

5 Oct 2007

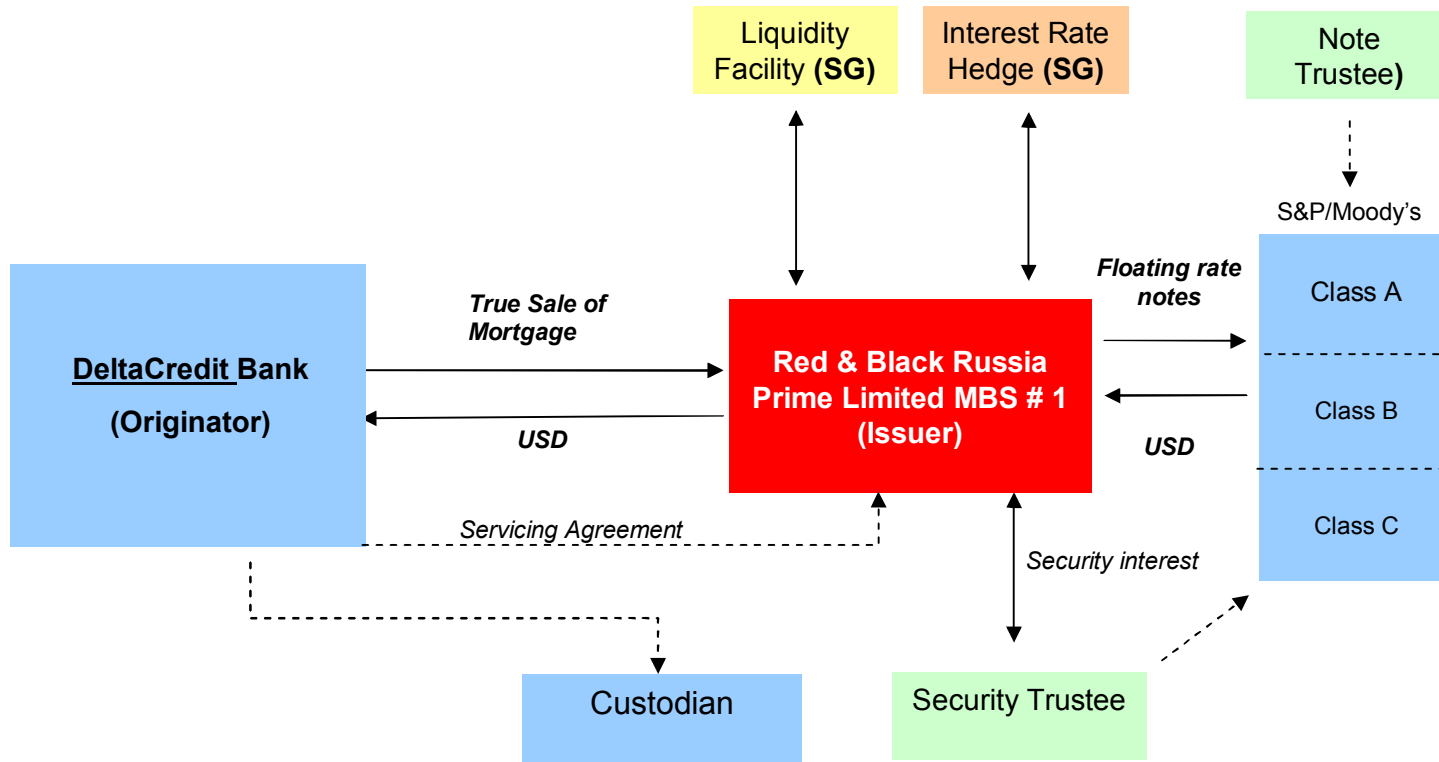


Photos: Patrick Messina / Meis

Red & Black Prime Russia MBS Limited No.1



Transaction Structure



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Note Structure

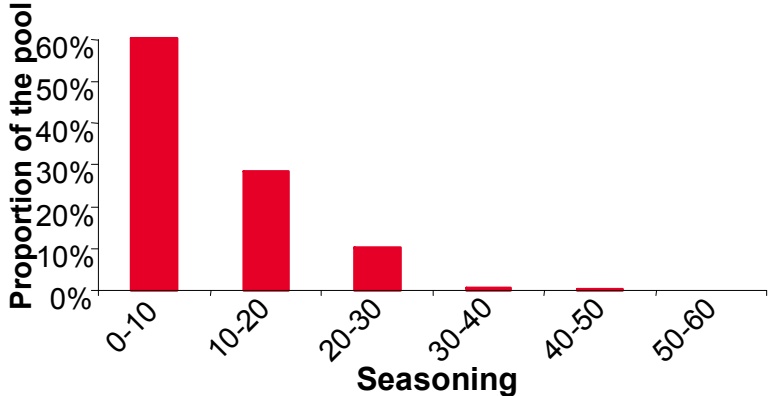
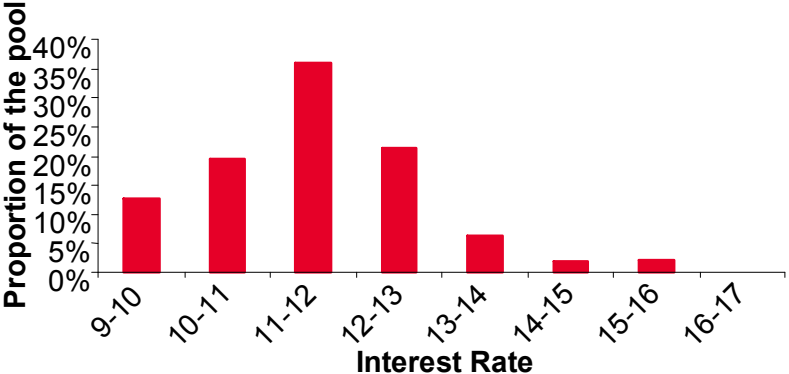
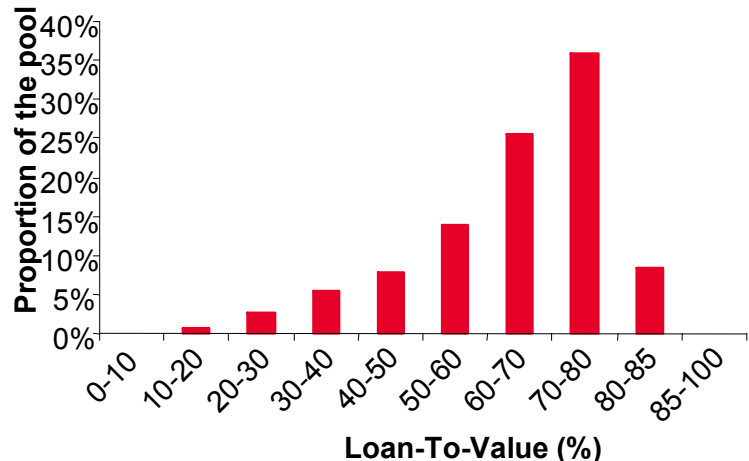
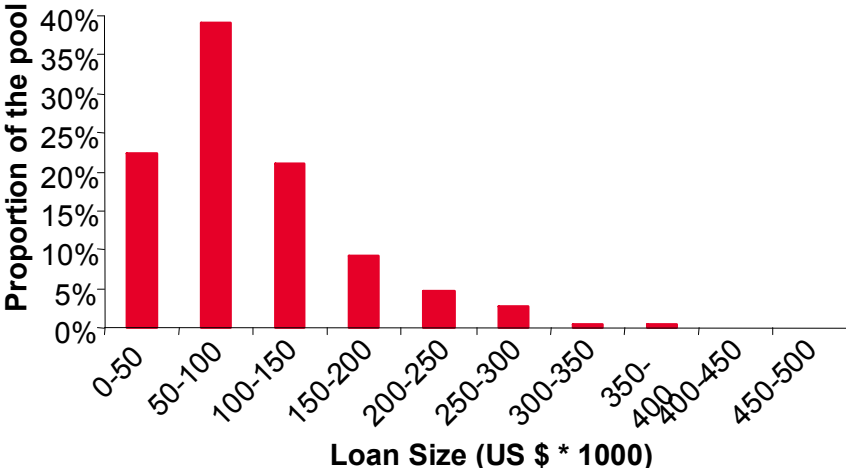
	Class A Notes	Class B Notes	Class C Notes
Rating (Moody's/Fitch)	A2/A	Baa2/BBB+	Ba2/BB+
Size (%)	84%	7%	9%
Size (\$ mm)	173,2	14,5	18,6
Subordination (%)	16.0	9.0	0.0
Coupon	LIBOR 1M + 105	LIBOR 1M + 145	LIBOR 1M + 335
Interest Convention %	Actual/360	Actual/360	Actual/360
Amortisation Type	Pass through	Pass through	Pass through
Expected WAL	3.1	5.3	5.3
Offered to investors	Yes	Yes	Yes
Legal Final Maturity Date	January 2035	January 2035	January 2035

