



Alexey Tarasov

Current status and outlook of  
the RUB syndicated loans market

Syndicated Lending in Russia – 2011

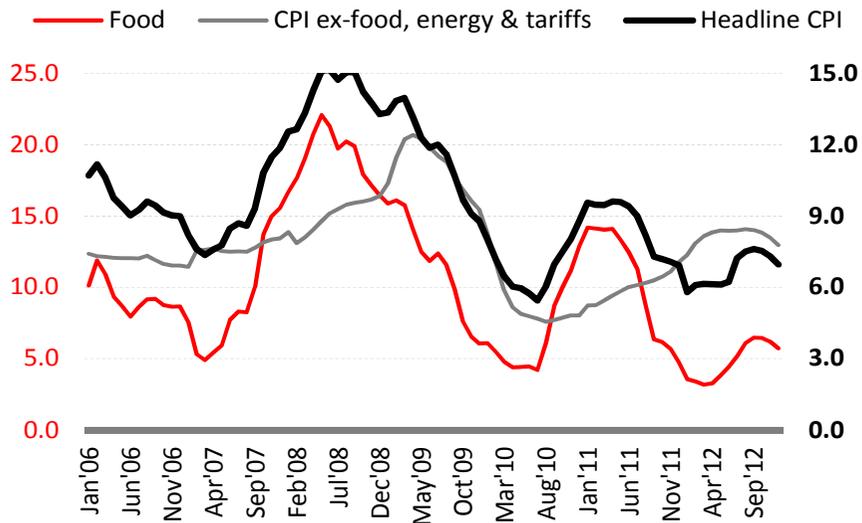
29<sup>th</sup> of September 2011



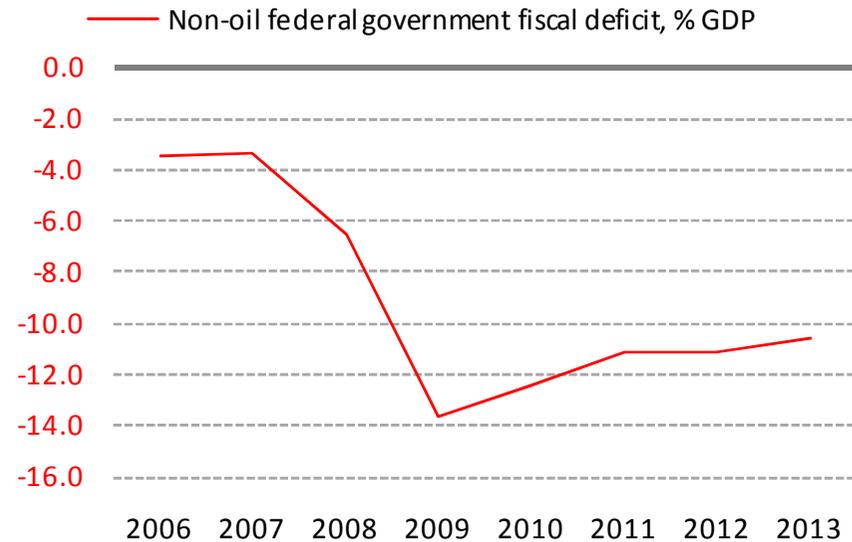


## Agenda

- **Macroeconomics and loan market update**
- **RUB loan market overview**
- **Selected case studies**
- **Perspectives**



- Russian external and fiscal position is vulnerable to oil price, though more flexible RUB should help to dampen impact on real economy.
- Core inflation is on the rise pulled by growing domestic demand while food deflation pulls headline CPI to CBR target: 7.0% in December.
- With growth set to moderate in coming quarters, risks to core CPI are subsiding. Global turmoil and sluggish external demand to preclude Central Bank from additional tightening.



