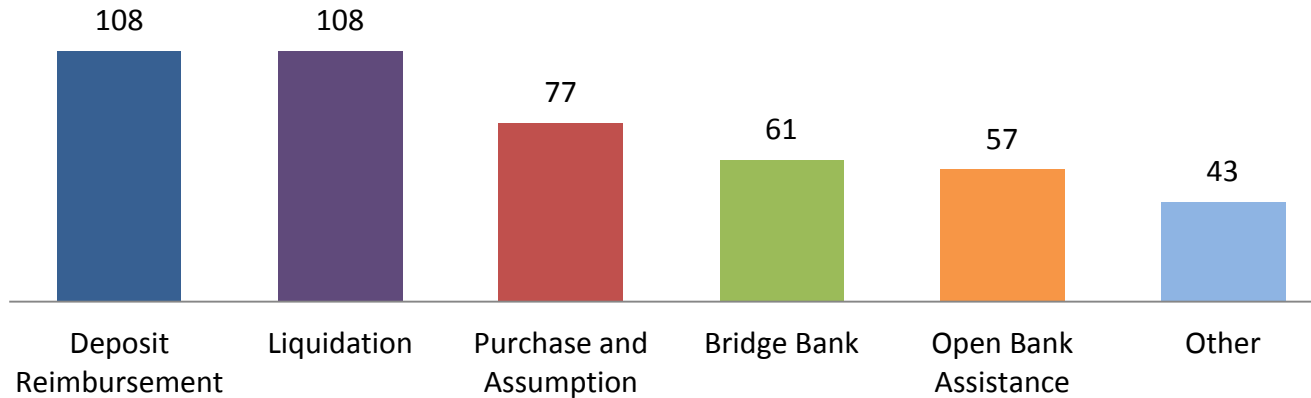


July, 2017, Yogyakarta, Indonesia

PURCHASE AND ASSUMPTION TRANSACTION

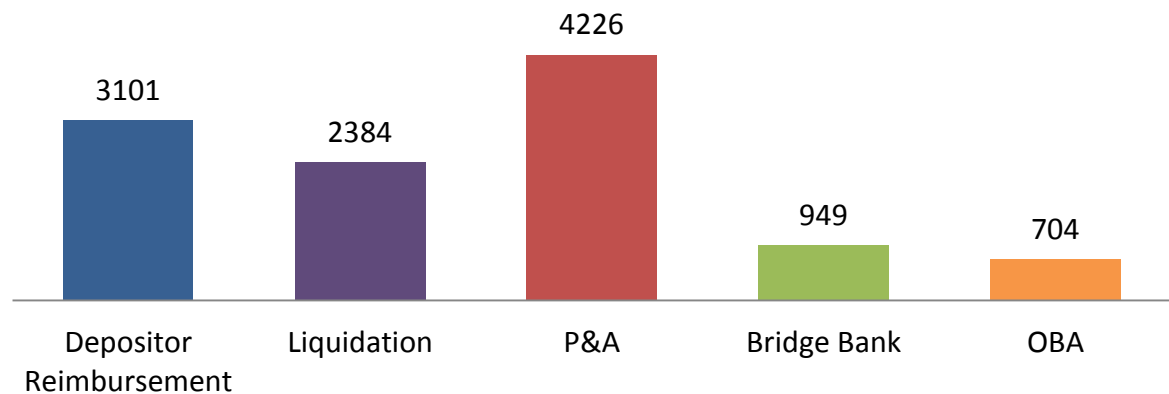
KDIF ҚАЗАҚСТАННЫҢ ДЕПОЗИТТЕРГЕ
КЕПІЛДІК БЕРУ ҚОРЫ
КАЗАХСТАНСКИЙ ФОНД
ГАРАНТИРОВАНИЯ ДЕПОЗИТОВ

