



Pre-export Finance in Russia

Going all the way

Passion to Perform



Sander Stuijt

Cbonds Syndicated Lending in Russia 2011



Who we are

State of the market

Fundamental drivers

What if...

Concluding remarks



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Who we are



Deutsche Bank

Mission: we compete to be the leading global provider of financial solutions, creating lasting value for our clients, our shareholders, our people and the communities in which we operate.

In Russia

Deutsche Bank opened in Russia in April 1998 to improve and expand operations in the country. Deutsche Bank Russia has become one of the largest foreign banks in Russia. Euromoney: award for Best International Bank in Russia in 2010.

Structured Trade Commodity Finance

We structure and arrange financing solutions for clients based on physical commodity stocks and flows. Most of our deals are in the syndicated loan markets.

Clients haven chosen Deutsche Bank as winner for the third year in a row as best Structured Commodity Trade Finance bank (Trade Finance).



Awards 2010





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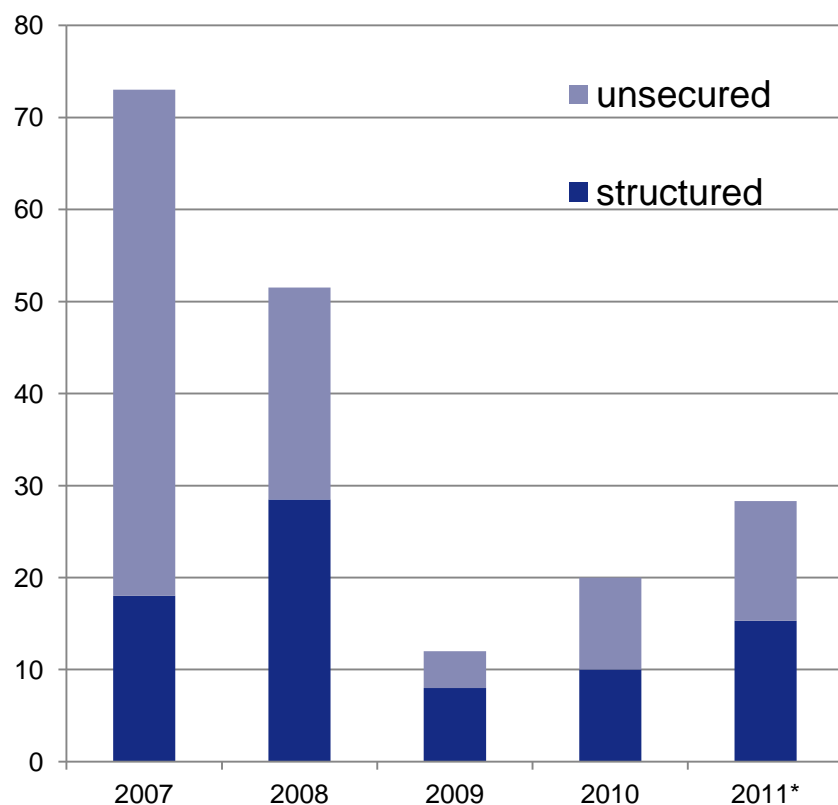
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State of the Market



Syndicated loans to CIS Corporate (USD billions)



structured = PXF

Source: Deal Logic

PXF market developments

2010 many new issues: strong in oil & gas (PXF deal size \$9.3 billion).

2011 up to Summer break:

