CrossBorder Securitisation

Case Studies

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ABN AMRO & Asset Securitisation
ABN AMRO Worldwide Leadership Position

- **Strong Capital Market Standings**
  - Structured over US$ 6b in CDO transaction during year 2001 worldwide
  - Structured over US$ 53 billion in asset-backed CP conduits. No 2 provider worldwide
  - Strategic global business, operating 10 years, with 140 people worldwide

- **Leader in Commercial Paper Conduit**
  - Active in securitisation since 1989 and presently sponsors 9 Asset-Backed Commercial Paper Conduits world-wide
  - 2nd largest ABCP sponsor world-wide with current commitments exceeding USD 53 bln.
  - Tulip is the largest European ABCP Conduit with current commitments of USD 7.3 bln
  - Windmill Funding Corp. (A-1+/P-1), ABN AMRO’s first multi-seller asset-backed commercial paper conduit established in 1993

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### All EURO Denominated ABS/MBS - 1 Jan 2001 - 31 Dec 2001

<table>
<thead>
<tr>
<th>Pos</th>
<th>Manager or Group</th>
<th>Amt US$ m</th>
<th>Iss.</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ABN AMRO</td>
<td>10,806.86</td>
<td>42</td>
<td>13.06</td>
</tr>
<tr>
<td>2</td>
<td>Salomon Smith Barney International</td>
<td>7,054.94</td>
<td>26</td>
<td>8.53</td>
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<tr>
<td>3</td>
<td>Credit Suisse First Boston</td>
<td>6,637.43</td>
<td>66</td>
<td>8.02</td>
</tr>
<tr>
<td>4</td>
<td>BNP Paribas</td>
<td>6,454.60</td>
<td>59</td>
<td>7.80</td>
</tr>
<tr>
<td>5</td>
<td>Merrill Lynch &amp; Co</td>
<td>6,389.07</td>
<td>41</td>
<td>7.72</td>
</tr>
<tr>
<td>6</td>
<td>Deutsche Bank</td>
<td>5,852.95</td>
<td>49</td>
<td>7.07</td>
</tr>
<tr>
<td>7</td>
<td>Morgan Stanley Dean Witter</td>
<td>4,096.90</td>
<td>30</td>
<td>4.95</td>
</tr>
<tr>
<td>8</td>
<td>UBS Warburg</td>
<td>3,545.13</td>
<td>22</td>
<td>4.28</td>
</tr>
<tr>
<td>9</td>
<td>JP Morgan</td>
<td>2,985.44</td>
<td>43</td>
<td>3.61</td>
</tr>
<tr>
<td>10</td>
<td>Rabobank Nederland</td>
<td>2,467.18</td>
<td>10</td>
<td>2.98</td>
</tr>
</tbody>
</table>

**Total of issues used in the table:** 82,739.55 (441/100.00)

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### 10 Largest Sponsors of Multi-seller programs

<table>
<thead>
<tr>
<th>Rank</th>
<th>Sponsor</th>
<th>% Market Share</th>
<th>CP Outstandings (Bblns)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Citibank</td>
<td>7.6%</td>
<td>$56.8</td>
</tr>
<tr>
<td>2</td>
<td>ABN AMRO</td>
<td>7.2%</td>
<td>$53.5</td>
</tr>
<tr>
<td>3</td>
<td>BancOne</td>
<td>6.0%</td>
<td>$44.9</td>
</tr>
<tr>
<td>4</td>
<td>Bank of America</td>
<td>5.3%</td>
<td>$39.7</td>
</tr>
<tr>
<td>5</td>
<td>GE Capital Corp.</td>
<td>4.7%</td>
<td>$34.7</td>
</tr>
<tr>
<td>6</td>
<td>Liberty Hampshire Company</td>
<td>4.1%</td>
<td>$30.7</td>
</tr>
<tr>
<td>7</td>
<td>J.P. Morgan Chase</td>
<td>3.9%</td>
<td>$29.1</td>
</tr>
<tr>
<td>8</td>
<td>WestLB</td>
<td>3.6%</td>
<td>$26.7</td>
</tr>
<tr>
<td>9</td>
<td>Rabobank</td>
<td>2.9%</td>
<td>$21.9</td>
</tr>
<tr>
<td>10</td>
<td>Barclays</td>
<td>2.9%</td>
<td>$21.8</td>
</tr>
</tbody>
</table>

