

2nd Annual Securitisation in Russia & CIS Conference



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Liquidity Crisis and its impact on Russian & CIS securitisations

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Agenda

- Overview of the situation
- Initial assumptions (September 2007)
- Practical Findings
- Future Outlook

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RZB Group in Eastern Europe



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League table: Syndicated loans in CEE in 2007

Pos.	Bank name	No.Deals
1	Raiffeisen Zentralbank Österreich AG	82
2	Commerzbank Group	56
3	UniCredit Group	53
4	Bayerische Landesbank	47
5	Standard Bank Group Ltd.	46
5	ING	46
7	BNP Paribas	42
8	Citi	40
9	Calyon	37
10	ABN AMRO	32

Source: Capital DATA Loanware (signed syndicated loans in 2007)

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League table: Syndicated loans – corporates in CEE 2007

Pos.	Bank name	No.Deals
1	ABN AMRO	39
2	BNP Paribas	37
3	Citi	36
4	Raiffeisen Zentralbank Österreich AG	29
5	Calyon	28
6	ING	27
7	SG Corporate & Investment Banking	26
7	EBRD	26
9	Commerzbank	22
10	UniCredit Group	20

Source: Capital DATA Loanware (signed syndicated loans in 2007)

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CEE securitisation credentials since 2006




ROOF CEE 2006

EUR 450,000,000

Synthetic SME Loan Securitisation

Joint Arranger



ROOF Poland 2006

PLN 640,000,000

Lease Receivables

Joint-Lead Arranger



CityMortgage
MBS Finance B.V. (2006)

USD 72,560,000

Residential Mortgage Loan Portfolio

Senior Co-Lead Manager



ROOF Russia S.A. (2007)

USD 400,000,000

Auto Loan Portfolio

Joint-Lead Arranger and Book Runner



Moscow Stars B.V. (2007)

USD 180,000,000

Residential Mortgage Loan Portfolio

Joint-Lead Arranger

Russian Securitisation
Warehouse Facility

USD 100,000,000

Residential Mortgage Loan Portfolio

Joint-Lead Arranger

Russian Securitisation
Warehouse Facility

USD 75,000,000

Residential Mortgage Loan Portfolio

Joint-Lead Arranger

Russian Securitisation
Warehouse Facility

USD 250,000,000

Residential Mortgage Loan Portfolio

Joint-Lead Arranger



ROOF Poland 2008-I

PLN 1,000,000,000

Lease Receivables

Joint-Lead Arranger

RZB is providing warehouse facilities backed by different asset classes originated in different CEE jurisdictions and is currently mandated (preparing) for securitisation transactions in different CEE jurisdictions involving different asset classes.



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Selected Awards



- EUROMONEY, Best Bank in Central and Eastern Europe (2007)
- Financial Times, Sustainable Banking Award for Carbon Finance (2007)
- Global Finance, Best Bank in Central and Eastern Europe (2007)
- Global Finance, Best Bank in Austria (2007)
- The Banker, Bank of the Year in Austria (2006)
- The Banker, Bank of the Year in Central and Eastern Europe (2006)
- EUROMONEY, Best Bank in Austria (2006)
- EUROMONEY, Best Bank in Central and Eastern Europe (2006)
- Global Finance, Best Treasury and Cash Management Bank in Central and Eastern Europe (2006)



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Overview of the situation

- Sub-prime crisis initially triggered by a massive house price (growth) decline, rising interest rates and low underwriting standards
- Vast deterioration of credit quality in the underlying credit pool of US RMBS and CDO
- Structured Finance Downgrades
- Initial credit market event shifted towards a liquidity event
 - SIVs and ABCP conduits with severe problems in rolling ABCP
 - ABCPs roll-over through bank's balance sheet
- Selling pressure on SIVs and (arbitrage) ABCP conduits - "fire sales"; "bid lists"
- SIV liquidation / Restructuring (re-integration into balance sheet)
- Outflow from Money Market and hedge funds / several ABS Funds locked
- Spread widening – distressed levels, "factor 4", illiquidity, volatility
- Subdued secondary and primary activity
- Fundamental questions about ABS – pricing, transparency, risk

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Overview of the situation (cont.)

