

Securitisation in Russia/CIS

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Agenda

- **New Markets: Trends in 2006**
- **Overview: Securitisation in Russia**
- **FX Ceiling and Local Currency Ceiling**
- **2007 Outlook and Final Thoughts**





New Markets: 2006 Trends

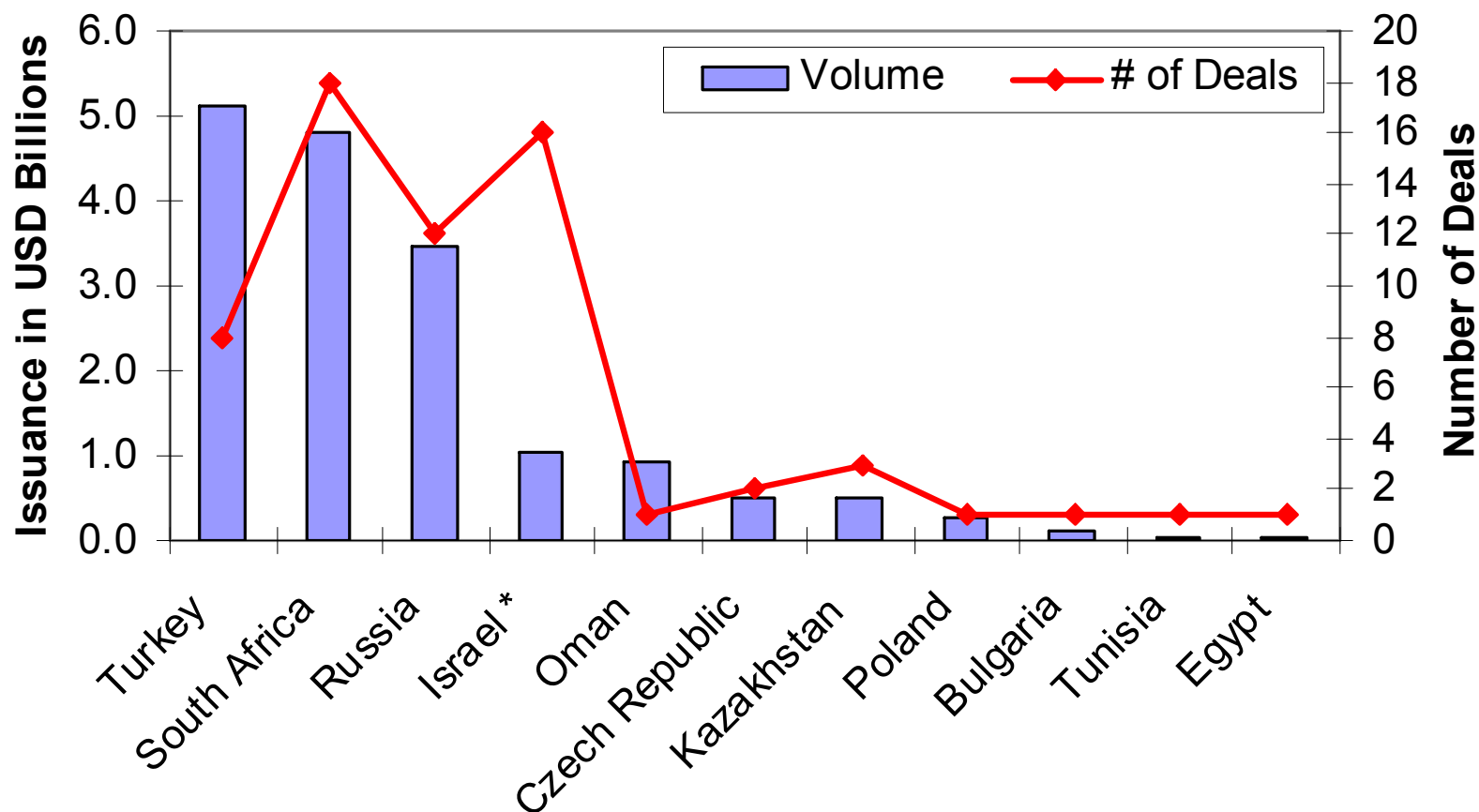


New Market Securitisation: 2006 Trends

- **Volume grew 38%, with 29 deals**
- **Growing acceptance for use of securitisation**
 - Growth of consumer lending in new markets a key driver
- **New securitisation legislation (or in progress)**
 - Russia, Kazakhstan, Ukraine, Hungary, Romania, Turkey
- **Increasing interest from investors for EM structured paper**
- **Future flow still dominates, but diversification of asset classes continues to increase**
- **Moody's was active in all new markets**
 - Rated all deals out of Russia, Turkey, Poland, Czech Rep.
 - Opened office in Prague, affiliation in Bulgaria; announced Dubai office
- **Updated sovereign methodology – higher FX ceiling**



