

BOND MARKET TRENDS IN KAZAKHSTAN

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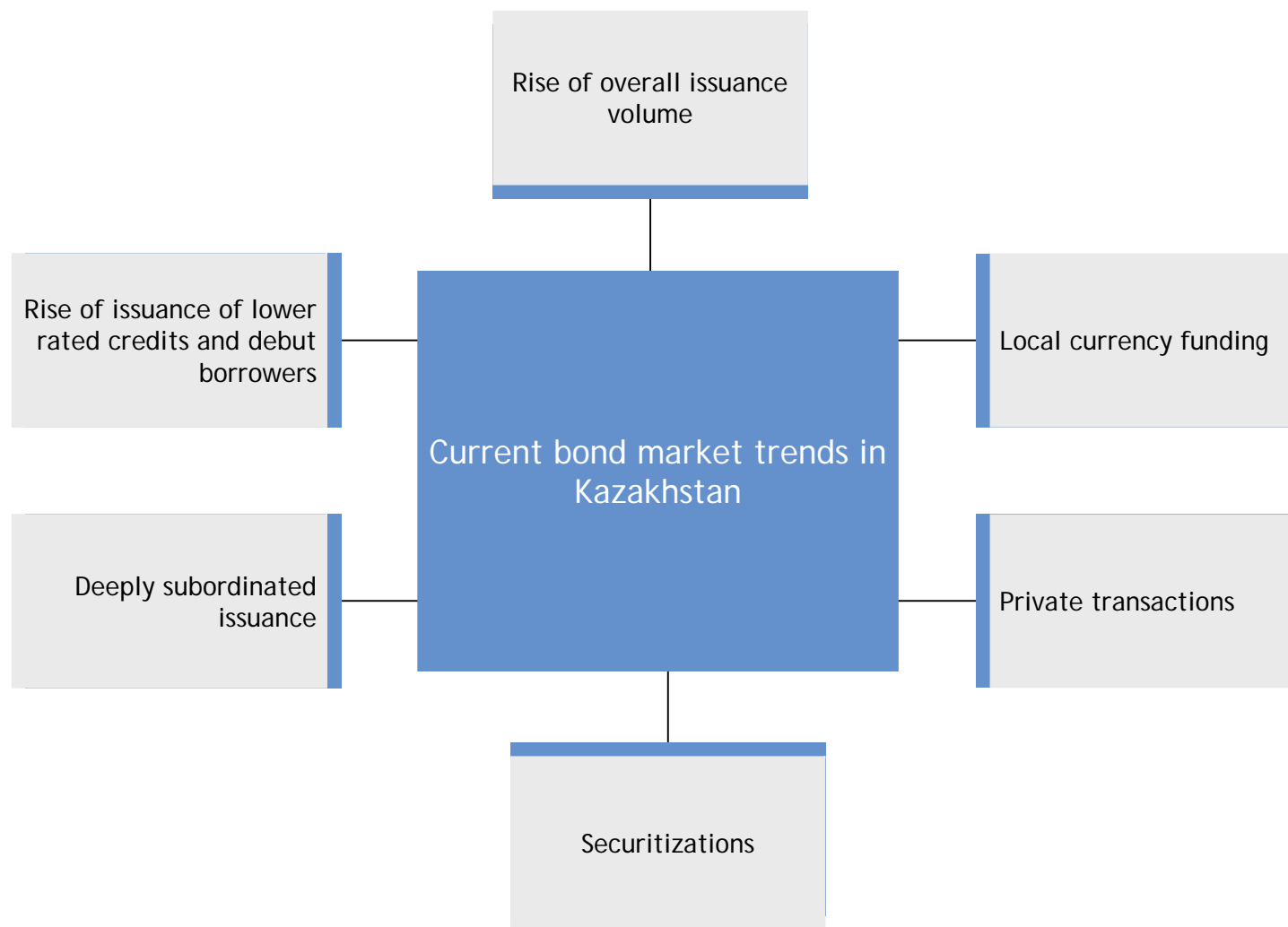
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# Agenda

