



## Case Study

# Credit Card Securitisation for Home Credit & Finance Bank, Ltd.

ABN AMRO Asset Securitisation

February 2008

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## Executive Summary

- In August 2007, ABN AMRO closed and funded the first true sale warehouse securitisation of credit card receivables for Home Credit and Finance Bank (“HCFB”), Russia. This was the first transaction of its kind in the CEEMEA region.
- Given the unique characteristics of credit card receivables and the legal framework in Russia, the transaction was structured to replicate the US-style Master Trust vehicle by the way of multiple SPV structure.
- The Master Trust structure allows for multiple and efficient “tap” issues that are secured by a single asset pool.
- The first tap of the programme is a RUB 8.2 billion warehouse facility provided by the Lead Arrangers (ABN AMRO and HvB).
- Future taps can be in the form of publicly rated Notes in a variety of currencies, tenors, ratings and sizes allowing maximum flexibility for HCFB in raising secured financing.



## Credit Card Characteristics

	Residential Mortgage Loans	Consumer Loans	Credit Card Receivables
Security	Yes	No	No
Fixed Maturity Date	Yes	Yes	No
Yield	Low	High	High
Revolving	No	No	Yes
Typical Structure	Static	Revolving	Master Trust

- The Master Trust structure differs from the standard ABS structure as follows:
  - Allows for separate “series” that are secured by a common pool of assets
  - Allows for sharing between series to alleviate certain shortfalls in cashflows
  - Allows for programmatic issuance subject to minimum collateral levels being maintained
  - Accommodates for fluctuations in credit card balances by incorporation of a seller’s interest