**Outstandings - Top 10 sponsors:** 48.3% ($359.8)

**Total ABCP market outstandings:** 100.0% ($745)

**Source:** Goldman Sachs and Moody’s (as of 12/31/01)

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**Source Dealogic**

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**Outstandings - Top 10 sponsors:** 48.3% ($359.8)

**Total ABCP market outstandings:** 100.0% ($745)
Completed ‘First’ Securitisation Transactions in many Asian Countries

- First securitisation transaction in China with sale via PRC law
- First cross-border securitisation of local receivables in Singapore
- First foreign bank to underwrite a domestic ABS issue in Korea
- First use of credit derivatives (synthetic ABS) in Asia (ex-Japan)
- New delivered Asia Pacific ABCP Conduit
Asset Securitisation
What is Securitisation?

Only a debt funding alternative which:

- Involves the sales of assets/predictable cashflows
- Creation of a bankruptcy remote Special Purpose Vehicle
- Issuance of debt securities to be repaid by asset/cashflows

Most frequently effective when:

- Funding requirements can vary over time
- Assets are of highest quality
- Terms (amount, tenor) are demanding
- Existing Gearing is an issue

Most successful when:

- Assets are of highest quality
- Performance history exists
- Company in growth mode - funding diversification is important
- Capital utilization is a key measure for the company
Typical Securitisation Structure

- Originator
- Underlying Debtors
- SPV/Trust
- Swap Counterparty
- Investors

- True Sale by Assignment of Receivables
- Purchase Price/Subordinated Notes
- Exchange of Currency and/or Interest Rate Cash Flows

- Senior Notes
- Notes Proceeds

- True Sale

- Onshore • Offshore • ABCP • Syndicated Loan • Credit Derivatives
## Benefits of Securitisation

<table>
<thead>
<tr>
<th><strong>Issuer Benefits</strong></th>
<th><strong>Investor Benefits</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Attractive Funding Costs</strong></td>
<td>• Ratings Stability</td>
</tr>
<tr>
<td>– Cost based on structure/asset quality</td>
<td>– Easy to monitor asset performance</td>
</tr>
<tr>
<td>– Not constrained by sovereign or corporate rating</td>
<td>– Largely insulated from corporate risk and market events</td>
</tr>
<tr>
<td>– Diversification of funding</td>
<td><strong>Relative Value</strong></td>
</tr>
<tr>
<td><strong>Off-Balance Sheet Financing</strong></td>
<td>– Higher credit spread than comparable corporates</td>
</tr>
<tr>
<td>– Reduce gearing</td>
<td>– Limited liquidity</td>
</tr>
<tr>
<td>– Improve ROA</td>
<td>– MBS securities are 50% risk weighted</td>
</tr>
<tr>
<td>– No dilution of corporate funding</td>
<td><strong>Portfolio Diversification</strong></td>
</tr>
<tr>
<td><strong>Divest Risk</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Regulatory Capital Arbitrage (FI’s only)</strong></td>
<td></td>
</tr>
</tbody>
</table>
## Eligible Assets - Think Broadly

### Financial Assets
- Residential mortgages and promissory notes
- Personal property lease and hire purchase receivables
- Credit card receivables
- Small business loans
- Non-performing loans
- Aircraft finance receivables
- Worker remittances
- Margin lending portfolios
- Bond investment portfolios
- Collateralised mortgage-backed securities (CMBs)
- Tax liens
- Consumer and commercial loans
- Insurance premium receivables
- Preferential employee loans