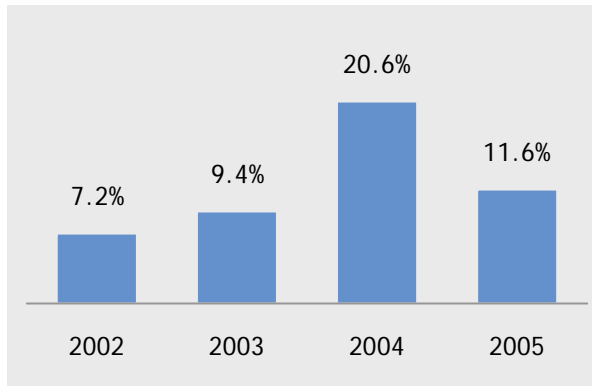
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# External borrowing sources for issuers from Kazakhstan evolved immensely over the past two years



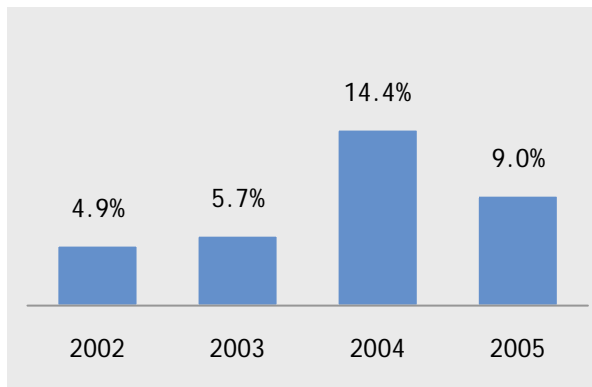
# Issuance volumes have increased significantly

