



CBonds Conference

Trends in the Russian Syndicated Loan Market

Moscow – September 2011

Contents



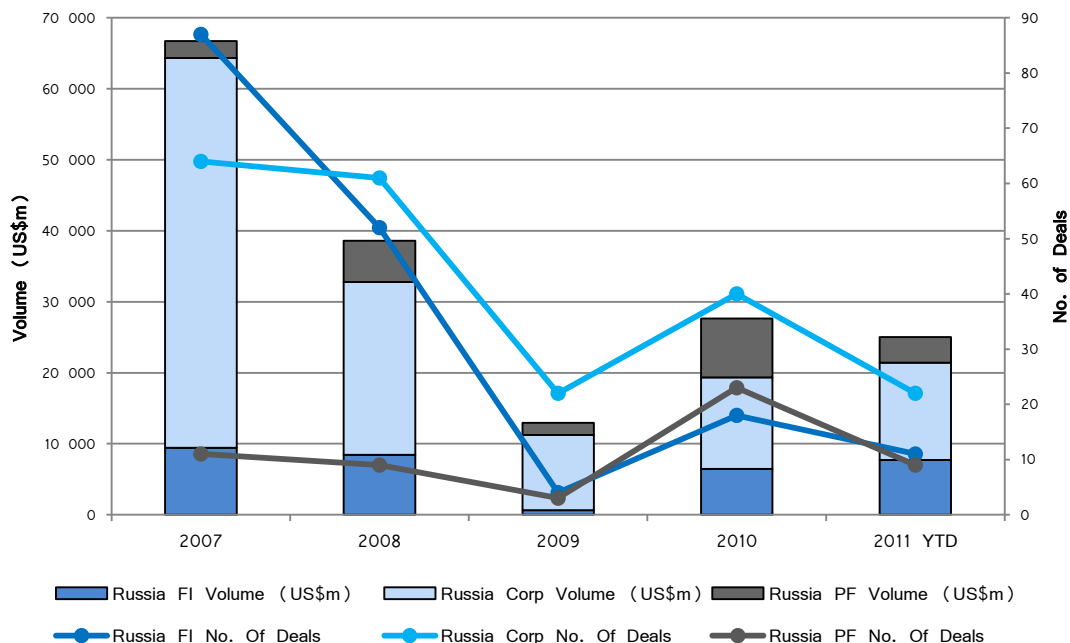
- Russian Syndicated Loan Market 2007 – 2011YTD
- Key Challenges Facing Borrowers & Lenders
- Outlook for 2012
- Overview of Selected Key Transactions in 2011



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How has the Market Trended ?

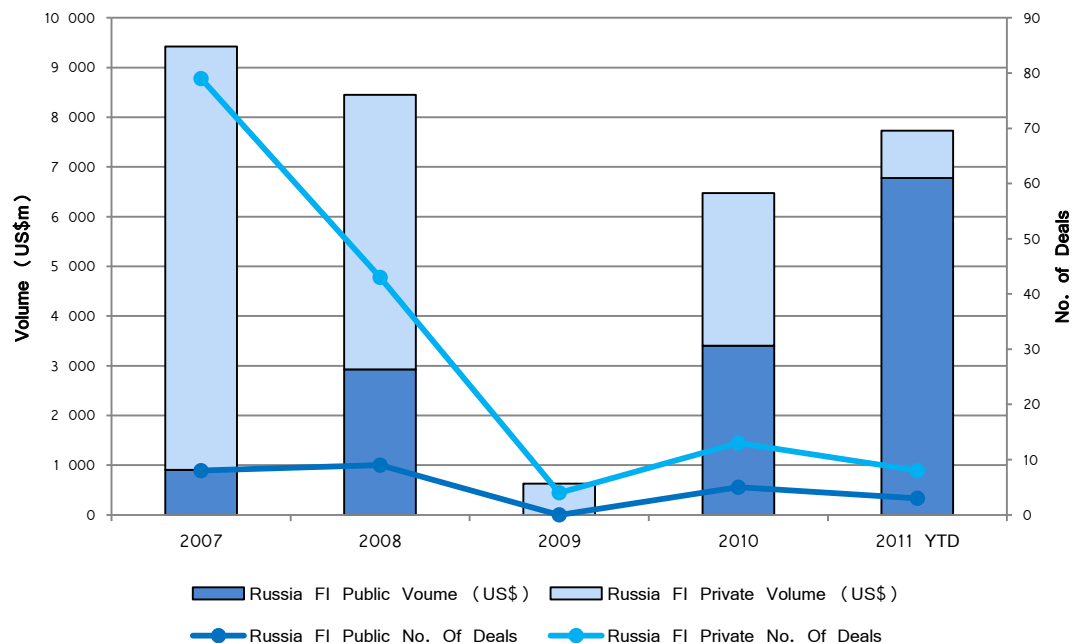
Russian Syndicated Loan Volumes and Number of Deals