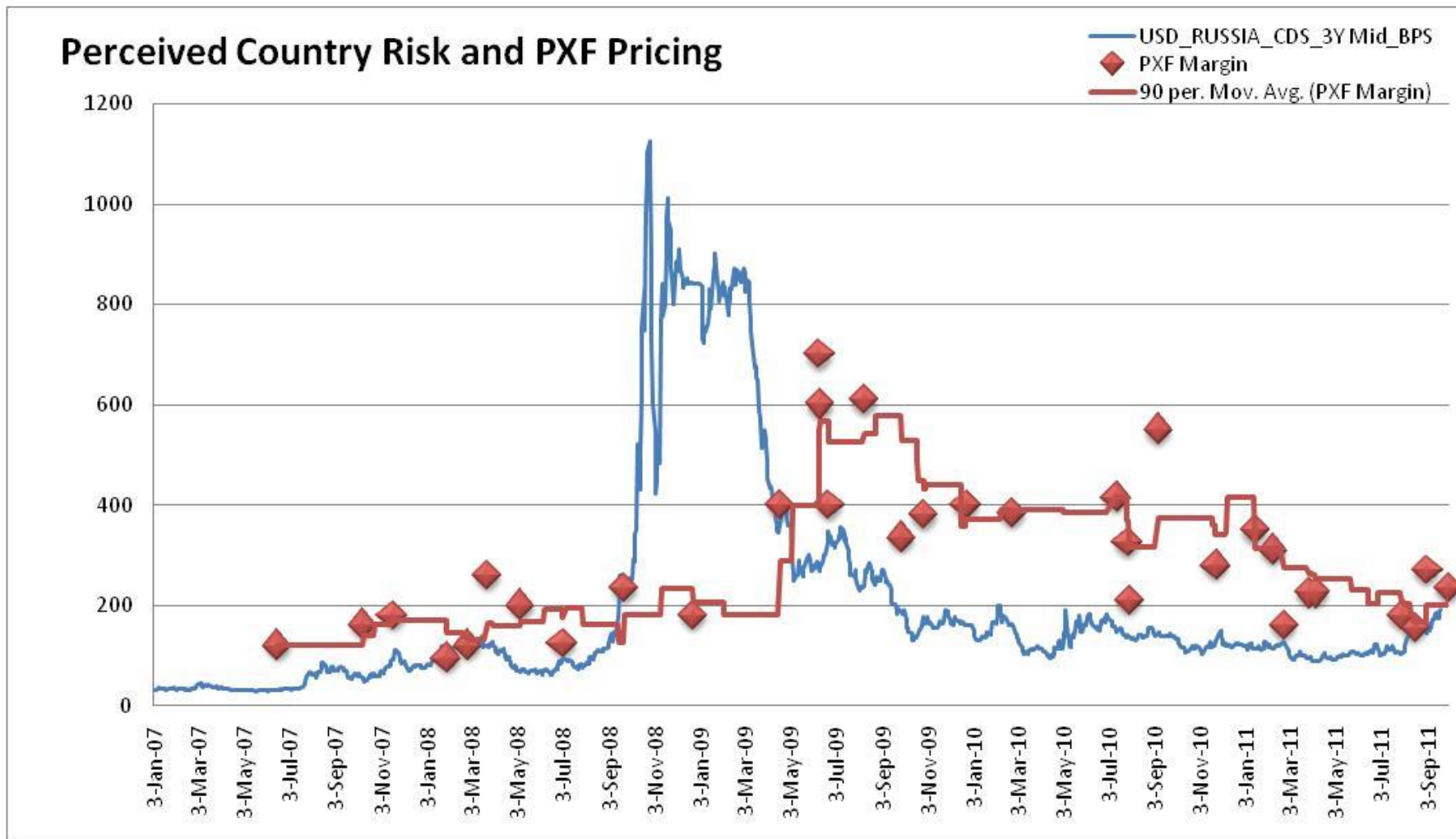
Liquidity returned to the market, (\$ 15 billion in structured loan issues, Metalloinvest \$3.1 billion); New issuers tap into market. Existing issuers used momentum to reprice/refinance loans.

14 out of 33 listed (MICEX, LSE) CIS Natural Resource companies have PXF facility on balance sheet @ 2011. Will they be maintained?

State of the Market, continued



BPS



Time lag is 115 days between CDS & PXF execution

Source:
Deallogic & DB

State of the Market, continued



Pre-export finance market is in better shape than many other financial markets, conditions have changed.

- Little appetite for big ticket deals as bank's capital increasingly scarce and macroeconomic unrest is reducing liquidity.
- Some banks can afford to stay out of the market as 2011 budget has been achieved.
- Upward pressure on pricing; some deals that were launched before Summer had to be being re-priced.
- European banks have funding issues and liquidity premiums increase.