## Main macro forecasts

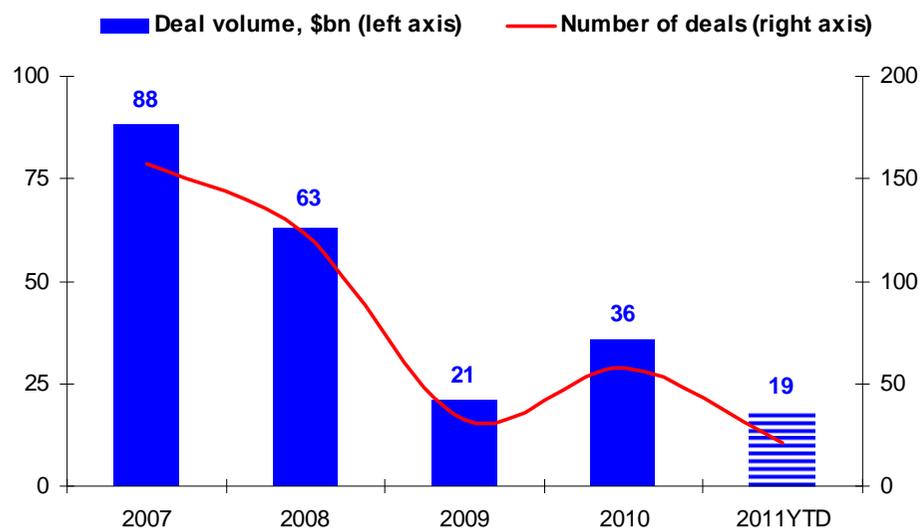
Economic indicator	2009	2010	2011f	2012f
GPD growth <sup>(1)</sup>	-7.8	4.0	4.0	3.6
CPI headline <sup>(1)</sup>	11.6	6.8	8.6	7.0
Current account <sup>(2)</sup>	3.9	4.8	5.3	1.4
Federal budget balance <sup>(2)</sup>	-5.9	-3.9	-0.8	-2.3
Federal budget debt <sup>(2)</sup>	8.3	9.5	10.5	12.4

Key: <sup>(1)</sup> in % yoy. <sup>(2)</sup> as % of GDP.

Source: Rosstat, SG Cross Asset Research/Economics.

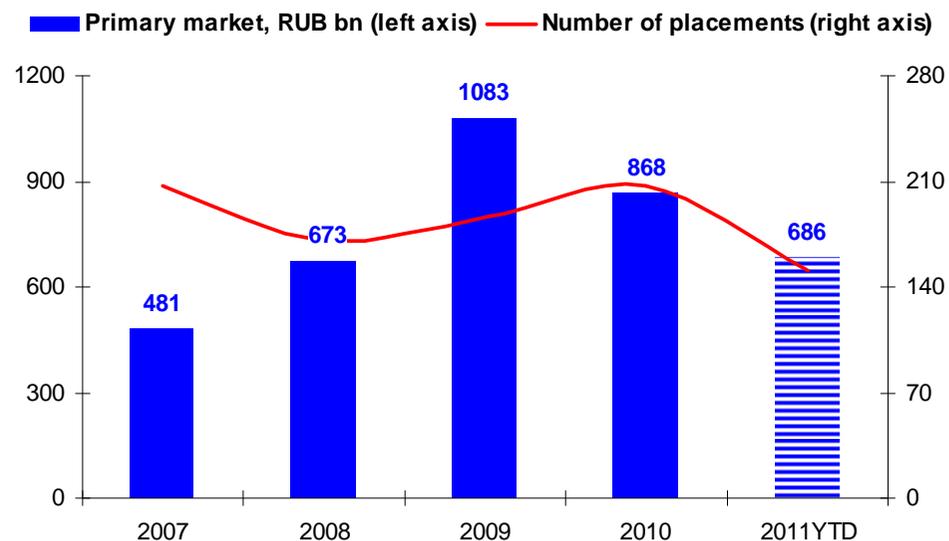
# The loan and bond markets

## Russian loan market dynamics



- Post crisis, the market in 2009 was highly concentrated in the oil & gas space and the deals had a strong relationship component;
- In 2010 the market was still dominated by large oil & gas deals, but there was a return of transactions for the best borrowers from the non-commodities sectors (FI, retail);
- In 2011 we are still seeing high deal concentration among the blue chips and a prevalence of clubs, while the average deal amount increased from US\$720m in 2010 to US\$880m in 2011 .