- Extraordinary CDS spreads on AAA monolines and downgrade discussions (could affect a 3 digit tranche no.)
- Reduced risk appetite (lenders and investors)
- European primary ABS retained – senior tranches used as ECB repo collateral
- Lost confidence / “global search for sub–prime exposure”
- Mark to Market losses
- Write downs and credit losses reached approx. USD 100 bn by YE 2007
- Total write down potential of up to USD 500 bn & USD 150 bn US stimulation programme
- Reduced investor base
- Global equity markets started getting hit lead by financials
- US mortgage rates adjustments might further increase default rates and need for write-offs
- Mortgage loans default rates in building- and hotel industry are expected to increase

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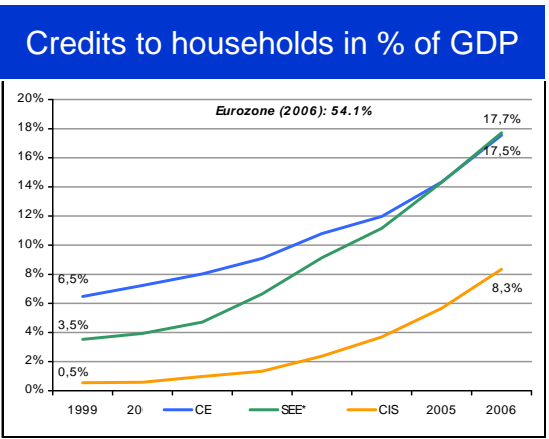


Initial assumptions – Main drivers for future CEE securitisation

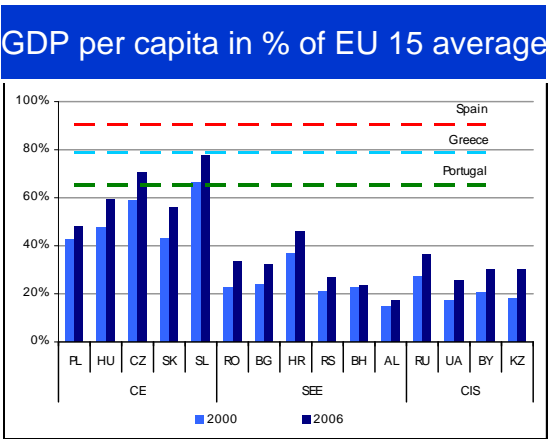
- Basel II driven capital relief
- Market share no longer predominant goal, but shift towards ROA/ROE ratios
- Favorable economic factors
- Strong growth in consumer and mortgage lending
- Still very low consumer debt level with high growth potential
- Increasing no. of asset pools reaching critical mass for securitisation
- Improving legal and regulatory environment
- Maturity gap between assets and liabilities
- Typically transparent transactions backed by real businesses
- Ongoing funding needs with securitisation as alternative funding tool

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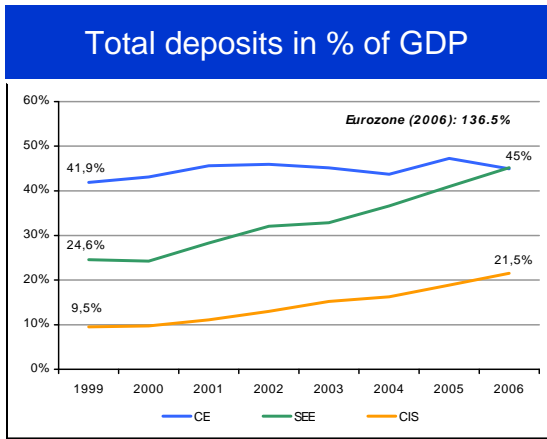
Initial assumptions - Key Economic Data