# General Master Trust Structure Overview

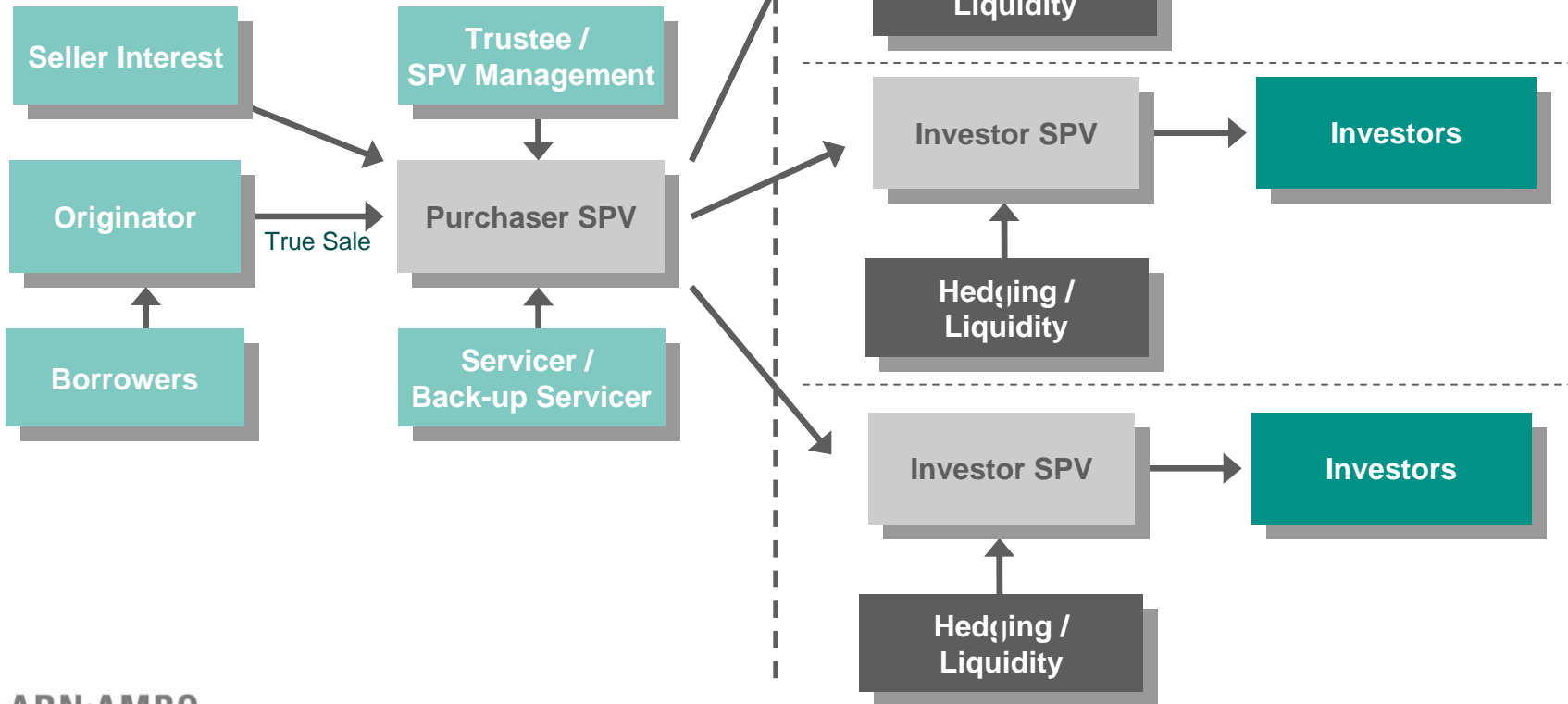


# Master Trust Structure Overview

Trust Level

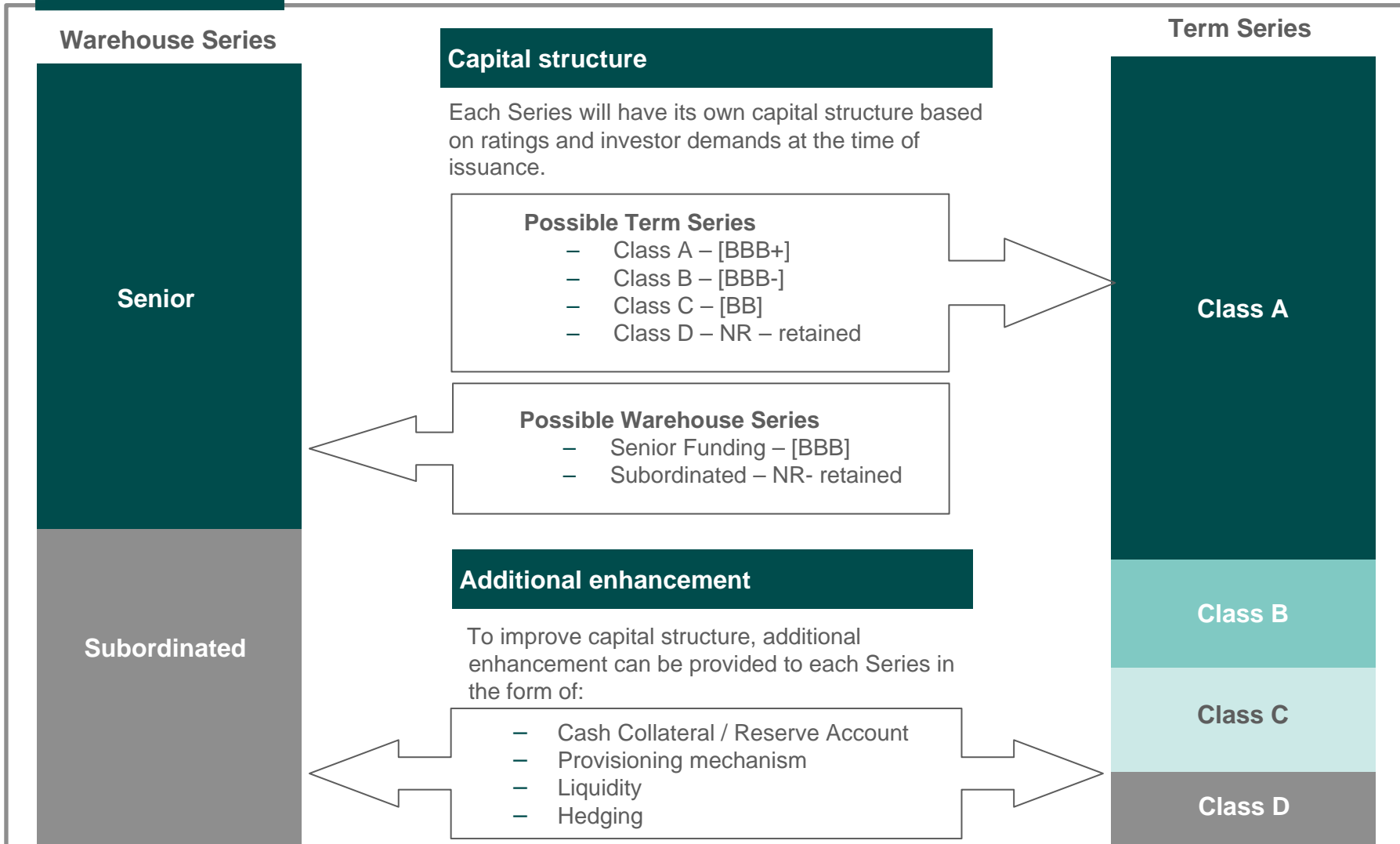
Series Level

Seller Interest is provided by the Originator to cover risks such as commingling and dilutions and also absorbs daily fluctuations in credit card balances.