Share of all USD non-sovereign CEEMEA issuance



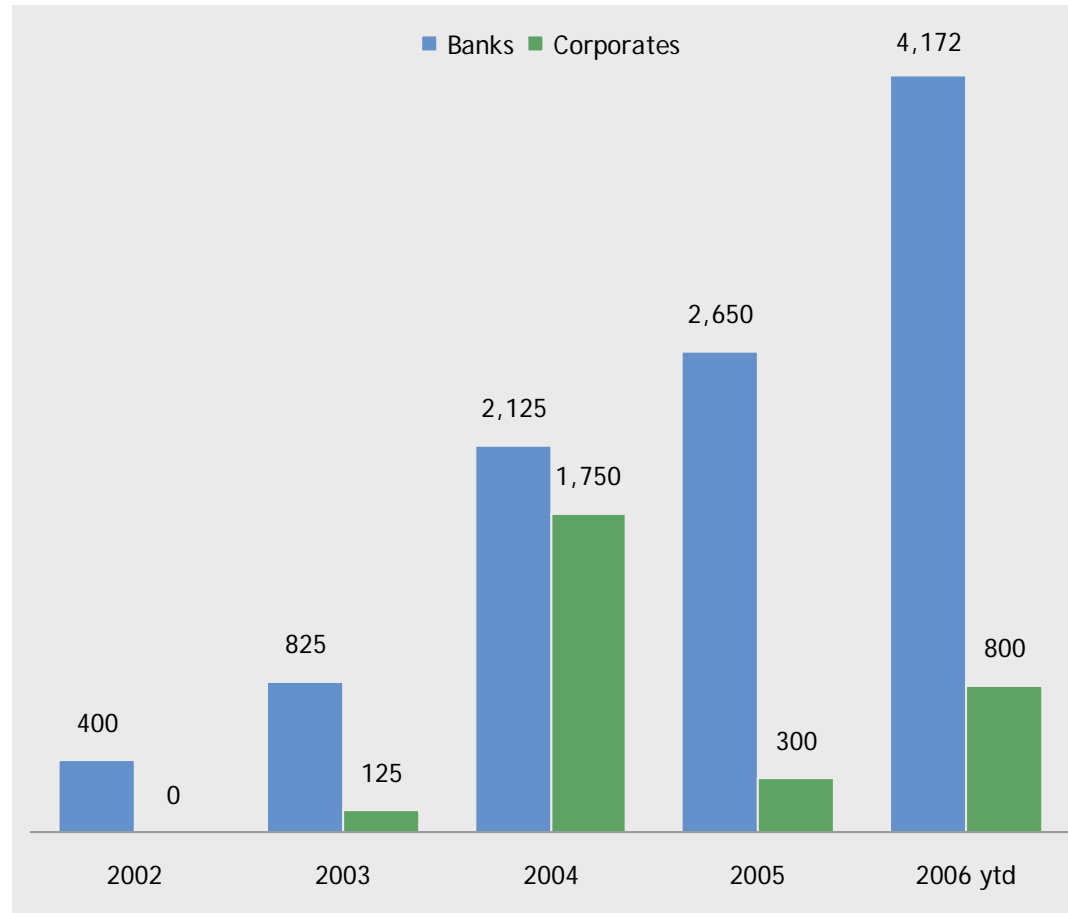
Source: Bondware

Share of all USD non-sovereign EM issuance



Source: Bondware

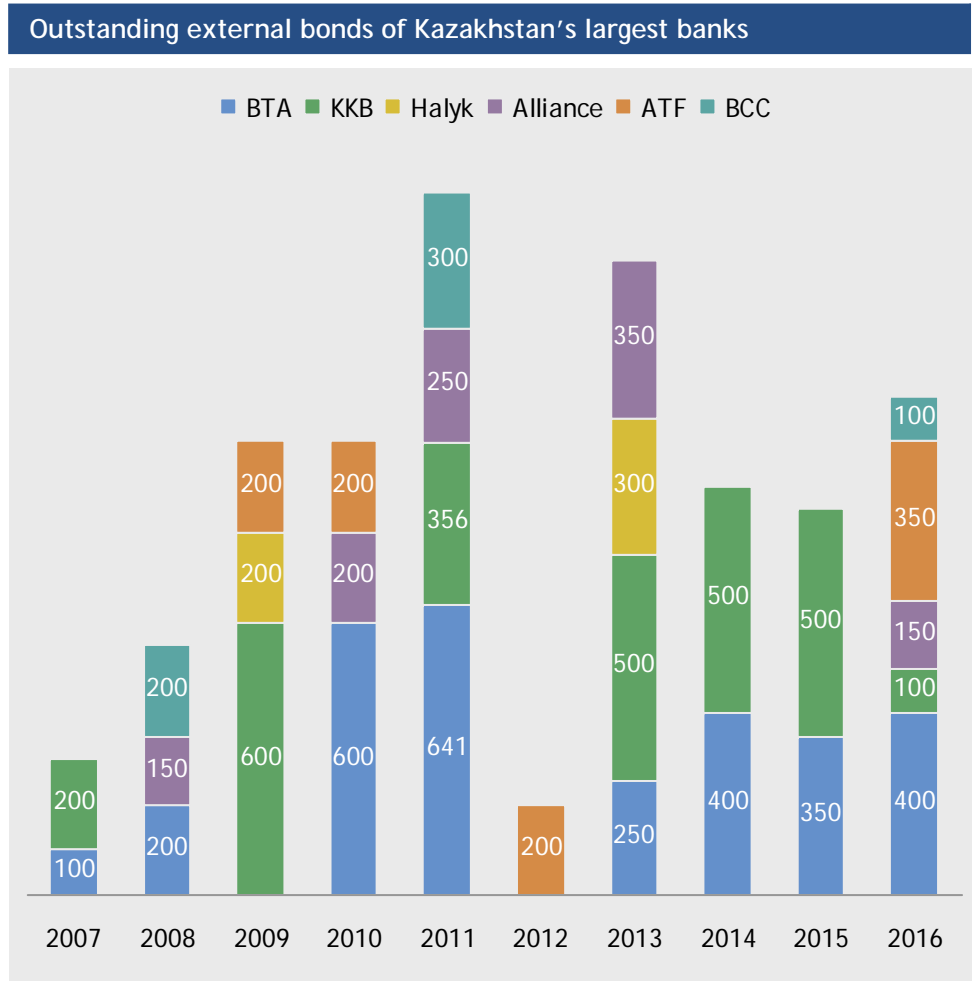
Summary of bond issuance volumes since 2002 (\$mm)



