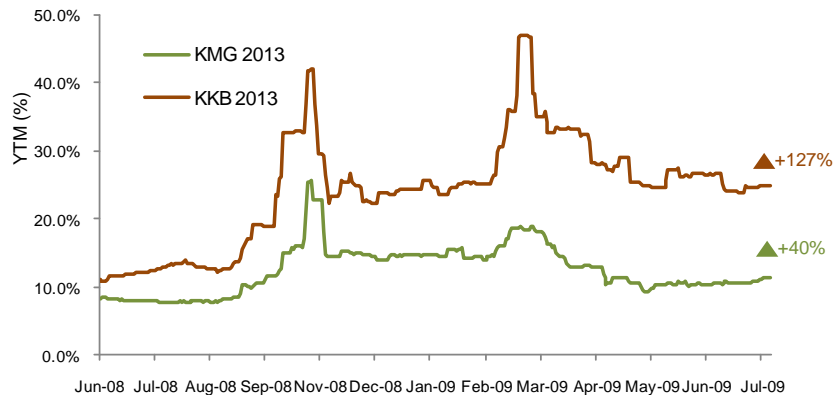
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Crisis impact on Kazakh bond issuances

CIS: Eurobond issuance by country



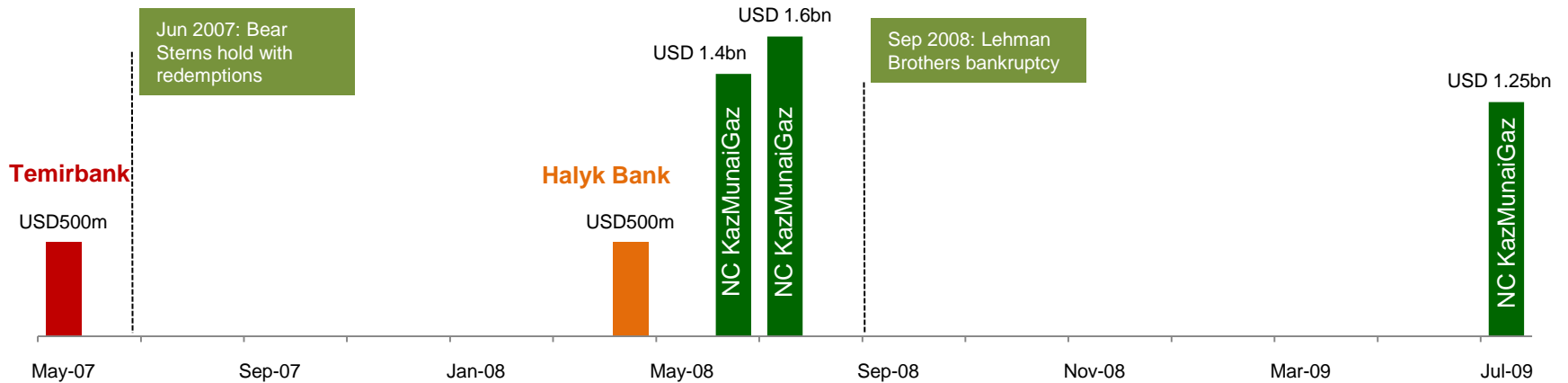
Comparable bond trading benchmark



Kazakh CDS trading levels



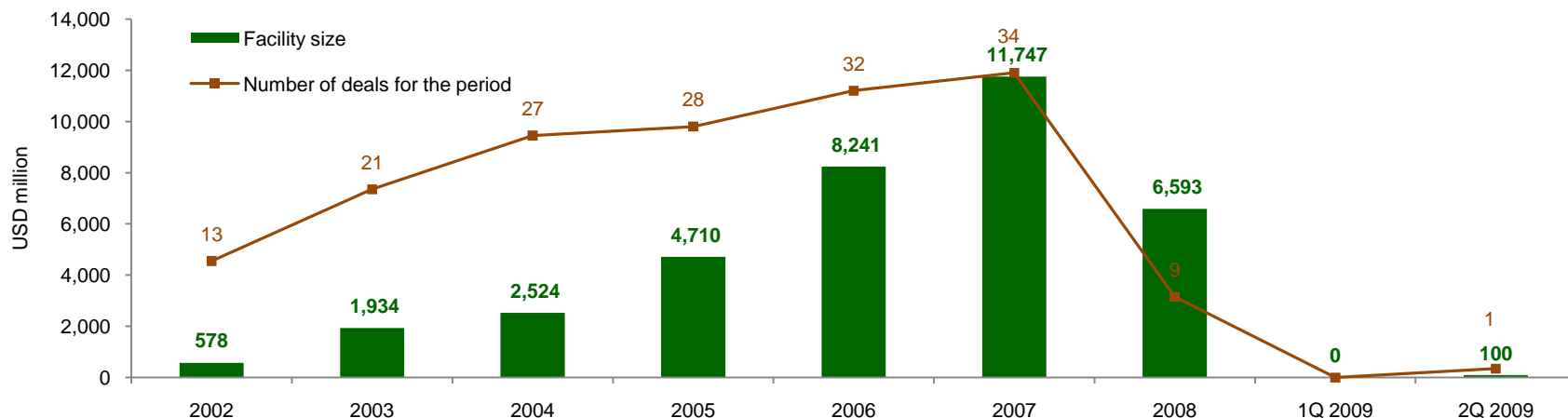
Kazakh Eurobond issuances since the start of the financial crisis