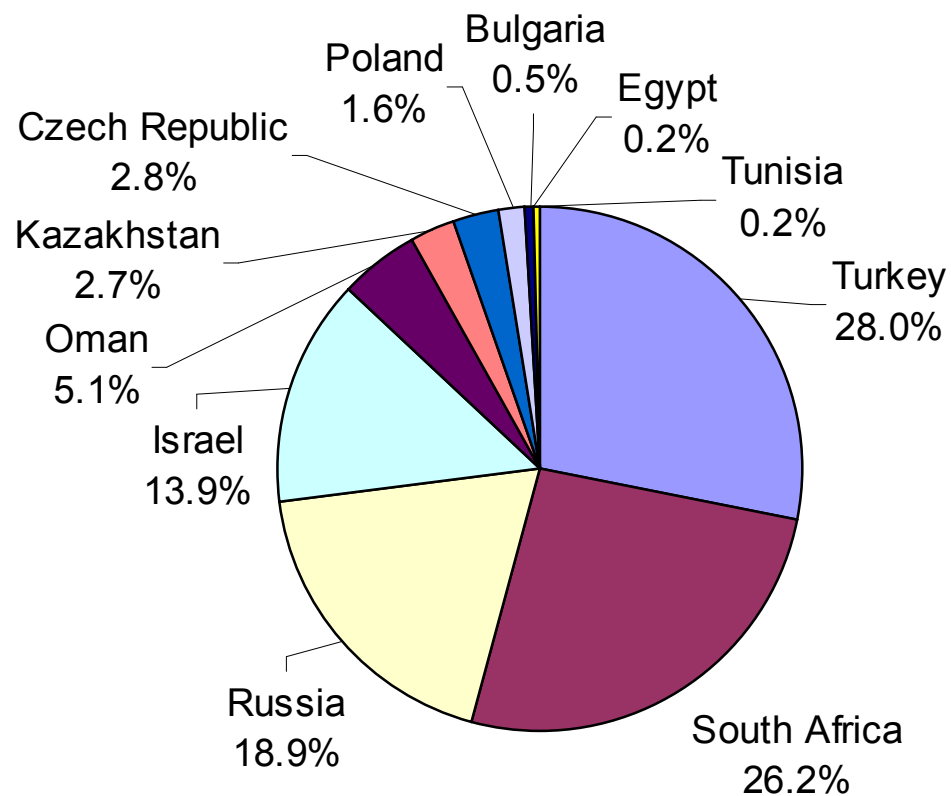
EMEA New Markets 2006 Issuance



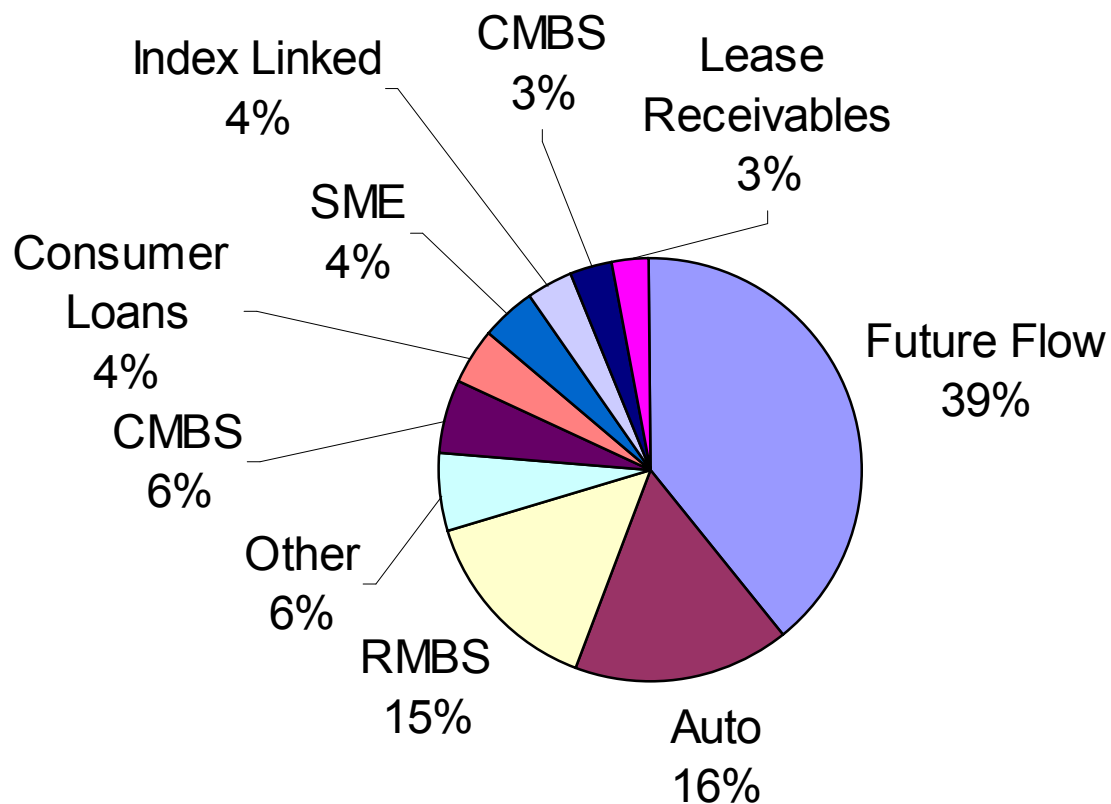
* Excludes \$1.5 billion of non-standard Israeli structured products from 21 transactions



