Capitalising on Diversified Payment Rights ("DPR") Securitisation

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RBI Group – Your Partner in Russia / CIS and CEE

Raiffeisen Bank International

- **Raiffeisen Bank International AG ("RBI") is a major player in the Russia / CIS and CEE capital markets**
- **RBI's Asset Based Finance division is an emerging market structured finance ("SF") pioneer**
- **Combined SF experience of 100+ years**
- **Successful closing of a high number of SF transactions**
  - **In different EM jurisdictions (Russia, Poland, Bulgaria, Romania, Czech Republic, Turkey, etc.)**
  - **Involving a variety of asset classes (leasing, SME, consumer loans, trade receivables, RMBS, DPR, etc.)**
  - **Applying different techniques (cash, synthetic, covered bond, factoring, etc.)**
- **Understanding of clients' needs from different angles (arranger, investor and originator; for DPRs also as DDB)**

RBI Group – League Table Positions 2013

Raiffeisen Bank International

RUSSIA / CIS, EE
Ranking by Bookrunner Parents

Pos.	Bookrunner Parents	Deal Value (EUR,mn)	No.
1	Deutsche Bank	15.794,95	18
2	Raiffeisen Bank International AG	10.671,56	18
3	Erste Group Bank AG	11.534,76	17
4	JPMorgan	8.424,51	17
5	HSBC	12.809,67	16
6	UniCredit	7.355,83	15
7	SG Corporate & Investment Banking	12.702,19	13
8	Citi	7.538,84	12
9	BNP Paribas	5.911,59	11
10	Barclays	11.295,36	9
11	Goldman Sachs	6.702,61	9
12	Credit Agricole CIB	5.335,15	8
13	Morgan Stanley	6.345,12	7
14	Commerzbank Group	4.038,32	7
15	DZ Bank	3.381,11	7
16	ING	4.473,98	6
17	RBS	4.309,01	6
18	LBBW	3.576,31	6
19	Gazprombank	3.871,61	5
20	KBC	2.198,02	5
21	Bank of America Merrill Lynch	2.492,18	4
22	Intesa Sanpaolo SpA	1.749,39	2

Criteria
All EUR deals with min size of EUR 100mn

AUSTRIA
Ranking by Bookrunner Parents

Pos.	Bookrunner Parents	Deal Value (EUR, mn)	No.
1	Raiffeisen Bank International AG	8.722,17	15
2	UniCredit	4.866,19	11
3	Erste Group Bank AG	7.336,39	10
4	HSBC	6.725,55	7
5	Goldman Sachs	6.027,61	7
6	DZ Bank	3.381,11	7
7	Barclays	9.073,75	6
8	Morgan Stanley	6.070,12	6
9	LBBW	3.576,31	6
10	JPMorgan	2.395,33	5
11	BNP Paribas	2.342,27	5
12	Deutsche Bank	5.982,95	4
13	Citi	2.883,90	4
14	Credit Agricole CIB	2.085,15	4
15	Commerzbank Group	2.044,24	4
16	SG Corporate & Investment Banking	4.990,72	2
17	RBS	1.493,33	2
18	Bank of America Merrill Lynch	1.093,66	2
19	Nykredit Bank A/S	995,98	2
19	BayernLB	995,98	2
21	RLB NOE-Wien	498,73	1
22	Mitsubishi UFJ Financial Group	298,51	1
22	Lloyds Banking Group	298,51	1

Criteria
All EUR deals with min size of EUR 100mn

Executive Summary – Diversified Payment Rights (“DPR”)

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- **Secured term funding using cash flows generated by a bank’s payment processing business as collateral**
- **Ratings above that of the originator and its domestic sovereign**
- **Mitigation of sovereign risk**
- **Medium-term foreign currency financing at attractive all-in cost**
- **Reduction of execution risk**
- **Efficiency through multiple issuance from the same structure**
- **Worldwide implementation (LatAm, Africa, Turkey, Russia, Kazakhstan, etc.)**
- **Good historic performance with zero loss history for more than 20 years**

Origin of DPRs

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- Origin: Payment orders from foreign banks instructing local bank to make a payment to a local beneficiary
  - Payments from foreign importers to local exporter
  - Worker remittances
  - …
- Consequence: Contractual relationship between foreign and local bank
- Right: DPR are the rights of the local bank in the payments it received in relation to the payment orders
- The local bank becomes the owner of the payment as compensation for its performance under the above contractual relationship with the foreign bank
  - Payment does not belong to the local beneficiary