- Crunch-led market contraction in '08 and '09
- Secured lending and domestic funding dominating activity in 09
- Wide scale re-emergence of unsecured facilities in '10
- Notable activity in the FI space and corporate refinancing over H2 '10 and H1 '11
- Impact of recent turmoil yet to be observed

Who has been Borrowing in the FI Market?

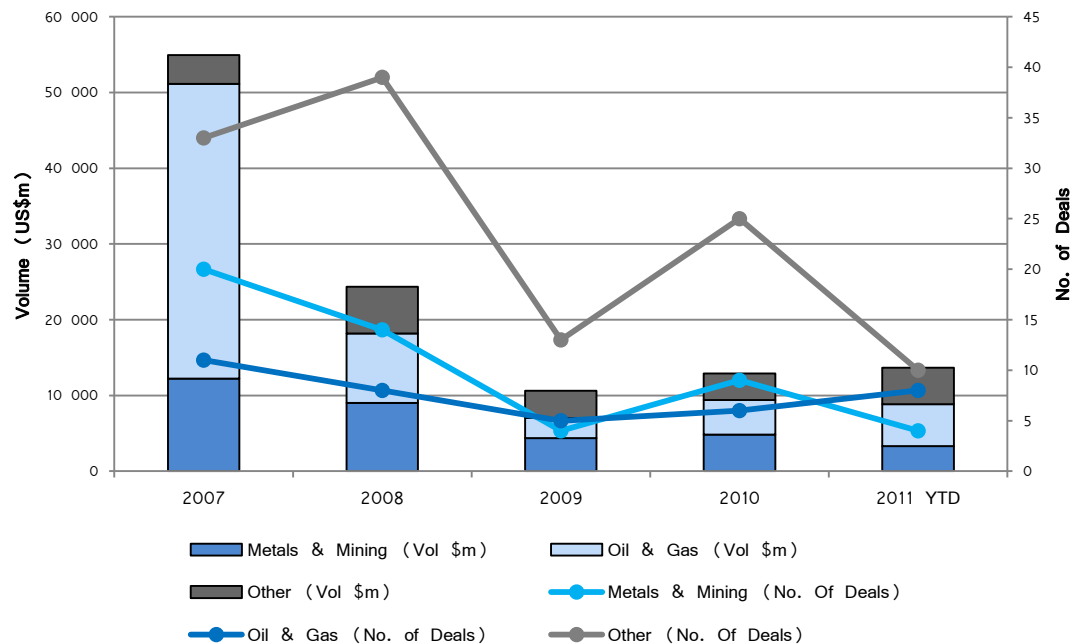
Russia FI Deals – Public vs Private Sector



- Distinct shift in activity from private to public banks in recent years
- Large, tightly priced deals for some state-controlled banks have absorbed much of available liquidity in 2011
- Some questions over private FIs raised by Moody's
- Impact of recent turmoil may be tested in Q4 2011

Who has been Borrowing in the Corporate Market?