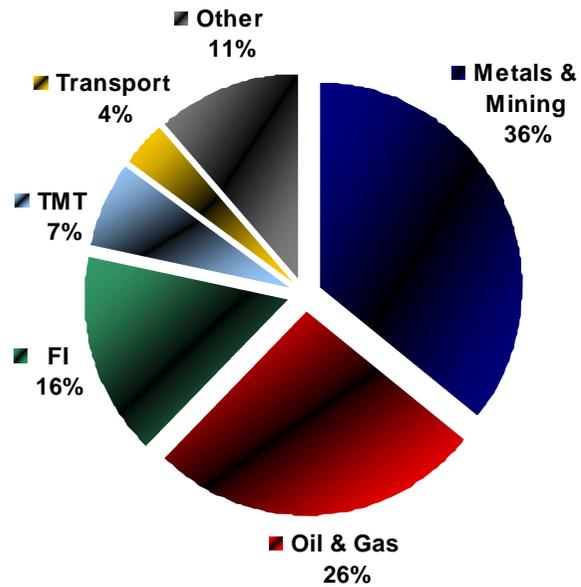
## Local bond market volumes



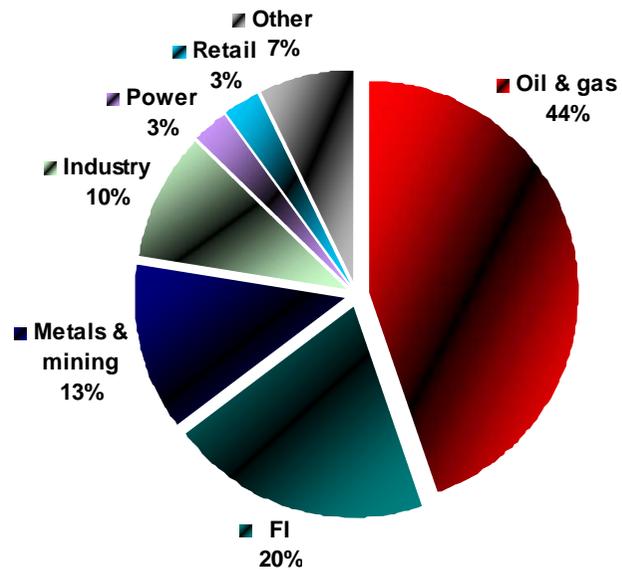
- In September the Central Bank raised the deposit rate and cut the direct REPO rate by 25 bps, narrowing the interest rate corridor to 150 bps.
- There is an expectation that an upward trend in money market interest rates will significantly restrict attractiveness of the popular carry operations.
- In the bond market blue-chip corporate bonds (incl. in the Lombard List) will be supported by their pledge status, while lower-rated bonds will require higher primary market premiums.