Basic Requirements for DPR transactions

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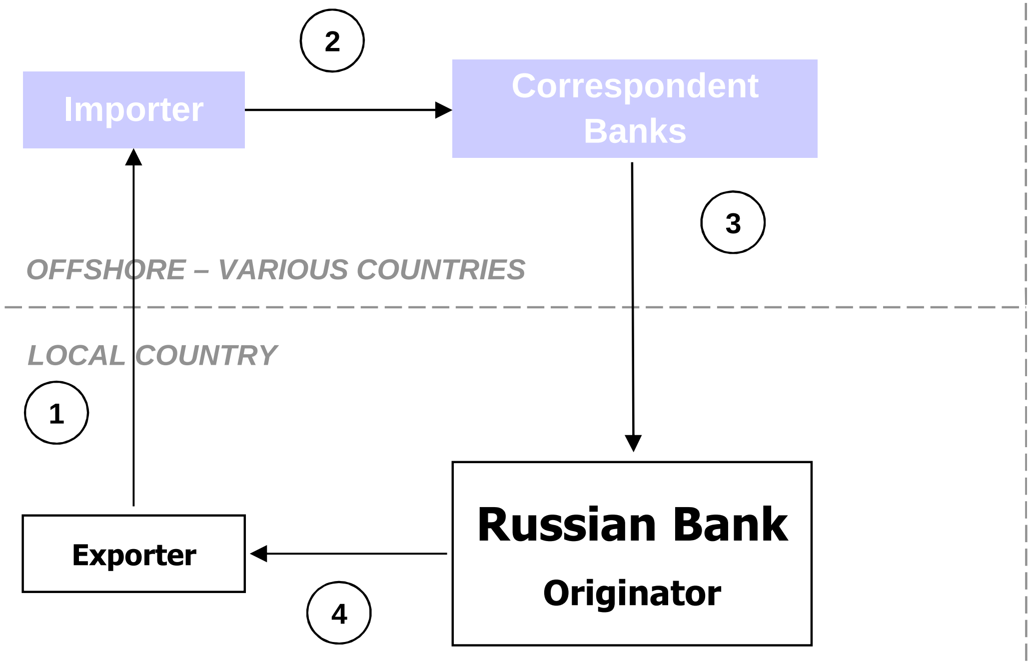
- Basic principle: "strong bank in emerging markets"
- Solid bank with systemic importance (and/or strong parental support)
- High market share (deposits, payment order processing, total assets, export loans, etc.)
- Important payment and remittance processing business (significant source of income)
- High flow volume
- Stable / growing flows
- Little concentrations (DDBs, beneficiaries, sectors, volumes, payment orders, etc. (alternatively structural mitigants)
- Adequate legal framework (allowing for sale / pledge of DPRs, etc.)