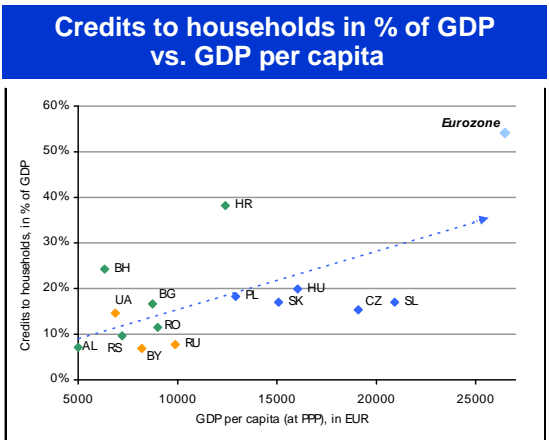
Source: ECB, Local central banks, Raiffeisen RESEARCH



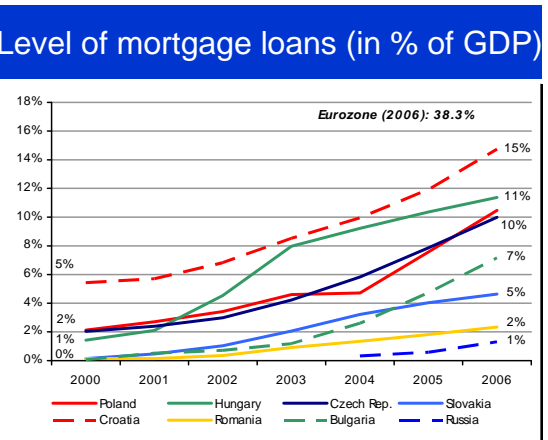
Source: Thomson Financial Datastream, wiwi, Raiffeisen RESEARCH



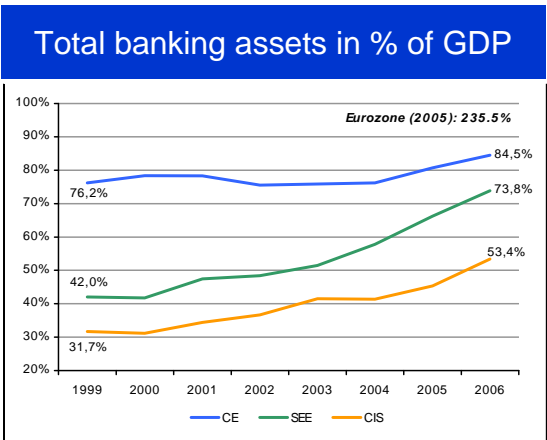
Source: Local central banks, Raiffeisen RESEARCH



Note: Data as of 2006
Source: Local central banks, wiwi, Raiffeisen RESEARCH



Source: Local central banks, Raiffeisen RESEARCH



Source: ECB, Local central banks, Raiffeisen RESEARCH



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Initial assumptions – Challenges for future CEE securitisation

Legal / Structure:

- New and untested jurisdictions (also for rating agencies)
- Prudent rating agencies – in current crises and in new jurisdictions (mean loss assumptions, extrapolation, recovery credit, margin compression, standard deviation, ... trigger sensitivity, etc.)
- Legal uncertainties and untested legal framework
 - Enforceability of “true sale” (legal opinions subject to qualifications)
 - Commingling
 - Set-off, etc
- Inexperienced and unrated transaction parties (servicer, collection account bank, data trustee, ...)
- Linkage of notes ratings to the originator rating – ratings assigned to notes originated by low-rated originators likely to be below the foreign currency country ceiling

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Initial assumptions - Challenges for future CEE securitisation (cont.)

