

Capital Market Development

Securitization in light of the financial crisis



Views of an Originator

Sibiu, May 7, 2008

Raiffeisen's role on the CEE Securitization Market

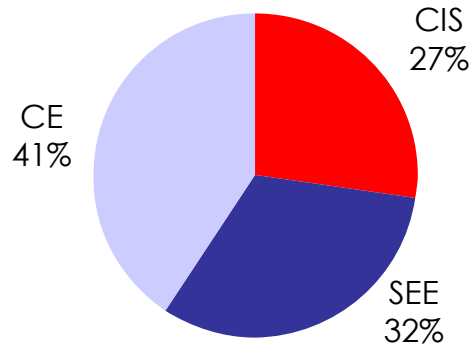
The latest developments in the CEE securitization markets

Implications of the current market turmoil

Outlook for securitizations in CEE

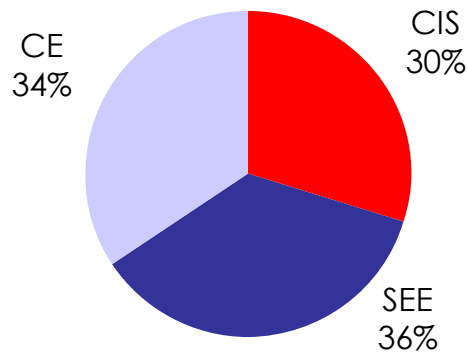
RI: Well Diversified CEE Pure Play

Total Assets by Region



Total assets: €72.7bn

Profit before Tax by Region

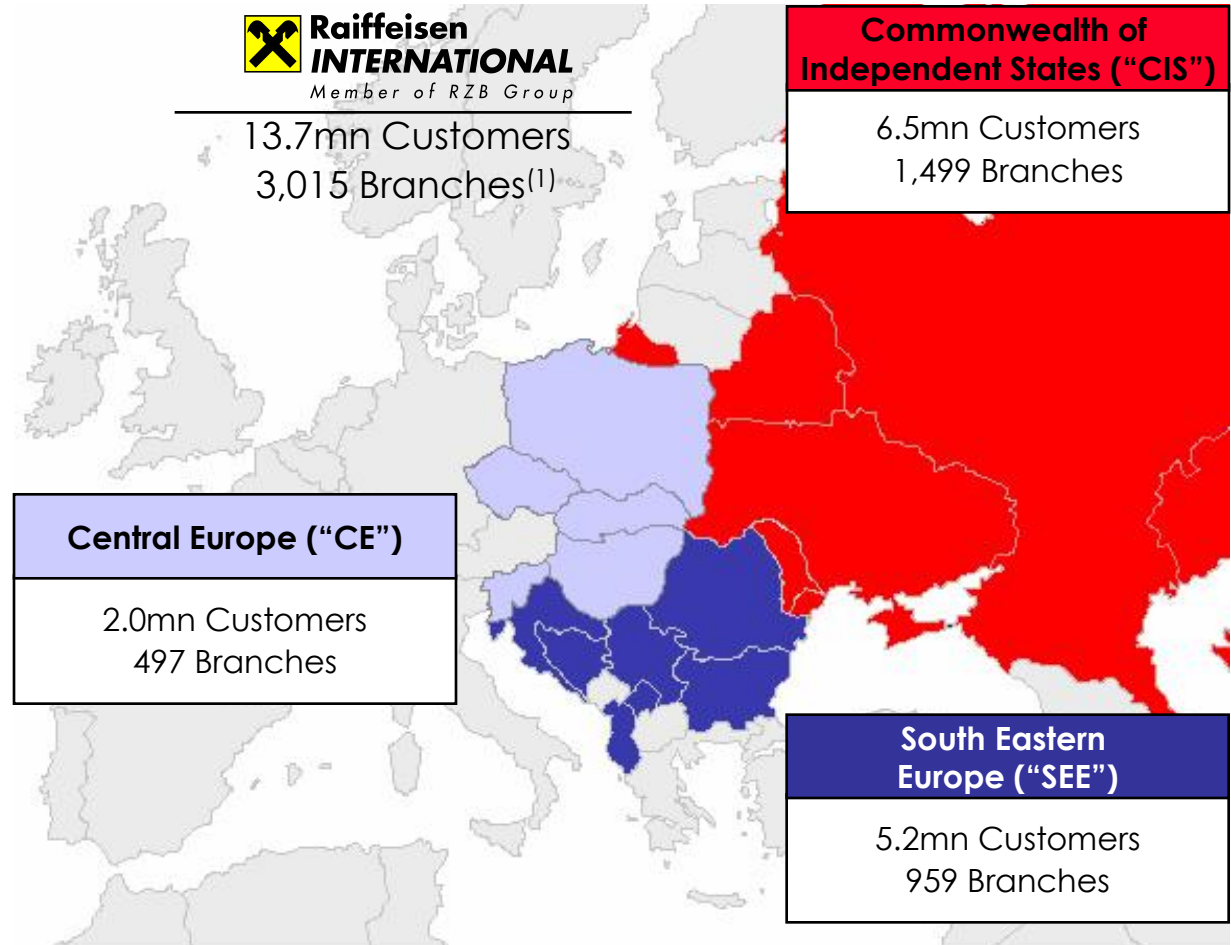


Profit before Tax: €1,238mn

Note: Figures as of/for FY 2007

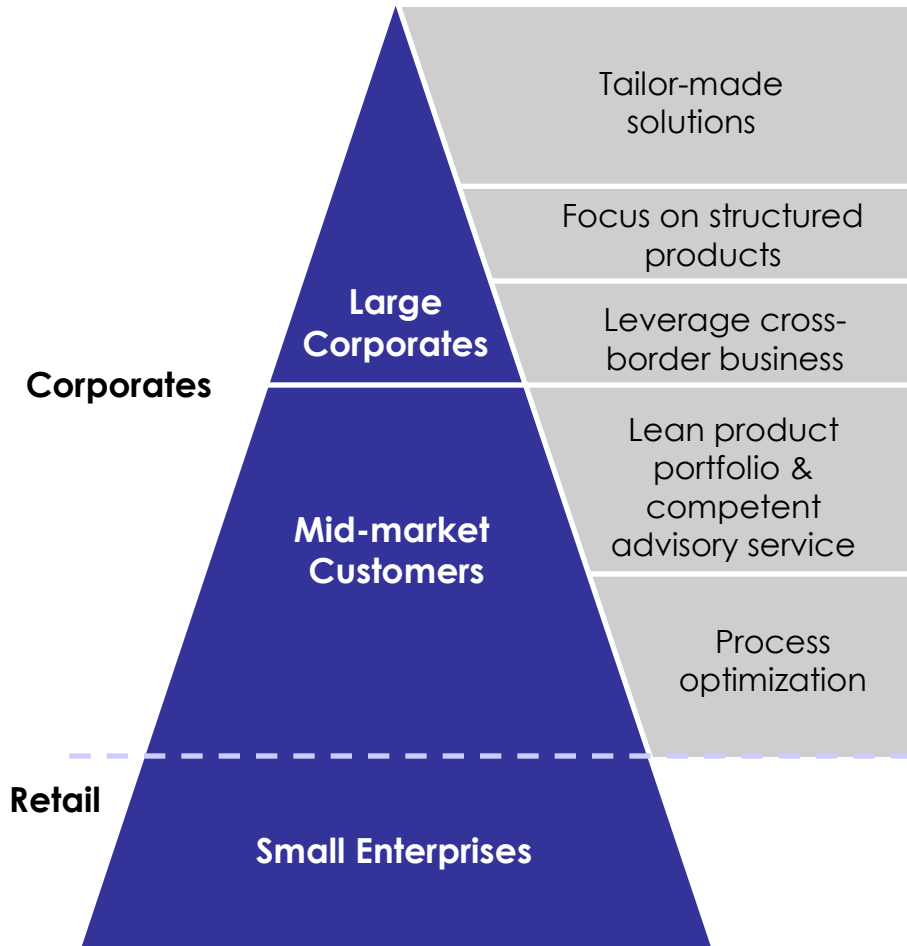
(1) Including leasing and other branches.

Top 3 Pan-CEE Bank with more than 13.7mn Customers



From Micros to Large Corporates

Seamless & Efficient Customer Service



1	Capitalize on leading position in 9 markets
2	Capture ongoing strong market growth opportunities
3	Focus on acquisition of highly profitable mid-market clients
4	Increase share of wallet with international clients
5	Increase and optimize cross-selling to related business segments

RI is one of the most active issuers of securitizations in CEE

■ ROOF Poland 2008-1

- PLN 1 bln (EUR 280 mln) securitization of vehicle leases to micro and SME customers in Poland
- Privately placed true sale structure involving the European Investment Bank as Senior Investor and the European Investment Fund as guarantor of the mezzanine notes

■ ROOF Russia 2007-1

- USD 400 mln securitization of auto loans
- Mixed conduit and term ABS structure with mezzanine notes placed to the IFC

■ ROOF CEE 2006-1

- EUR 450 mln securitization of SME and midcap loans
- Synthetic balance sheet CLO with KfW as intermediary and super senior investor and the European Investment Fund as investor.