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- **Market transaction for all Classes of notes**
- **EBRD participation in Class B and Class C**
 - ▶ Provides implied preferred creditor treatment of structure
- **First Russian ABS Class A without split rating**
- **Rating Agencies confirmed DCB servicing model of loans originated by third parties**
- **Transaction completed within planned timeframe**

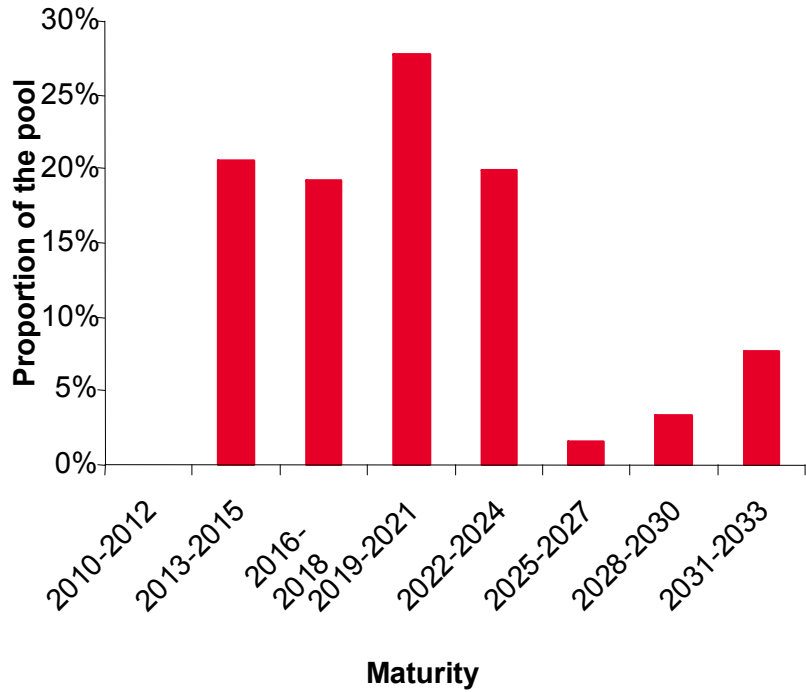
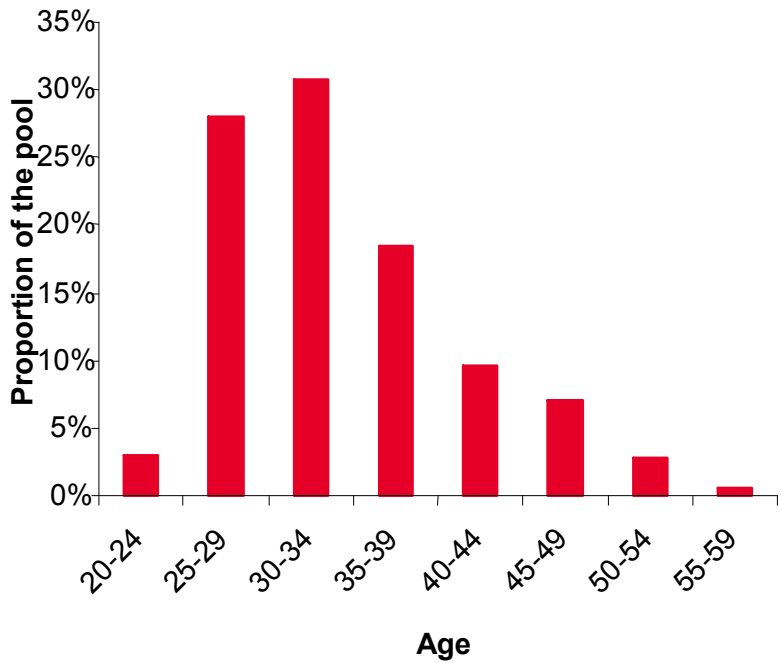
Red & Black Portfolio Characteristics