### Corporate Assets
- Promissory notes
- Trade and export receivables
- Record and film royalties
- Timeshare cash flows
- Installment sale contract receivables
- Health care receivables
- Oil and gas receivables
- Utility receivables (electric, gas, water, telephone)
- Computer leases and computer service contracts
- Toll road receivables
- Private label charge cards
- Employee share loans
Profile of ABS Transactions

Asset ← VALUATION → Cashflow

DIVERSITY

Pools

Single Asset

CMBS
REITS
CDO
MBS
AUTO LOANS
TRAD
CREDIT CARDS
FUTURE FLOW
Reasons for Growth of Securitisation

**Economic**
- Low cost financing
- Source of fee income (for interest bearing assets)

**Balance Sheet Management**
- Improve financial ratios
- Reduce A/R DSO’s
- Redeploy capital to higher returning assets

**Asset Securitisation**

**Liquidity**
- Monetize illiquid assets
- Efficient cash management tool
- Diversified funding source

**Risk Allocation**
- Asset cash flows match P&I payments
- Minimal corporate event risk
- Expand debt capacity

**Discreet**
- Conduit market only
- No customer disclosure
- No public market exposure
# Conduit vs. Term Execution

<table>
<thead>
<tr>
<th></th>
<th>Conduit Execution</th>
<th>Term Execution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Optimal Deal Size</strong></td>
<td>$20-$500 million</td>
<td>$50 million or more</td>
</tr>
<tr>
<td><strong>Typical Life</strong></td>
<td>1-3 years</td>
<td>1-10 years</td>
</tr>
<tr>
<td><strong>Typical Execution Time</strong></td>
<td>8-10 weeks</td>
<td>12-14 weeks</td>
</tr>
<tr>
<td><strong>Accounting Treatment</strong></td>
<td>Off-balance Sheet</td>
<td>Off-balance Sheet</td>
</tr>
<tr>
<td><strong>Funding Rate Basis</strong></td>
<td>Spread off of CP or LIBOR indices, basis can be swapped</td>
<td>Fixed or floating (LIBOR), basis can be swapped</td>
</tr>
<tr>
<td><strong>Rating Requirements</strong></td>
<td>Rating agency review is usually required prior to closing. A very few experienced conduits have only annual post-closing reviews</td>
<td>At least one rating is required for a private placement. Depending on circumstances, two ratings may be advisable</td>
</tr>
<tr>
<td><strong>Credit Enhancement</strong></td>
<td>Transactions are typically not structured to AAA level, therefore a lower level of enhancement may be required. Enhancement often takes the form of overcollateralization, reserve accounts, letters of credit, or surety bonds</td>
<td>Transactions may be structured to AAA levels, requiring greater enhancement. Enhancement often takes the form of subordination, overcollateralization and dynamic reserves</td>
</tr>
<tr>
<td><strong>Liquidity Facility</strong></td>
<td>Required</td>
<td>Not required</td>
</tr>
<tr>
<td><strong>Uses Available bank Credit</strong></td>
<td>Yes. Although usually at a lesser rate than direct obligations of the borrower</td>
<td>No</td>
</tr>
<tr>
<td><strong>Portfolio Performance Reporting Requirement</strong></td>
<td>Monthly, or more frequently depending on specific circumstances</td>
<td>Daily</td>
</tr>
<tr>
<td><strong>Prepayment</strong></td>
<td>Usually no penalty for payments or facility reductions made on payment dates</td>
<td>Other than ‘clean-up’ calls, sponsor initiated prepayments are not allowed</td>
</tr>
<tr>
<td><strong>Costs Up Front</strong></td>
<td>Low to moderate</td>
<td>Moderate to high</td>
</tr>
<tr>
<td><strong>Ongoing</strong></td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td><strong>All-In</strong></td>
<td>Moderate</td>
<td>Moderate to high</td>
</tr>
</tbody>
</table>
3 Securitisation in Korea
Regional Product Support

- MITI Law 1993
- ABS Law 1994
- ABS Act 1996
- ABS Guidelines 1997
- 1st MBS deal 1998
- ABS Act 2000
- MAS Guidelines 2001
- Trust Law 2002
- Taiwan ABS Bill 2002
Korean Cross-Border Securitisation