Available Resolution Methods*

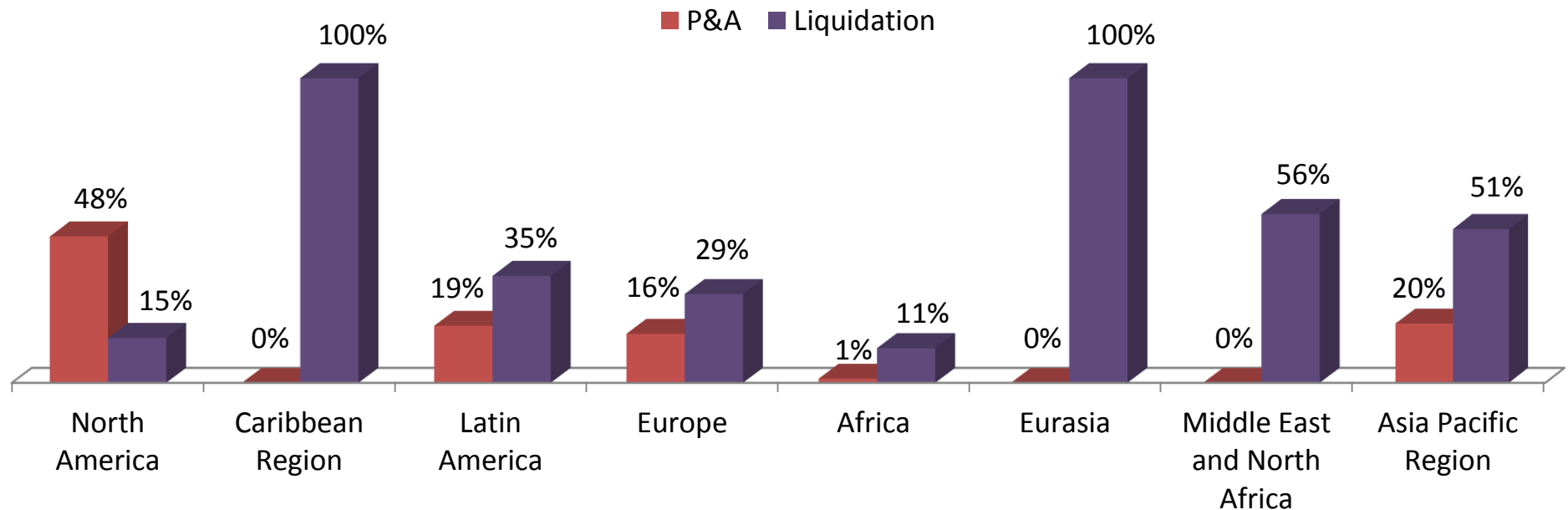


* IADI Annual Survey 2015, among **127 organizations**

Applied Resolution Methods*



* IADI Annual Survey 2014, total number of bank failures worldwide since DIAs inception **10 715**



- IADI Annual Survey 2014, share of P&A and Liquidation in total number of failure bank cases
- Except for the USA, liquidation and deposit reimbursement are the most used methods of dealing with failed banks
- In the USA Federal Deposit Insurance Corporation used P&A in **46.3%** of cases, National Credit Union Administration – in **51%** of cases
- The FDIC and NCUA accounts for **88%** out of total number of P&A transactions, Asia Pacific Region accounts for **9%** of P&A transactions (arranged by resolution authorities), Europe – **2.5%**

2003

- **LAW ON JOINT STOCK COMPANIES, 2003**
- Mergers & Acquisitions

July
2009

- **LAW ON BANKS AND BANKING ACTIVITIES**
- Partial and complete P&A to other bank(s)/ bridge bank
- By the bank itself or by temporary administration

April
2015

- **LAW ON BANKS AND BANKING ACTIVITIES**
- Separate article on P&A between head bank and its subsidiary

May
2017

- First application of P&A transaction for resolution of failed bank

Regular stress-test
of financial stability
of banks and their
capacity to fulfill
prudential
requirements.



Identification of possible **triggers**;

Identification of potentially **problem banks**;

Calculation of **KDIF obligations**;

Confirmation of **adequacy** of Special Reserve;

Identification of best **resolution methods** for each potentially problem bank.

IAI Core Principles for Effective Deposit Insurance Systems

Principle 13 – EARLY DETECTION AND TIMELY INTERVENTION

*The deposit insurer should be part of a framework within the financial safety-net that provides for the early detection of, and timely intervention in, troubled banks. The framework should provide for **intervention before the bank becomes non-viable**. Such actions should protect depositors and contribute to financial stability.*

Annual stress-test of operational readiness of KDIF by simulation exercises.



Identification of risks by results of simulation of stress situation;

Plan of actions in case of bank failure, including methods of funding in case of special reserve insufficiency;

Preparation of **communication plans**;

Preparation of **documentation drafts**.

IADI Core Principles for Effective Deposit Insurance Systems

Principle 6 – DEPOSIT INSURER'S ROLE IN CONTINGENCY PLANNING AND CRISIS MANAGEMENT

*The deposit insurer should have in place effective **contingency planning and crisis management policies and procedures**, to ensure that it is able to effectively respond to the risk of, and actual, bank failures and other events. **Essential criteria***

*The deposit insurer develops and **regularly tests** its own contingency planning and crisis management plans.*

*The deposit insurer participates in **regular contingency planning and simulation exercises** related to system-wide crisis preparedness and management involving all safety-net participants.*

*The deposit insurer participates in the development of pre- and post-crisis management **communication plans** involving all safety-net participants, to ensure comprehensive and consistent public awareness and communications.*

**Semiannual stress-test
of special reserve
sufficiency in case of
any bank default.**



Probability of bank default;

Amount of potential KDIF obligation;

Special Reserve target level (for 2017 - **6.3%** of the total amount of guaranteed deposits);

As of January 01, 2017, Special Reserve is **6.4%**.