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Red & Black Portfolio Characteristics



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Comparison of Russian RMBS Transactions

Characteristics/Bank	Offshore										Onshore					
	April 2007 DeltaCredit		July 2006 VTB		July 2006 City Mortgage		December 2006 Dali		June 2007 Gazprombank MBS		July 2007 MCB		November 2006 GPB Ipoteka		May 2007 AHML	
Total amount (USD)																
Rating/Tranch A (S&P/Moody's/Fitch)	-A2/A	173,2	-A1/BBB+	74,2	-Baa2/-	63,1	BBB+/A3/-	140,9	BBB+/A3/-	170	-Baa2/BBB	159	-Baa2/-	116,28	-A3/-	112,4
Rating/Tranch B (S&P/Moody's/Fitch)	-Baa2/BBB+	14,5	/Baa2/BBB	10,6	-B1/-	6,3	BB/Baa3/-	518	BBB-/Baa3/-	312	-Ba2/BB	16,2	-/-	-	-Ba1/-	10,23
Rating/Tranch C (S&P/Moody's/Fitch)	-Ba2/BB+	18,6	-B2/BB-	3,5	-NR/-	3,1	B/Ba3/-	346	BB-/Ba2/-	329	NR	4,48	-/-	-	-/-	5,07
Number of Mortgage Loans	3,17		1 696,00		1 274,00		8 829,00		8 931,00		1 310,00		6 015,00		8 168,00	
Average Outstanding Loan Principal Balance (USD)	67 856,00		53 420,00		56 955,00		652 073,00 RUR		775 680,00 RUR		137 164,00		541 397,00 RUR		451 700,00 RUR	
Min Outstanding Loan Principal Balance (USD)	12 029,00		3 599,00		2 305,00		100 634,00 RUR		100 789,00 RUR		6 976,00		NA		NA	
Max Outstanding Loan Principal Balance (USD)	397 094,00		489 008,00		490 300,00		13 773 807,00 RUR		13 654 199,00 RUR		992 850,00		NA		NA	
Original ITN	67,72%		70,35%		64,89%		67,38%		66,96%		71,17%		59,12%		57,80%	
Current LTV	65,00%		65,39%		61,83%		66,45%		65,88%		67,29%		57,68%		53,40%	
Interest rate	11,43%		11,06%		11,39%		13,54%		13,22%		11,47%		13,84%		14,33%	
Seasoning (months)	10		12		10		6		6		10,26		9		24	
Original Term (months)	170		179		170		185		181		201		-		-	
Remaining Term (months)	162		168		160		177		172		191		189		182	

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Comparison of Russian RMBS Transactions – Pricing

Class/Bank	Red & Black	VTB	City Mortgage	Dali	Gazprobank MBS 2007-1	MCB	GPB Ipoteka	AHML
Class A	LIBOR+105	LIBOR+100	LIBOR+160	LIBOR+130	1mEuribor + 110 bp	1mLibor + 175 bp	7,22	7,12%
Class B	LIBOR+145	IFC	LIBOR+765	Fixed RUR	7,75%	1mLibor + 525 bp	N/A	9,5% (placed with EBRD)
Class C	LIBOR+335	retained	retained	Fixed RUR	10,75%	-	N/A	retained