EMEA New Markets 2006 Issuance by Country



EMEA New Markets 2006 Issuance by Asset Type





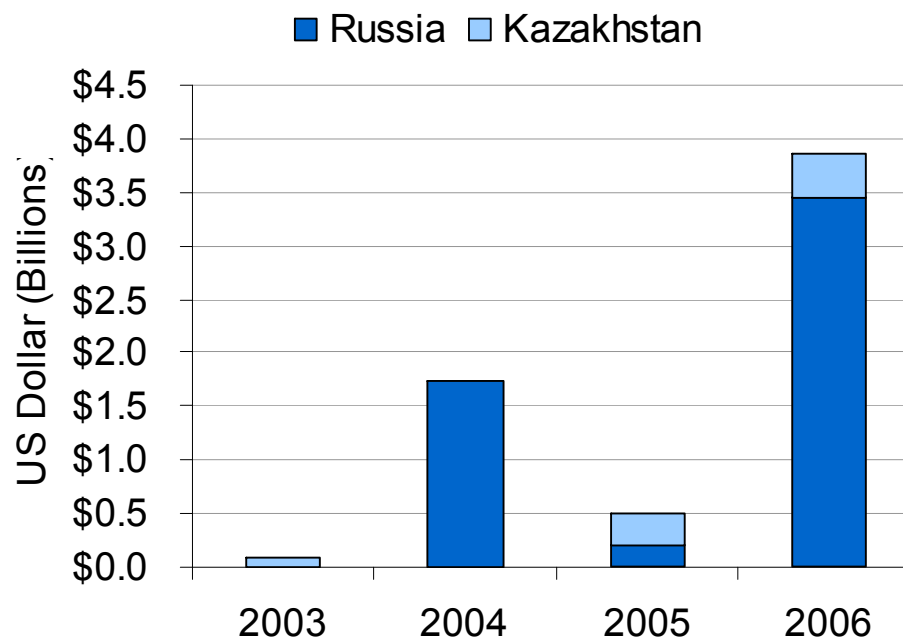
Securitisation in Russia/CIS



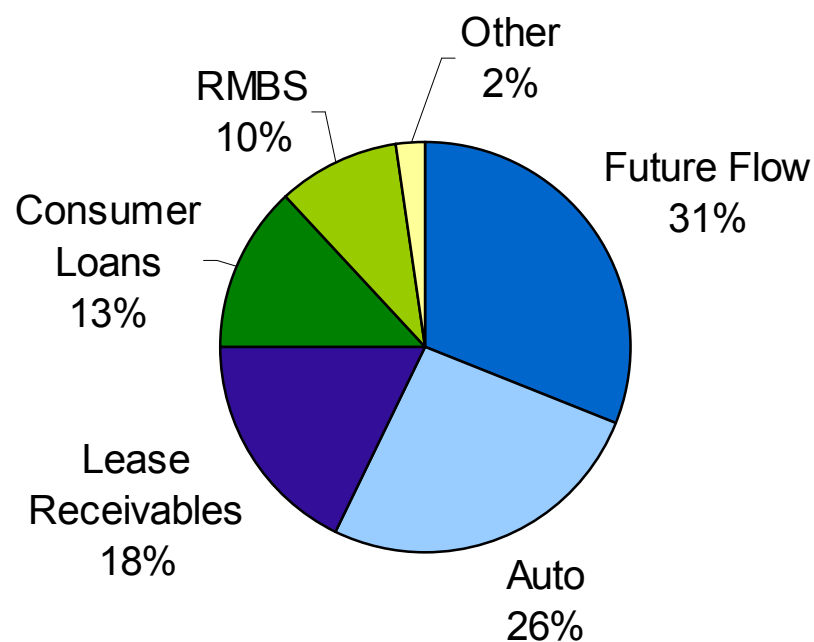
Russia



- **Tremendous growth in 2006 in Russia**
 - Issuance increased from \$200m in 2005 to \$3.45B in 2006
 - 12 deals
- **Several new asset classes securitised in 2006, including first RMBS deals (both local and off-shore)**
- **New RMBS Law**
- **Growth to continue in '07**