### Issuance Volume of Cross-Border Term Transactions (US$ Million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>300.00</td>
<td>-</td>
<td>234.75</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hong Kong*</td>
<td>1,316.00</td>
<td>236.00</td>
<td>1,182.06</td>
<td>299.69</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Indonesia</td>
<td>348.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Korea</td>
<td>-</td>
<td>265.00</td>
<td>106.09</td>
<td>1,186.91</td>
<td>2,301.42</td>
<td>3,723.57</td>
</tr>
<tr>
<td>Malaysia</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>125.00</td>
<td>97.36</td>
<td>409.89</td>
</tr>
<tr>
<td>Singapore</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Thailand</td>
<td>83.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Taiwan</td>
<td>790.00</td>
<td>200.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Philippines</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>499.81</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>51.50</td>
<td>206.60</td>
<td>33.30</td>
<td>92.34</td>
<td>324.31</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,837.00</td>
<td>752.50</td>
<td>1,729.50</td>
<td>1,644.90</td>
<td>2,741.12</td>
<td>5,557.58</td>
</tr>
</tbody>
</table>

*Issuance in HK$ are included

### Countries - 2001

- **Korea**: 84%
- **Malaysia**: 9%
- **Singapore**: 4%
- **Others**: 3%

### Countries - 2002

- **Korea**: 67%
- **Malaysia**: 11%
- **Singapore**: 7%
- **Philippines**: 9%
- **Others**: 6%

### Assets - 2001

- **Bonds/Loans**: 26%
- **Whole Business Securitisation**: 9%
- **Equipment Leases & Loans**: 10%
- **Consumer Finance Receivables**: 55%

### Assets - 2002

- **Bonds/Loans**: 20%
- **Properties Related**: 21%
- **Structured Notes**: 4%
- **Consumer Finance Receivables**: 55%
Korea Securitisation Markets

- **Domestic ABS**
  - Asset Backed Securitisation Law Passed
  - Domestic Asset Backed Securitisation growth driven by NPL Securitisation from KAMCO.
  - Mortgage Backed Securitisation Law passed.

- **Cross-Border ABS**
  - First Cross-Border NPL Securitisation by KAMCO.
  - Diversified Issuance of asset classes. Corporate bond market was essentially closed.
  - Investors drawn to higher rated Asset Backed Securitises.

- **Year**
  - 1998: 752.5
  - 1999: 3,703.90
  - 2000: 34,161.90
  - 2001: 33,015.79
  - 2002: 24,188.60
  - 2003: 5,557.58

- **Events**
  - NPL Securitisations slow.
  - Credit Card sector drives domestic Securitisation.
  - 1st Cross-Border Credit-Card Securitisation by LG Card.
  - Deterioration of credit quality of consumer assets.
  - Cross-Border Credit Card/Auto Deals continue.
  - First Cross-Border Mortgage-Backed Securitisation
  - Further deterioration of credit quality.
  - Domestic and Cross-Border Securitisation market slows caused by consumer finance bubble and exacerbated by corporate scandal.
## Term Asian Securitisation Transactions Rated By Moody's in 2002