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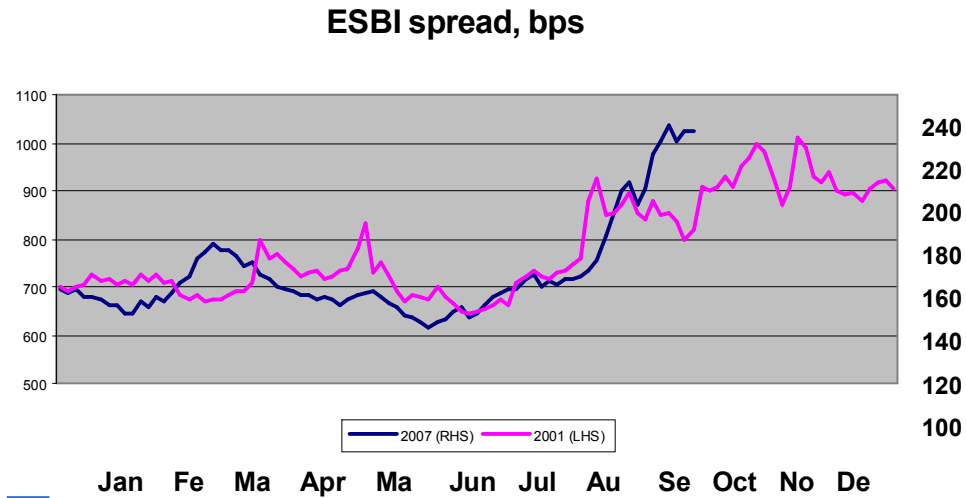
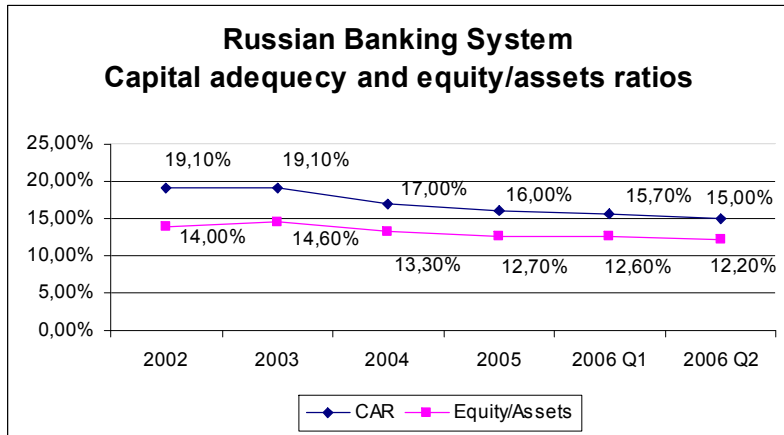
Russian Securitization Market : TO BE OR NOT TO BE ?

Serge Ozerov
CFO, DeltaCredit Bank

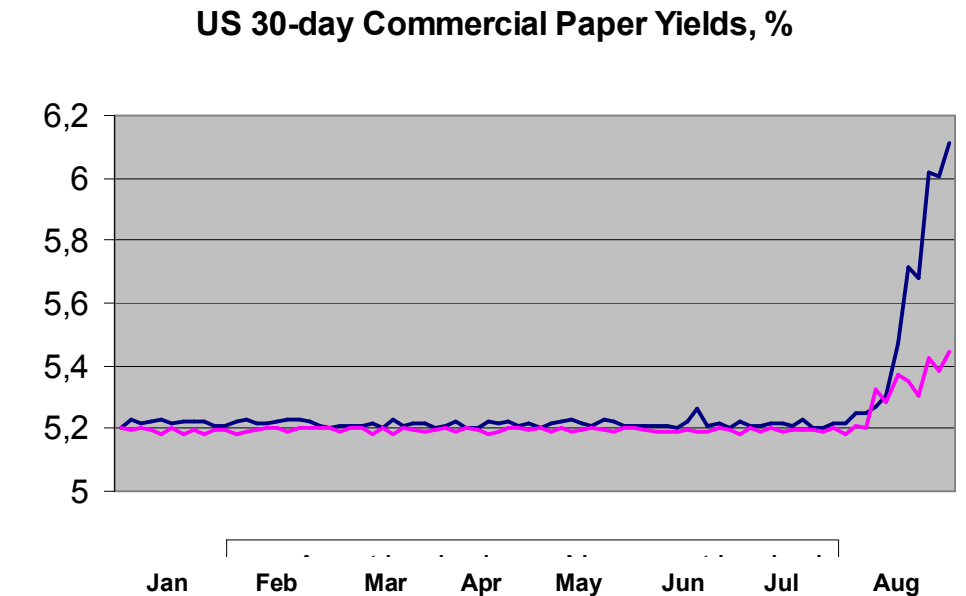
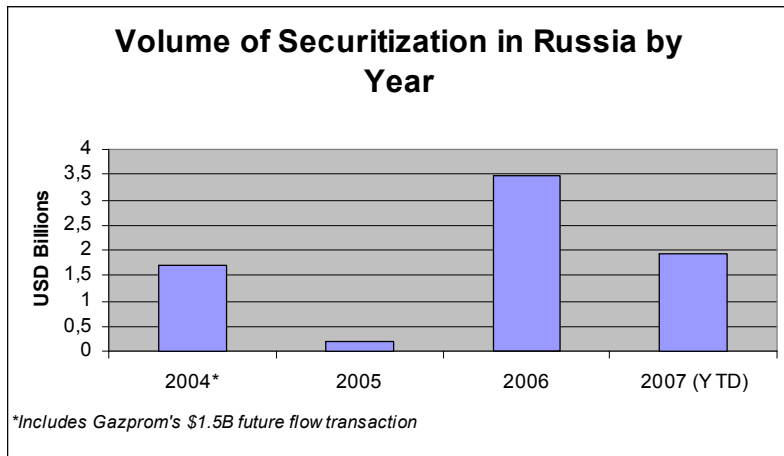
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Why couldn't it last? ☹️