Who we are

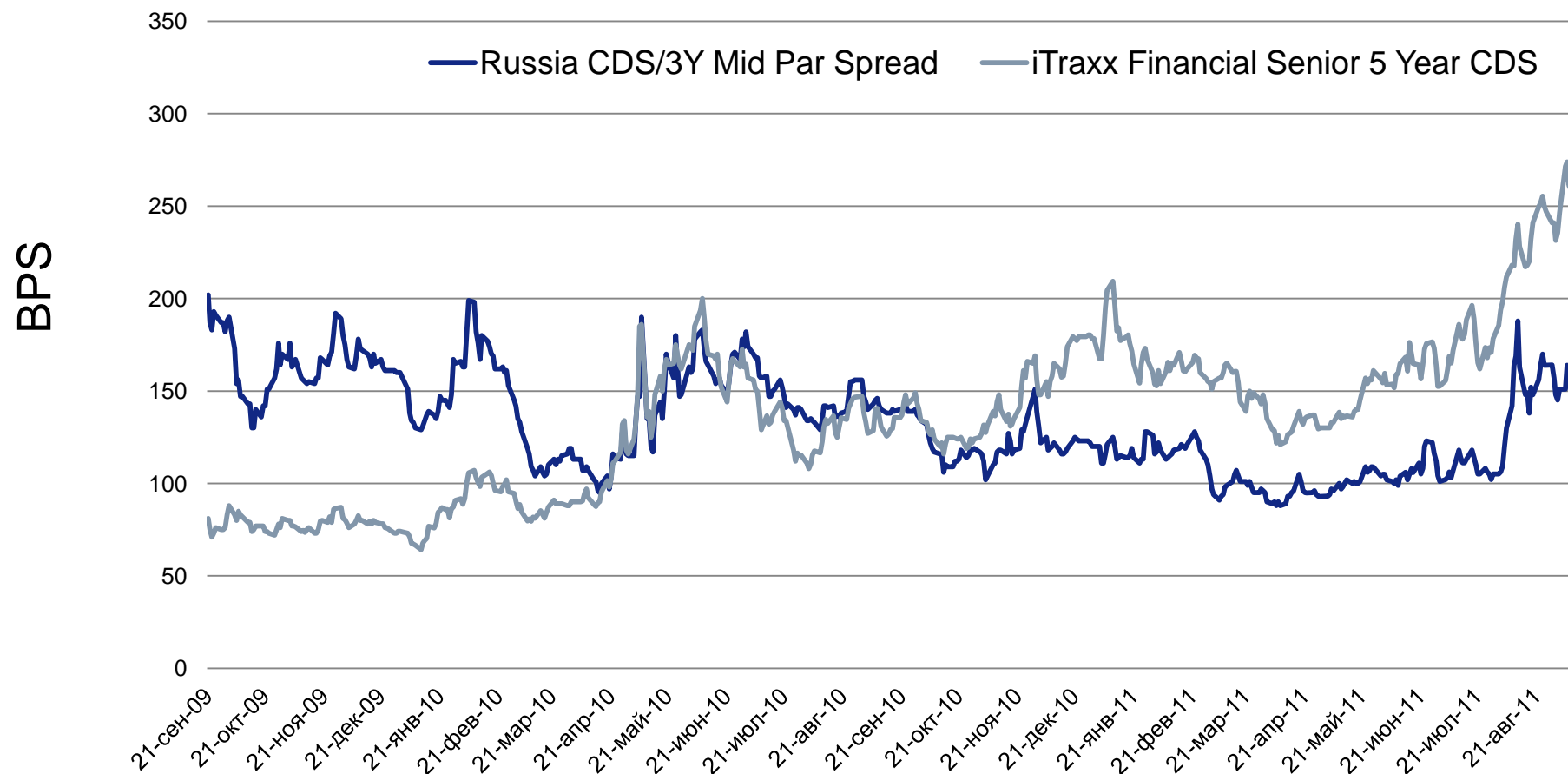
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European bank risks more risky than Russian country risk