# Loan market breakdown by industry

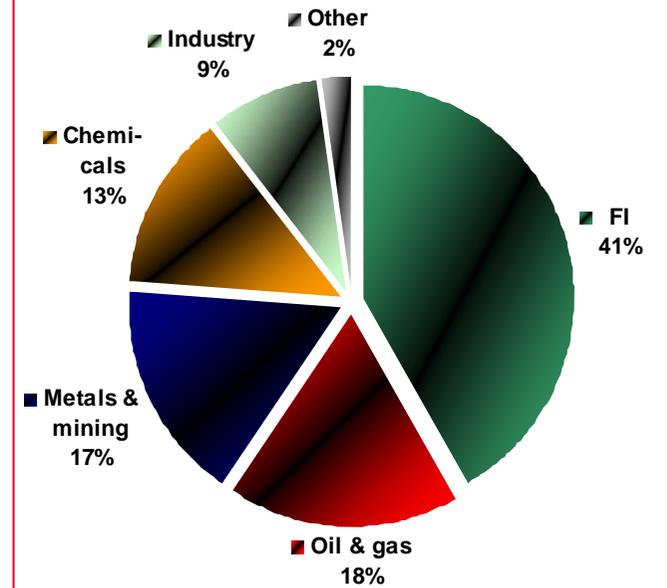
2008



2010



2011



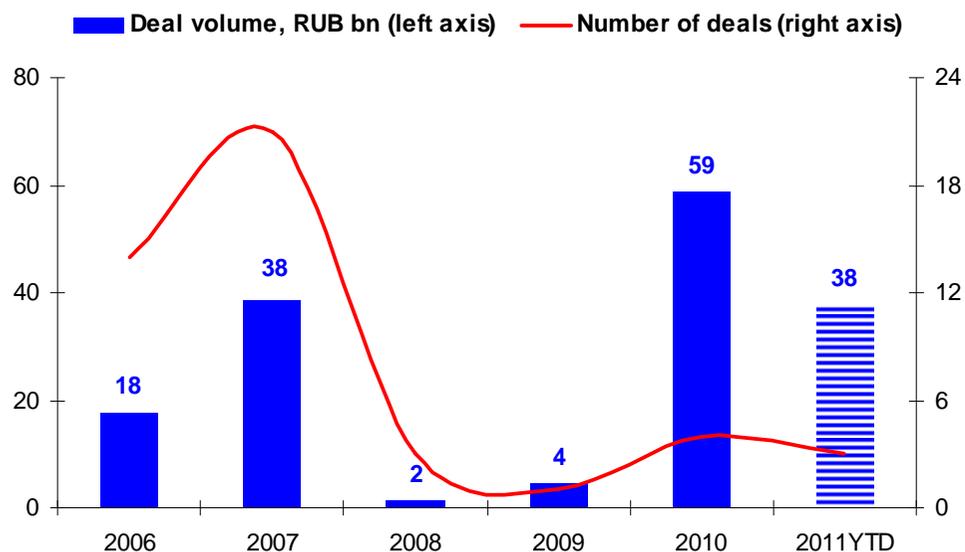
## RUB loan market overview

- Traditionally the international syndicated loan market has been the main funds providers for major Russian companies, especially in commodities sector.
- Post crises, there has been significant co-operation of Russian banks with international market players in jumbo restructuring solutions, which replaced a number of single bilateral transactions and syndicated loans.
  - these transactions included the GAZ Group and Ruzkhimmash restructurings with Russian state guarantees.
- Following these deals, the RUB loan market has emerged as an alternative stable funding source, especially for Borrowers from the retail, FI, FMCG space with a strategy to match the currency of debt and revenue.
  - In 2010 – 2011 there have been a number of high-profile RUB loan deals amounting to more than RUB 25bn, including deals for HCFB, X5 Retail Group, Dixy Group.

**Going forward, we expect a tendency for both a higher volume and a higher share of RUB loans in the loan market, especially for Borrowers from non-exporting industries.**