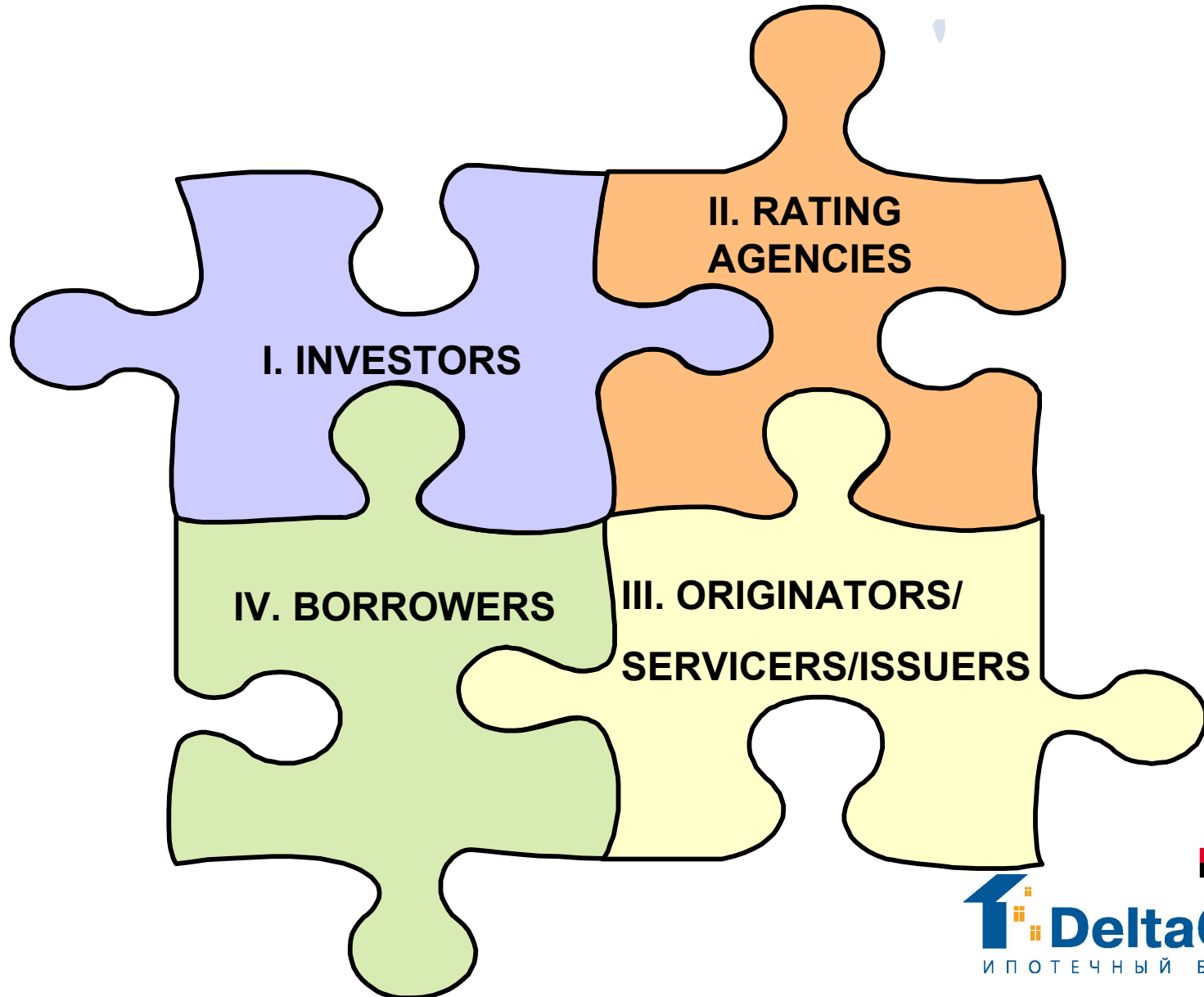


BUT



Sources: SG, Citibank, CBR, Moody's

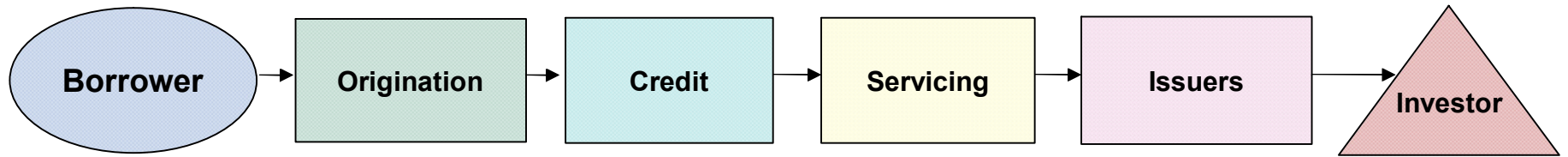
The “Market Future” Puzzle



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Securitization Value Chain - Investors



■ Will there be investors?

- ▶ Onshore
- ▶ Offshore
- ▶ USD, EURO or RUBLE

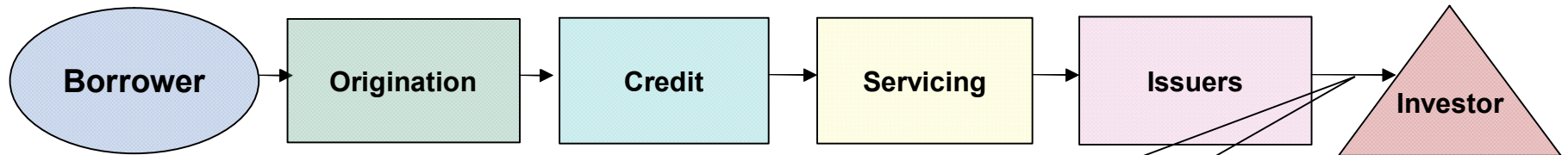
■ Who will they be?

- ▶ Local banks (why?)
- ▶ State (possible?)
- ▶ ABS desks
- ▶ EM desks
- ▶ Bargain-hunters?

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Rating Agencies & Transactions Costs



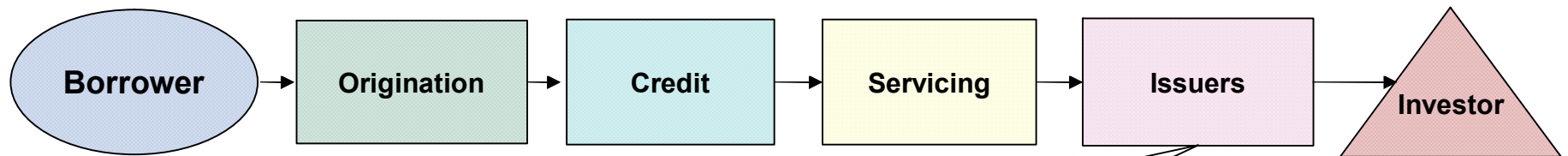
■ Rating agencies