Temirbank	Halyk Bank	NC KMG	NC KMG	NC KMG
T & C	T & C	T & C	T & C	T & C
Tenor: 7 years	Tenor: 5 years	Tenor: 5 years	Tenor: 10 years	Tenor: 5.5 years
Maturity: 21-May-2014	Maturity: 16-Oct-2013	Maturity: 02-July-2013	Maturity: 16-Oct-2018	Maturity: 23-Jan-2015
Issue size: USD500m	Issue size: USD500m	Issue size: USD1,400m	Issue size: USD1,600m	Issue size: USD500m
Rating: Moody's "Ca2", S&P "B+e", Fitch "C"	Rating: Moody's "Ba2", S&P "B+", Fitch "B+"	Rating: Moody's "Baa2", S&P "BB+", Fitch "BBB-"	Rating: Moody's "Baa2", S&P "BB+", Fitch "BBB-"	Rating: Moody's "Baa2", S&P "BB+", Fitch "BBB-"
Coupon rate: 9.5%	Coupon rate: 9.25%	Coupon rate: 8.375%	Coupon rate: 9.125%	Coupon rate: 11.75%
Reoffer price: 98.753% of principal amount	Reoffer price: 98.948% of principal amount	Reoffer price: 99.499% of principal amount	Reoffer price: 98.196% of principal amount	Reoffer price: 98.014% of principal amount
Listing: LSE	Listing: LSE, Frankfurt Stock Exchange, KASE,	Listing: LSE	Listing: LSE	Listing: LSE

Kazakh syndicated loans since the start of the financial crisis

Kazakh syndicated loan issuances (2002-2Q2009)



Kazakh syndicated loan issuances (2008 – 2Q2009)

Year 2008

Issuer	Effective date	Maturity	Facility size (USD)	Price
Kazakhmys	Mar-08	Mar-13	2,100,000,000	Libor+1.25%
Turgai-Petroleum	Mar-08	Mar-11	250,000,000	Libor+1.00%
KazAtomprom	Jul-08	Jul-10	300,000,000	Libor+1.75%
Halyk Bank	Aug-08	Aug-09	300,000,000	Libor+1.00%
KazMunaiGaz	Sep-08	Sep-11	2,500,000,000	Libor+1.55%
KazTransOil	Sep-08	Sep-13	275,000,000	Libor+1.70%
Samruk (Tr 1)	Nov-08	Nov-09	215,000,000	Libor+1.35%
Samruk (Tr 2)	Nov-08	Nov-09	102,520,000	Libor+1.35%
ZhaikMunai	Nov-08	Nov-15	550,000,000	Libor+3.00%

Total **6,592,520,000**




YTD 2009

Issuer	Effective date	Maturity	Facility size (USD)	Price
DBK*	Apr-09	Apr-19	100,000,000	N/A

