

2nd Annual Securitisations in Russia & CIS Conference



Tim Nicolle, Head of CEEMEA Securitisation, Deutsche Bank

SME and Corporate Receivables Securitisation

Deutsche Bank



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Agenda

February 2008

- Comments on the markets
- SME and trade receivables securitisation – specific comments

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Deutsche's 2007 year

February 2008

- IFR awards for:
 - Best Bond House
 - Best Derivatives House
 - Best Securitisation House
- Survival through the sub-prime crisis
- Still an appetite for risk and transactions, business [almost] as usual (!)
- Emerging markets remain our focus
 - 2007 activity levels and revenues remain strong
 - Russia is now a “DB Home Market”

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Deutsche's 2007 year continued ...

February 2008

All intl bonds (all currencies)

Bookrunners - 1/1/2007-31/12/2007

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Deutsche Bank	728	296,894.62	7.8
2 Citi	672	292,470.40	7.6
3 Barclays Capital	610	270,568.11	7.1
4 JPMorgan	571	251,012.95	6.6
5 Merrill Lynch	453	232,816.15	6.1
6 Morgan Stanley	453	195,566.05	5.1
7 RBS	470	171,895.98	4.5
8 Goldman Sachs	314	160,289.54	4.2
9 UBS	459	151,455.87	4.0
10 Lehman Brothers	256	145,328.82	3.8
48 BayernLB	24	4,398.41	0.1
49 MUFG	22	4,075.12	0.1
50 Nordea	13	3,954.23	0.1
Total	6,878	3,830,746.40	

Including Euro, foreign, global issues.

Excluding equity-related debt, US Global ABS/MBS.

Source: Thomson Financial

SDC code: II

All Euromarket issues

Bookrunners - 1/1/2007-31/12/2007

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Deutsche Bank	573	213,912.13	7.9
2 Citi	476	188,589.67	7.0
3 Barclays Capital	469	188,008.70	7.0
4 RBS	421	145,429.42	5.4
5 JPMorgan	370	139,788.31	5.2
6 Merrill Lynch	279	138,152.64	5.1
7 Morgan Stanley	306	114,568.38	4.3
8 HSBC	357	102,562.15	3.8
9 UBS	273	101,665.04	3.8
10 ABNAMRO	224	100,280.36	3.7
48 Standard Bank Group	17	2,934.20	0.1
49 HSH Nordbank	7	2,704.79	0.1
50 CBA	4	2,651.92	0.1
Total	5,467	2,693,996.97	

Including Euro-preferreds, ABS/MBS.

Excluding equity-related debt.

Source: Thomson Financial

SDC code: 19

All bonds in euros

Bookrunners - 1/1/2007-31/12/2007

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Deutsche Bank	304	101,089.97	8.1
2 Barclays Capital	264	87,359.91	7.0
3 SG CIB	199	66,413.86	5.3
4 BNP Paribas	219	65,103.59	5.2
5 Citi	176	63,698.66	5.1
6 ABNAMRO	152	60,883.21	4.9
7 RBS	205	55,997.28	4.5
8 JPMorgan	169	55,033.79	4.4
9 Merrill Lynch	122	45,675.32	3.7
10 HSBC	132	44,201.89	3.5
48 National Bank of Greece	3	1,421.56	0.1
49 Wachovia	7	1,397.51	0.1
50 OKOBANK Group	2	1,245.53	0.1
Total	2,432	1,245,536.11	

Including Euro-preferreds, ABS/MBS.

Excluding equity-related debt, US Global ABS/MBS.

Source: Thomson Financial

SDC code: NI

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So whose to blame and what shall we do?

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- It is possible to place Russian ABS risk in the current markets – but there are issues with PRICE and STRUCTURE.
 - Duration risk
 - Viability of exits
 - Mark to market volatility
- There are three potential distribution channels:
 - Public ABS markets
 - Emerging market hedge funds
 - Commercial bank balance sheets
- In December, Deutsche closed and funded two transactions in full: a US300mio securitisation for **Eurokommerz** and US62.5mio securitisation for **IFC Trust**. During January, over 50% of these positions have been sold down.