■ ROOF Bulgaria 2008-1

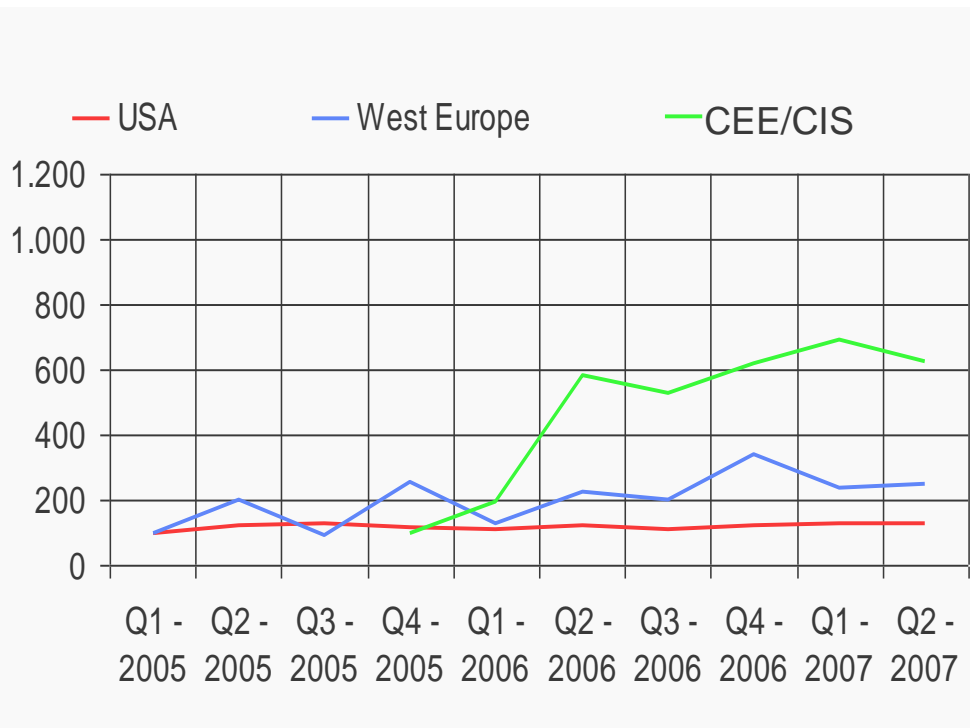
- EUR 200 mln securitization of consumer loans
- Privately placed true sale warehouse structure

Securitization Success

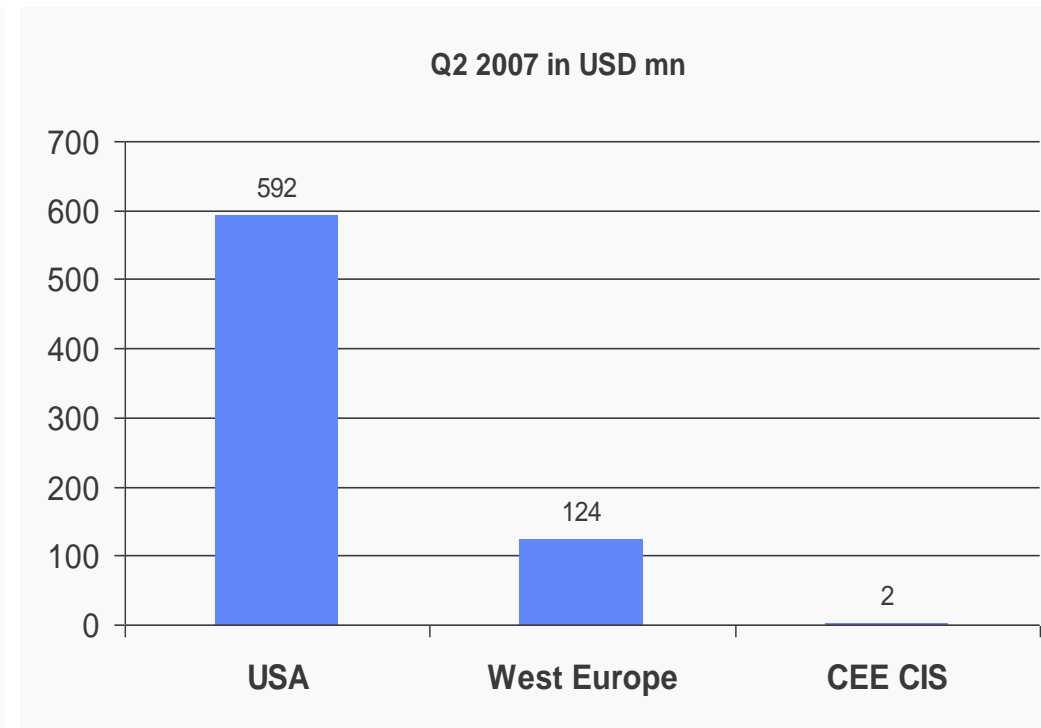
The CEE/CIS market followed the success of the Global Markets

