



Structured Finance

ROOF Russia S.A. Auto Loan Securitization

HIGHLIGHTS

- US\$400mn issue featured an innovative senior rolling commercial paper-funded tranche
- Superior-performing asset pool allowed for low subordination levels
- Credit enhancement provided by IFC in the form of a purchase of US\$12mn of Class C notes

THE COMPANY

ZAO Raiffeisenbank Austria, Russia (RBRU) is a universal bank focused on commercial, retail, and investment banking activities. RBRU is a member of the Austrian Raiffeisen Banking Group and was established in 1996. The Bank, whose equity is nearly 100% held by Raiffeisen International Bank-Holding AG, is Russia's 7th largest bank in terms of assets (based on first-half 2007 results) and is the country's largest foreign-owned bank.

RBRU offers a wide range of financial services to both corporate and retail clients, although the bank's retail lending has grown more rapidly over the last 3 years. The bank's effort to increase its penetration in the retail segment has been aided by the significant expansion of its country-wide network of branches and consumer finance outlets achieved through the 2006 acquisition of OAO Impexbank. Within its retail lending book, the bank has a strong market position in automobile lending, currently ranking 3rd in market share in Russia by loan assets. Due to its ownership by Raiffeisen International, RBRU is also one of Russia's highest-rated privately-owned financial institutions, with a long-term foreign currency deposit rating of 'Baa2' from Moody's and a national scale rating of 'Aaa-rus' from Standard & Poor's.

FINANCING OBJECTIVES

A key goal for RBRU was to obtain capital relief in order to expand its auto loan business. RBRU was able to recycle the capital released from the sale of auto loan assets into the origination of new auto loans. The transaction also allowed RBRU to achieve its secondary

objective of obtaining maturity-matched funding for its auto loan portfolio. Moreover, the success of this inaugural offering of auto loan-backed securities has given RBRU an additional and sustainable funding option with which to support the future growth of its auto loan business.

THE STRUCTURE

The ROOF Russia S.A. notes are backed by US\$400mn of fixed rate US dollar-denominated auto loans originated by RBRU and sold to a Luxembourg special purpose vehicle (SPV). The transaction features a hybrid commercial paper and term note funding structure in which senior variable funding certificates (SVFC), purchased by two asset-backed commercial paper (ABCP) conduits, are ranked pari-passu (with respect to re-payment and other rights) with the senior Class A term notes. The term note tranche allowed RBRU to lock-in a portion of its funding at the time of issuance, while the revolving commercial paper conduit placement provided potentially lower funding costs over the term of the transaction and, in addition, the ability to repay and redraw amounts outstanding under the conduit facility. This flexibility will allow RBRU to adjust, on an ongoing basis, the amount of financing received from ROOF Russia, S.A. to match the funding needs of its auto loan business. Should the purchase of the SVFC not be renewed by the ABCP conduits, the revolving period would end and auto loan principal payments received by the SPV would be used to pay-down the SVFC instead of being recycled into the purchase of additional auto loans from RBRU.



The senior securities (both the SVFC and the Class A term notes) benefit from several forms of credit enhancement including excess spread, the subordination of the Class B, Class C, Class D, and Subordinated Notes in the payment waterfall, and a cash reserve equal to 1% of the initial aggregate principal balance of all five note classes plus the SVFC. In addition, the transaction benefits from: (i) a liquidity facility equal to 2.5% of the initial notes and SVFC balance; (ii) a commingling reserve of 4.1% of the initial asset pool balance to cover asset-related funds potentially trapped during an originator insolvency; and (iii) a set-off reserve equal to 3.8% of the initial asset pool balance to mitigate the risk that customer claims against RBRU, existing prior to an originator insolvency, are set-off against amounts owed by such customers to the transaction SPV under their auto loan agreement.

OUTCOME

The transaction placement was a success, with the “A-” rated Class A notes oversubscribed and sold at a coupon rate of less than 1%. As a structuring investor, IFC assisted RBRU in its goals of accessing long-term, cost-effective US dollar financing and establishing its name with investment-grade asset-backed investors. Russian consumers will benefit as RBRU recycles the proceeds of the issuance into additional lending to automobile purchasers. Finally, the transaction also serves the important developmental goal of furthering the adoption of capital market standards in the Russian economy. The increasing use of credit ratings, credit scoring, and innovative structuring techniques by Russian originators will help improve the efficiency of financial intermediation in Russia. All of these factors taken together should, in time, reduce financing costs and expand the provision of finance to a broader cross-section of the Russian population.

TERMS AND CONDITIONS

Amount	US\$400mn
Currency	US Dollar
Issue Date	May 16, 2007
Legal Maturity	July 2017
Series	Senior Variable Funding Certificates (SVFC): US\$227.2mn Class A Notes: US\$130mn Class D Notes: US\$3.5 mn Class B Notes: US\$13.8mn Subordinated Notes: US\$7.6mn Class C Notes: US\$17.9mn
Interest Payment (Payable monthly)	Class A Notes: 1-month Libor + 0.95% Class C Notes: 1-month Libor + 2.95% Class B Notes: 1-month Libor + 1.35% Class D Notes: 1-month Libor + 6.25%
Principal Payment	Unless an amortization or enforcement event occurs earlier, principal received from maturing loan assets are re-cycled to purchase new loan assets until the third anniversary. Pass-through amortization thereafter.
Rating (Moody's/Fitch)	Class A Notes/SVFC: A3/A- Class C Notes: Ba2/BB Class B Notes: Baa2/BBB Class D Notes: B2/B
Expected Weighted Average Life (assuming CPR = 50%)	Class A Notes: 4.05 years Class C Notes: 6.19 years Class B Notes: 6.19 years Class D Notes: 6.19 years
Enhancement	Excess spread, subordination, cash reserve account