Diversity of Asset Classes: 2006 Russian Issues



Kazakhstan and Ukraine



- **Kazakhstan continues to see growth in DPR transactions**
- **RMBS deals**
- **New laws**
 - RMBS law in Kazakhstan
 - Ukraine is working on its legal framework
- **Rapid retail lending growth**



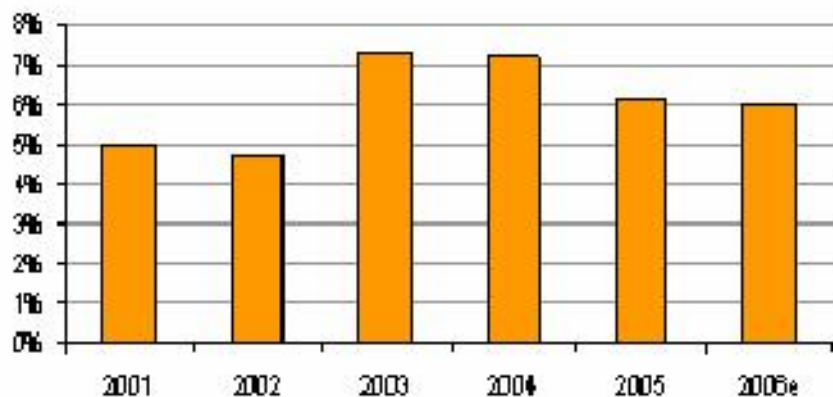
Reasons For Securitisation Growth

- **Macro economic strength and stability**
- **Growth of consumer lending**
- **Legal and regulatory improvements**
- **Investors demand**
- **Improving knowledge of local issuers**