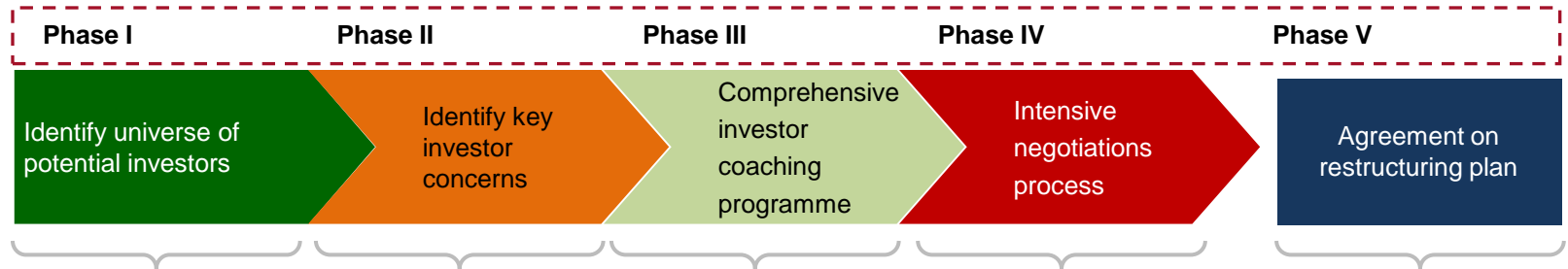
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Debt restructuring process in the Kazakh banking sector

Company name	Advisers	Stages of the restructuring process
 <p>АЛИАНС БАНК</p>	<p>Financial advisers: Lazard Frères KPMG, Ernst & Young</p> <p>Legal advisers: White & Case, Denton Wild Sapte</p>	<ul style="list-style-type: none"> ❑ The Bank has USD4.2bn liabilities placed under the restructuring plan, expected to be completed by 1 Nov 2009 ❑ The Bank has signed the Memorandum of Understanding (MoU) with the Creditors' Steering Committee represented by nine international banks ❑ The MOU terms, which is non-binding to creditors, sets out five debt restructuring options and along with the Bank's restructuring and recapitalization plans are subject to approval by the FMISA ❑ The options offer creditors a range of alternatives starting from the debt repayment with a 75% haircut to debt conversion into equity. Under the first option with a 75% haircut it is expected that cash payout will capped at USD500m and the Bank will retire a minimum of USD1.85bn debt <ul style="list-style-type: none"> ➢ If creditors with less than USD1.85bn do not choose the first option then all five option will be recreated in order to ensure that the Bank meets capital adequacy requirements ❑ Alliance Bank has also signed an agreement with the National Wellbeing Fund "Samruk-Kazyna" with the latter to recapitalize the Bank through an acquisition of a controlling stake for KZT129bn (USD856m).
 <p>БТА БАНК</p>	<p>Financial advisers: Lazard Frères, UBS Investment Bank; KPMG</p> <p>Legal advisers: White & Case,</p>	<ul style="list-style-type: none"> ❑ BTA is currently finalizing its restructuring plan, which would set out an expected execution timeframe of the process and an estimated size of its liabilities ❑ The process of establishing the Creditors' Steering Committee is under way. The Committee is expected to include ten international banks and / or corporates ❑ Currently, the Bank's debt restructuring plan is expected to comprise a cash buyback option, a capped long-term debt roll-over option, and debt for equity conversion. BTA is likely to be forced to sell its non-performing assets.
 <p>АСТАНА ФИНАНС</p>	<p>Financial advisers: JP Morgan Securities;</p> <p>Legal advisers: Clifford Chance, First Legal</p>	<ul style="list-style-type: none"> ❑ The Bank and its advisors are working toward establishing the Creditors' Steering Committee ❑ YE 2008 financial results are expected to be released by the end of July 2009 ❑ The restructuring plan is expected to be finalized by 2H of August 2009, which would require the Creditors' Committee's approval, expected in 2H 2009.

General debt restructuring considerations



- ❑ A debt restructuring process is a “two-way” campaign to address any key investment issues investors / debt holders – should be tailored to individual situations targeted at debt recovery, fair risk allocation and resolving financial difficulties
 - **Map** out the complete universe of high-impact investors – investment funds, institutions and individuals
 - **Identify** key concerns, unresolved issues, in aggregate and also on an investor-by-investor basis
 - **Provide** potential solutions to key issues and areas of potential conflict and outline proposed process roadmap to achieve a coherent restructuring plan
 - **Schedule** one-on-one meetings with key investors to address primary issues
 - **Create** one organized group of investors to commence the negotiations process

Debt restructuring mechanisms

- ❑ Wavers to avoid payment acceleration
- ❑ Lockup and standstill agreements
- ❑ Debt restructuring
- ❑ Debt refinancing - bilateral loans
- ❑ Repurchasing of bonds
 - Buyback via open market or tender offers
- ❑ Exchange offers
- ❑ Exchange offers with exit consent
- ❑ Debt to equity swap

Potential issues

- ❑ Some negative consequences stemming from the ongoing debt restructuring processes in the Kazakh banking sector
- ❑ Litigation processes
 - Debt holders resort to dealing with issues with lawyers and a courthouse
- ❑ Existence of free riders and / or holdouts