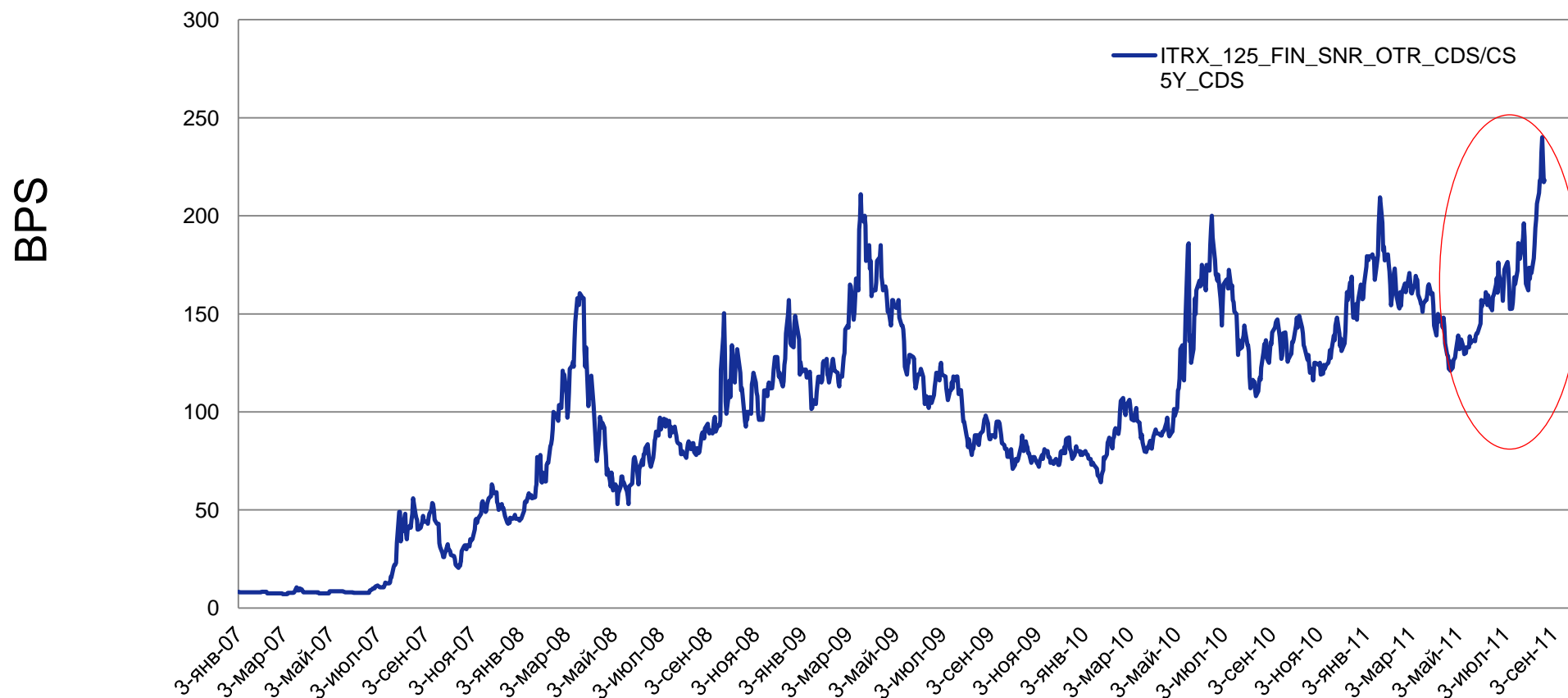


Source: DB

Market Fundamentals

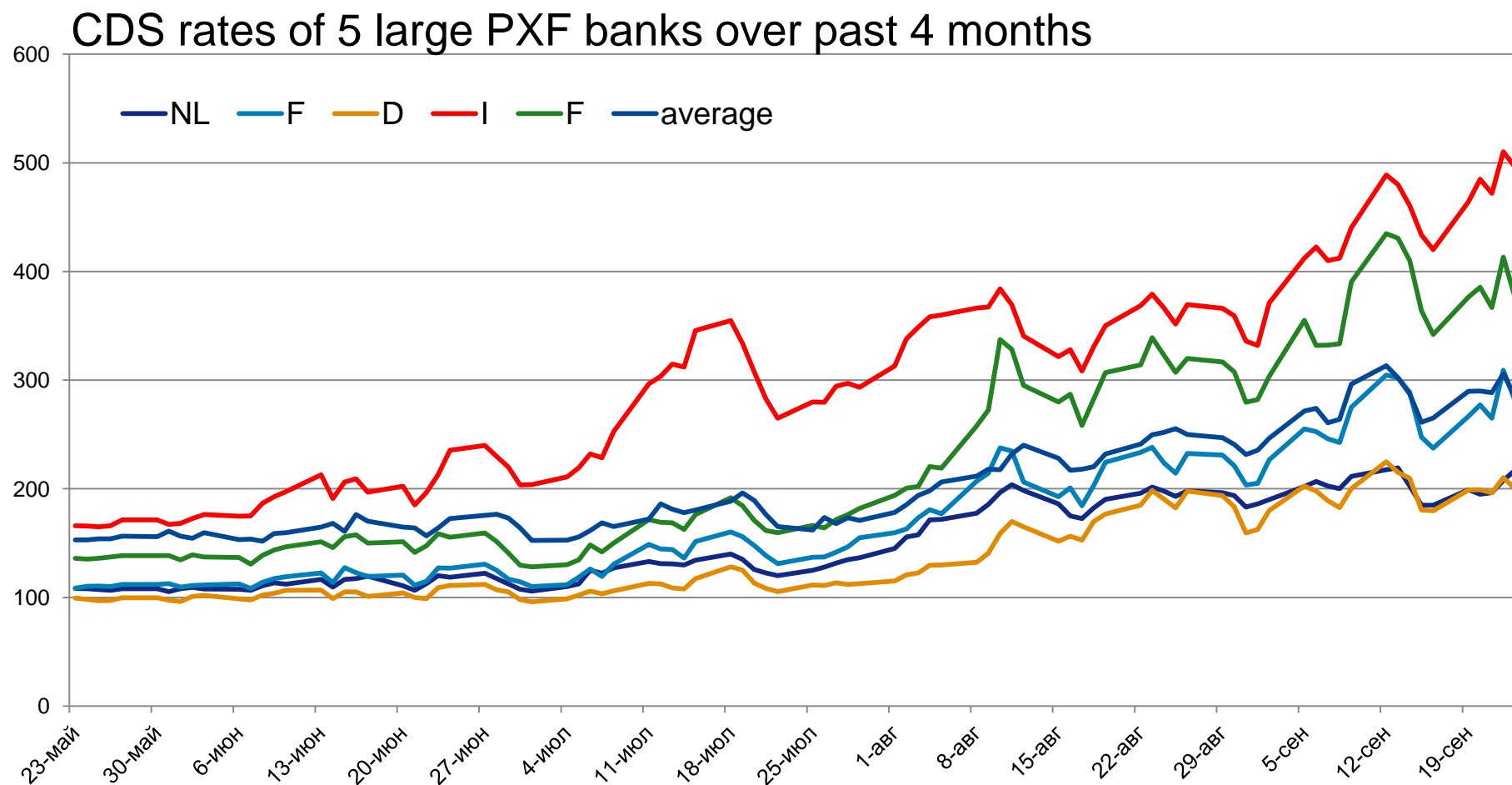


European Bank Funding Costs



Source: DB