Originator / Assets:

- Insufficiency of historical data
- IT systems (i.e. upon merger or portfolio purchase)
- Young and therefore relatively small portfolios, but fast growing
- Loose underwriting / credit & collection policies
- Unfavorable payment methods (cash in-payments, post office transfer, cheque, ...)
- Exchange rate risks
- Redenomination (relief of payment burden through redenomination into local currency)
- Convertibility risk (moratorium)
- Transfer risk (ban on foreign currency transfer)

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Initial assumptions - Outlook (September 07)

- Growing understanding and acceptance of securitisation
Valid for conservative true sale transactions and possibly B/S CLOs
- Rating agencies are getting more comfortable with the region
Might be offset by current cautiousness
- Increasing number of publicly rated transactions
Depending on investor appetite to return and spread levels by then
- Higher diversity of asset classes
Focus on car loans, still RMBS, consumer and SME loans
- New originators (smaller banks, leasing companies, ...)
In the near future rather repeat originators with capital market experience and transparent shareholder structure
- Warehousing prior to term take-outs
Still valid + also conversion from initially planned term deals into warehouse facilities
- Russia continues to dominate the region
Still valid
- Local investor demand for ABS is only slowly developing
Still valid

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Initial assumptions – CEE versus US Sub-prime market

CEE

1. Market on the initial stage of development (mortgage to GDP approx. 7% on – see “Key Economic Data”)
2. Mostly “prime” business: first time buyers, owner occupied, strict underwriting criteria
3. Current LTVs of approx. 60 - 70%
4. Young mortgage portfolios with low default rates
5. Initiated foreclosure process typically ends in settlement between bank and customer resulting in rel. high recovery levels

US Sub-prime

1. Saturated market (mortgage to GDB approx. 55%)
2. Sub-prime is defined as adverse credit quality; betting on rising house prices
3. High LTVs also in excess of 100%
4. Fast growing delinquency levels
5. Unpredictable recovery level depending on house price evolution. Settlement between customer and bank less likely

These statements are still valid on both sides

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Practical findings - Market overview