Domestic debt restructuring considerations

AFN actions in debt restructuring

- ❑ In the event of the Issuer's insolvency, there are three scenarios for the Issuer and creditors available under the Kazakh bankruptcy law:
 - **Rehabilitation** (with or without investments of a third party in the Company's equity capital) provides protection from penalties, claims that have risen prior to or during the rehabilitation period;
 - **External supervision** could be initiated by members of the Creditors' Committee. During this period, which lasts from three months up to a year, external managers take over day-to-day operations of the business based on a proper banking license;
 - **Bankruptcy**: a creditor may submit a bankruptcy claim to the court and the Issuer is obliged to respond to the creditor's demands within 10 calendar days.
- ❑ AFN has also introduced changes to the existing legislation on securities to reflect the ongoing issues of restructuring the debt obligations of the corporate sector including the commercial banks
 - Subject to the approval by the Ministry of Justice
- ❑ There are two restructuring options available for corporates:
 - Voluntary restructuring – requires bondholders' agreement on changes to the bond's previously agreed terms and conditions and no encumbrance clauses
 - Compulsory restructuring (through enforcement proceedings) – requires the creditors' consent holding at least 2/3 of the corporate's total debt pursuant to the Kazakh banking law
- ❑ AFN has also introduced changes to the listing rules for financial instruments
 - ❑ Buffer category – includes bonds in default, bonds under restructuring and bonds not compliant with the current listing rules. The bonds will be placed under this category for a max period of 9 months.

Corporate bonds in default

Bond	Issuer	Default details	Size (KZT bn)	Type	Maturity	Coupon
1	Alliance Bank(*)	defaulted on interest payment for the 5th coupon period of Dec'08 through to Jun'09. Issued as part of KZT 40 bn bond programme	5.0	unrated, unsecured, senior	25/12/11	8.50%
2	Astana Finance	defaulted on interest payment for the 3rd coupon period of Jun'08 through to Jun'09	42.0	unsecured, senior, FX rate indexed	18/06/10	7.88%
3	Astana Finance	defaulted on interest payment for the 3rd coupon period of Nov'08 through to May'09	21.9	unsecured, senior, FX rate indexed	25/11/11	9.10%
4	Astana Finance	defaulted on interest payment for the 1st coupon period of Jun'08 through to Jun'09	8.5	unsecured, senior, FX rate indexed	18/06/10	7.95%
5	Ei-Dos	defaulted on interest payment for coupon bonds. <u>The Issuer partially redeemed the coupon debt n June 10, 2009</u>	0.7	initially rated inflation indexed. <u>Unlisted on May 6, 2009</u>	05/06/09	15.00%
6	Glotur	defaulted on interest payment for the 4th coupon till Sept'09	9.0	unrated, inflation indexed	20/03/12	21.50%
7	Iske Sat Company	defaulted on interest payment for the 4th coupon period of Jun'08 through to Dec'08	1.0	unrated, unsecured, senior	24/12/13	10.00%
8	Kombisnab	defaulted on interest payment for the 2nd and 3rd coupon periods of Nov'08 through to Jul'09	2.5	unrated, unsecured, senior	07/11/13	15.00%
9	Kazakh Distribution Company	defaulted on interest payment for the 4th coupon period of Sept'08 through to Mar'09. The issuer partially repaid the debt on April 8, 2009	1.0	unrated, unsecured, senior	15/05/10	11.00%
10	Remix-R	defaulted on interest payment for the 2nd and 3rd coupon periods of Jun'08 through to Jun'09	2.0	unrated, unsecured, senior	01/07/13	12.00%
11	Rosa	defaulted on interest payment for the 5th and 6th coupon periods of May'08 through to May'09	1.8	unrated, unsecured, senior, inflation indexed	31/05/11	6-11%
12	Transstroimost	defaulted on interest payment for the 6th coupon period of Oct'08 through to Apr'09	5.0	unrated, unsecured, senior, inflation indexed	19/04/11	12.00%
13	Zhansaya-Producing	defaulted on interest payment for the 3rd coupon period of May'08 through to Nov'08	2.0	unrated, unsecured, senior, inflation indexed	17/05/12	13.00%
Total			102.4			
<i>Others</i>						
1	Onnek XXI	currently undergoing a restructuring process	n/a		n/a	n/a
2	Build Investments Group	n/a	n/a		n/a	n/a

NB (*) – Alliance Bank defaulted on another 3-year tenge denominated bonds within the KZT 40bn bond programme, No bond details are available on KASE.

