

# International Debt Capital Markets for Russian Borrowers - trends and opportunities

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"Regions & Cities of Russia: Borrowing as an instrument of economic policy"

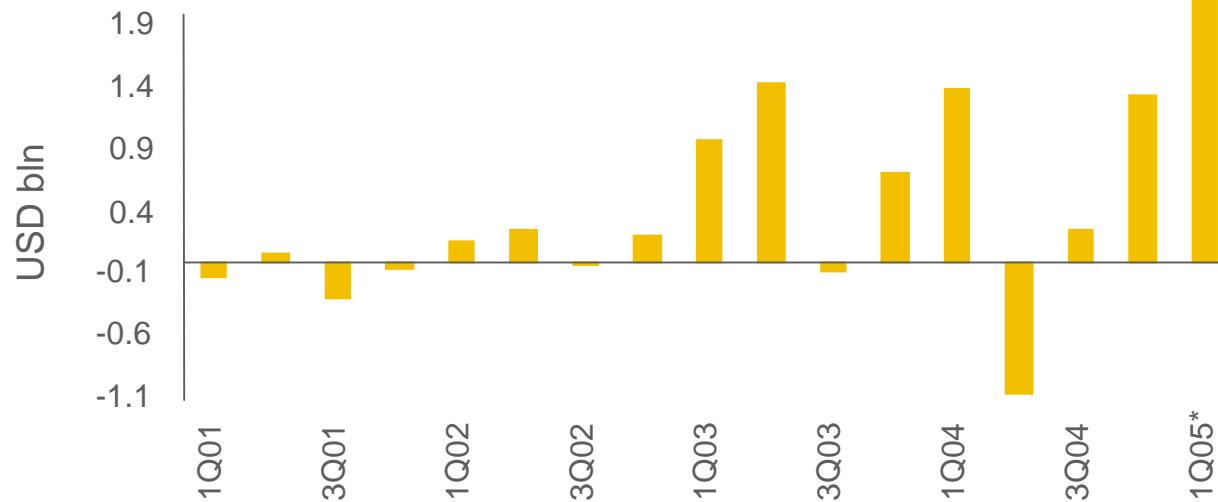
Reid Payne, 12th May 2005

# 1 Russian bond market trends

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# Market trends in emerging markets

New flows into dedicated EM funds

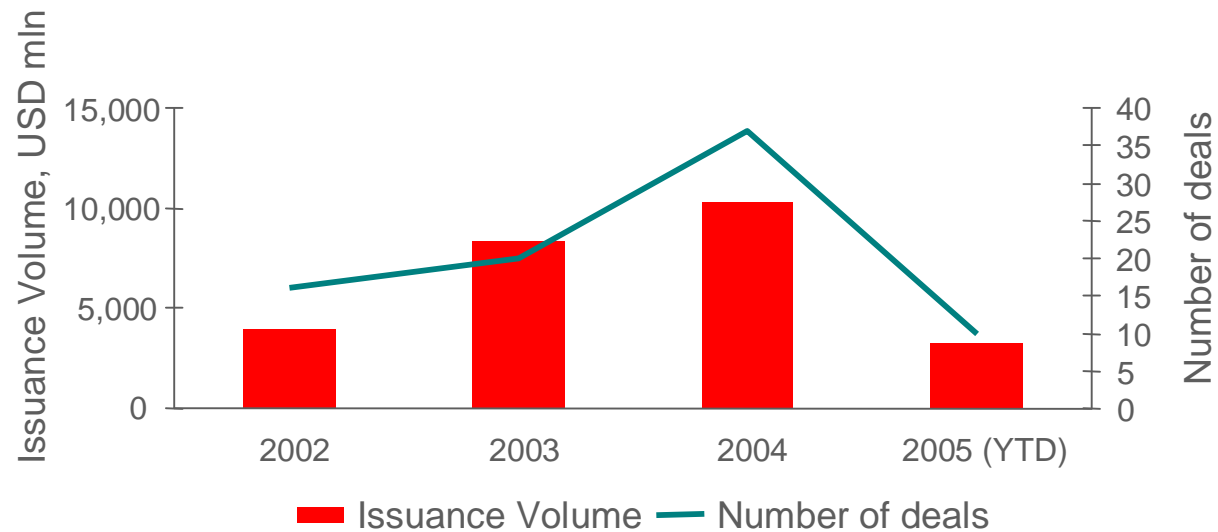


Source: Emerging Portfolio

- Positive economic fundamentals in Emerging Markets
- High inflows into EM funds over last two years