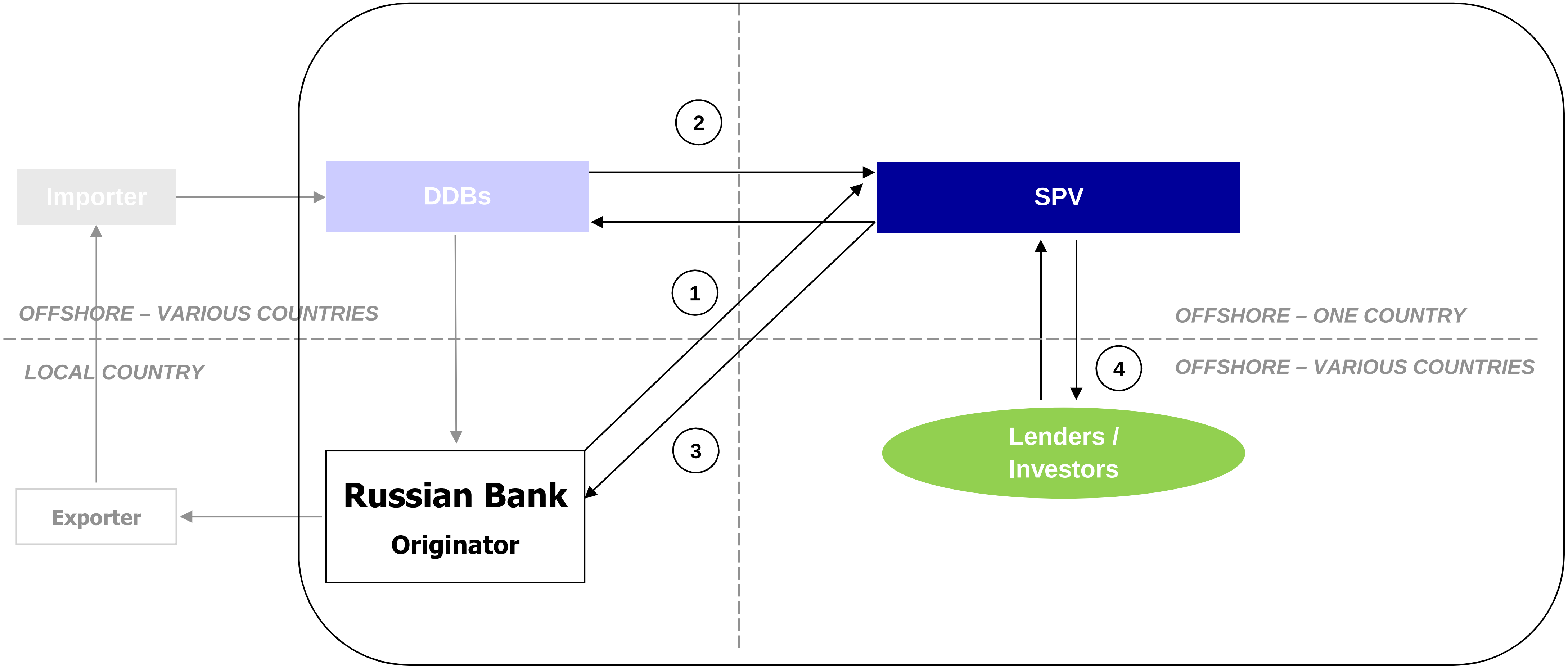
Basic Transaction Structure – Underlying Business



1. Delivery of products against (obligation to) payment
2. Payment instruction re. payment to exporter
3. Payment and Payment Order
4. Payment