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Key factors for successful development of a local bond market

Primary market

- ❑ Build a wider spectrum of market participation
 - Institutional investors
 - Pensions funds
- ❑ Ensure macroeconomic stability and credibility
- ❑ Secure government commitment
- ❑ Eliminate tax disadvantages
- ❑ Develop government securities market
 - Define and establish benchmarks with 5, 10, 20-year maturities
- ❑ Establish transparent banking system
 - Perform active role in debt capital markets
- ❑ Maintain a two-way dialogue with credit rating agencies
 - Encourage increased use of credit rating metrics on a national scale

Secondary market

- ❑ Stock exchange order driven vs. OTC quote-driven bond trading
- ❑ Local investors can discourage the market development process by buying and holding long-term securities in significant sizes
- ❑ International investors tend to manage their portfolio more actively
 - Increased liquidity on the local bond market
- ❑ Standardization of market rules and procedures encourages participation from non-residents in the local domestic market
 - Increased liquidity enhanced investor penetration, resulting from heterogeneity of market participants

Key considerations in choosing a right debt financing structure

Key features

International vs. domestic debt capital markets

Attractions

- ❑ Since the liquidity crunch, some potential issuers have shifted towards the local debt market due to weakening international investor appetite, deterioration in credit ratings and increased perceived credit risk of Kazakh issuers
- ❑ Tax advantages for listed securities on KASE

Limitations

- ❑ Limited domestic market capacity as the local institutional market is still embryonic (USD10bn) and dominated by few pension funds

Rated vs. unrated debt instruments

- ❑ Lack of good quality issuances on domestic debt capital markets would support a healthy demand for appropriated debt instruments .
- ❑ Pension funds would require that a bond should either have a min credit rating of "B-"^{*} or be ilisted n the first KASE category of non-rated debt securities

- ❑ Domestic institutional investors have certain restrictions based on the existing prudential norms applicable to their investment portfolios, which make unrated or lower credit ratings securities unattractive

Debt to equity instruments

- ❑ Lower financing costs compared to straight bond financing, lower impact on leverage for the Issuer
- ❑ Downside protection for an investor in a bear market and potential significant upside from the underlying equity in a bull market

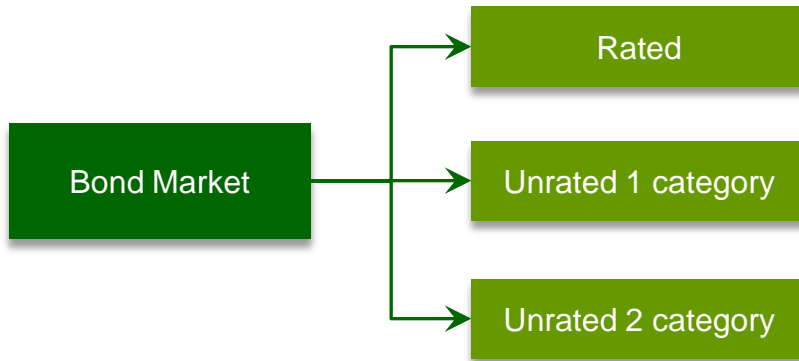
- ❑ Controlling stake limitation issues
- ❑ Significant equity upside is given away in the form of penny warrants, convertibility price, etc.

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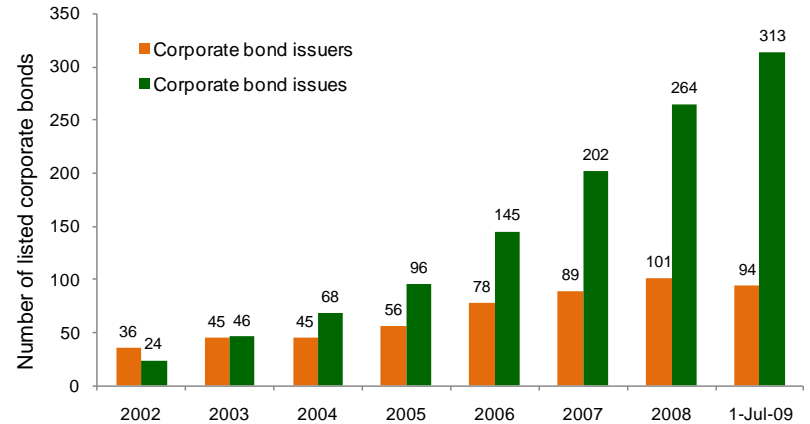
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Kazakh bond market overview