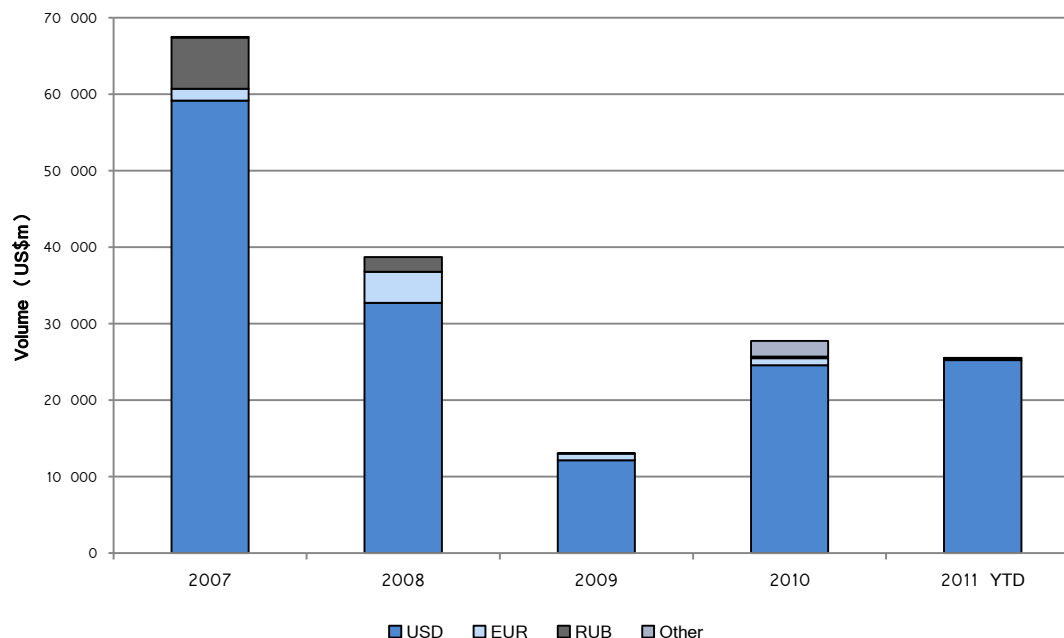
Russia Corporate Deals by Sector



- Oil & Gas and Metal & Mining sectors remain active on the back of secured structures
- Retail, telecom, chemicals and utilities account for the bulk of the remaining activity
- Pick-up in activity relatively modest

Who is Lending & in What Currency ?

Russia Syndicated Loan Volumes by Currency



- USD activity dominates
- Credit crisis saw some Russian domestic banks to the rescue
- Impact of recent increase in bank USD funding costs yet to be seen
- Lender willingness to contemplate other currencies?

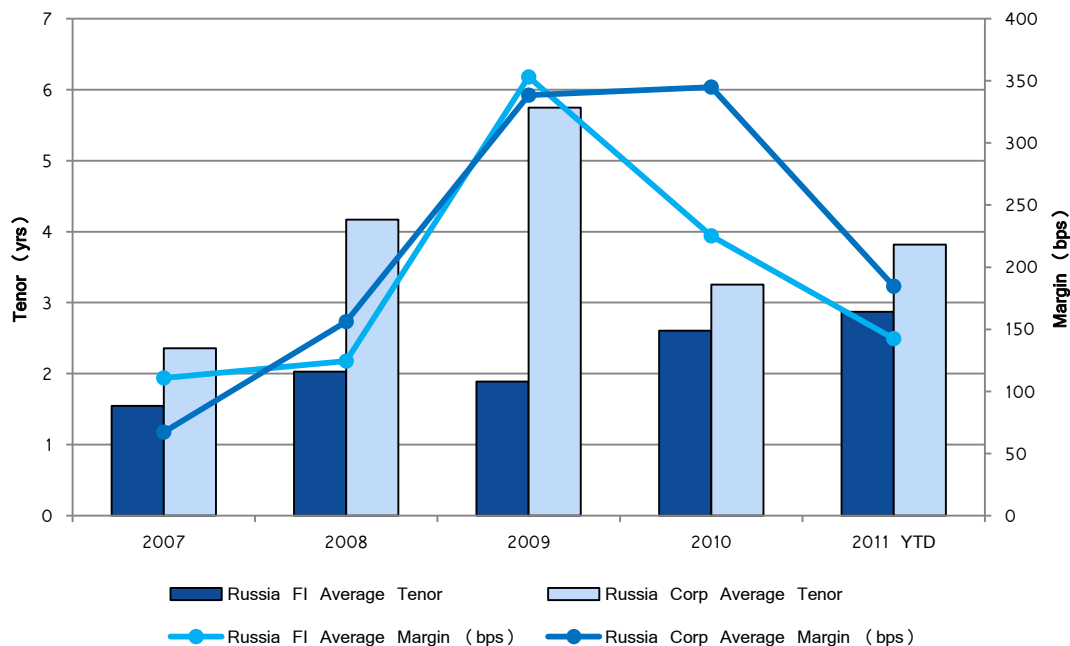
What About Pricing ?