# Typical Series Structures





## Typical Series Waterfall & Sharing Mechanism

- Under normal scenario, all Series will be subject to the following waterfall:

Gross Portfolio Yield:	25%
Less: Servicing Fee:	2%
Wtd. Avg. Coupon:	8% (Series Specific)
Gross Losses:	10%
Excess Spread Percentage:	5%

- Depending on capital structure and market conditions at the time of issuance, each Series may potentially have a shortfall. If this happens, the sharing mechanism comes into play:

	Series 1	Series 2
Gross Portfolio Yield:	25%	25%
Less: Servicing Fee:	2%	2%
Wtd. Avg. Coupon:	8%	15%
Gross Losses:	10%	10%
Excess Spread Percentage:	5%	-2%

**5% Excess Spread from Series 1 goes to cover 2% shortfall in Series 2, leaving the Seller with 3% effective Excess Spread from structure.**



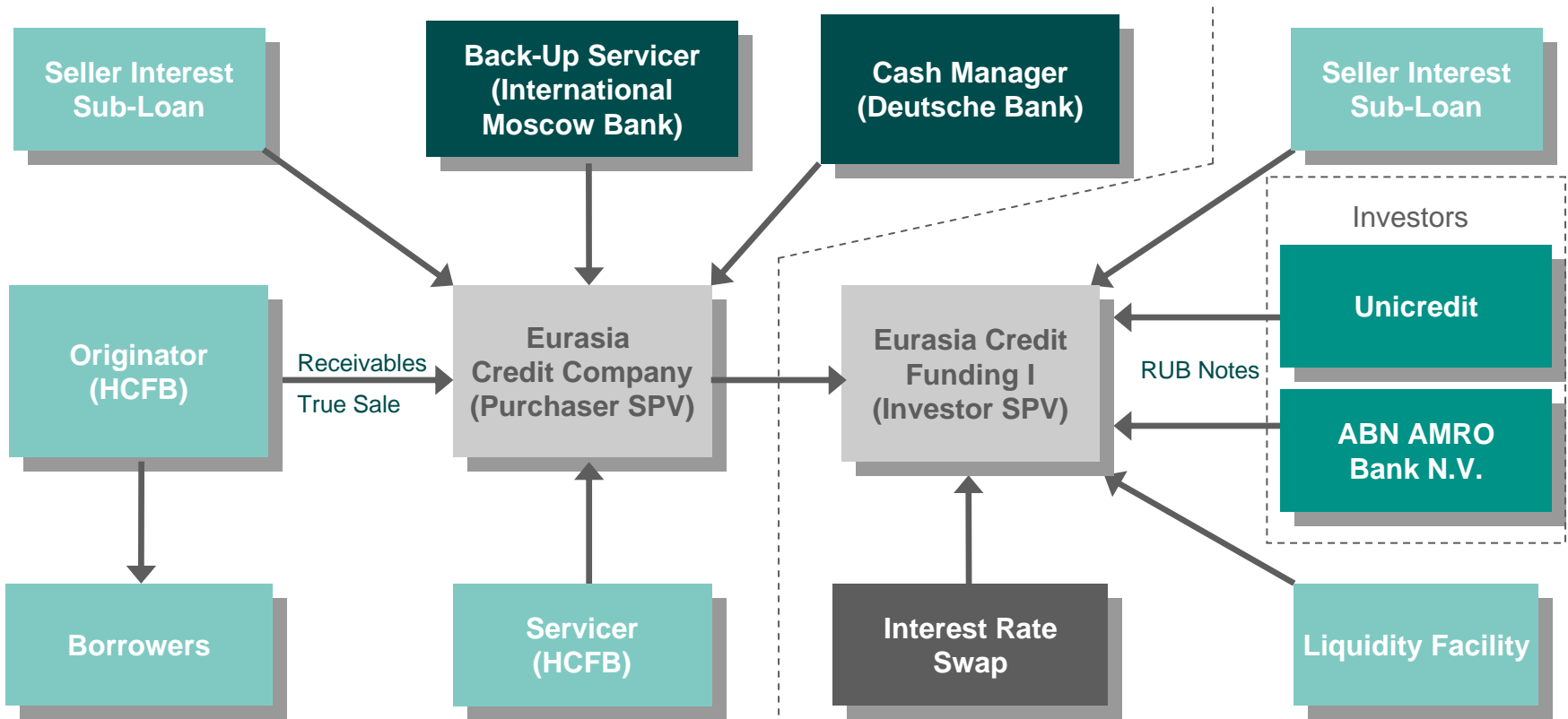
# HCFB Credit Card Securitisation Overview