New structure of the Bond Market



Corporate bond market dynamics



Most liquid bonds on KASE for the last 6 months*

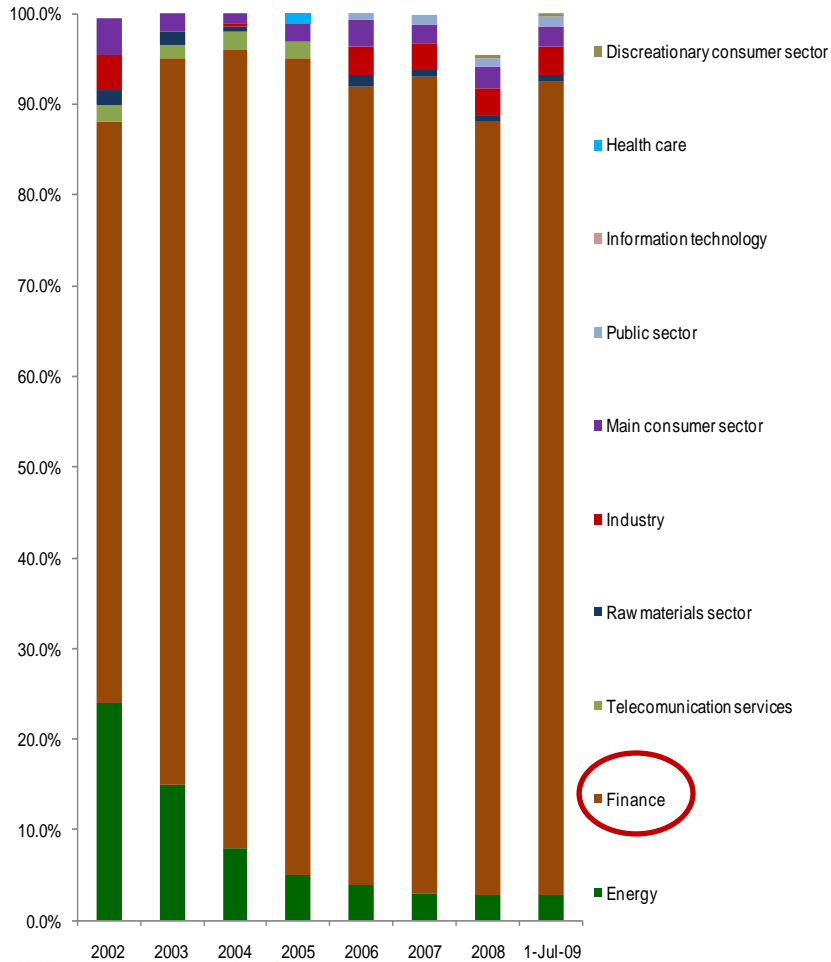
Company name	KASE ticker	Maturity	Number of deals	Volume USDm	Volume securities	YTM %**	Last Price***	Market share %
Kazkommertsbank (Eurobond)	KKGBe6	3-Nov-09	270	11.136	12,503,300	59.9%	87.5%	0.7%
ATFBank (Eurobond)	ATFBe2	9-Nov-09	155	7.878	8,077,200	18.0%	97.3%	0.5%
BTA (Eurobond)	BTASe3	2-Jun-10	171	2.897	5,873,700	243.6%	26.9%	0.2%
Ordabasy (Domestic bond)	ORDBb2	25-Nov-11	139	14.412	4,635,580,000	78.0%	32.5%	1.0%
BTA (Domestic bond)	BTASb9	29-Jun-18	47	172.933	26,113,080	11.0%	100.0%	10.1%
Halyk Bank (Eurobond)	HSBKe1	7-Oct-09	99	25.149	26,012,800	14.0%	98.9%	1.7%
Batys Transit	BTTRb1	19-Apr-09	108	19.347	30,053,700	9.4%	99.0%	1.3%
ATFBank (Domestic bond)	ATFBb6	17-Mar-14	88	66.960	129,330,500	22.0%	70.7%	4.4%
Eurasian Bank (Domestic bond)	EUBNb3	15-Apr-13	88	32.797	59,996,400	18.9%	78.1%	2.1%
BTA (Domestic bond)	BTAIb4	17-May-10	96	1.273	3,203,300	168.4%	40.2%	<0.1%