Basic Transaction Structure – The Framework

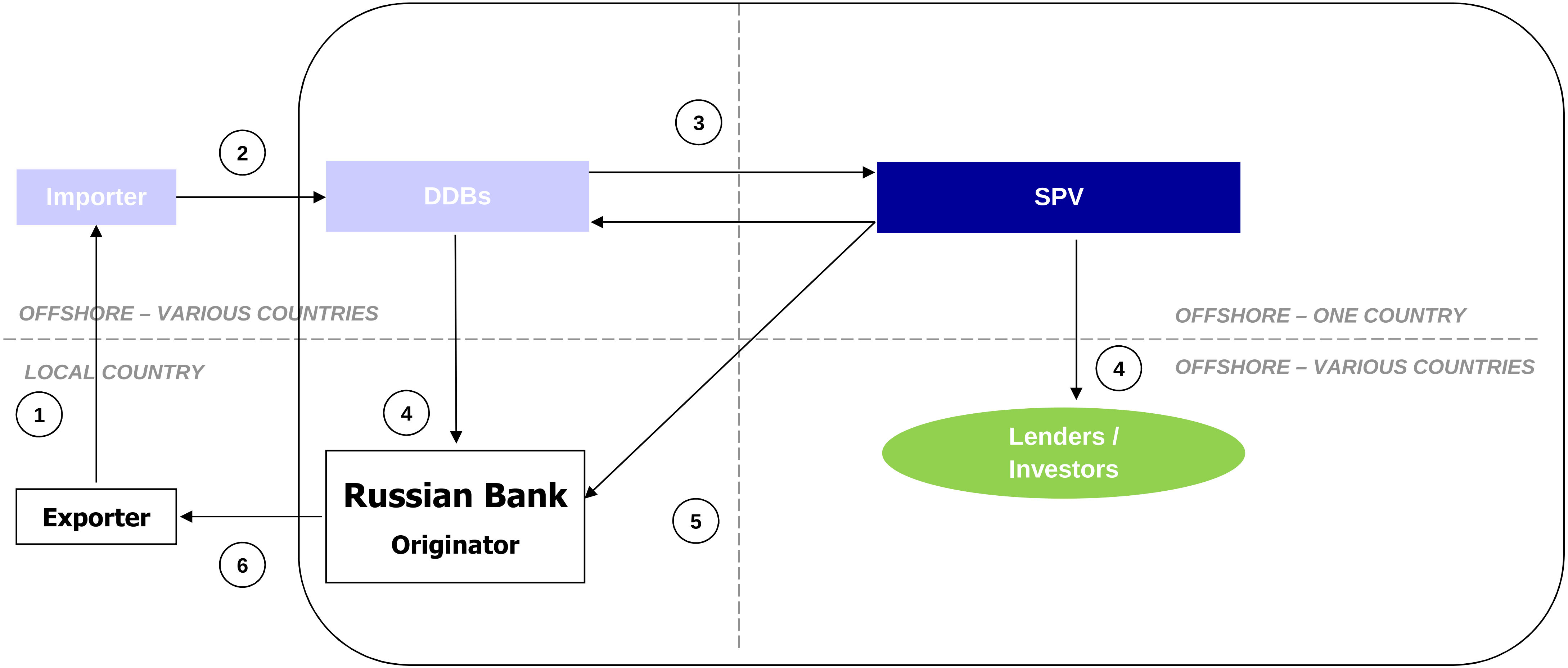
Raiffeisen Bank International



1. Sale / pledge of Originator's current and future DPRs to SPV
2. Notice & acknowledgement agreement with most important correspondent banks, so-called Designated Depository Banks ("DDBs") for perfection of security interest / assignment and acknowledgement of sale / pledge of flow to SPV
3. SPV payment of purchase price / granting of secured loan
4. SPV funding/refinancing

Basic Transaction Structure - Mechanics

Raiffeisen Bank International



1. Delivery of product against (obligation to) payment – unchanged
2. Payment instruction re. payment of exporter – unchanged
3. Payments channelling through collection accounts (in the name of originator but on behalf of SPV / Trustee) (USD 1.000)
4. Trapping of the amount required for debt service payments (USD 100) to the Lenders / Investors
5. Excess cash is returned to originator (USD 900)
6. Originator receives SWIFT messages and makes payments to exporter as usual (USD 1.000). Usage of own funds (USD 100) to neutralise the difference (USD 100) between payment orders (USD 1.000) and actual amounts received (USD 900)

Benefits for Originator

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- Enables originator to issue debt rated above own and sovereign rating
- Diversification of funding sources
- Secured nature of funding increases international investor appetite and achievable tenor
- Improved cost of funding compared to unsecured debt
- Simple liability management (pre-defined amortisation schedule)
- Reduced execution risk
- Multiple issuance over time under a program structure
- Tried and tested structure

To Do's for Originator

- Data extraction
- Account Management
- Servicing
- Accounting & Disclosure
- Reporting
- Legal
- Tax
- Existing indebtedness

Key risk &/ Mitigants (1/2)

- Legal risk
  - DPRs are pledged under New York law
  - DDBs have signed account agreements to take payment direction solely from the trustee (act in favour of investors)
  - SPV is neither owned nor controlled by the originator
- Sovereign Redirection Risk
  - Local sovereign has no jurisdiction over DDBs (all located outside the originator's country) and are typically highly rated entities
  - In most early amortisation /acceleration scenarios, [40]% of excess cash flow is still released to originator incentivising the local government not to interfere with a source of hard currency
- Country Risk
  - Devaluation of local currency typically results in local exports becoming cheaper facilitating exports and stabilising incoming hard currency cash flows
  - Trade related financings are often exempt from reschedulings
  - Offshore settlement process mitigates the risk of sovereign intervention

Key risk &/ Mitigants (2/2)

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- Flow and originator related risk
  - Typically mitigated through Early Amortisation Events (“EAE”) and Default Events (“DE”)

- Early Amortisation Event
  - Upon the occurrence of an EAE, [60]% of DPR cashflows are applied to repay the DPR notes
  - [40]% are released to the Originator (contributing to his survivability)
  - Conservative EAE triggers, such as DDB Collection Test, DSCR Test, Decline in Flow Test

- Default Events
  - Upon the occurrence of a DE, the Originator would be required to immediately repay the full outstanding debt of the SPV
  - Conservative DE definitions, such as untrue R&W, failure to pay, insolvency, CAR, etc.