<table>
<thead>
<tr>
<th>Name of the Issuer</th>
<th>Country of Assets</th>
<th>Asset</th>
<th>Issued Amount (US$)</th>
<th>Moody's Ratings</th>
<th>Monoline Insurer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hyundai Capital Auto Funding Ltd.</td>
<td>Korea</td>
<td>Auto Loan Receivables</td>
<td>$160,112,000</td>
<td>Aaa</td>
<td>FSA</td>
</tr>
<tr>
<td>Samsung Capital Autoo 2002-1</td>
<td>Korea</td>
<td>Auto Loan Receivables</td>
<td>$296,000,000</td>
<td>Aaa</td>
<td>FSA</td>
</tr>
<tr>
<td>Jasmine Investment Corporation Ltd.</td>
<td>Singapore</td>
<td>Progressive Repayment in Residential Properties</td>
<td>$144,000,000</td>
<td>Aaa</td>
<td></td>
</tr>
<tr>
<td>Aragorn Investment Corporation Ltd.</td>
<td>Singapore</td>
<td>Progressive Repayment in Residential Properties</td>
<td>$17,142,857</td>
<td>Aa2</td>
<td>A2</td>
</tr>
<tr>
<td>Bichumi Global I Ltd.</td>
<td>Korea</td>
<td>Residential Mortgages</td>
<td>$299,600,000</td>
<td>Aaa</td>
<td>Ambac</td>
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<tr>
<td>KEB Card International ABS 2002-1 Ltd.</td>
<td>Korea</td>
<td>Credit Card Receivables</td>
<td>$500,000,000</td>
<td>Aaa</td>
<td>FSA</td>
</tr>
<tr>
<td>Plus One Ltd.</td>
<td>Korea</td>
<td>Credit Card Receivables</td>
<td>$400,000,000</td>
<td>Aaa</td>
<td>XLCA</td>
</tr>
<tr>
<td>Kookmin Credit Card 2001-1 Ltd.</td>
<td>Korea</td>
<td>Credit Card Receivables</td>
<td>$500,000,000</td>
<td>Aa3</td>
<td></td>
</tr>
<tr>
<td>Samsung Capital A HA 2002-1</td>
<td>Korea</td>
<td>Credit Card Receivables</td>
<td>$250,000,000</td>
<td>Aaa</td>
<td>MBIA</td>
</tr>
<tr>
<td>KLC Funding Ltd.</td>
<td>Korea</td>
<td>Revolving Personal Loans</td>
<td>$207,161,607</td>
<td>Aa3</td>
<td></td>
</tr>
<tr>
<td>Asia IG CDO Ltd.</td>
<td>Global</td>
<td>Shipping Leases</td>
<td>$110,000,000</td>
<td>A3</td>
<td></td>
</tr>
<tr>
<td>Asia IG CDO LLC</td>
<td></td>
<td>Bonds or Loans</td>
<td>$33,250,000</td>
<td>Aaa</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$22,500,000</td>
<td>Aa2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$17,500,000</td>
<td>Baa2</td>
<td></td>
</tr>
<tr>
<td>Malaysia Global Sukuk Inc.</td>
<td>Malaysia</td>
<td>Four Parcels of Land</td>
<td>$600,000,000</td>
<td>Baa1</td>
<td></td>
</tr>
<tr>
<td>United Global Investment Grade CDO II Ltd.</td>
<td>Global</td>
<td>Bonds or Loans</td>
<td>$34,000,000</td>
<td>Aa3</td>
<td></td>
</tr>
<tr>
<td>Power Sector Assets and Liabilities Management Corp.</td>
<td>Philippines</td>
<td>Bonds Issued by the PSALM</td>
<td>$514,583,333</td>
<td>Baa2</td>
<td></td>
</tr>
</tbody>
</table>
4

Case Study 1

Diners Singapore
Financing Objectives

- Structural Flexibility
  - Existing S$40 million Note Issuance Facility was outdated and inflexible
  - Working capital line needed
  - Ability to include both credit and charge card receivables

- Cost effective !!

- Diversification of Funding

- Consistent with desire for an initial public offering

- Off-balance sheet funding - to facilitate new business plans without further equity
Transaction Structure

- Diners agrees to regularly sell receivables to a specialized financing company ("SPV")
- SPV funds receivables by either issuing commercial paper ("CP"), or rated ABS Notes. (For CP issuance bank facilities are required reflecting 100% of amount to be issued)
- Diners services sold receivables
- SPV is off-balance sheet (for both arranger and issuer)
Structure - Overview

- **Ability to fund onshore or offshore**
  - Primary funding source to be US CP market via conduit
  - Option to issue SGD Medium Term Notes/Local private placement

- **Diners incurs no new FX or market risk**
  - Can receive floating rate linked to Singapore Inter-bank …… or
  - Fixed rate for transaction term, with option to increase

- **Strategic Funding Solution**
  - Sale of all Diners receivables
  - Extends to all receivables
  - Ability to adjust borrowings each month
  - Notionally a three year program; but designed to act in perpetuity
Case Study 2
Hong Kong - Synthetic
What is Synthetic Securitisation?