Average daily trading volume on KASE/RFCA

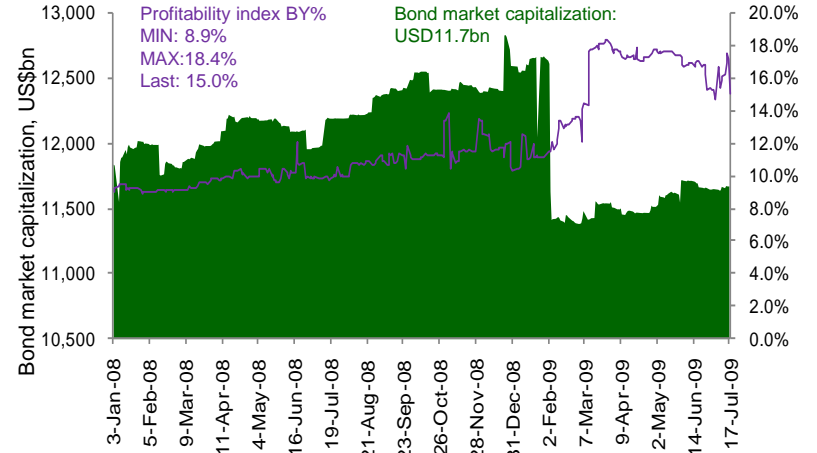
13.000

Market capitalization and turnover

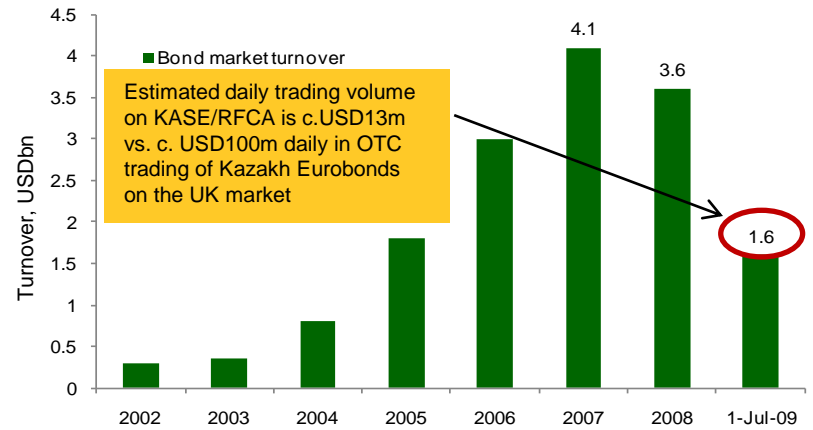
Listed companies by industry









Strong growth in market capitalization over years









Bond market turnover on KASE



Recent major domestic market bond issuances

Issuer	Issue date	Size	Tenor	Coupon	Issuer's rating	Issue rating	Comments
	February 26, 2009	KZT10 bn (USD66.6m)	5 years	13%	Moody's: "Baa3" Fitch: "BB+"	Fitch: "BBB-"	<input type="checkbox"/> Listed on the official list of KASE <input type="checkbox"/> Semi-annual coupon payment
	March 6, 2009	KZT300bn (USD2.0bn)	Different tenors 6 -15 years	9%	Moody's "Caa3" S&P: "D" Fitch: "RD"	Non rated	<input type="checkbox"/> Listed on the official list of KASE <input type="checkbox"/> Semi-annual coupon payment
	March 13, 2009	KZT750bn (USD5.0bn)	Different tenors 6 -15 years	4%	N/A	Non rated	<input type="checkbox"/> Listed on the official list of KASE <input type="checkbox"/> Semi-annual coupon payment
	March 18 2009	KZT105bn (USD0.7bn)	Different tenors 6 -15 years	9%	Moody's "Caa3" S&P: "D" Fitch: "RD"	Non rated	<input type="checkbox"/> Listed on the official list of KASE <input type="checkbox"/> Semi-annual coupon payment
	April 4 2009	KZT0.8bn (USD5.4m)	5 years	16%	Fitch: "BB" "KzAA"	Fitch: "BB+"	<input type="checkbox"/> Listed on the official list of KASE <input type="checkbox"/> Semi-annual coupon payment
	April 28, 2009	KZT15bn (USD33.3m)	5 years	15% -1 st year Inflation+1% thereafter Floor: - 8% Cap - 16%	Moody's: "A3" S & P: "BBB" Fitch: "BBB"	Moody's: "A3" S & P: "BBB" Fitch: "BBB"	<input type="checkbox"/> Part of the announced US\$500 mn EMTN programme <input type="checkbox"/> Semi-annual coupon payment

Recent major domestic market bond issuances (cont'd)