# Russian bond market trends

## Bond issuance volumes in Russia

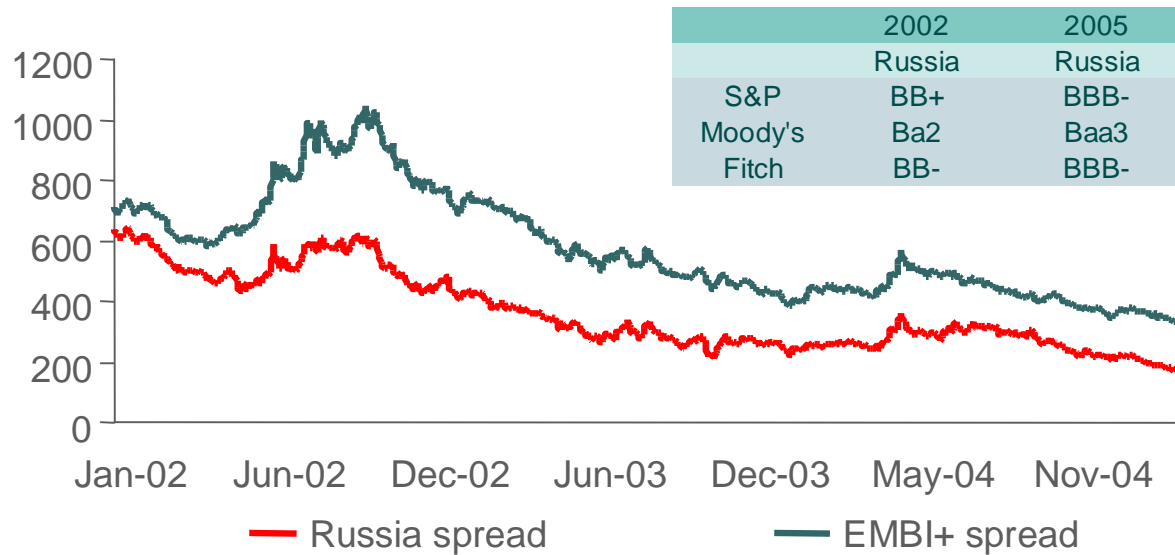


Source: Dealogic Bondware

- International Russian bond issuance has grown dramatically
- High volume and diversity of issuance expected to continue