Divergence in bank funding costs increases



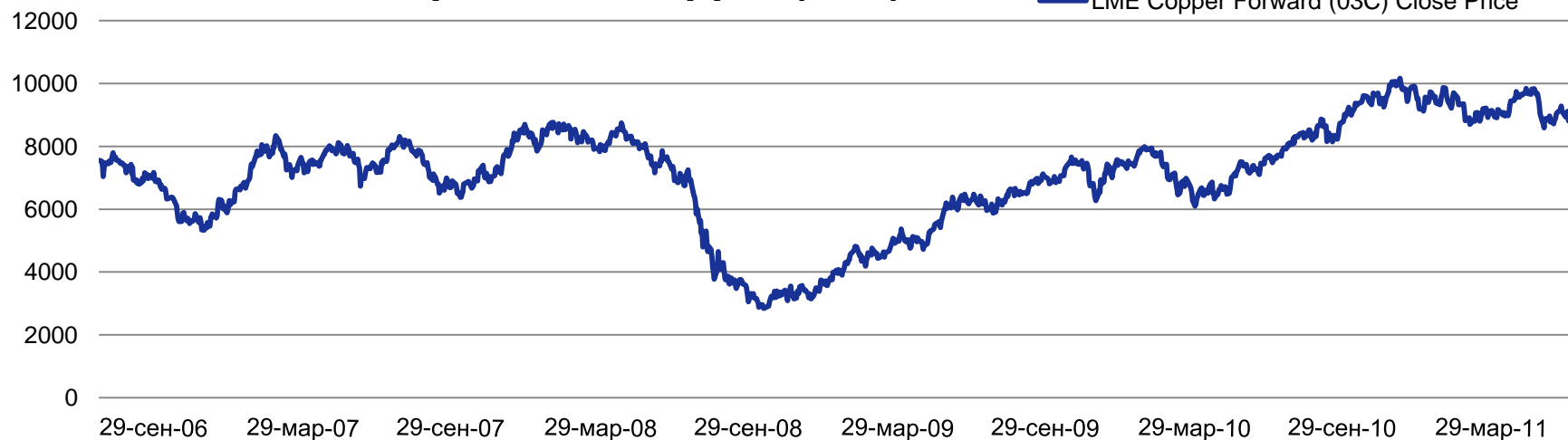
Source: DB

Commodity Export Prices



5 Year Price Development of Copper (M03)

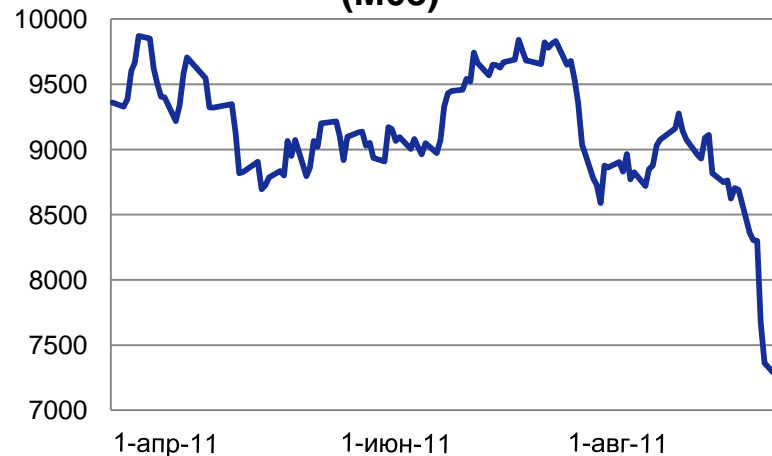