- ▶ If we thought default probabilities were high for Russian deals, we ain't seen nothing yet!
- ▶ Ratings “deflation” very likely
- ▶ Is Russia “sub-prime”, or are assets “sub-prime”, or both?

■ Will legal and other due diligence costs go up?

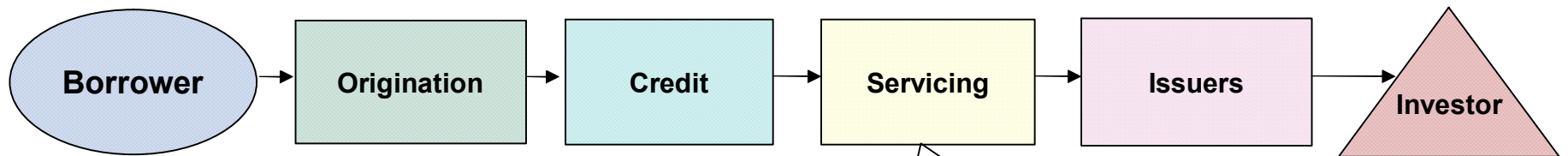
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- Warehousing – will arrangers be prepared to take substantial risk during warehousing ?
- Conduits – could be a “dead duck” or a “white night” (hide Russia paper in a file of other securities)
- Multi-seller issuers – will investors continue to accept transactions with heterogenous pools?