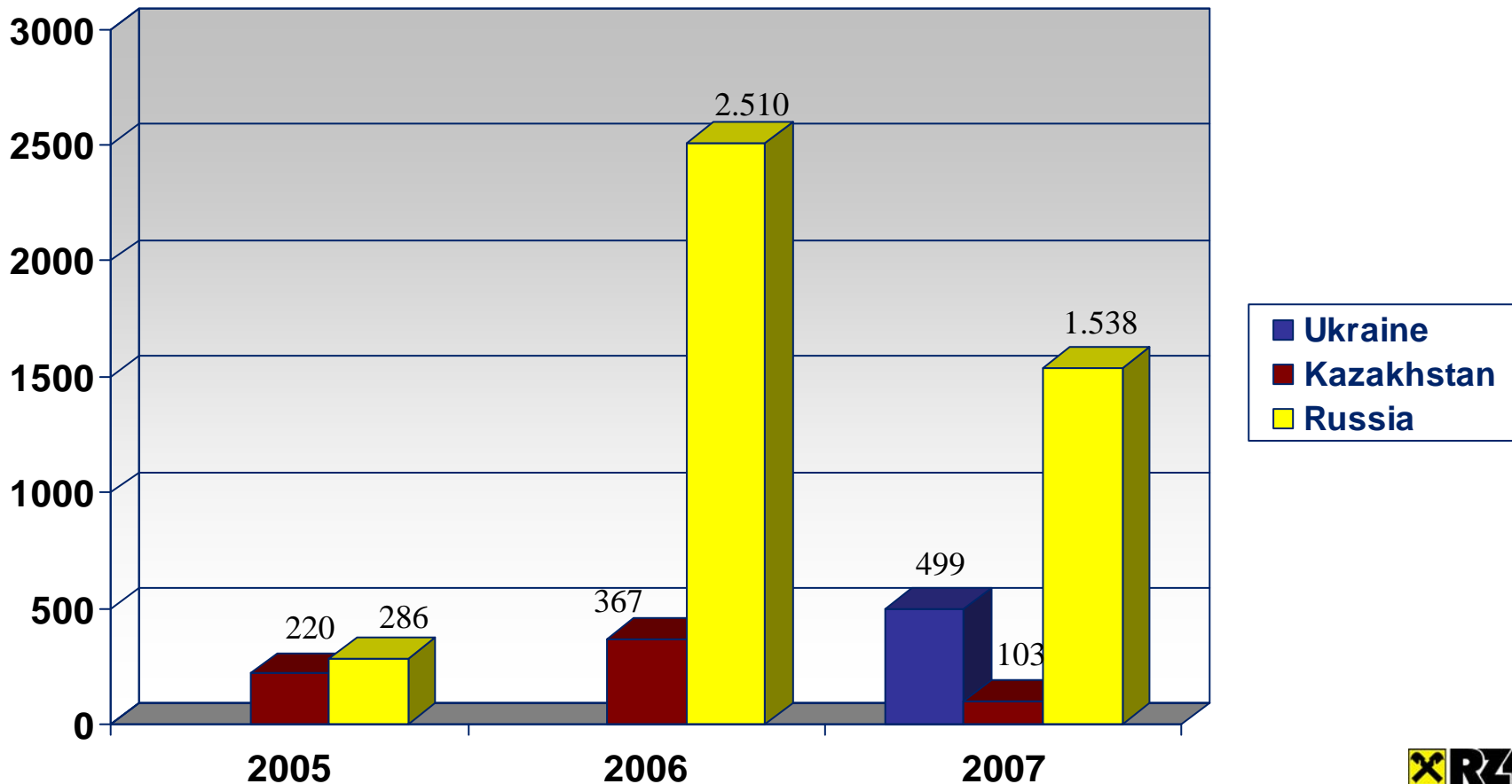
- Russia & CIS dominate entire region (> 80% of entire CEE ABS issuance)
- Future Flow as well as (increasingly) existing assets
- Existing assets – consumer (and SME) loans, RMBS and car loans
- Conservatively structured transactions
- Following a impressive development (2003 – 2007) the public market came to a complete standstill
- 2007 HY 1 driven – since August 07, only 2 public CEE ABS were issued (USD 750 mn Kasakh DPR securitisation and a RUB 3.88 bn Russian cash SME CLO)
- Up-trending delinquency levels since closing (as expected), but still relatively low
- Decent levels of excess spread
- CPR levels of approx. 20%
- Investor Reporting in line with expectations
- Only 1 downgrade action (unwrapped DPR tranche from BBB to BBB-) following the originator's downgrade

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Practical findings - Market Overview – Country Breakdown 2005 - 2007

In mio.EUR (pre-crisis)



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Practical findings - Market Overview – Selective Transactions

A rather slow start ...

Year	Originator	Country	Asset Class	Highest Rating	Amount* (million)	Amount (million EUR)
2003	Home Credit Finance a.s.	Czech Republic	Credit Cards	A2/-/A	CZK 4,150	EUR 150
2003	Halyk Savings Bank of Kazakhstan	Kazakhstan	Future Flow	Baa2/-/-	USD 100	EUR 73
2003	DTC Real Estate S.A.	Poland	CMBS	Baa3/BBB/BBB	EUR 74	EUR 74
2004	OJSC Gazprom	Russia	Future Flow	-/BBB/BBB	USD 1,250	EUR 916
2004	JSCB Rosbank	Russia	Future Flow	Ba3/B+/-	USD 300	EUR 219
2004	The Baltic-American Enterprise Fund	Latvia	RMBS	Aa2/-/-	USD 64	EUR 47
2005	Home Credit Finance	Russia	Consumer Loans	Baa2/-/-	EUR 251	EUR 251
2005	Bank Soyuz	Russia	Auto Loans	Baa3/-/-	USD 48	EUR 35
2005	Kazkommertsbank	Kazakhstan	DPR	Aaa/-/AAA	USD 300	EUR 220

Source: Rating Agencies, Bloomberg, Raiffeisen Research

* partly rated amount, partly total transaction amount

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Practical findings - Market Overview – Selective Transactions (cont.)

Taking up speed ...