— LME Copper Forward (03C) Close Price



2 Year Price Development of Copper (M03)



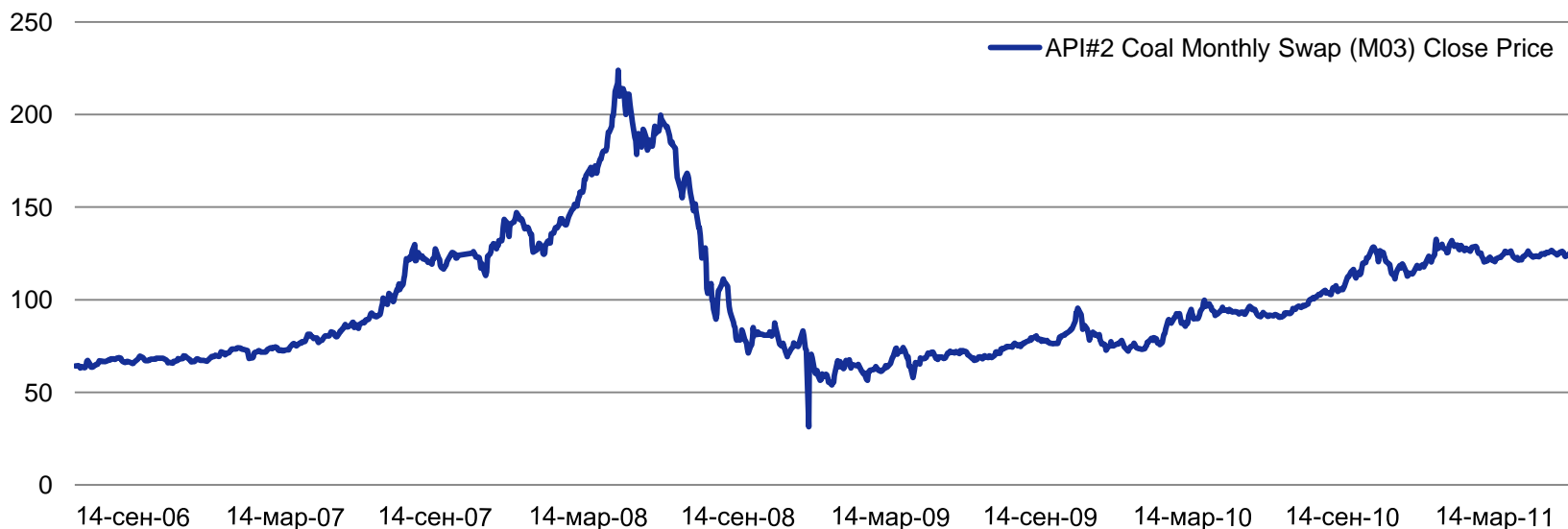
6 Month Price Development of Copper (M03)