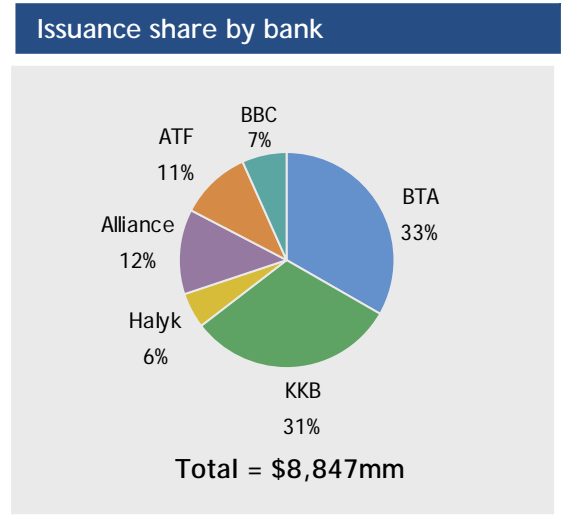
Source: JPMorgan

# External borrowings are a very important and attractive funding source for the private banks

OVERVIEW OF KAZAKH BOND MARKET

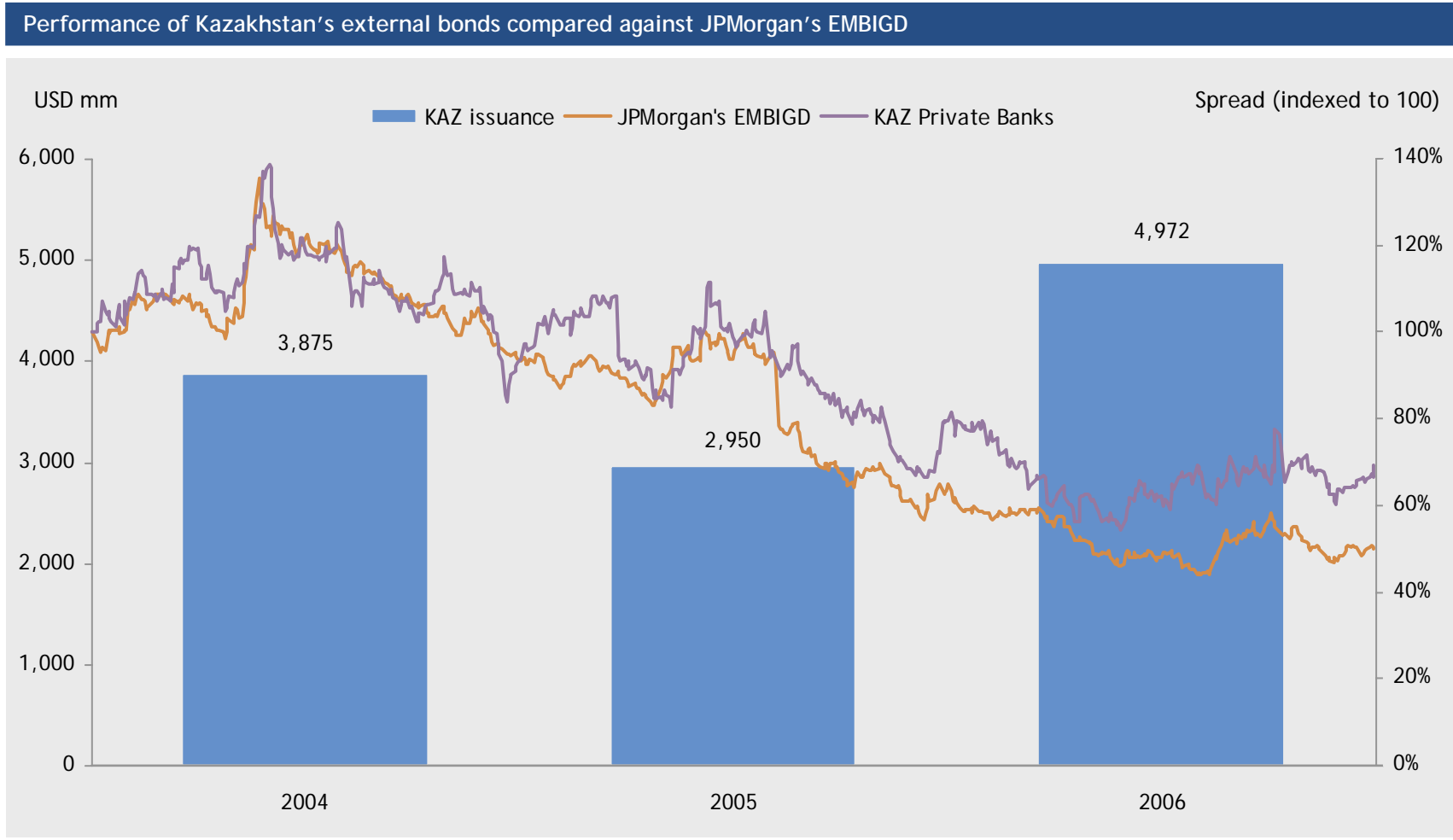


Source: Bondware



- ### Drivers of high issuance volumes
- Funding of significant growth
  - Increased need for long-term funding
  - Restrictions of domestic market
  - Competitive financing costs