Year	Originator	Country	Asset Class	Highest Rating	Amount* (million)	Amount (million EUR)
2006	Russian Railways	Russia	Leasing	Baa2/BBB+/-	RUB 13,730	EUR 404
2006	Raiffeisen Leasing Polska	Poland	Leasing	Aaa/-/-	PLN 640	EUR 167
2006	Dominetbank	Poland	Auto Loans	-	PLN 600	EUR 157
2006	Raiffeisen Bank	Poland and Czech Rep	Synthetic SME CLO	Aaa/-/-	EUR 450	EUR 450
2006	MDM Bank	Russia	Auto Loans	Baa1/A/-	USD 430	EUR 315
2006	MDM Bank	Russia	DPR	Baa3/-/-	USD 489	EUR 358
2006	Alfa Bank	Russia	DPR	Baa3/-/-	USD 865	EUR 634
2006	Russian Standard Bank	Russia	Consumer Loans	Baa2/BBB/-	EUR 300	EUR 300
2006	Russian Standard Bank	Russia	Auto Loans	Baa1/A/-	USD 288	EUR 211
2006	Home Credit Finance a.s.	Czech Republic	Consumer Loans	A2	USD 215	EUR 158
2006	Alliance Bank	Kazakhstan	DPR	-/-/AAA	USD 200	EUR 147
2006	Kazkommertsbank	Kazakhstan	DPR	Aaa/AAA/-	USD 200	EUR 147
2006	Gazprombank	Russia	RMBS	A3/BBB+/-	EUR 168.5	EUR 168.5
2006	ATF Bank	Kazakhstan	DPR	Baa3/-/-	USD 100	EUR 73
2006	ProCredit Bank Bulgaria	Bulgaria	SME Loans	-/-/BBB	USD 100	EUR 73
2006	JSC Vneshtorgbank	Russia	RMBS	A1/-/BBB+	USD 88	EUR 65
2006	City Mortgage Bank	Russia	RMBS	Baa2/-/-	USD 73	EUR 54

Source: Rating Agencies, Bloomberg, Raiffeisen Research

* partly rated amount, partly total transaction amount

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Practical findings - Market Overview – Selective Transactions (cont.)

Phantastic HY 1, 2007 ...

Year	Originator	Country	Asset Class	Highest Rating	Amount* (million)	Amount (million EUR)
2007	PrivatBank	Ukraine	RMBS	Baa3/BBB-	USD 180	EUR 132
2007	DeltaCredit	Russia	RMBS	A2/A	USD 206	EUR 151
2007	BTA Ipoteka	Kazakhstan	RMBS	A3/A-	USD 140	EUR 103
2007	ZAO Raiffeisenbank Austria	Russia	Auto Loans	A3/A-	USD 400	EUR 293
2007	Alfa Bank	Russia	Future Flow	Baa3/-/BBB-	USD 394	EUR 289
2007	MDM Bank	Russia	Future Flow	Baa2/-/-	USD 350	EUR 257
2007	AHML	Russia	RMBS	A3/-/-	USD123	EUR 90
2007	OJSC Gazprom	Russia	RMBS	A3/-/BBB+	USD 268	EUR 196
2007	Moskommertsbank	Russia	RMBS	Baa2/-/BBB	USD180	EUR 132
2007	Kazkommertsbank	Ukraine	DPR	Aaa/-/AAA	USD 500	EUR 367
2007	Consumer Finance Company+CFC Bank	Russia	AutoLoans+Instalm. Sale	-	USD 175	EUR 130

Source: Rating Agencies, Bloomberg, Raiffeisen Research

* partly rated amount, partly total transaction amount

but, since August 07, only 2 public CEE ABS were issued – a USD 750 mln Kasakh DPR transaction and a RUB 3.9 bn cash B/S SME CLO



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Practical Findings - Spillover effects on CEE

- A sub-prime (defined as adverse credit quality) mortgage market like in the U.S. does not exist in CEE, where a typical mortgage loan can be regarded as prime
- The main drivers (in combination) for the US Sub-prime collapse
 - Massive house price (growth) decline
 - Rising interest rates
 - Low underwriting standardsare not existing in CEE.
- However, the CEE ABS market as part of the global credit market cannot avoid being infected by the current crises – increasing risk premiums, reduced investor appetite and liquidity, central bank intervention, changing investor focus, ...
- Volatility in emerging markets is likely to persist, but good reason to believe that fundamental effects remain limited

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Practical findings - Spillover effects on CEE (cont.)

