

Securitisation on the basis of the Law №126-III of 20 February 2006 On Securitisation

28 September 2006

VII ALMATY INTERBANKING CONFERENCE

SPEAKER: Timur Dzhankobaev, HALYK FINANCE JSC, Deputy General Director

Existing Mortgage Refinancing Tools

Mortgage bonds

- Law #427-II DD 3 June 2003 On Amendments and Alterations in Certain Legislative Acts of the Republic of Kazakhstan Concerning Mortgage Lending
- Secured by pledge of mortgage receivables
- Full recourse
- Credit enhancement/overcollateralisation
- Unrated
- No risk transfer or capital relief

KMC bonds

- Law #427-II DD 3 June 2003 On Amendments and Alterations in Certain Legislative Acts of the Republic of Kazakhstan Concerning Mortgage Lending
- Secured by pledge of mortgage receivables
- Full recourse
- Credit enhancement/overcollateralisation
- Unrated
- Issuer rating depends on implicit government support
- No risk transfer or capital relief

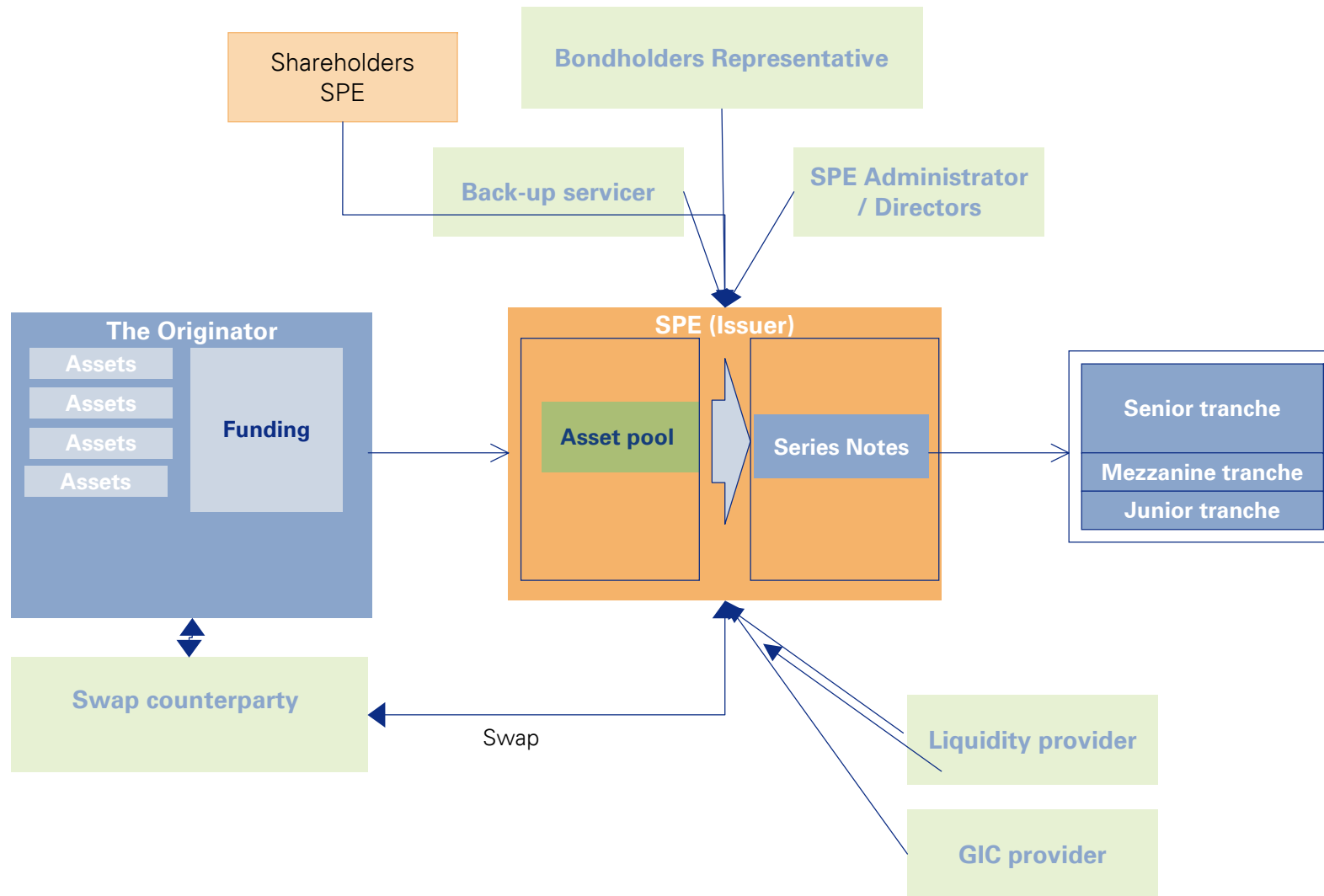
RMBS

- Law #126-III DD 20 February 2006 On Securitisation and Law #127-III On Amendments and Alterations in Certain Legislative Acts Concerning Securitisation
- Secured by assets (cash flows from mortgage loans)
- Non-/limited recourse
- KzAAA rating prospects without external credit enhancement
- Risk transfer and capital relief (based on Basel regulatory standards)

Capital relief, enhanced risk management and potentially lower funding costs are the main advantages of residential mortgage-backed securitisation

RMBS One Preliminary Structure

Schematics of the structure



Summary of Feasibility Study of Onshore RMBS

Legal Aspects

- Kazakhstan's securitisation legislation enables true sale securitisation, SPE and segregation principle meet rating agency criteria
- Unsolved issues are dealt with by deal documentation and structuring
- Other existing legislation on mortgage lending, registration, foreclosure, title, etc. is conducive for securitisation

Taxation

- Changes in the tax code create the regime effective as of 1 January 2007 that is favourable for securitisation in withholding tax upon assignment of receivables, SPE corporate income tax, set-off rights under tax claims

Summary of Feasibility Study of Onshore RMBS

Regulations

- It is expected that the following regulatory requirements will be introduced before the year end based on the European securitisation standards and principles on the risk transfer, regulated investors, state registration of ABS, as well as changes in listing rules of the stock exchange and accounting treatment of ABS.

IT-systems

- The current IT level in Kazakhstan's banks is sufficient to support securitisation transactions in non-commingling, monitoring and reporting

Summary of Feasibility Study of Onshore RMBS

Benefits for the Originator

- Risk transfer and capital relief
- Diversification of funding sources and raising of long-term funding
- ROE goes up, mortgage loan rates can go down because of lower all-in funding costs
- Much lower transaction costs compared to offshore transaction, legal risks minimized
- Enhanced primary underwriting standards, positive influence on business and strategy, securitisation of other asset classes either in foreign currency or tenge

Kazakhstan's legislation meets the key criteria of a European securitisation jurisdiction and enables onshore transactions for both local and foreign entities

Project RMBS One Team

- **KPMG Corporate Finance N.V. (engaged by the originator)**
 - **KPMG Janat LLC**
- **KPMG Ltd. (Moscow)**
- **Halyk Finance JSC (engaged by the originator)**
- **LeBoeuf, Lamb, Greene & MacRae LLP (LLGM) (engaged by the originator)**

THANK YOU!