Risk management tool for banks which …

- Is a combination of credit derivatives and securitisation.
- Involves the retention of the underlying asset.
- Provides for purchase of risk protection (linked to an asset pool).
- Simplifies operational activity; only Credit Events trigger payment.
- Attains regulatory capital relief.

Synthetic ABS

Credit Default Swap

Credit Linked Notes

Unfunded

Partially Funded

Fully Funded
Synthetic Securitisation Structure

- **Originator**
  - Reference Asset Portfolio
  - Loss Payment
  - Credit Event will trigger cashflow

- **Investor / SPV**
  - Principal + Interest + Risk Premium
  - Loss Payment

- **Collateral**
  - Proceeds

- **Credit Linked Note Investor**
  - Credit Linked Note

- **Credit Default Swap**
## True Sale vs. Synthetic Securitisation

<table>
<thead>
<tr>
<th></th>
<th>Issue</th>
<th>Securitisation</th>
<th>Synthetic ABS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset Transfer</strong></td>
<td></td>
<td>Sold to SPV</td>
<td>None</td>
</tr>
<tr>
<td><strong>Portfolio</strong></td>
<td></td>
<td>Fixed (at closing)</td>
<td>Fixed or Dynamic</td>
</tr>
<tr>
<td><strong>Funding</strong></td>
<td></td>
<td>On all assets sold</td>
<td>None (CDS) On all assets sold (CLN)</td>
</tr>
<tr>
<td><strong>Risk Transfer</strong></td>
<td></td>
<td>Credit risk of reference portfolio</td>
<td>Credit risk of reference portfolio Credit risk of originator (CLN) Credit/ market risk of collateral (As defined in Credit Events)</td>
</tr>
<tr>
<td><strong>Rating Issues</strong></td>
<td></td>
<td>Asset based (primarily)</td>
<td>Originator linked</td>
</tr>
<tr>
<td><strong>Accounting</strong></td>
<td></td>
<td>Off-balance sheet</td>
<td>On-balance sheet</td>
</tr>
<tr>
<td><strong>Regulatory Capital</strong></td>
<td></td>
<td>On all assets sold</td>
<td>On all asset sold (CLN) Counterpart risk retained (CDS)</td>
</tr>
</tbody>
</table>
HK Synthetic MBS Co. Ltd. - Summary

HK SYNTHETIC MBS CO. LIMITED
(incorporated with limited liability in the Cayman Islands)

HK$1,107,220,000 Notes
With Credit Linked to
Residential Mortgages Originated by
ABN AMRO Bank N.V., Hong Kong Branch

Lead Manager
ABN AMRO Bank N.V.

Co-Lead Manager
Abbey National Treasury Services plc, Hong Kong
Bank Austria AG, Hong Kong

December 2000

Milestones
- Asia Pacific deal of the Year 2002 by ISR and SFI
- First synthetic ABS transaction in Asia (ex-Japan)
- First transaction allowing further advances

Objectives
- To release regulatory capital employed in the business
- Improve shareholder value (more profitability)
- Employ capital to support new personal business

Value Creation
- First transaction to breach HK sovereign ceiling (without third party support)
- Structured to achieve 100% capital release
- No sale of assets or unwinding of existing funding positions
- Equity stub, structured and rated AA for sale to investors
HK Synthetic MBS Co. Ltd. - Structure

Transaction Overview

- In November 2000, HK Synthetic MBS Co. Ltd. (HKSM) issued HK$ 1.26bln worth of CLNs backed by a portfolio of Residential Mortgages originated by ABN AMRO Bank N.V. Hong Kong Branch (AAHK; the “Originator”). The transaction was arranged and lead managed by ABN AMRO Bank.