# RUB market snapshot

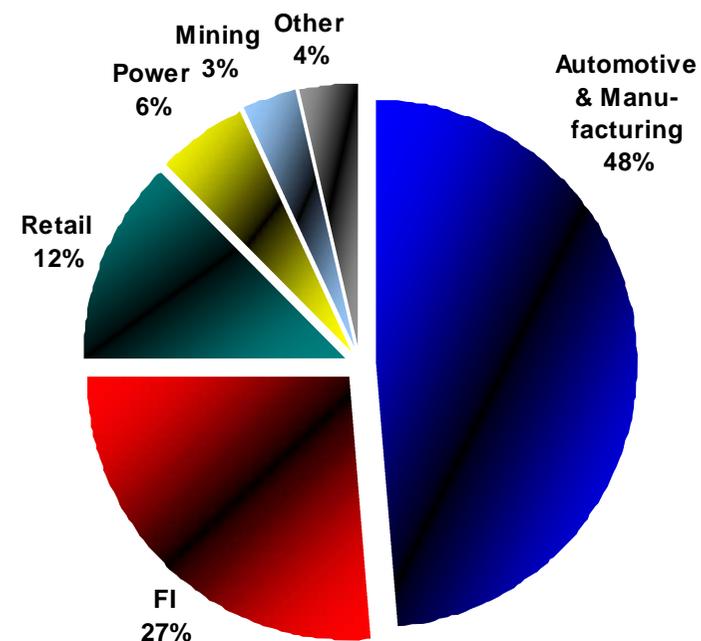
## RUB loan market dynamics



## Market statistics, 2007 – 2011YTD

Total loan volume	RUB 160 bn (~\$5bn)
Average deal amount	RUB 3.5 bn (~\$115m)
Average deal tenor	2.5 years

## Cumulative industry structure



**The significant share of automotive & industry is due to the jumbo restructuring facilities, while banks and retailers together have a ~40% share.**

## Case studies: FI & retail

FI



Dual Currency Club Facility  
**RUB 4bn & 60m**

Rosbank status: Coordinating  
 MLA & Documentation Agent

August 2011

- A landmark club deal for one of the **leading Russian retail banks**.
- The facility was executed by the top **international and local banks**.
- The RUB component was **2x** the US\$ tranche and demonstrated the high demand for RUB liquidity.
- Rosbank acted as **Coordinating MLA, Documentation Agent**.

Retail



Dual Currency Club Facility  
**RUB 12bn & 400m**

BSGV status: MLA

September 2010

- One of the largest transactions in the non-commodities sector for the **top retail company**.
- This very successful facility was a **50/50 split between two currencies** – \$ and RUB – showing that there is a significant supply of local currency.
- BSGV participated as **MLA**, together with other leading Russian loan market banks.

Retail



Club Facility  
**RUB 6.145bn**

BSGV status: Lead Arranger

June 2010

- A RUB club deal for one of the **leading Russian retailers**.
- The facility was executed by the top **international and Russian banks**.
- One of the few recent deals to be **all RUB**.
- This was the first Dixy RUB loan deal, following the 2008 \$150m syndicated facility.

## Case studies: industry & automotive

Industry



Triple Currency Club Facility  
**RUB 1.1bn & \$26.4m & €15.1m**

BSGV status: MLA

*June 2010*

- An important deal in the market for the leading anode / catode / electrode producer in Russia and **a major producer worldwide**.
- The facility was structured in **three currencies**: RUB, US\$, and EUR. The deal amount totaled US\$80m.
- This transaction demonstrated the **availability of multi-currency financing** in the Russian loan market.

Automotive



Secured club facility  
 RUB 39.3bn

Rosbank status: Lender

*February 2010*

- A restructuring of GAZ Group financial indebtedness: **22 banks** (Russian and international) totaling RUB39.3bn.
- 10 Facility Agreements, State Guarantees (covering 50% of the indebtedness), 200 Suretyships (~**2,600** documents in total).
- This was a **complex process**, considering the number of parties involved and the unprecedented nature of the documentation.

Industry



Secured club facility  
 RUB 4.4 bn

Rosbank status: Documentation Agent & Lender

*November 2009*

- Restructuring of Ruzkhimmash debt portfolio: **5 banks** (Russian and International) amounting to RUB4.4bn.
- The documentation package included a Facility Agreement and a State Guarantee (covering 50% of the indebtedness), as well as 3 suretyships.
- BSGV, being a Lender, also acted as **Documentation Agent**.



## Perspectives

**Regulation issues and  
development of Russian law  
documentation**

**Availability of RUB funding and  
necessary infrastructure**

**Co-operation of Russian and  
international banks: challenges  
and opportunities**

**Jumbo deals, incl. acquisition &  
bridge facilities**

**Moving beyond plain vanilla:  
project finance & PPE**