- Relative Market Growth ABS Issuance vs Absolute Market Size (in USD mn)

Left Chart: 2005 = 100 - 2-quarter rolling average



Source: Raiffeisen Research



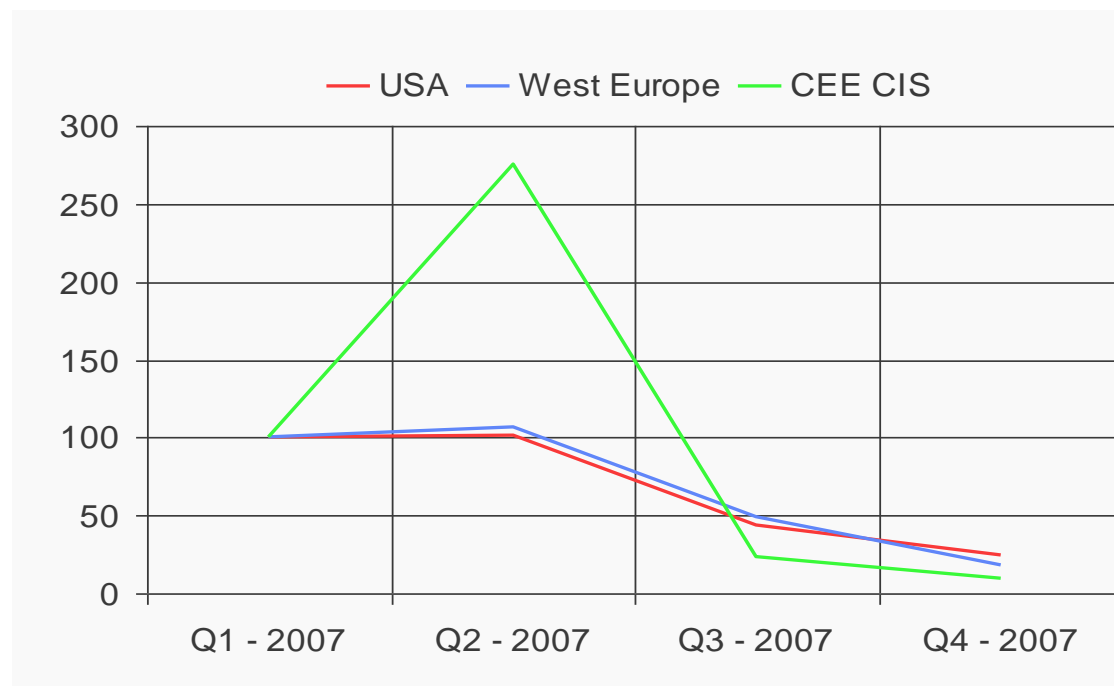
Source: Raiffeisen Research

The 2007 Development

After a final peak in Q2 2007, all markets broke down in mid-2007

■ Relative Market Development ABS Issuance

2007 = 100



We see indications of a re-opening of the market. Public deals will need, however, slightly more time.

Market hypertrophy had its consequences

- Easy exit through securitization markets made originators to become imprudent
 - Higher LTVs together with higher DTIs together with teaser rates together with variable interest arrangements
- Portfolios became very exposed to adverse market movements
 - Increasing interest rates triggered higher default rates
 - Slowing down of property markets reduced recoveries
- Low yields fueled more complex structures designed to enhance the yield (at higher risk)
 - SIVs and ABCP conduits became very vulnerable to price movements and liquidity shortages

CEE is affected by the crisis

- Investors generally require higher spread levels
- Investors are seeking un-correlated risk
- Reduced market liquidity will reduce the significance of certain investor categories
- Investors require simple and straight forward structures without further leveraging
- Rating agencies are now generally more conservative

Thanks to the rather conservative CEE market before crisis, this may now turn out to become a major strength

The RI Securitization Strategy in light of the Financial Crisis

- We continue to **apply securitization on a selective basis** and if we can agree with investors on mutually acceptable terms
 - Our (modest) targets for using securitizations reflect the current market environment and our wish for a diversified funding structure
- Establishment of the **ROOF-securitization platform**
 - Western-level underwriting standards are a key success factor!
 - Servicing and documentation standards to ensure investor confidence
 - Full transparency and information availability to investors and rating agencies
- **Diversification of securitization placement strategies**
 - Nowadays rather privately than publicly placed deals
 - Alternative exit strategies such as structured covered bonds/ Pfandbriefe and Repos with ABS paper become more important

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