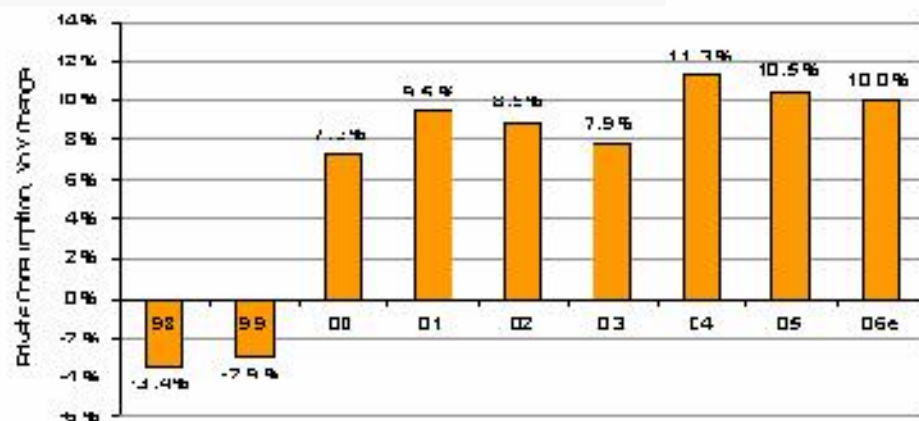


Russia: GDP and Private Consumption

GDP Growth



Growth of Private Consumption



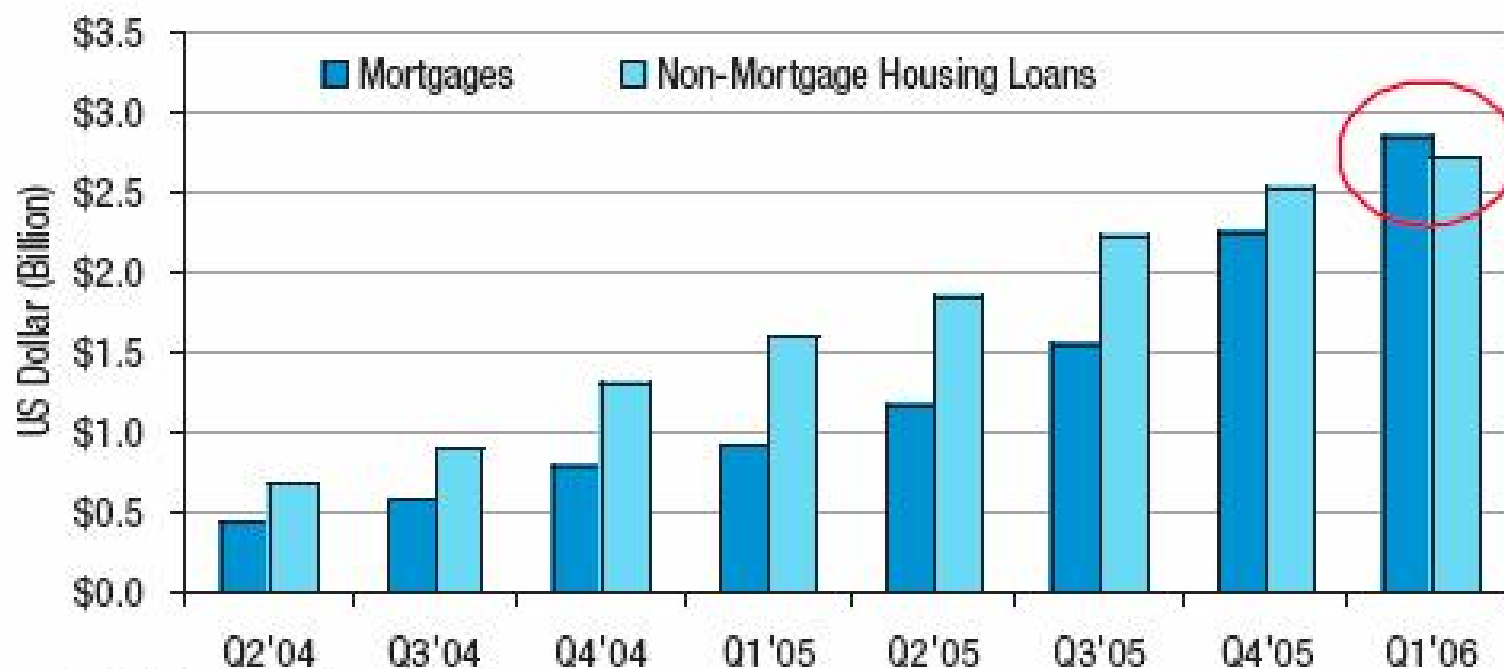