## Transaction Structure Overview

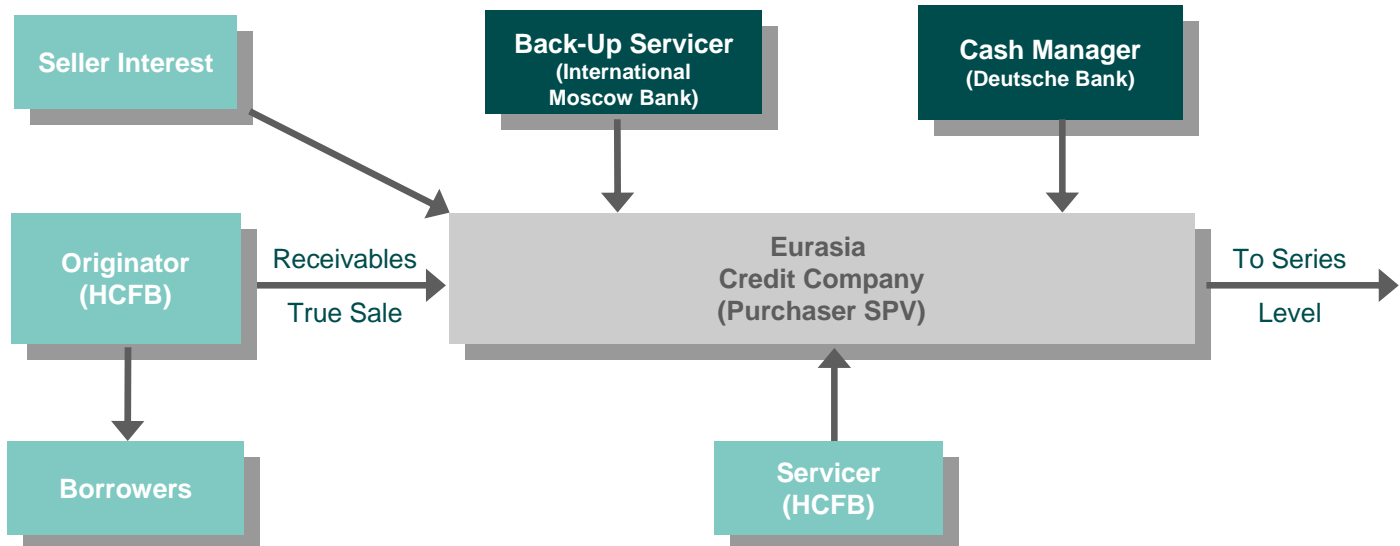
- The receivables were purchased by a newly founded SPV, Eurasia Credit Company S.A., which funded itself by issuing notes that were subscribed to by the Investor SPVs, the first of which was Eurasia Credit Funding I.
- In general, Investor SPVs can fund themselves through issuance of notes to investors, from the warehouse facility and from the subordinated loan provided by the seller.