- The transaction was a typical fully funded structure wherein HKSM entered into a CDS with the Originator for the Reference Portfolio of mortgage assets. The credit events under the structure were (i) any amount payable on a Reference Obligation is more than 90 days past due and (ii) a borrower of such Reference Obligation becomes bankrupt.

Structural Key Note (Interest Sub-Participation)

- The main hurdle in the level of capital relief that can be derived from such a structure is the size of the Equity Tranche, since this attracts dollar for dollar regulatory capital on the originator’s balance sheet.

- For this transaction, the Equity Tranche was actually rated as high as the senior most tranche, which is a unique feature.

- An innovative Interest Sub-Participation feature, which is proprietary to ABN AMRO structures was used.

- With a high rating of “AA” the Equity Tranche, was transformed into an eminently marketable instrument.

- Hence AAHK could release 100% of the regulatory capital on the Reference Portfolio.

<table>
<thead>
<tr>
<th>CLASS</th>
<th>FACE VALUE (HK$ mln)</th>
<th>RATING (S&amp;P, Moody’s, Fitch)</th>
</tr>
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<tbody>
<tr>
<td>CLASS A</td>
<td>1,134</td>
<td>AA</td>
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<tr>
<td>CLASS B</td>
<td>69.30</td>
<td>A</td>
</tr>
<tr>
<td>CLASS C</td>
<td>18.90</td>
<td>BBB</td>
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<tr>
<td>CLASS D</td>
<td>18.90</td>
<td>BB</td>
</tr>
<tr>
<td>CLASS E</td>
<td>18.90</td>
<td>AA</td>
</tr>
</tbody>
</table>
HK Synthetic MBS Co. Ltd. - Structural Diagram

ABN AMRO Hong Kong Branch

Credit Default Swap

Quarterly Payment

Credit Event Amount

HK$ Deposit

1st Ranking security

Interest Sub-participation

HK Synthetic MBS Co. Limited (Cayman)

HK$ Credit Linked Notes

HK$ Subscription

P+1

ABN AMRO Bank N.V., HK Branch

2nd Ranking security

Class A Noteholders

Class B Noteholders

Class C Noteholders

Class D Noteholders

Class E Noteholders

Note Placement
6
Case Study 3
Single Asset Repacks
Overview - Single Note Asset Repackaging

In establishing its latest asset financing vehicle, OASIS, ABN AMRO wanted to be in a position of not only financing new assets outright, but also to act as an intermediary to meet the requirements of Asian investors for debt instruments with specific characteristics. The key features are:-

- The issuing vehicle for asset repackaging will be the same Cayman Island registered SPV (“Cayman Limited”) used to purchase receivables and pool of assets to be funded in the US CP market
- Each asset acquired will be via a new series of the Master Trust declared over all OASIS Limited assets (no co-commingling of assets)
- The SPV will issue Rated Notes ring-fenced solely to the asset acquired in the new series
- The nature of the SPV’s obligation is NOT a Credit Derivative, Derivative or Futures Contract
- It is intended that the rated Notes will be physically settled. However there is no restriction for them being traded and settled via an exchange subject to investor requirements.
- The SPV is bankruptcy remote from ABN AMRO
- As with ABCP financing, ABN AMRO will provide significant services to the SPV subject to service level agreements, swap counterparty and account administrator
- The investor has no documents to sign or contracts to enter (ISDA’s etc) into.
Asset Repackaging Concepts

- OASIS provides a seamless way to modify the cashflow profile of an asset to meet investor requirements.
- The credit profile of the assets are passed to the investor.

Original Asset

Passed Through via OASIS
- Credit Rating
- Issuer’s Credit Exposure
- Credit Margin
- Events of Default
- Final Maturity
- Physical Asset Ownership

OASIS Note

Unchanged

Modified Via Swap

Original Structure
Repackaged Structure

Credit Characteristics
Cashflow Characteristics

Repackaged via OASIS
- Amend Currency if necessary
- Amend payment dates if necessary
- Change floating rate indices
### Contacts

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Phone Number</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
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<td><a href="mailto:david.kahm@sg.abnamro.com">david.kahm@sg.abnamro.com</a></td>
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