Market Overview

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- First DPR transaction issued in the mid 90s
- Since then DPRs became an established asset class in emerging markets (LatAm, Turkey, Africa, Russia, Kazakhstan, etc.)
- One of the most tested types of Structured Finance debt
- Good performance even during various economic stresses
- Zero loss rate (between 1991 and June 2010; Fitch rated Future Flow transactions)
- 3 (out of 4) test cases where EA was triggered were fully repaid within 5 months (and shorter); 1 test case was fully repaid within 22 months following an EAE
- Investor appetite currently mainly from commercial banks and IFIs
- Currently club deal format with deal sizes between $ 100 and 500 mn
- No Offering Circular
- No road show
- Investors perform own due diligence and sign purchase agreement directly with the Issuer
- $ and €
- Individual Final Takes between $ 50 and 100 mn (lower and higher also observed recently)
- Expected maturities between 5 and 12 years (WAL 3.6 and 7.2 years)

Appendix 1: ROOF Russia DPR Finance Co. S.A.

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Key Parameters

Originator	ZAO Raiffeisenbank
Rating ROOF Russia DPR Finance	A- (Fitch)
Rating Originator ZAO Raiffeisenbank	Moodys/S&P/Fitch (Baa3/BBB/BBB+)
Rating Raiffeisen Bank International AG	Moodys/S&P/Fitch (A2/A(-)/A)
Rating Sovereign Russia	Moodys/S&P/Fitch (Baa1/BBB/BBB)
Governing Law	New York
SPC Name	ROOF Russia DPR Finance Company S.A.
Form of Funding	Loan
SPC issuance	Notes
Currency	USD
Tenor	Up to 7y
Arranger	Raiffeisen Bank International AG (Joint)
Investor(s)	Commercial Investor, IFI

RBI Group's Achievement

- RBI joint-arranged and set up a new DPR program for ZAO Raiffeisenbank in 2012 (ROOF Russia DPR Finance Company S.A.)
- ROOF Russia DPR Finance Company S.A. successfully issued Notes twice under the new DPR program in 2012
- First new DPR Program since 2006 in Russia and first issuance of Notes out of a Russian DPR program since 2007
- Interest from both IFIs (International Financial Institutions) and commercial investors
- Rating above sovereign and originator rating
- Legal environment in Russia is capable of covering the main crucial parts associated with a DPR structure in a way satisfactory for investors and rating agencies
- ZAO Raiffeisenbank's internal procedures aligned to fulfill the administration of the DPR program (reporting, etc.)

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ZAO RAIFFEISENBANK

DIVERSIFIED PAYMENT RIGHTS (DPR) OVERVIEW

November 2013

Diversified Payment Rights (DPR) Program

Raiffeisen BANK

USD- and EUR- denominated Future Flows Securitization Program

- The DPR Program was successfully established on 8 June 2012
- This deal marks the first Russian DPR transaction since 2007
- Under the DPR Program ZAO Raiffeisenbank (RBRU) can raise up to USD 800 mln
- The transaction uses future incoming cash flows generated by RBRU through its international payment order processing business (diversified payment rights, DPRs) as financing collateral
- This transaction contributes to the diversification of funding sources and enables longer-term financing at favourable rates
- All DPRs are pledged to the SPV. Only DPRs that flow through Designated Depositary Banks are trapped and tested

  Designated Depositary Banks (DDBs) – selected correspondent banks which have executed account agreements giving the trustee control over flows from such designated depositary banks for the benefit of the investors.
- Current volume of the DPR Program is USD 175 mln:

8 June 2012 – Initial issuance

Series-A Notes (Fitch A-, Stable)	USD 50 mln	WestLB	Maturity - 2017
Series-B Notes (Fitch A-, Stable)	USD 75 mln	IFC	Maturity - 2019