Russia: Growth of Consumer Lending



Source: Central Bank of Russia



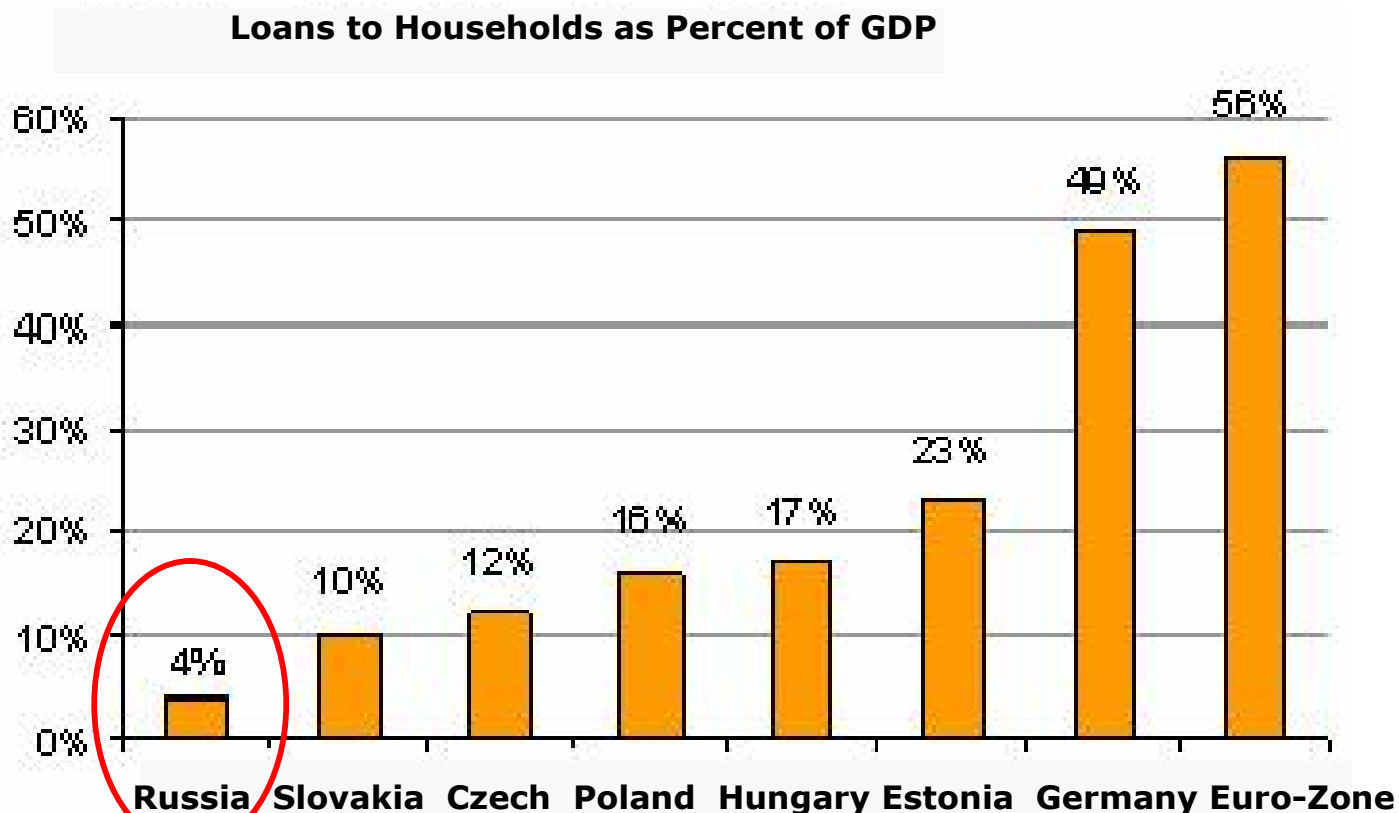
Russia: Growth of Housing and Mortgage Loans