# Heavy issuance hurts secondary market performance



Source: Bondware and JPMorgan

OVERVIEW OF KAZAKH BOND MARKET

# An increased number of lower rated credits and debut borrowers are approaching the international debt capital markets

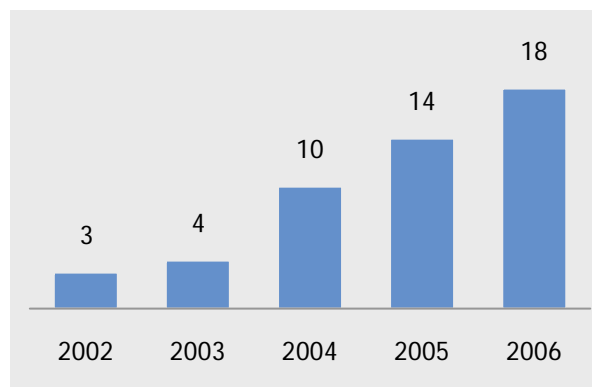
## Overview of debut borrowers over the past two years

Announcement date	Issuer	Rating Moody's/Fitch/S&P	Amount (mm)	Coupon (%)	Private bank participation
22/04/04	ATF '07	Ba1/BB-/B+	\$100	8.500	25%
30/07/04	Halyk '09	Baa1/BB+/BB+	\$200	8.125	5%
14/02/05	BCC '08	Ba1/BB-/NA	\$200	8.000	26%
21/04/05	Nurbank '08	Ba3/NA/B	\$150	9.000	24%
27/06/05	ALB '08	Ba2/BB-/NA	\$150	9.000	39%
17/10/05	Bank Caspian '08	Ba2/B+/NA	\$150	7.875	21%
16/02/06	AF '09	Ba1/BB+/NA	\$125	7.625	17%
23/03/06	Temir Bank '09	B1/B-/NA	\$150	9.250	70%

## Recent subordinated issuance over the past year

Announcement date	Issuer	Rating Moody's/Fitch/S&P	Amount (mm)	Coupon (%)	Private bank participation
27/10/05	KKB '15	Baa3/B+/B	\$100	9.200	72%
18/01/06	BTA '16	Baa3/B+/B-	\$400	8.250	55%
27/02/06	BCC '16	Ba3/NA/NA	\$100	9.125	68%
11/04/06	ALB '16	B1/BB-/NA	\$150	9.375	74%