# Russian bond market trends

## Narrowing credit spreads

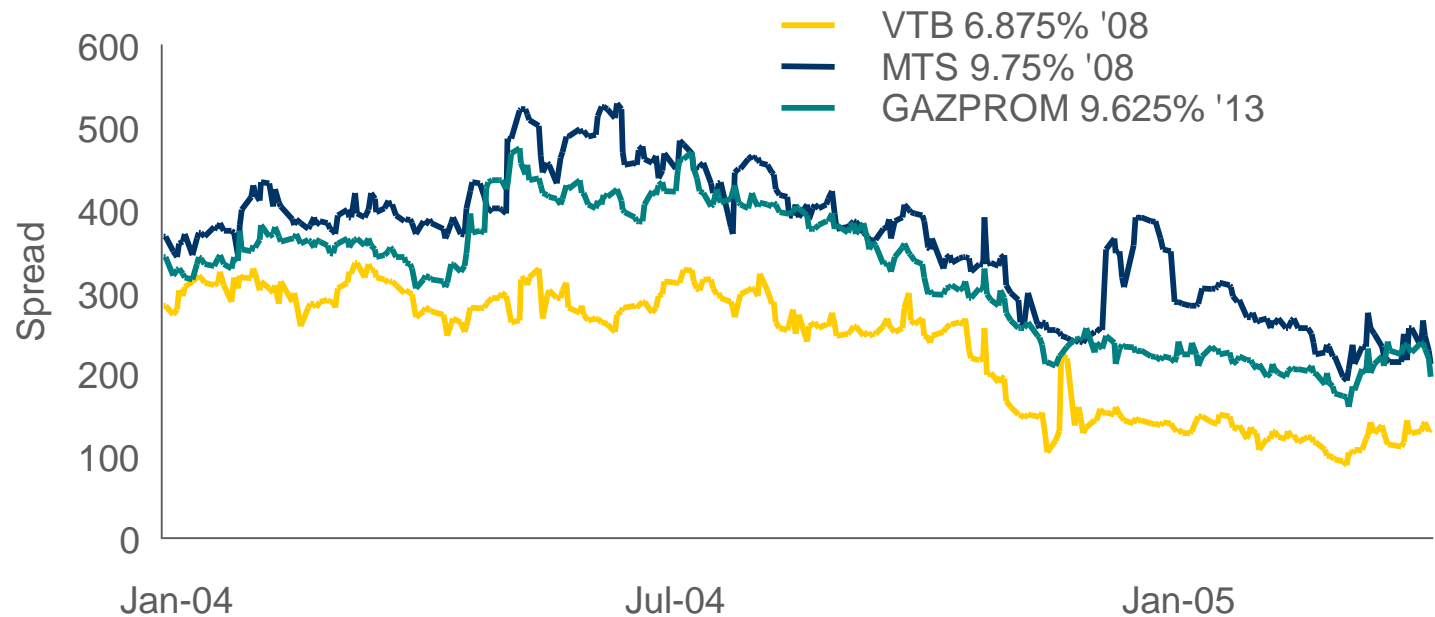


Source: ABN AMRO & JP Morgan

- Russian credit spreads remain at historically low levels driven by Russia's stronger fundamentals