- Russian CDS on the rise
- Reference point for setting funding costs

Margin and Tenor Evolution

Weighted Average Tenor and Pricing



- Less dynamic data shows no observable impact on tenor and pricing of recent market turmoil
- Tenor anomalies in '08-09 explained by sector shift and move towards secured funding
- Despite compression in recent years, margins still wide of pre-crisis lows



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Key Challenges Facing Borrowers & Lenders

Lenders

- Increased funding costs and USD constraints
- Tougher to deliver ancillary business case
- Capital and solvency issues
- Regulatory constraints
- Domestic competition
 - RUB bond market?
 - Domestic banks

Borrowers

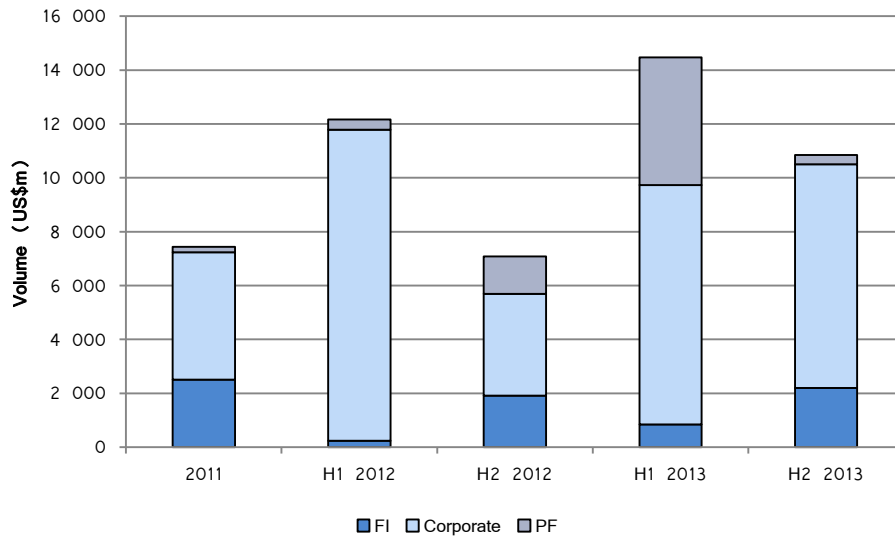
- Reduced pool of international lenders
- EUR is preferred currency for many lenders
- More restrictive lending criteria and lending constraints
- Flight to quality will limit second tier players
- Bond markets need to be accessible



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Outlook for H2 2011 & Beyond

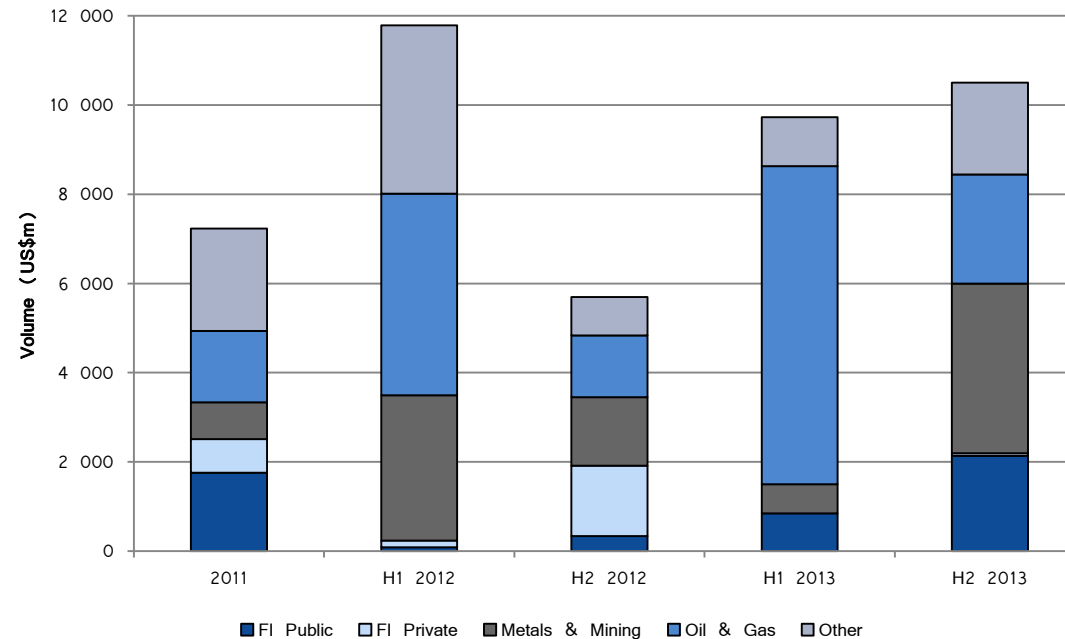
Loan Maturities H2 2011 – 2013 by Sector