## Number of issuers from Kazakhstan



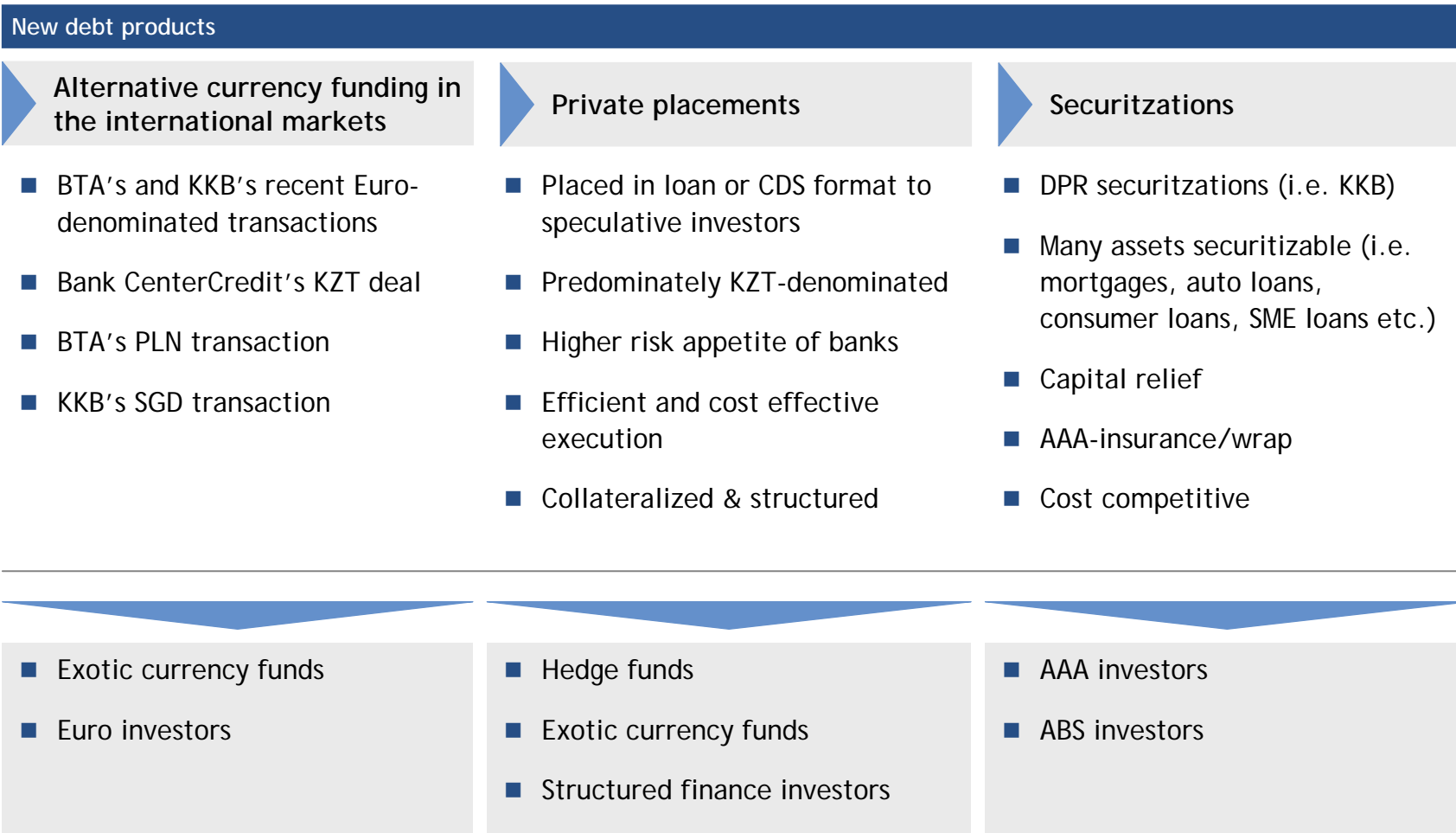
Source: Bondware

## Drivers

- Risk and yield hungry investors (i.e. private banks, "carry trade")
- Competitive necessity
- Need for capital to support strong growth
- Lower stock of external sovereign debt



# Given oversupply, Kazakhstan's borrowers are seeking to further diversify their investor bases in a variety of ways



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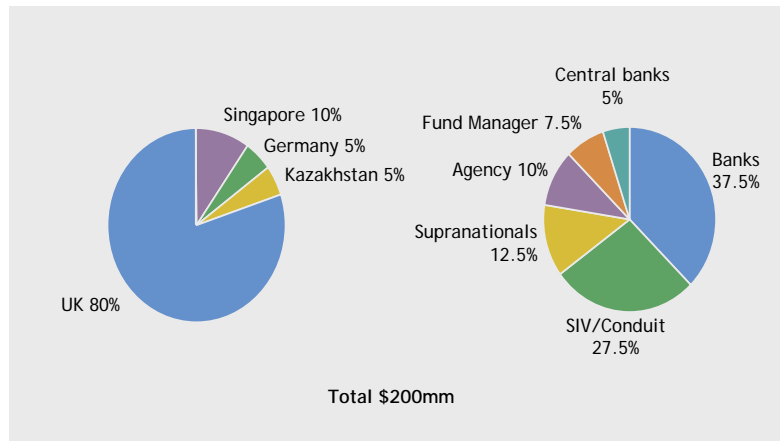
# JPMorgan leads \$300 million future flow transaction in December 2005 for Kazkommertsbank