# Russian bond market trends

## Spread development of Russian corporates

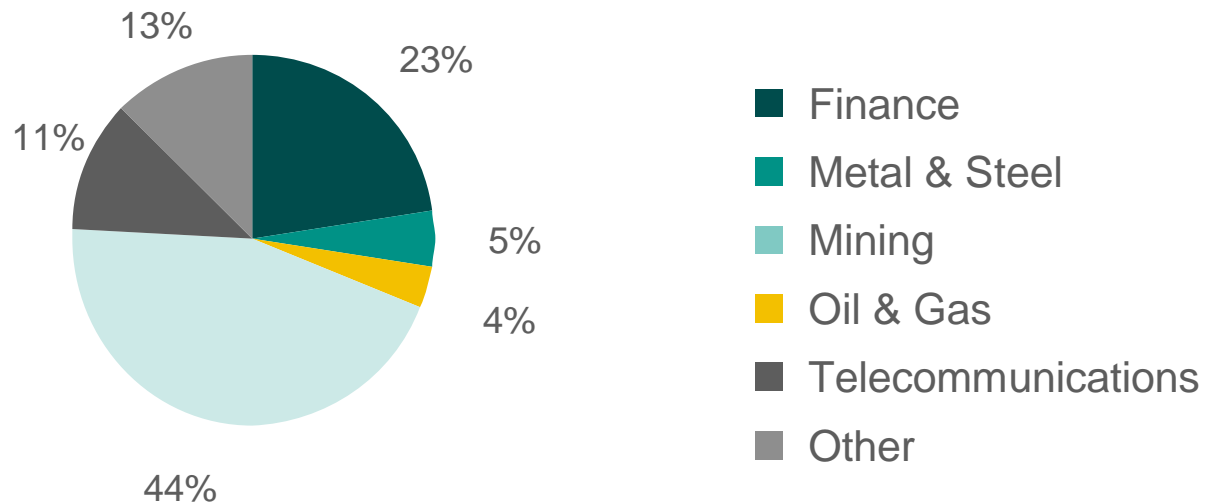


Source: ABN AMRO

- Recent spread widening has been mild and is reversing

# Russian bond market trends

Issuance by industry type 2002-2004

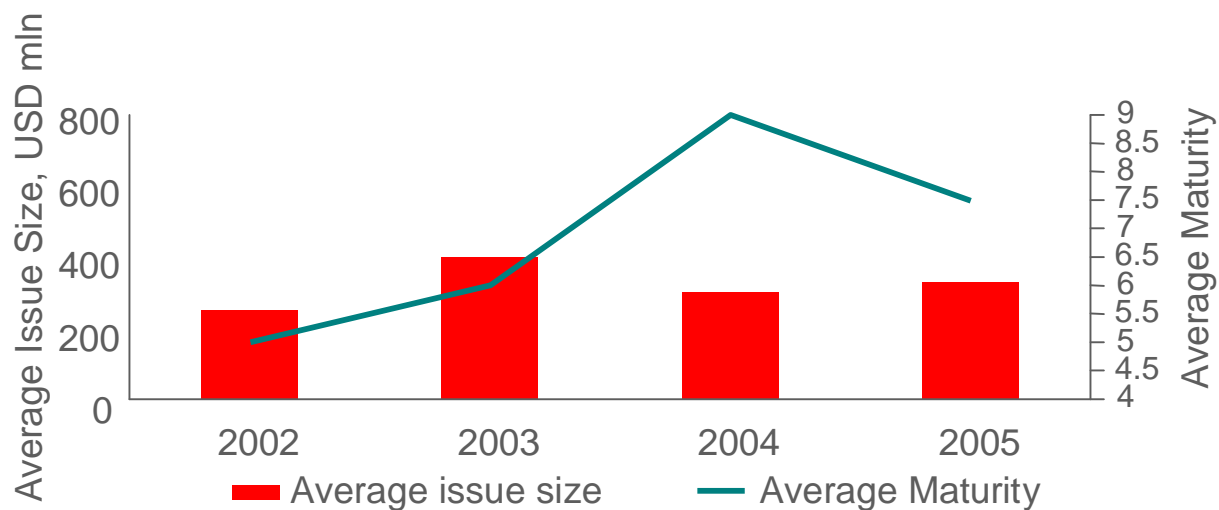


Source: Dealogic Bondware

- Energy and Banking sectors dominate but new names have been well received

# Russian bond market trends

**Average issue size and maturity**



Source: Dealogic Bondware

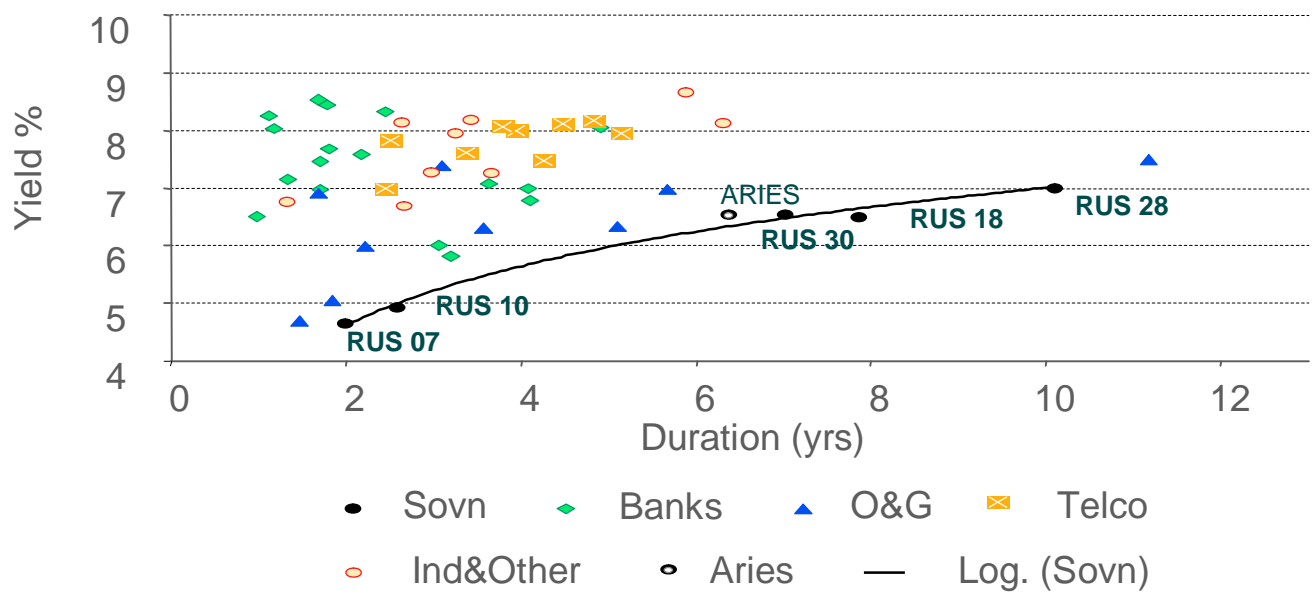
Type	USD	EUR
Sovereign	7	3
Bank	24	1
Oil & Gas	9	1
Telco	9	-
Industrial	9	-
Municipal	-	2