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SME risks from Russia

- These two transactions show the ideal structure for the current market:
 - Short duration, high yielding underlying assets
 - Bridge structures with low mark to market volatility
 - Simple and highly diversified pools of risks
 - High confidence in achieving expected maturity – with rapid pay-down if the expected maturity is not delivered
- There are substantial challenges – these are “world-first” transactions, not just first-time deals for Russia.
- Timeline for the Eurokommerz deal:
 - July – Mandate is awarded
 - August – feasibility study is completed
 - Execution process (in line with our commitments to the client) completed in 15 weeks

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Key challenges

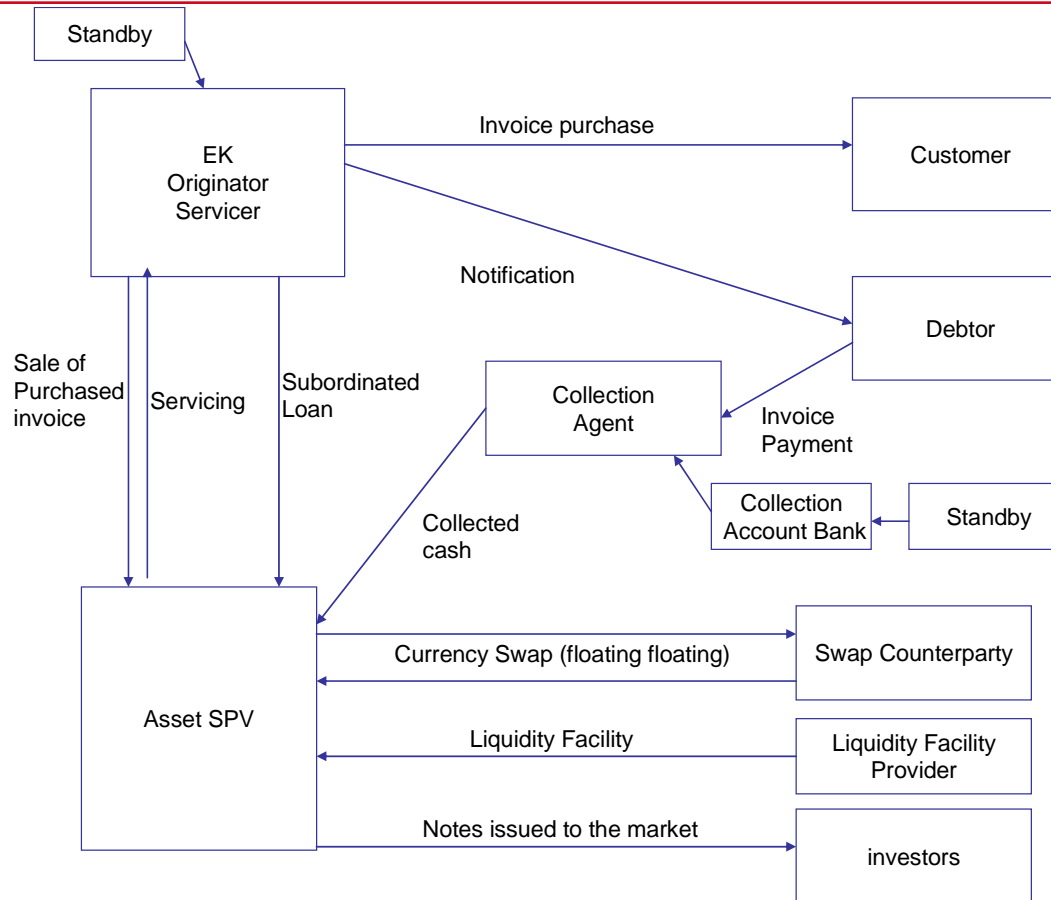
- There are two main risks in Russian securitisations:
 - The risk that customers do not pay (credit risk)
 - The risk that customers do pay – but the money does not arrive (commingling risk and cash in transit risk); this can be a bigger problem than the credit risk
- Factoring receivables typically turn over every 60 to 90 days. 1 to 2 per cent of the deal turns into cash every day. Russian ABS (historically) assumes 45 to 90 days commingling loss – equals 100% of the deal
- These risks are addressed with the use of the “Collection Agent”. This is the first Russian securitisation to use this structure. The deal is publicly rated BBB by S & P and BBB by Fitch Ratings.
- Collection Agent is a domestic Russian SPV, with an offshore shareholder. All deal cash flow is routed through this company and separated from the originator. Not only does this deal with commingling risks, it also substantially mitigates true sale risks, and issues attaching to potential “Passport Sdelki” requirements.

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Eurokommerz Deal Structure

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Lessons and summary

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- Securitisation is more than league tables. Most of all, it is about a working partnership between the client, the arranger[#] and the advisers* – and about a disciplined and controlled approach to transaction execution.
- These two SME transactions give us an early view of what is needed in current market conditions to access securitisation finance.
- It is very important to understand investor requirements
- Where next?

[#] VTB and VTB Europe provided facilities, essential structuring input and VTB Europe is joint lead

*Clifford Chance, Baker & Mckenzie & Deloitte