Issuer	Issue date	Size	Tenor	Coupon	Issuer's rating	Issue rating	Comments
	July 2, 2009	KZT190bn (USD1.3bn)	35 years	3%	Moody's "Baa2" S&P: "BB+" Fitch: "BBB-"	Non rated	<input type="checkbox"/> Listed on the official list of KASE <input type="checkbox"/> Semi annual coupon payment
	July 9, 2009	KZT190 bn (USD1.3bn)	35 years	1%	N/A	Non rated	<input type="checkbox"/> Listed on the official list of KASE <input type="checkbox"/> Semi annual coupon payment
	30 June 2009	KZT6bn (USD40.0m)	10 years	Inflation+2% Floor: - 2% Cap -15%	Moody's: "B1" Fitch: "B"	Non rated	<input type="checkbox"/> Listed on the official list of KASE <input type="checkbox"/> Semi annual coupon payment
	July 1, 2009	KZT5.5bn (USD36.6m)	3 years	12%	Moody's: "B1" Fitch: "B"	Non rated	<input type="checkbox"/> Listed on the official list of KASE <input type="checkbox"/> Semi annual coupon payment
	July 1, 2009	KZT3bn (USD20.0m)	3 years	10%	N/A	Non rated	<input type="checkbox"/> Listed on the official list of KASE <input type="checkbox"/> Semi annual coupon payment <input type="checkbox"/> Trades has not been opened yet
	July 9, 2009	KZT5bn (USD33.3m)	5 years	15% -1 st year Inflation+1% thereafter Floor: - 8% Cap - 16%	Moody's: "A3" S & P: "BBB" Fitch: "BBB"	Moody's: "A3" S & P: "BBB" Fitch: "BBB"	<input type="checkbox"/> Part of the announced USD500 mn EMTN programme <input type="checkbox"/> Semi annual coupon payment

Kazakh bond listing requirements

	Debt Securities with credit rating	Category One Non-Rated Debt Securities	Category Two Non-Rated Debt Securities
Operating history (registration as a legal entity ¹)	2 years	2 years	1 year
Credit rating ²	√	inapplicable	inapplicable
Financial reports	for 2 years of operation	for 2 years of operation	for 1 year of operation
Accounting/ reporting standards	IFRS or US GAAP	IFRS or US GAAP	IFRS or US GAAP
Audit (annual)	for 2 years	for 2 years	for the last fiscal year
Audited or reviewed interim financials	for 6 months after last annual audit	for 6 months after last annual audit	for 6 months after last annual audit
Owner's equity	not required	not less than 2,050,000 MCI or US\$17.7mn	not less than 340,000 MCI or US\$2.9mn
Total revenue ³ (non-financial organizations)	not required	not less than 2,050,000 MCI or US\$17.7mn	not less than 340,000 MCI or US\$2.9mn
Net profit	not required	not less than 85,600 MCI US\$0.8mn	not less than 3,400 MCI or US\$0.03mn
Corporate governance code	√	√	√
Market-maker	√	√	√

¹Does not apply to 100% state owned companies which obtained registration as a separate legal entity less than 2 years before filling the documents for listing.

²The credit rating from the rating agency recognized by the RFCA; the credit rating should not be lower than the minimum set by the authorized agency.

³Total revenue of a non-financial organizations – issuer may submit audited interim financial reports (for either 6 or 9 months period), should the issuer gain control over another entity in the fourth quarter of the fiscal year or the first quarter of the fiscal year when the documents are submitted for listing.

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Visor Capital is the leading independent investment bank that combines local knowledge across the CIS with international expertise

Visor Capital offices

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- CIS and Central Asia market coverage
- Offering corporate finance advisory, brokerage and research services

London, UK

- European market coverage
- Offering brokerage services

Beijing, China (under formation)

- Asian market coverage
- Offering brokerage services

Dubai, UAE (under formation)

- Middle Eastern market coverage
- Offering corporate finance advisory services



Visor Capital affiliates

Somon Capital

- Investment Banking JV in Tajikistan
- Offering corporate finance advisory services

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- Representative functions
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 - Moscow, Russia
 - Bishkek, Kyrgyzstan
 - Tashkent, Uzbekistan
 - Ashgabat, Turkmenistan

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- Structured Finance; and
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- Metals & Mining;
- Financial Institutions;
- Construction & Development; and
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- Equity sales and trading;
- Fixed Income sales and trading;
- Trade execution of equity, debt and derivatives;
- Settlements; and
- Custodial services