

March 9, 2010

To: First Kazakh Securitisation Company B.V. (as Loan Notes Issuer)  
Fred Roeskestraat 123, 1076 EE Amsterdam, The Netherlands

Stichting Trustee First Kazakh Securitisation Company (as Loan Notes Trustee)  
Fred Roeskestraat 123 1 HG, 1076 EE Amsterdam, The Netherlands

Kazakh Mortgage-Backed Securities 2007-1 B.V. (as Issuer)  
Fred Roeskestraat 123 1 HG, 1076 EE Amsterdam, The Netherlands

Stichting Trustee Kazakh Mortgage-Backed Securities 2007-1 B.V. (as Trustee)  
Fred Roeskestraat 123 1 HG, 1076 EE Amsterdam, The Netherlands

Second Kazakh Securitization Company B.V. (as Purchaser)  
Fred Roeskestraat 123 1 HG, 1076 EE Amsterdam, The Netherlands

Stichting Trustee Second Kazakh Securitization Company B.V. (as Security Trustee)  
Fred Roeskestraat 123 1 HG, 1076 EE Amsterdam, The Netherlands

Ladies and Gentlemen,

**Re: Kazakh Mortgage-Backed Securities 2007-1 B.V. Transaction/ Second Kazakh Securitization Company B.V. Transaction ("Transactions")**

**1. Background**

1.1 We refer to your Reservation of Rights letters of 16<sup>th</sup> February 2010 relating to the Transactions and to our previous discussions and correspondence, in which JSC Halyk Bank ("Halyk") has highlighted various issues and problems relating to the potential of taking up the role of the Back-up Servicer pursuant to the Back-up Servicing Agreements dated 24<sup>th</sup> April, 2006 and 19<sup>th</sup> November, 2007, respectively (the "Back-up Servicing Agreements").

1.2 The purpose of this letter is to inform you that at this time it would not be reasonable for Halyk to accept the role of the Servicer because of the issues that we have set out below. The list of issues referred to below is not intended to be exhaustive and we reserve the right to identify and include additional issues if appropriate, as well as to rely on our full legal rights and our contractual rights under the Back-up Servicing Agreements. This letter does not constitute an acceptance by Halyk of the appointment as the Back-up Servicer.

1.3 Capitalised terms used but not defined in this letter have the meanings given to them in the respective Transaction documents.

## **2. Appointment as a Back-up Servicer**

Following analysis and correspondence over the last few months, we have identified a number of issues which would need to be resolved before Halyk would be in a position to take up the roles of Back-up Servicer. Without a resolution of these matters the performance of the Back-up Servicer duties by Halyk would be unreasonably and unduly burdensome and/or impossible as it would require Halyk to take actions outside the scope of what is contemplated in the Back-up Servicer Agreements and act in a capacity exceeding that of an agent in respect of the Transactions, effectively providing credit support for the Transactions. We hope the problems identified below and the potential solutions proposed, meet with your understanding and we hope that they are capable of solutions. We have suggested some possible solutions for your consideration and would be grateful if you could let us know if you can think of any alternative solutions that would achieve the same objectives. We regret to inform you that some of the issues highlighted below have been discovered by us just recently. This is due the fact that legislation and market situation changed significantly since 2006-2007 when the Transactions were initially structured. Unfortunately Halyk has been inadvertently put in a situation to do the analysis of the entire structure of the Transactions from the very beginning and identify potential problem areas on its own. As you understand this is not the task of the Back-up Servicer.