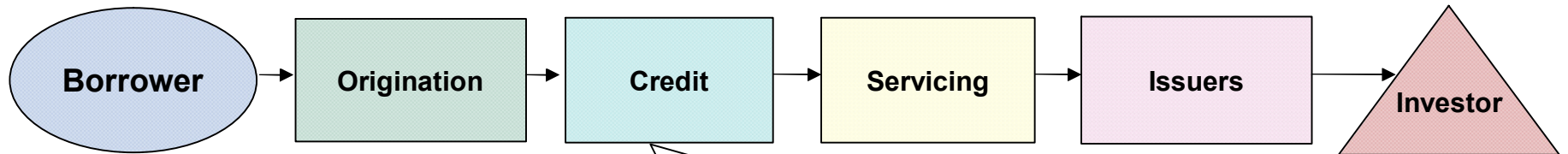
Servicing



- Will servicer ratings become mandatory?
- State as master servicer – is there conflict of interests?
- Did anyone actually take a close look “under the hood” ...

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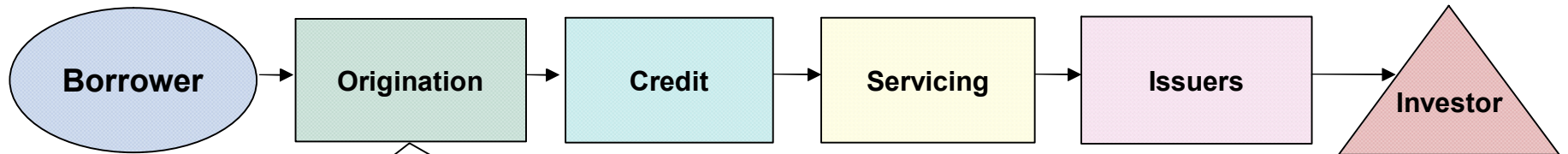
■ Let's get ready to be real:

▶ “Confirmed” income does not mean there is a paper slip in the borrower’s file; it means there is income in the person’s bank account! (only one example)

■ Does anyone in Russia know what a real credit due diligence looks like?

■ By the way, is anyone tracking vintage delinquencies?

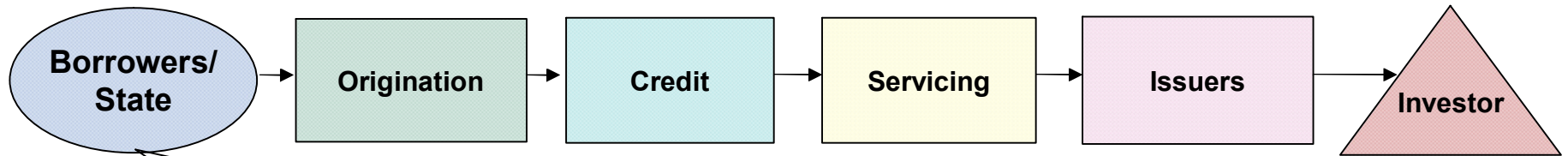
Origination



- How many originators segment their sales strategies – Prime, Alt-A, Sub-Prime?
- How many know how to originate with an eye on investor demand & rating agencies?
- How many are able to continue origination without having access to securitization ... , i.e. how many repeat, benchmark issuers will there be?

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- Are borrowers ready to borrow at higher rates – resounding “YES”!
- Will the Russian state allow mortgage rates to go up during the election year.
- What happens if they don’t – will there be enough spread in the structure to earn high enough ratings and attract investors

- **Activity will differ by sector:**
 - ▶ **Future flows - unaffected**
 - ▶ **Consumer credit – strong (albeit slower) growth**
 - ▶ **Auto loans – will depend on performance of international & Russian issuers over the next 12 months**
 - ▶ **RMBS – 3-4 strongest issuers/servicers will become country platforms**

- **More differentiated pricing – benchmark issuers will emerge in every sector**

- **Margins will widen, but not as much as other classes because Russian ABS margins have been wide to begin with (2 to 3 times more at comparable ratings levels corporate bonds)**