IADI Core Principles for Effective Deposit Insurance Systems

Principle 9 – SOURCES AND USES OF FUNDS

The deposit insurer should have readily available funds and all funding mechanisms necessary to ensure prompt reimbursement of depositors' claims, including assured liquidity funding arrangements. Responsibility for paying the cost of deposit insurance should be borne by banks.

**Stress-test of
financial stability of
banks and their
capacity to fulfill
prudential
requirements
Fall 2016**



Several banks were identified to have a problems with fulfillment of prudential requirements in case of deposits outflows or problems with liquidity.

1) Kazinvestbank:

- ✓ its license was suspended on November 01, 2016 and was revoked on December 26, 2016;
- ✓ KDIF workers make 25% of temporary administration of the Bank (assets and obligations due diligence; preparation of proposal to National Bank on structure and ways of resolution (P&A transaction);
- ✓ on May 19, 2017 P&A transaction was signed;

2) Kazkommetsbank:

- ✓ results of KDIF analysis were sent to National Bank;
- ✓ National Bank requested the bank to increase capitalization;
- ✓ the bank signed agreement with the other biggest KZ bank for acquisition;

3) Delta Bank:

- ✓ its license was twice suspended – for 3 month and 1 month;
- ✓ waiting the following resolution.

**Stress-test of
operational readiness
of KDIF by simulation
exercises.**

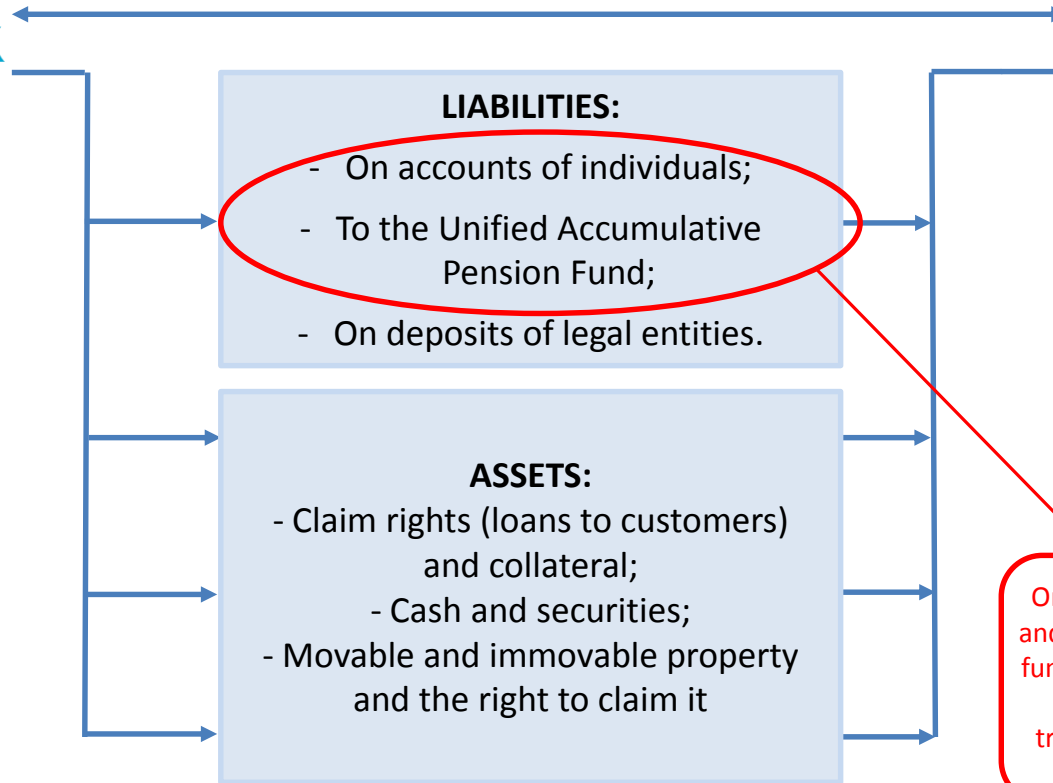


19th May 2017: P&A agreement; Acceptance certificates;
assignment agreement;
30 days later: reconsiliation



In 10 days:

- Notices to owners of movable and immovable property;
- State registration of transfer of assets and rights of claims



Notifications to depositors - individuals and legal entities

Only the accounts of individuals and Unified accumulative pension fund are covered by liquid assets. Contributions of entities are transferred in conjunction with entities loans.

Bank's assets

- Liquid assets accounted for 14%
- Money, securities, real estate

Deposits of individuals

- 100% (9 674 accounts) "covered" with high-quality bank assets

Deposits of legal entities

- Proposal for the release of funds as the loan is taken back to the balance sheet
- Agreed legal entities act as pledgers on accepted loans
- More than 100 legal entities, about 60% of the total volume of claims to the Bank by legal entities