Commodity Export Prices



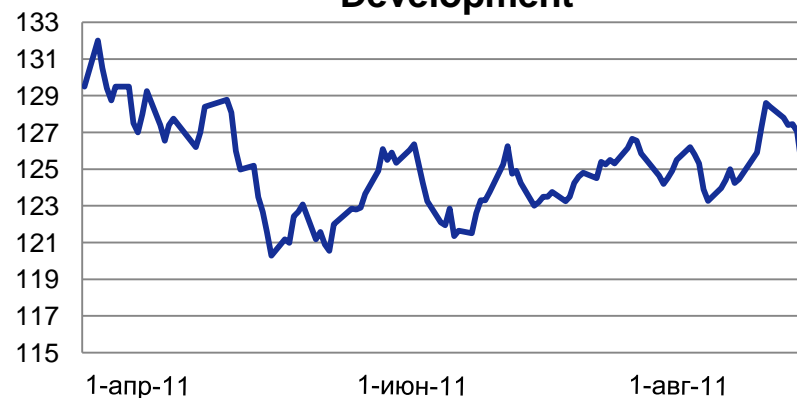
5 year Coal Swap (M03) Close Price Development



2 Year Coal Swap (M03) Close Price Development



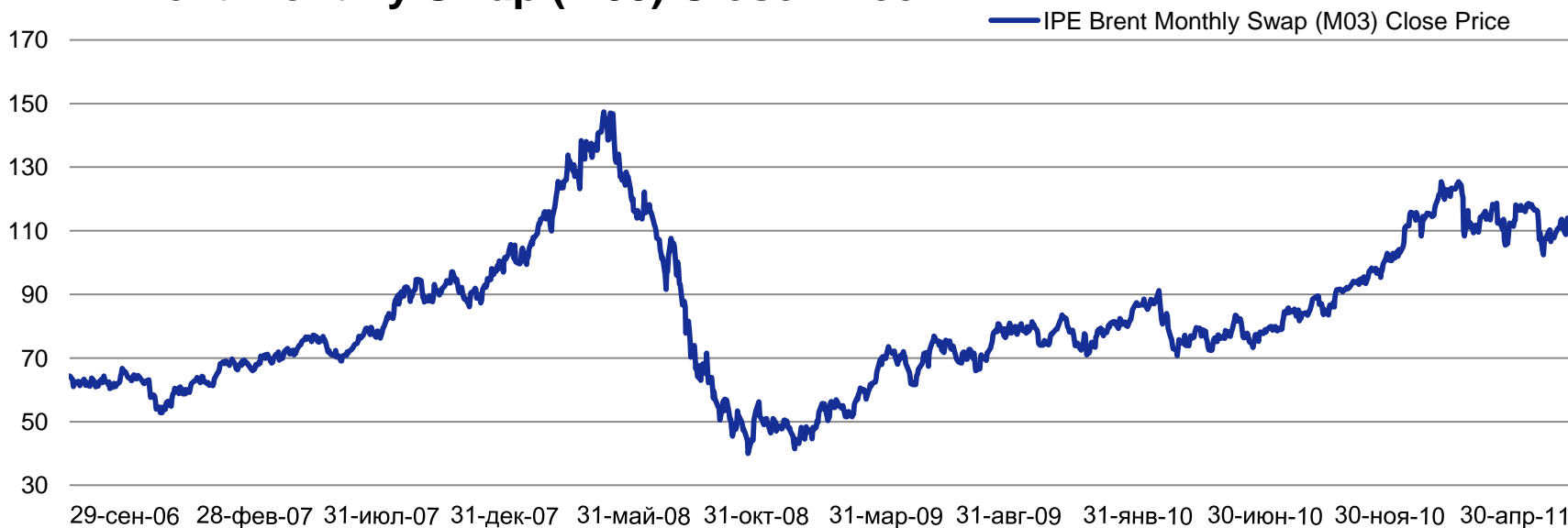
6 Month Coal Swap (M03) Close Price Development



