



Derivative-Based Products

Local Currency Financing Ruble-indexed Loan

HIGHLIGHTS

- **Ruble-indexed loan: repayment in dollars but indexed to the Ruble/Dollar exchange rate**
- **Financially similar to a direct Ruble loan**
- **Flexible financing mechanism utilizing the offshore derivatives market**

THE COMPANY

Russian Standard Bank (RSB) is a medium-sized private Russian bank with a unique point-of-sale retail business model. RSB sold its financial products to consumers through partner retail shops; minor business areas included SME lending and trade finance. RSB started its operations in Moscow and was expanding rapidly to the regions.

FINANCING OBJECTIVES

To help RSB reach its growth targets, IFC provided a US\$40 million revolving loan facility for three years. The facility was structured to help RSB mitigate foreign exchange risk.

THE STRUCTURE

The revolving facility gave RSB the choice of drawing in dollars and/or rubles (via dollars indexed to the RUB/US\$ exchange rate).

The ruble-indexed feature allowed the Bank to repay principal and interest in ruble terms. For each ruble-indexed disbursement RSB knew with certainty its debt service in rubles over time. Actual payments however were made in dollars. At each repayment date, the bank paid to IFC the dollar equivalent (at the prevailing exchange rate) of the pre-determined ruble amounts.

OUTCOME

The ruble-indexed feature allowed RSB to effectively borrow in the same currency as the ruble loans it was extending to customers. This was particularly important for a bank like RSB, as most of its assets were in Russian rubles.

IFC concurrently entered into a private contract offshore to hedge its ruble exposure on the loan. Because a fully deliverable swap market did not exist between rubles and dollars, IFC was not able to provide a direct ruble loan. However, by utilizing the offshore derivatives market, IFC was able to extend an equivalent form of ruble financing.

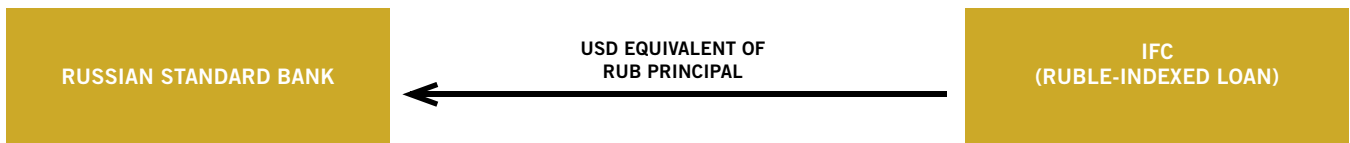


**INTERNATIONAL
FINANCE CORPORATION**
THE WORLD BANK GROUP

TERMS AND CONDITIONS

Amount	US\$40 million
Currency	US dollars and/or Rubles (via dollars indexed to RUB/USD exchange rate)
Maturity	Up to 3 years
Interest Rate	Fixed rate
Interest Payment	Quarterly

ARROWS INDICATE CASH FLOWS AT INCEPTION



ARROWS INDICATE INTEREST AND PRINCIPAL REPAYMENTS OVER TIME