- Increased deal size and longer maturities reflect depth of market
- Average size: 250 - 350 million USD
- In terms of currency, the majority of issues are in USD

# Russian bond market trends

## Expansion of a bank and corporate yield curve

Russia Corporate Comparables (Yield basis)



Source: ABN AMRO

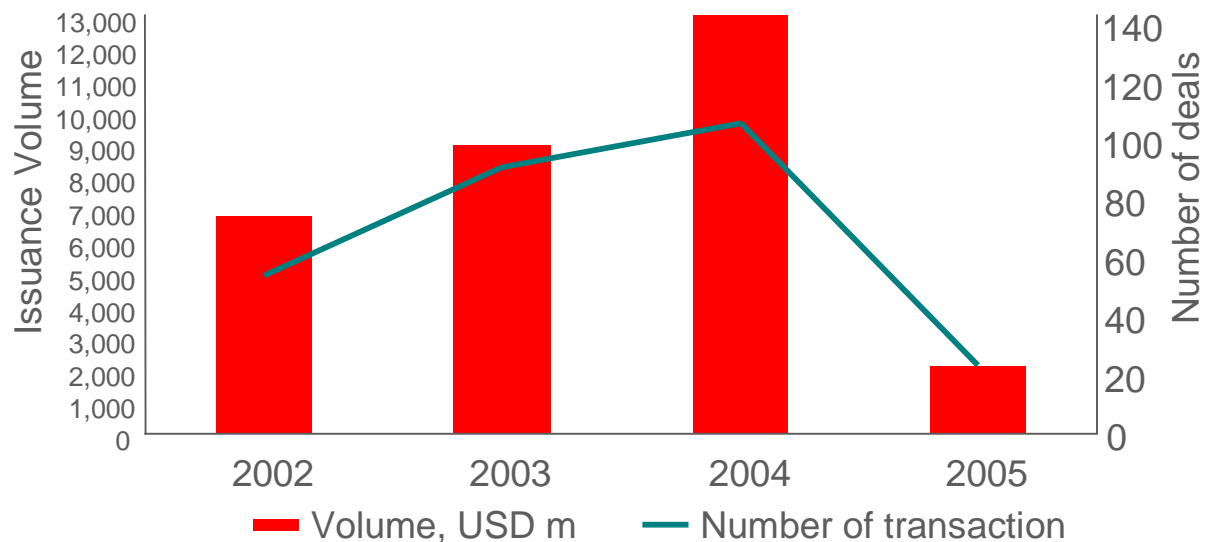
- Investors can now participate in a wide credit spectrum

## 2 Russian syndicated loan market trends

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# Russian loan market trends

Loans by volume, 2002- 2004 (USD m)