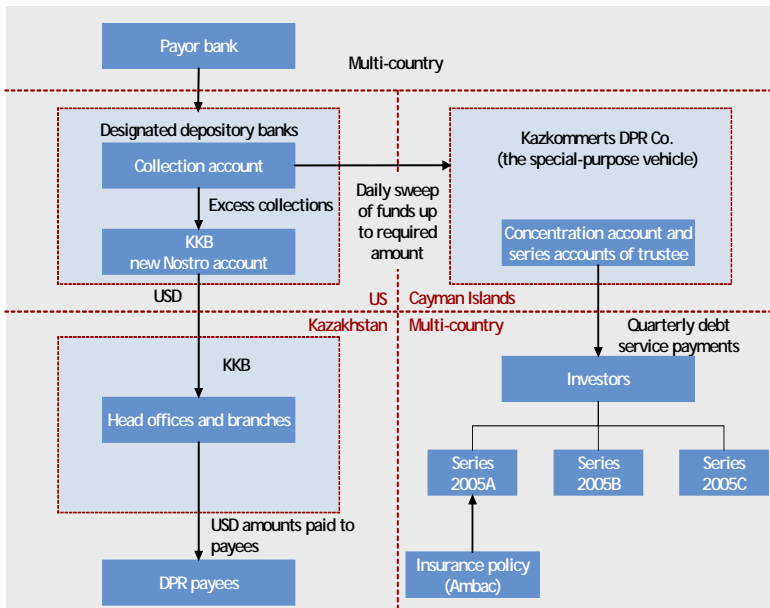
## Transaction details

Lead manager	JPMorgan and West LB
Issuer	Kazkommerts DPR Company, a Cayman SPV
Size	\$300,000,000
Originator	JSC Kazkommertsbank of Kazakhstan
Legal maturity	December 15, 2012
Average life	5.125 years
Coupon	3-month Libor+29bps on series 2005A notes
Rating	AAA/Aaa from S&P and Moody's respectively on series 2005A notes
Closing date	December 8, 2005
Credit enhancement	Ambac Assurance Corporation
Assets	Diversified Payment Rights
Servicer	JSC Kazkommertsbank of Kazakhstan
Designated depository banks	The Bank of New York, JPMorgan Chase Bank N.A., Citibank N.A. and American Express Bank Limited

## Distribution of series 2005A notes



## Transaction structure



## Transaction highlights

- JPMorgan successfully priced the issuance of USD 200 million floating rate notes via Kazkommerts DPR Company, a Future-Flow USD Diversified Payment Rights (DPR) Securitisation Programme for JSC Kazkommertsbank;
- The overall deal size is USD 300 million whereby USD 100 million are privately placed;
- This is the first wrapped DPR transaction out of Kazakhstan and the CIS placed into public markets, establishing an important benchmark and precedent for other regional borrowers;
- The deal was very well received by the market and saw a competitive pricing of AAA-rated series 2005A at 29bps, despite the heavy pipeline and the unprecedented large ABS supply in the primary market at year-end;
- The transaction provided lower all-in financing costs for KKB when compared to plain-vanilla Eurobond issuance; and
- The transaction strategically expanded KKB's investor base as it was placed with a very high quality investor base, which was entirely new to Kazakhstan.

Class	Amount (\$mm)	Moody's/S&P	WAL (years)	Legal final maturity	Coupon
2005A	200.00	Aaa/AAA	5.13	2012	3-month Libor + 29bps
2005B	50.00	Baa1/BBB	5.13	2012	Not offered
2005C	50.00	Baa1/BBB	5.13	2012	Not offered

# JPMorgan structures the first Hybrid Tier 1 Capital bond for an CEEMEA issuer

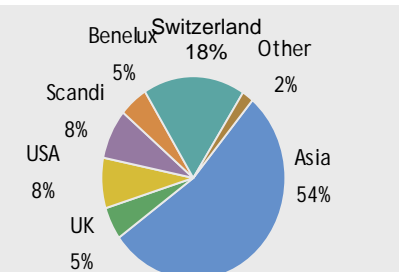


Key transaction terms	
Issuer:	Kazkommerts Finance 2 B.V.
Principal Amount:	USD 100,000,000
Maturity date:	Perpetual NC 10
Issue Ratings	Baa3/B/B+
Yield:	9.20% (10-year UST + 462.7bps)
Coupon:	9.20%
Coupon Step-up:	3m Libor + 619.05bps
Distribution:	Reg S/ 144A
Optional Repayment:	2015, or on any interest payment date thereafter
Repayment Events:	Tax reasons
Ranking:	Senior only to equity and preference shares
Mandatory Interest Deferral (non-cumulative):	If in breach of minimum capital adequacy threshold or liquidity ratios
Dividend stopper:	Yes
Listing:	London
Denominations:	Minimum USD 150,000
Law:	English
Lead Managers:	JPMorgan, ING, UBS