Source: Central Bank of Russia and AHML



... And Enormous Potential for the Future



Source: Central Bank of Russia

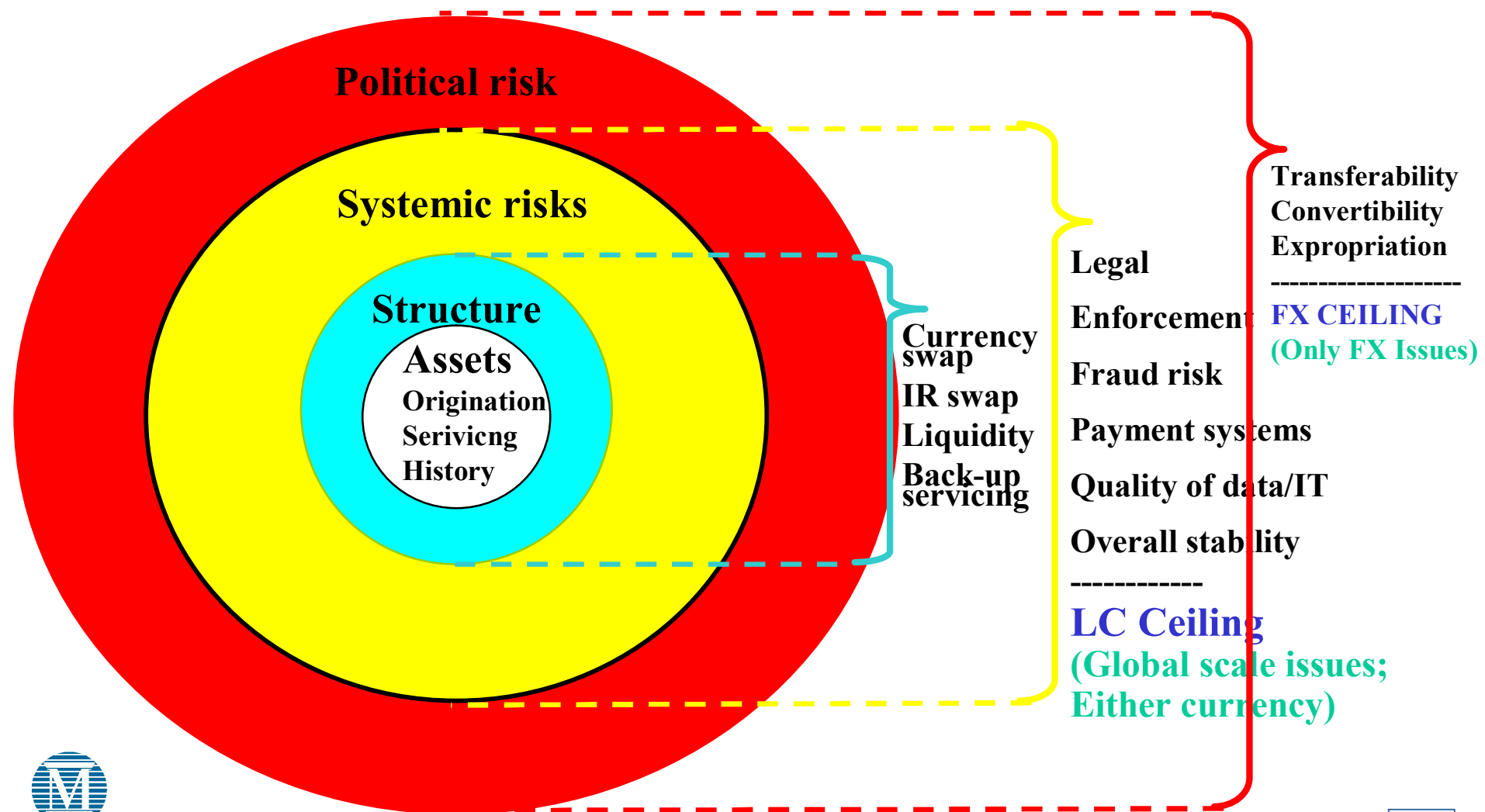




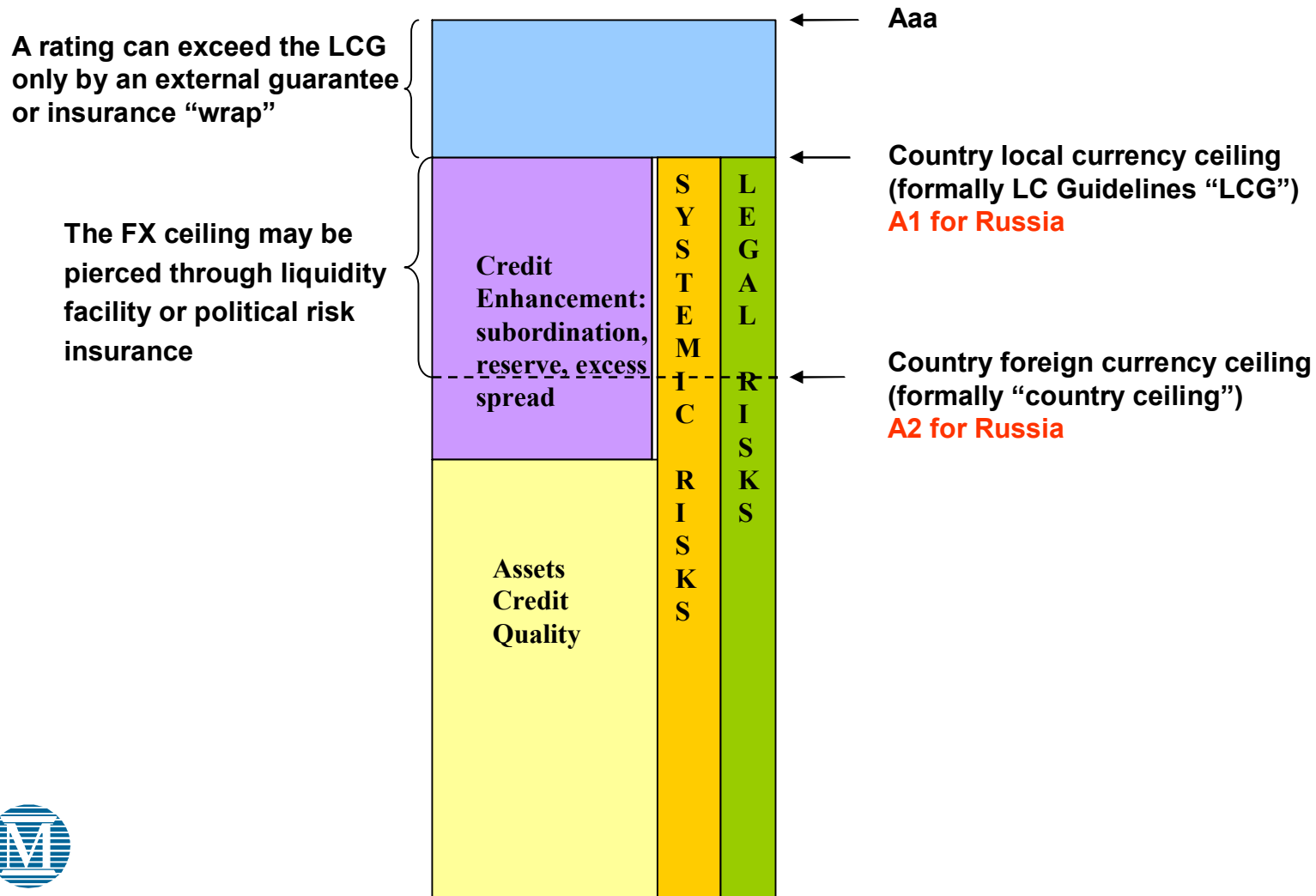
FX/LC Ceilings and Rating Scales



Risk Layers and Typical Issues In New Markets



Piercing the FX Ceiling – How?



Why the Change in the Sovereign Ceiling?

Currency convertibility and transferability risks are based on the low probability of the combined event of:

- the probability of default by the *government*;
- the probability of *moratorium*; and
- the probability that no *exemption* available to the underlying security





Final Thoughts



Difficulties for Local Securitisation in Russia

- Legal framework is currently only available for mortgage assets
- Depth of local market and counterparties (swaps, trustee, escrow, liquidity, clearing)
- Banks' appetite to issue off-shore
- Small investor base (though int'l investors may be interested)



Suggestions – **Early** Preparation For a Transaction

- Discuss legal issues with lawyers & rating agency
- Decide and discuss rating target
 - See what enhancement/structure may be needed
- Prepare portfolio data, including data format
- Prepare historical performance data
- Consider back-up servicer
- Determine structure



Russian/CIS Securitisation: Outlook for 2007

- **Continued growth of issuance**
- **New market segments**
 - 2d tier banks; non-bank sponsors; new sectors
- **Growing comfort with securitisation legislation**
- **Increasing diversity of asset classes**
 - CMBS, CDOs, project finance
- **Local vs. cross-border**
- **Credit challenges (data, legal, systemic, FX risk)**



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