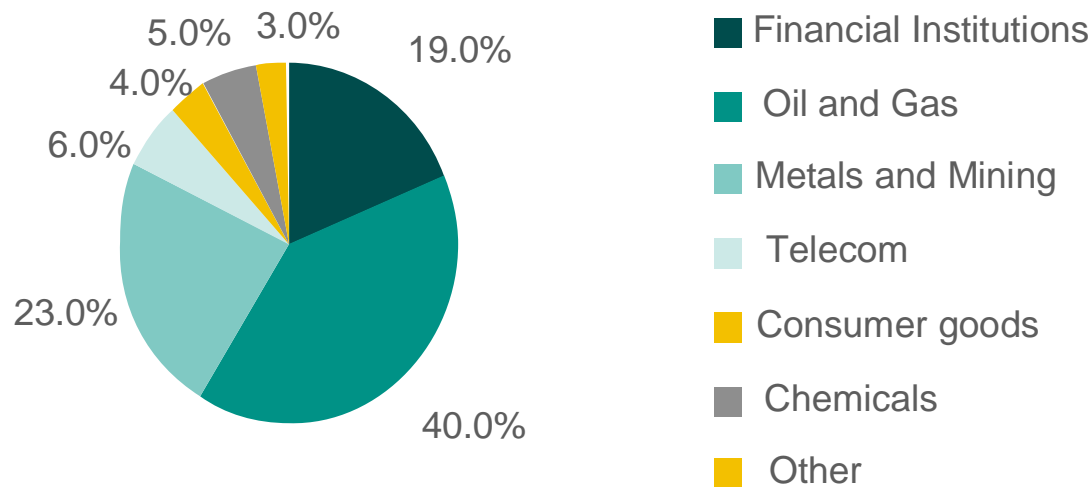


Source: Dealogic Loanware

- Bank market capacity for Russia credits has developed significantly

# Russian loan market trends

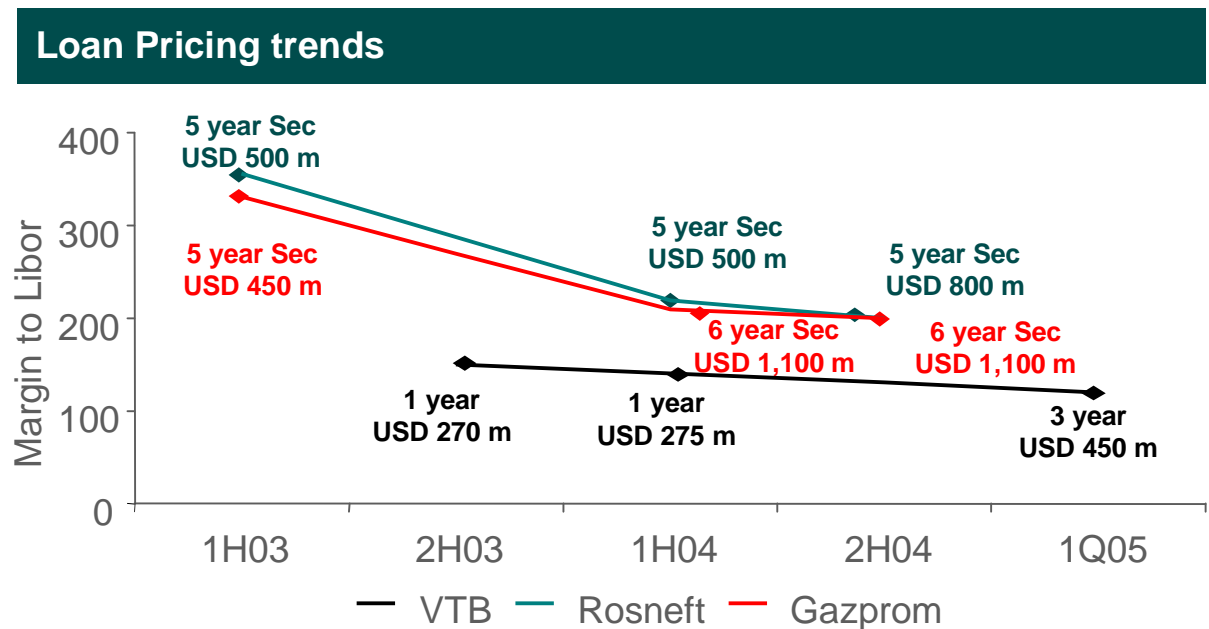
Transactions by industry, 2004



Source: Dealogic Loanware

- Traditional Oil & Gas dominance with growing telecom and banking volumes
- The international market for regional and municipal borrowers is still not accessible