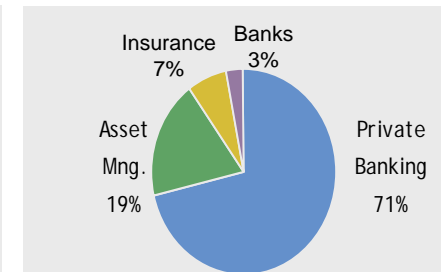
## Transaction highlights

- Simultaneously with a senior unsecured 10-year tranche, KKB issued a USD100 million tranche of Hybrid Tier 1 Capital bond, which is the first hybrid capital offering by a CIS or Central and Eastern European issuer
- This landmark transaction generated significant interest from a diverse range of accounts and provided a two-times oversubscription, which produced pricing of 9.20% in terms of yield
- This represents a very modest 95bps premium over the new 10-year senior tranche and a spread of 462.7bps over the 10-year UST, which is inside where KKB launched its USD 100 million 10NC5 LTII transaction in March 2004 (465bps spread over the UST)
- The 462.7bps spread over the benchmark implies a step-up after year 10 of 3-month Libor+619.05bps, based on a 412.7bps Libor spread at issue. The significance of this step-up prompted investors to view this offering as a 10-year transaction
- The Hybrid Tier 1 bond was issued in form of "Loan Perpetual Notes" issued on a limited recourse basis by an SPV (Kazkommerts Finance 2 B.V.) for tax efficiency purposes
- JPMorgan assisted KKB from the very beginning with execution of the Hybrid Tier 1 transaction, first introducing the product, preparing the tender process and later structuring and marketing the transaction
- JPMorgan acted as a structuring house for the Hybrid Tier 1
- For the hybrid instrument to qualify as KKB's equity, JPMorgan assisted in the effort of educating and lobbying the structure with the local regulator, who subsequently adopted the vast majority of the originally proposed terms

## Investor by location



## Investor by type



# JPMorgan lead-manages Astana Finance's debut \$125 million bond offering



Key transaction terms	
Issuer:	Astana Finance BV
Guarantor:	JSC Astana Finance
Ratings:	Ba1/BB+ (Moody's/Fitch)
Issue size:	\$125m
Settlement date:	February 16, 2006
Maturity date:	February 16, 2009
Coupon:	7.625% s/a
Issue price:	99.41%
Yield:	7.85% (3-year UST + 328pbs)
Listing	London
Sole bookrunner	JPMorgan
Joint lead manager	TuranAlem Securities

- ### Transaction highlights
- On February 7, JPMorgan successfully priced Astana Finance's \$125 million 3-year debut bond transaction
  - Astana Finance received a very favourable reception from international investors as its' distinguished credit story as a non-bank and the City of Astana's 30.1% ownership offered an excellent diversification / unique quasi-sovereign investment opportunity
  - The transaction also benefited from a comprehensive marketing campaign, which covered 7 financial centres in Europe and Asia
  - On the back of a very strong order book, which was 3.8x oversubscribed, the deal was increased from \$100 million to \$125 million
  - The strong investor demand, which was primarily driven by high quality asset managers in Europe and also included some new investors to Kazakhstan, allowed JPMorgan to revise price talk and price the deal at a re-offer yield of 7.85%, 15 bps inside of the original announcement
  - The coupon of 7.625% marks the lowest coupon of any 3-year bond transaction from Kazakhstan
  - The transaction has performed very well in the secondary market, trading up to 99.75% at the end of the first trading day
  - This transaction marks JPMorgan's 9<sup>th</sup> debut transaction from Kazakhstan and further underlines our strong leadership in bringing borrowers from Kazakhstan to the international markets (i.e. market share of over 30% since 2000)
  - JPMorgan has lead-managed all of Kazakhstan's non-bank bond offerings to date