29 June 2012 – 2nd issuance

Series-C Notes (Fitch A-, Stable)	USD 50 mln	EBRD	Maturity - 2019

Diversified Payment Rights (DPR) Program

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Flexible funding instrument

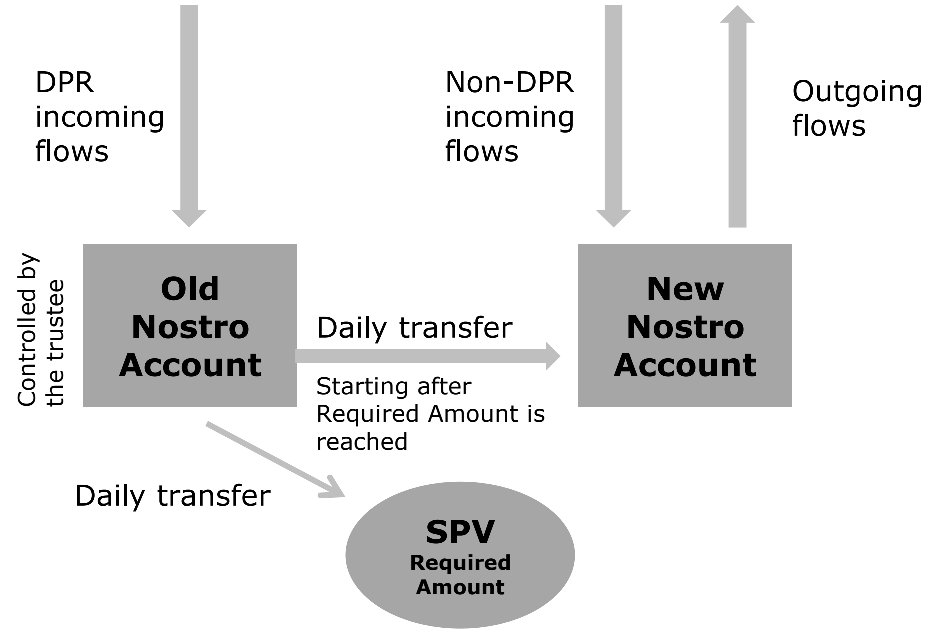
Structural features	•Program allows to make the borrowing in loan and note format •Program is active at least one of issuance/loans is outstanding •Investors base does not across significantly with unsecured debt investors
Technical features	•Program does not require any substantial internal ITsystems changes compared to other asset based instrument (RBRU experience is ~150 md for internal systems upgrade and reporting module development) •Light audit and rating process •Light servicing measures (~2 md per month)

Establishing and servicing of DPR program is up to twice cheaper compared to any asset based funding program

Distinctive Features

Technical aspects

Internal systems adjustments, required opening of New Nostro accounts paired with Old Nostro accounts held with Designated Depository Banks



Reporting development (monthly and quarterly reporting periods)

COLLATERAL REPORT

MONTHLY\ QUARTERLY REPORTING PERIOD

1. Collections		
1.1	**All Depositary Banks**	
1.1.1	Total Monthly Collections	$0.00
1.1.2	Total Quarterly Collections	$0.00
1.2	**Designated Depositary Banks ("DDBs")**	
	Designated Depositary Banks have been added or removed during the Reporting Period Added: Removed:	YES/NO
1.2.1	Total Monthly Collections	$0.00
1.2.2	Total Monthly Non-Affiliate Collections	$0.00
1.2.3	Total Monthly Non-Affiliate Non-Russian Collections (Tested Collections)	$0.00
1.2.4	**MONTHLY SERIES TESTED COLLECTIONS (post concentration haircuts)**	$0.00
1.2.5	Total Quarterly Collections	$0.00
1.2.6	Total Quarterly Non-Affiliate Collections	$0.00
1.2.7	Total Quarterly Non-Affiliate Non-Russian Collections (Tested Collections)	$0.00
1.2.8	**QUARTERLY SERIES TESTED COLLECTIONS (post concentration haircuts)**	$0.00
2. Debt Service Coverage		
2.1	Maximum Quarterly Debt Service	$0.00
2.2	Monthly Debt Service Coverage Ratio (1.2.4 / (2.1 times one-third))	0.00
2.3	Quarterly Debt Service Coverage Ratio (1.2.8 / 2.1)	0.00

Legal requirement to deliver notice of the pledge to all correspondent banks (correspondent bank purports any bank instructing RBRU to make payments to beneficiaries other than RBRU)

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