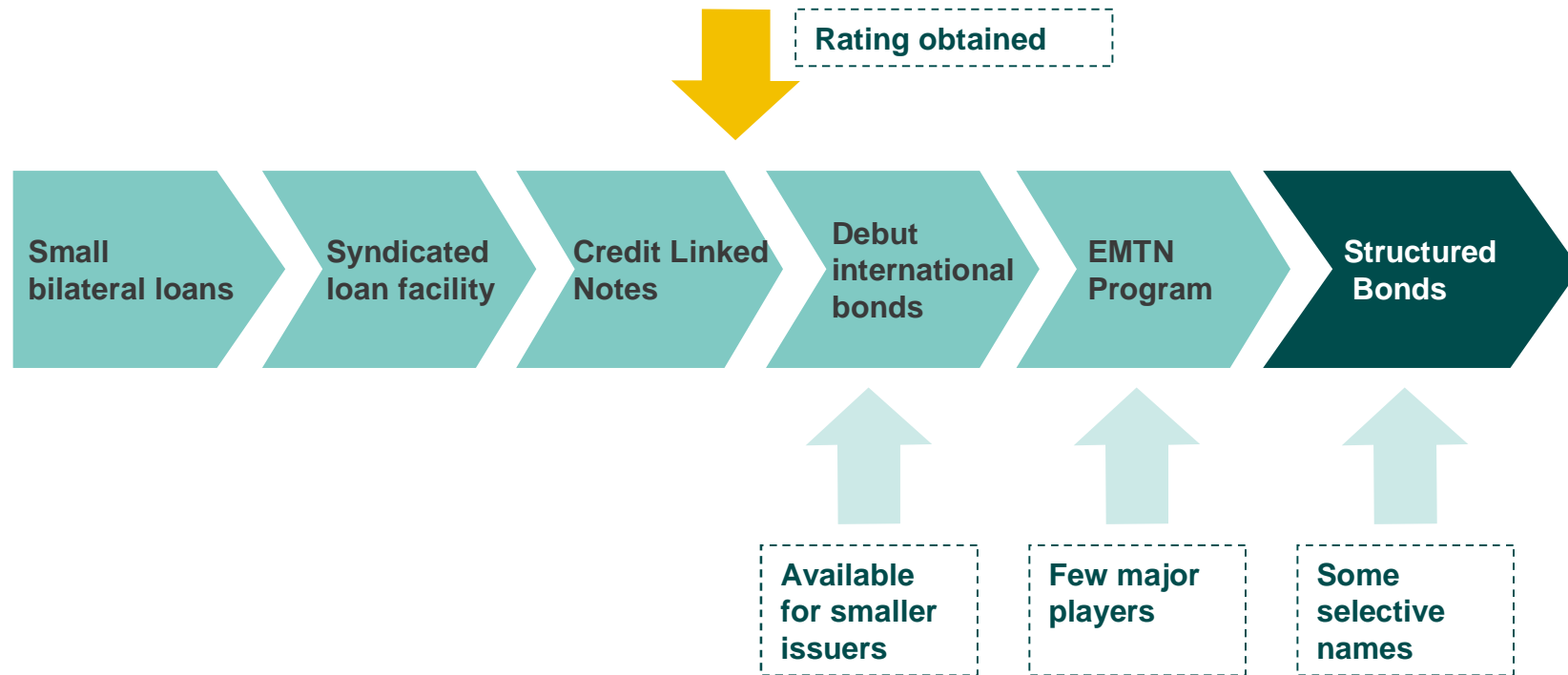
# Russian loan market trends



Source: Dealogic Loanware

- Bank liquidity demonstrated by growing size and falling margins
- Reduction in margin is driven by:
  - improved Sovereign rating
  - strong commodities prices
  - tough competition between banks

# Evolution of the borrowing cycle in Russia



Source: ABN AMRO

# International bond markets vs local capital markets

	International capital markets	Local capital markets
<b>Issuers</b>	First tier or few selected second tier issuers. Regional and municipal governments are still not allowed to borrow.	Available for first, second and third tier borrowers. The majority of borrowers are blue chips with RUR cash flows or large exporters. Issuers - corporate, governments, municipals
<b>Investors</b>	European, US, Asian investors. Larger investor audience available.	Local investors, off shore investors with access to local bond market through foreign banks
<b>Currency</b>	Any. The majority of deals - USD, EUR denominated.	RUR
<b>Minimum Issue Size</b>	USD 100 mln	RUR 1 mln
<b>Average Issue Size (USD equiv.)</b>	USD 300 mln	USD 55 mln
<b>Liquidity</b>	High	Depends on specific issuer
<b>Maturity Range</b>	6 months - 30 Years	1 to 15 years
<b>Listing/Trading</b>	Luxembourg or London	Moscow, Saint Petersburg
<b>Amount of documentation</b>	High	High
<b>Time needed prior to launch</b>	Generally 4-6 weeks for documentation	3-4 months for first tier borrowers
<b>Cost</b>	Fees include rating fees, legal fees, trustee/paying agents/listing agents	Smaller fees, no rating requirements
<b>Total bond market volume</b>	USD 32 bln (since 2000 to date; excl aries)	USD 13 bln (since 2000 to date)