### **2.1 Collateral Enforcement**

There are potential risks in relation to pledge enforcement in Kazakhstan. Based on preliminary analysis and legal advice, we note that if Halyk were to seek to enforce the collateral in respect of defaulting Debtors on behalf of the Purchaser, the relevant Debtor may dispute the results of any public sale of such collateral following such enforcement. As a consequence, the relevant Purchaser may be rendered liable to return the sale proceeds to the relevant Debtor. We understand that BTAI's current approach is primarily to buy back defaulting mortgages from the pool of securitized assets and to enforce the collateral on its own behalf rather than on behalf of the Purchaser. This results in a transfer of the risk of a Debtor disputing a sale from the Purchaser to BTAI. BTAI is in a position to adopt this approach because, as the investor in the junior tranches of the Notes, it bears the risk of some Debtor defaults in any event. Should Halyk enforce security against a defaulting Debtor and pass the proceeds of sales to the relevant Purchaser in accordance with the terms of the Back-up Service Agreements, a court may require Halyk to refund the proceeds of sale to a Debtor should such Debtor later challenge the sale. If a court orders Halyk to return such proceeds to the Debtor, Halyk would then be required to expend its own funds to satisfy the order, as the initial proceeds will already have been passed to the relevant Purchaser and subsequently to investors. This can also occur after the relevant Transaction are terminated and the relevant Purchaser is wound up. We would note that it is outside the scope of Halyk's role as

contemplated in the Back-up Servicer Agreements that Halyk should be required to put at risk or expend its own funds or provide any credit support in respect of the Transactions.

## *2.2 Withholding Tax*

We understand that BTAI, based on their respective tax advice, has not paid any withholding tax required in connection with cross boarder payments of interest on loans. Typically the level of withholding required is 10 per cent of the amount of interest paid to the jurisdictions which Kazakhstan has concluded treaties on avoiding double taxation with. Halyk is unable to accept the risk of any liability for the failures by BTAI to withhold such amounts. It may well be that BTAI intends to pay such withholding out of the interest received on the subordinated tranche, but this issue needs to be addressed. In addition Halyk, because it is not a party with a substantive interest in the Transactions but merely an agent, would not be able to make any future payments without the required withholding, thereby diminishing the net amounts received by the investors. Based on advice of our tax counsel, we believe that income tax on cross-border interest payments shall be withheld at the level of each individual mortgage loan. We understand that such mechanics is not envisaged in the current payments flow scheme.

## *2.3 Credit Files*

All credit files are required to be maintained in accordance with the relevant banking regulations. The initial analysis has indicated that the credit files currently held by BTAI may be incomplete and may be held not in accordance with the relevant banking regulations. It would not be reasonable for Halyk to accept such incomplete files as it would entail regulatory risk. It is the responsibility of BTAI to ensure the files are complete and conforming to the regulations. Halyk's reasonable assumption is that it would receive complete and conforming files if it were to become the Servicer.

## *2.4 Insurance Renewal*

BTAI is currently the beneficiary under all Insurance Contracts relating to the risk of Debtor defaults and/or the values of the underlying Properties. This may currently work within the overall context of the Transactions, especially in the light of BTAI being an investor in the junior tranche. However, Halyk cannot be held responsible for assuring that all borrowers maintain insurance as the current Back-up Servicer Agreement contemplates, since it is not clear under the Kazakhstan Civil Code that the Debtors obligations to effect and maintain such insurance are enforceable.

## *2.5 IT Compatibility and Payment Processing*

Halyk's IT systems are generally compatible with those of BTAI as the current Servicer. However, they are unable to process convertible currency index loans. It may be impossible to achieve that capability due to the dependence on BTAI's cooperation in providing all the necessary data. Any attempt by Halyk to assume the role of Servicer before such capability has been achieved is likely to cause severe operational disruptions in the management of the portfolios and is likely to have a material negative impact on the value of the portfolios and related securities.

## 2.6 Notification of Debtors

Notice of a change of Servicer could create a concern among the Debtors because this would be the first notice of such nature they would receive. They have not been notified of their mortgages being sold by BTAI to the Purchaser and we believe that a notification to Debtors regarding Servicer substitution (i.e. change of the counterparty bank in the eyes of the Debtors) would create confusion among Debtors and may cause disturbance of payments.

We trust that the above is understandable and we are willing to reconsider if the circumstance change. From our side we will inform you accordingly if the situation changes from as described above.

Yours sincerely,



For and on behalf of  
JSC HALYK BANK