- Maturities over next 2.5 years dominated by corporate borrowers
- Return to secured lending to provide the necessary cost effective long term funding
- Still too early to assess lender sentiment in light of current market difficulties
- USD funding will be more costly / challenging in near term
- Uncertain if bond markets will be there to help absorb refinancing risk

Outlook for H2 2011 & Beyond by Sub-Sector

Loan Maturities H2 2011 – 2013 by Sub-Sector







- Corporate commodity-based refinancing shows importance of PXF structures
- Other refinancing activity dominated by Retail and Transport activity
- Privatisation related funding opportunities








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Selected FI Deals in Russia

Borrower	 GAZPROMBANK	 UniCredit Bank	 VTB	 VNESHECONOMBANK
Instrument Type	Term Loan Facility	Term Loan Facility	Term Loan Facility	Term Loan Facility
Country	Russia	Russia	Russia	Russia
Deal Size	US\$1,200,000,000	US\$ 300,000,000	US\$ 3,130,000,000	US\$ 2,450,000,000
Tenor	3 years	3 years	3 years	3 years
Purpose	General Corporate, Trade Financing & Refinancing	General Corporate, Trade Financing & Refinancing	General Corporate & Refinancing	General Corporate
Margin	150 bps	150 bps	130 bps	130 bps
External Rating	Baa3/BB+	BBB+/BBB	BBB/Baa1/BBB	BBB/Baa1/BBB
Signing Date	September 2011	August 2011	July 2011	April 2011
WestLB Role	Joint Coordinator, Mandated Lead Arranger, Bookrunner & Agent	Mandated Lead Arranger, Bookrunner & Agent	n/a	Mandated Lead Arranger
Syndicate	23 banks	5 banks	27 banks	19 banks

Selected Structured Corporate Deals in Russia / CIS

Borrower					
Instrument Type	Pre-Export Finance Facility	Revolving Pre-Export Finance Facility	Pre-Export Finance Facility	Pre-Export Finance Facility	Pre-Export Finance Facility
Country	Russia	Ukraine	Ukraine	Russia	Russia
Sector	Metals	Mining	Metals	Chemicals	Mining
Deal Size	US\$ 4,750,000,000	US\$ 420,000,000	US\$ 850,000,000	US\$ 1,300,000,000	US\$ 3,100,000,000
Tenor	A: 5 years B: 7 years	5 years	5 years	5 years	A: 5 years B: 7 years
Purpose	Refinancing	General Corporate	Refinancing & Trade Financing	General Corporate & Refinancing	General Corporate, Trade Financing & Refinancing
Margin	A: 175 – 285 bps, currently 235 bps <i>(based on a leverage grid)</i> B: 385 bps	225 bps	300 bps	180 bps	225 bps
External Rating	n/a	B/B2	B/B2/B+	BB/BB	BB-/Ba3
Signing Date	In the Market	September 2011	August 2011	July 2011	April 2011
WestLB Role	Senior Initial Mandated Lead Arranger	Mandated Lead Arranger	Mandated Lead Arranger & Bookrunner	n/a	Mandated Lead Arranger
Syndicate	13 banks	9 banks	6 banks	13 banks	21 banks

Selected Corporate Deals in Russia / CIS

Borrower			
Instrument Type	Term Loan Facility	Term Loan Facility	Term Loan Facility
Country	Tatarstan	Russia	Russia
Sector	Oil & Gas	Oil & Gas	Telecommunications
Deal Size	US\$ 550,000,000	US\$ 1,500,000,000	US\$ 2,500,000,000
Tenor	3 years	4 years	1 year
Purpose	General Corporate	General Corporate	Acquisitions
Margin	350 bps	130 bps	
External Rating	BB/Ba2	BBB-/Baa2/BBB-	Ba3/BB
Signing Date	June 2011	August 2011	March 2011
WestLB Role	Coordinator, Mandated Lead Arranger, Bookrunner & Agent	Mandated Lead Arranger	n/a
Syndicate	8 banks	10 banks	6 banks

Disclaimer

WestLB AG

25 Basinghall Street

London EC2V 5HA

Tel. +44 20 7020 2000

www.westlb.com

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