



# Structured Finance

## *Russian Standard Bank*

### HIGHLIGHTS

- RUB 500mn (US\$16.7mn equivalent) 3-year bond issue by a Russian bank
- Partially guaranteed by IFC for up to 60% of the principal amount
- The guarantee enabled Russian Standard to achieve a longer tenor for the bond issue than that which other borrowers in the domestic market were able to achieve post Russia's 1998 economic crisis
- Following the success of the first offering, the bank issued US\$10mn equivalent one-year Ruble promissory notes also partially guaranteed by IFC

### THE COMPANY

Russian Standard Bank (RSB, the Bank) was founded in 1999 as a new commercial and retail bank with a license acquired from the former Agro-Opttorgbank. Since its inception, RSB has been a pioneer and market leader in developing products for the consumer lending market in Russia. The Bank has operations in retail banking and consumer lending headquartered in Moscow and a network of five branches and two representative offices in St. Petersburg and Kazan. Main shareholders include Russian Standard Company, Roust, and IFC.

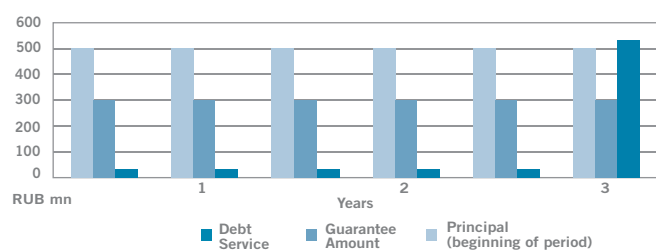
### FINANCING OBJECTIVES

With virtually no commercial sources of local currency long-term funding available for Russian banks, RSB had difficulty funding the expansion of its retail lending operations.

Through IFC's partial credit guarantee, the Bank was able to obtain longer-term local currency funding to support the development of its retail lending operations. The guarantee not only provided the credit enhancement necessary to allow RSB to tap the markets initially, but also enhanced its ability to access debt markets on its own for future issuance.

### THE STRUCTURE

The bond issue consisted of RUB 500mn (US\$16.7mn equivalent) in 3-year bonds with a 12% semi-annual coupon and semi-annual puts and calls. The issue was partially guaranteed by IFC for up to 60% of principal or RUB 300mn.



Given the success of the transaction, six months after the first offering RSB issued RUB 300mn one-year promissory notes. The proceeds of the issue were used to expand RSB's consumer lending program. IFC provided a guarantee for 50% of the principal amount.

## OUTCOME

With this transaction RSB established itself in the domestic capital markets and was able to access sources of longer-term local currency financing. The issue helped create a benchmark in the Russian domestic capital markets for high quality bank debt, and contributed to the lengthening of tenors that domestic borrowers were able to achieve.

## TERMS AND CONDITIONS

<b>Amount</b>	RUB 500mn (approximately US\$16.7mn)
<b>Currency</b>	Russian Ruble
<b>Issue Date</b>	November 13, 2001
<b>Maturity</b>	3 years, with semi-annual puts and calls
<b>Series</b>	1 Series
<b>Interest Payment</b>	12%, payable semiannually
<b>Principal Payment</b>	Bullet repayment at maturity
<b>Rating</b>	Unrated
<b>Enhancement</b>	Timely payment of principal and interest for an amount up to RUB 300mn (60% of principal)