- No Mark to Market losses disclosed from investors domiciled in CEE (no exposure to US Sub-prime; exposure not disclosed; no disclosure requirement, ...)
- Residential mortgage growth
 - Still good fundamentals, potential and demand, but
 - Lenders' and borrowers' confidence affected by crises
 - Lenders with US Sub-prime exposure also active in CEE might curtail mortgage risk globally, including CEE
- Spread levels hard to define (Western European BBB + pick-up)
- Correct pricing of originators' assets more difficult but inevitable (i.e. long term assets)
- Balance sheet usage more selective
- Warehouse appetite and pricing has been changing
- Reduced investor base (by 50%?) – SIVs and arbitrage conduits unlikely to return
- Remaining investors sit on the sidelines waiting for better times

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Future outlook

Although very difficult under current market conditions, we express the following expectations:

- AAA ABS investors are likely to come back first (short dated paper)
- Secondary market cherry pickers will appear
- CEE likely to follow, but originators still nervous fearing to fail – selling argument likely to be high underlying quality and low correlation to European and US ABS
- Redefined Spreads (will not see pre-crisis levels for some time)
- Possible delay in bringing CEE deals to the market (warehousing)
- Risk sharing and relationship deals
- Arrangers and investors less aggressive (more selective)
 - Conservative portfolios (lower LTVs, less large loans, more certified income statements, higher seasoning, stricter underwriting and servicing criteria, tighter eligibility criteria, ...)
 - Originator focus (underwriting, market positions, shareholder structure, repeat issuers, ...)

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Future outlook (cont.)

Furthermore, we imagine:

- Transparent, straightforward transactions
 - traditional asset classes (car loans and leases, RMBS, consumer loans, etc ...)
 - Transparent cash flows
 - Traditional coupons (index + margin)
- No or shorter replenishment periods
- More servicer ratings
- (Private) ratings assigned to warehouse facilities
- Privately (pre-placed) deals
- Asset disposals (in parallel to securitisations)
- Slower pace (origination and securitisation)
- (mortgage) rate adjustments (new production)

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Future outlook (cont.)

- Deals (continued to be) delayed (Q3?)
- Warehouse extensions
- Considerable step-up margins
- Focus on alternative exit solutions (besides take out)
- Rating triggers might be hit upon originator downgrades
 - Servicing transfers
 - Early amortisation, etc
- Alternatives to securitisation (i.e. secured lending)

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Future outlook - First signs of recovery?

- European ABS market reopening with publicly marketed Driver 5 (German auto ABS)
- No impact of crises on quality of the underlying assets in CEE
- First rated Russian cash SME CLO closed (December 2007)
- CEE economies tend to de-couple from developed markets
- Still strong fundamentals
- No immediate liquidity threat for Russian & CIS banking system (combined with state support)
- Involved parties demonstrate restrained optimism
- Still activity, although not reflected (yet) in public deals
- Secondary buy side activity selectively starts
- ABCP rollovers at decent levels
- “in principle” investor appetite for CEE transactions

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Future outlook - Summary

- Good reasons to believe that CEE securitisation business will continue due to
 - Economic factors still being supportive
 - Basel II effects
 - ABS spreads remaining relatively attractive for investors and originators
 - Investors likely to be keen on “traditional” securitisationsbut at spreads still tbd and with a certain time delay.
- Vigilance required due to
 - Reduced investor base
 - Ultimate spillover effects not (yet) foreseeable

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