## Trust Level Transaction Structure Overview

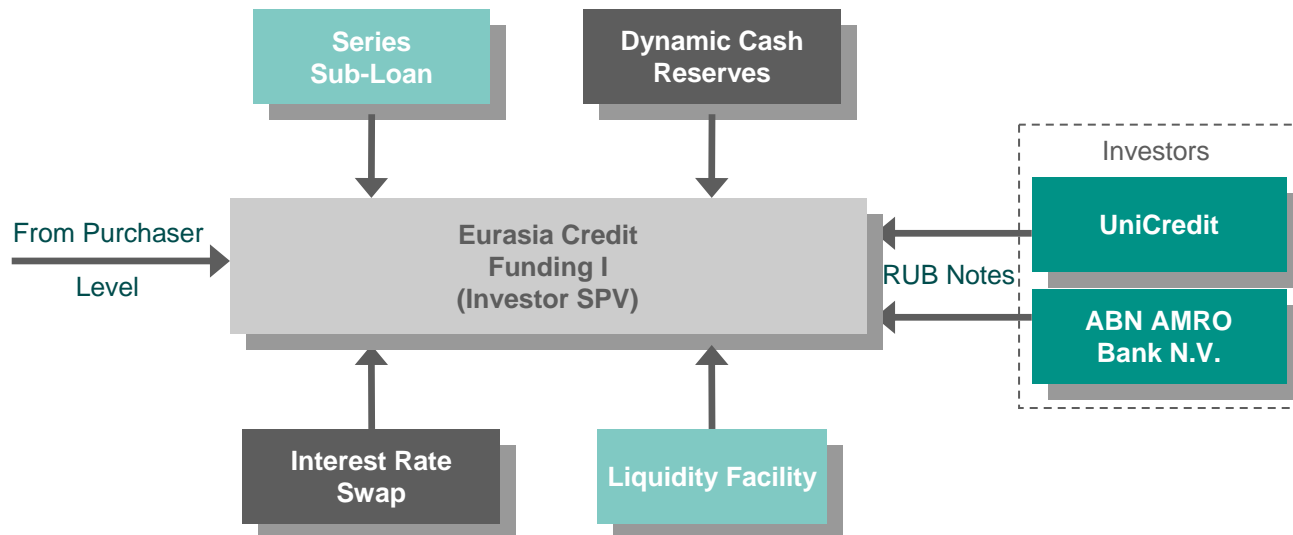
- Several important transaction agreements are done at the Trust level. These are Asset Purchase Agreement, Servicing Agreement, Back-up Servicing Agreement, Purchaser Cash Management Agreement and Seller Interest Agreement.
- These agreements are signed only once and can remain unchanged for the life of the programme. Unless amendments are necessary, Trust level agreements are valid for all subsequent Series issuances and do not need to be re-executed and re-negotiated. This allows for substantial time and expense savings on the programmatic basis.
- At the Trust level, the Purchaser SPV (“Trust”) purchases receivables (assets) from the Originator and then funds itself by issuing Notes which are subscribed to by issuing vehicles (Series). There can be multiple subscribers in the form of Series to the Notes issued by the Purchaser.
- Seller Interest Subordinated Loan is provided at the Purchaser level to protect investors against commingling risk, set-off risk, dilutions and daily fluctuations in credit card balances.





## Series Level Transaction Structure Overview

- Additional enhancement is provided at the Series level to protect investors from increased defaults in receivables and short-term liquidity shocks. Through a combination of various enhancement mechanisms, a desired rating and capital structure can be achieved.
- Each Series SPV can have different ratings and different capital structure which are independent from other Series. Sharing mechanism allows for additional protection and better capital structures.
- Such facilities as cash reserves, liquidity facility, hedging and subordinated loan to cover risk of default are provided at Series level and can be renegotiated for each issuance.
- The Series issues notes that are subscribed by investors (public, private or through conduits). As much of documentation remains unchanged at the Purchaser level, issuance of any new Series can be a much quicker and cheaper process.





## Structural challenges and transaction benefits

- Replicating US-style Master Trust structure in the jurisdiction, which legal framework does not allow for the concept of Trust
- Asset analysis and negotiation of documentation is difficult for any new product with credit cards being particularly difficult given the revolving nature and associated sale mechanics
- Significant set-up cost leads produces a structure that is capable of programmatic and varied issuance
- This flexibility is particularly important in today's market volatile market environment
- Size of the programme is limited by asset origination and investor interest, not the structure.
- Term issuance expected to begin in late 2008.



## ABN AMRO - An Award Winning Structuring Team



ABN AMRO won a number of prestigious awards in Emerging Market space in 2007 including:

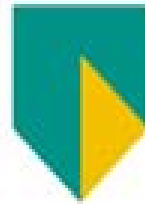
- ISR's "**Emerging Market – Deal of the Year**" award for 2007 for the Dubai Electricity and Water Authority (DEWA) securitisation transaction
- IFR's "**European Securitisation for 2007**" award and ISR's prestigious "**RMBS Deal of the Year – Europe**" award for 2007 for the KMBS 2007-1 transaction for BTA Ipoteka (Kazakhstan)
- "**EEMEA Bond House**" and "**Russia and CIS Loan House**" awards from IFR in 2007
- Euromoney's Awards for Excellence 2007 winner of "**Best Debt House**" for Central Asia, Turkey, Kazakhstan and Latin America

First time groundbreaking securitisation transactions closed in 2007 include:

- First Credit Card Receivables securitisation in Russia
- First Instalment Sale Agreement securitisation in Russia
- First RMBS securitisation in Kazakhstan
- First securitisation of existing and future electricity receivables in Dubai - DEWA
- First CLO in Brazil and Latin America



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