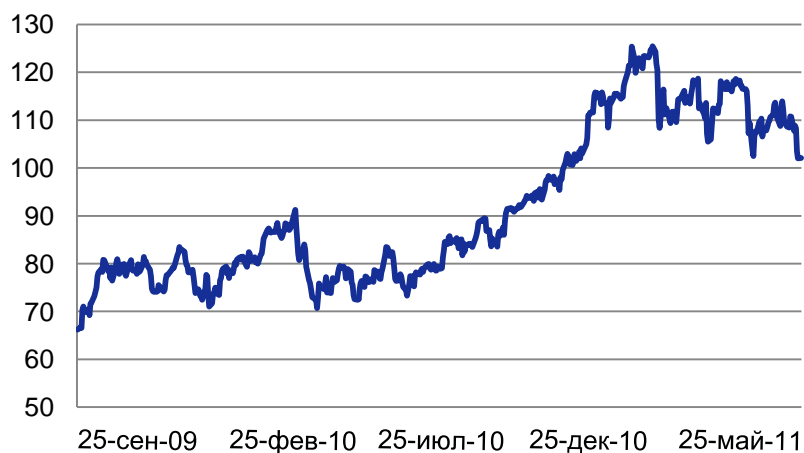
Commodity Prices



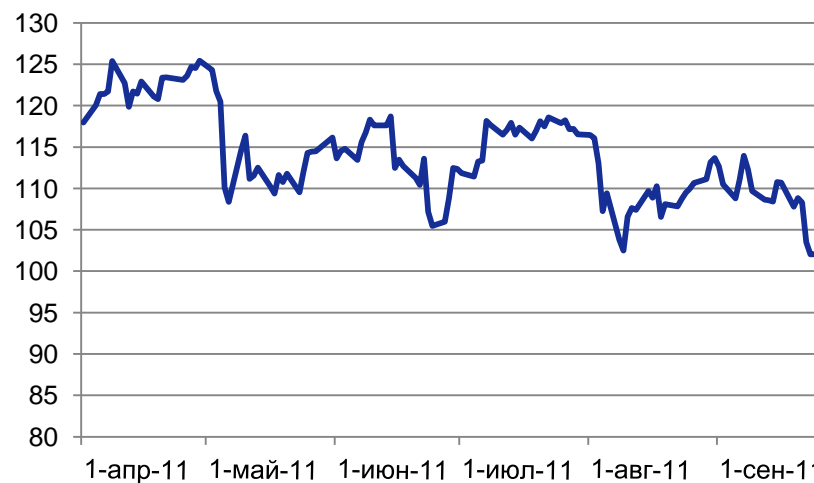
IPE Brent Monthly Swap (M03) Close Price



IPE Brent Monthly Swap (M03) Close Price



IPE Brent Monthly Swap (M03) Close Price



Market Fundamentals, summary



PXF arena is dominated by European banks.

- Average funding costs for European FI's exceed Russian sovereign CDS rates since last 12 months, but...
- Russian CDS is catching up.
- Real cost of liquidity differ widely between European banks; adding pressure on bank syndicates.
- Russia's main export commodity markets are in reasonable shape; energy coal increased and stay relatively firm, industrial metals experience technical correction.
- Long term: borrowers / issuers look for alternatives towards Middle-East / Asia for funding.



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Looking ahead: what if..



- The 2008/2009 crisis was considered a “once in a lifetime” combination of events. Today’s scenarios look more pessimistic.
- Then: Sub-prime crisis knocked on to financial sector and on the real economy. Governments stepped in to contain systemic risks and support consumption.
- Today: some governments have absorbed unsustainable levels of debt in EU and US.
- Austerity measures vs. investor confidence.
- Multilaterals (IMF, ECB) can come to rescue, but face the same trap as national governments.

What if.. debt crisis spills over?



- Under a pessimistic scenario, commodity markets will respond with lower prices and volumes.
- Exporters (like Russia) are extra vulnerable
- Negative impact on sovereign and borrower's credit ratings.
- Recovery will require strong and timely intervention from government and it will take time.
- Restructuring and extensions etc.

What if.. financial sector goes 'ex-growth' but commodity markets are resilient?



- European and US banks reduce capital and focus on domestic services (= ex-growth)
- Structured CIS exposure is not the main worry. Today, focus of deleverage is in PIIGS not EM.
- Growth in commodity markets does not rely on mature markets (EU/US). When physical commodity markets are resilient the experience with PXF structures is good.
- Lenders (and agents!) should look through the cycle.
- Borrowers should obtain maximum flexibility to avoid technical defaults or painful waivers.
- Borrowers can extend maturities while markets are open, and align financing with operational requirements.



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- PXF market is used to cyclical
- Sector today is in better shape than many other financial markets
- Supply and demand drivers are determined by macro factors
- The outlook depends on the resilience of the physical commodity markets
- Contrary to 2008, cautious borrowers have time to prepare
- What is on the other side of the bridge?

A cable-stayed bridge with a prominent blue support structure on a grassy field. The bridge spans a body of water towards distant hills under a clear blue sky with some clouds. The text "A bright new day." is overlaid in white.

A bright new day.

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