MOODY'S INVESTORS SERVICE

PRE-SALE REPORT

DeltaCredit Bank Mortgage Covered Bonds

Covered Bonds / Russia

Table of Contents:

Analyst Contacts:

LONDON +44.20.7772.5454

Volker Gulde +44.20.7772.5578
Vice President-Senior Credit Officer
volker.gulde@moodys.com

MOODY'S CLIENT SERVICES:
London: +44.20.7772.5454
clientservices.emea@moodys.com
Monitoring: monitor.cb@moodys.com

ADDITIONAL CONTACTS:
Website: www.moodys.com

Frankfurt: +49.69.2222.7847
Madrid: +34.91.414.3161
Milan: +39.02.3600.6333
Paris: +33.1.7070.2229
New York: +1.212.553.1653

Provisional (P) Ratings

Series	Amount (RUB bil.)	Coupon	Final Maturity Date	Rating
Series 13-IP	7.0	[fixed]	[•]	(P)Baa1

The ratings address the expected loss posed to investors. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

Transaction Summary

We have assigned a provisional (P)Baa1 long-term rating to the series 13-IP covered bonds to be issued by DeltaCredit Bank (DeltaCredit, or the issuer; Baa3 stable; D/ba2 stable)[1] under Federal law No. 152-FZ "On Mortgage Backed Securities", dated 11 November 2003 (the Mortgage Securities Act).

DeltaCredit is a 100% subsidiary of Rosbank, which, in turn, is majority-owned by SocGen. DeltaCredit is one of the most visible mono-line mortgage institutions in Russia. As one of the pioneers of Russia's mortgage market, the bank benefits from its long-standing experience of operations and strong industry expertise. DeltaCredit targets the prime client segment and has strong market positions in a number of regions.

DeltaCredit reported - under its audited IFRS - total assets of RUB100.7 billion (US$3.1 billion) and total shareholders' equity of RUB14.0 billion (US$427 million) as at 31 December 2013. Net IFRS profits for 2013 achieved RUB2.6 billion (US$82 million).

The covered bonds are full-recourse to DeltaCredit and secured by a pool of residential mortgage loans (the cover pool) originated by the issuer. The covered bonds are issued under the Mortgage Securities Act, which also governs the issuance of residential mortgage-backed securities (RMBS) and mortgage-participation certificates in Russia.

This is the third covered bond rating that we have assigned in Russia using our covered bond rating methodology. Our methodology gives value to both recourse to the issuer and the cover pool, upon an issuer's insolvency.

THIS REPORT WAS REPUBLISHED ON 19 AUGUST 2014 WITH. THE CHANGES MADE RELATE TO THE PORTIONS OF FIXED AND FLOATING RATE ASSETS AND ARE ON PAGES 3, 5 AND 8.

The rating on the covered bonds takes into account, *inter alia*, the following factors:

1. DeltaCredit's credit strength (long-term global local-currency (GLC) rating of Baa3, stable);
2. The Mortgage Securities Act, which provides protection for bondholders (see "Strengths of the Transaction", below); and
3. The credit quality of the cover pool, which is reflected in the collateral score of 16.26%.

The cover pool comprises a portfolio of Russian residential mortgage loans. The stressed level of losses modelled in the event of issuer default (cover pool losses) for this transaction is 44.25%.

We have assigned a timely payment indicator (TPI) of "Very Improbable" to this transaction. Under Russian law, covered bonds accelerate if the issuer becomes insolvent. The Mortgage Securities Act offers limited support for timely payment to the covered bondholders, after issuer default.

As is the case with other covered bonds, we consider that the transaction is linked to DeltaCredit's credit strength, particularly from a timeliness of payment perspective. If DeltaCredit's credit strength deteriorates – all other variables being equal – the covered bond ratings may come under negative pressure.

The rating we assign addresses the expected loss posed to investors. Our ratings only address credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors. Under Russian law, the issuer cannot unilaterally change the conditions of the covered bond issuance following the registration of the issuance with the Central Bank of Russia (CBR). Therefore, we note that unlike most other covered bond transactions, further issuances of covered bonds are unlikely to be backed by this cover pool. Thus, any future rating action might not affect all covered bonds issued by DeltaCredit in the same way. In each case, we will publish details in a separate press release.

Upon conclusive review of all documents and legal information, as well as any subsequent changes in information, we will endeavour to assign a definitive rating to this transaction. The definitive rating may differ from the provisional rating. We will disseminate the assignment of the definitive rating through the Client Service Desk.

We initially analysed and will monitor this transaction using the rating methodology as detailed in "Moody's Approach to Rating Covered Bonds" published in March 2014. Other methodologies and factors that may have been considered in the rating process can also be found on our website in the Credit Policy & Methodologies directory. In addition, we publish a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at www.moody's.com/sfQuickCheck.

Opinion

Strengths of the Transaction

The Issuer:

» The covered bonds are full-recourse to DeltaCredit (Baa3 stable; D/ba2 stable).

The Russian legal framework:

There are a number of strengths in the Mortgage Securities Act, which include *inter alia* the following:

» Issuers (banking organisations) must register any issuance of covered bonds with the CBR.

» The covered bonds are secured by a segregated pool of assets.

» The assets in the cover pool will be segregated from the issuer's insolvency estate. If the issuer is insolvent before the covered bondholders are paid in full, the assets in the cover pool cannot (1) be pledged or included with other assets of the issuer; or (2) sold to discharge any other obligations of the issuer.

» The nominal value of the eligible cover pool cannot be lower than the nominal value of all the issued covered bonds outstanding.

» The independent special depository will monitor compliance with the Mortgage Securities Act.

» The issuer's insolvency administrator will have to liquidate the cover pool for the benefit of the covered bondholders.

Credit Quality of the Cover Pool:

» Under the Mortgage Securities Act, the issuer must maintain a certain cover pool composition. Relevant restrictions include:

  i) Only cash, Russian government securities, real-estate objects (as the consequence of a foreclosure into a mortgage loan) and mortgage loans with a maximum LTV of 80% are eligible cover pool assets.

  ii) Loans 180+ days in arrears will be excluded from the coverage test.

» The current cover pool comprises 3,012 prime residential mortgages with a total outstanding balance of

approximately RUB7.37 billion. The properties securing the loans are located in Russia.

» All mortgages are first-ranking and originated by DeltaCredit or DeltaCredit's partner institutions which apply the same underwriting standards and use DeltaCredit's centralised underwriting system.

» Underwriting standards of DeltaCredit allow for the borrower to prove their income using the DeltaCredit's income verification form if the official tax form is not available. The proportion of mortgages extended based on official tax forms is 72.7%.

Set-off risk:

» Set-off is excluded both under Federal Law No. 40-FZ "On Insolvency of Credit Organization", dated 25 February 1999 (the Bank Insolvency Law) and under the issuer's standard loan documentation for the underlying mortgage loans.

Interest-Rate and Currency Risks:

» The yield of the secured loans exceeds the interest due on the covered bonds.

» There is no currency risk in this transaction, as assets and liabilities are denominated in Russian Roubles.

» Although the majority of assets bears fixed interest rates, approximately 61.46% of the mortgage loans switch to variable rates within 5 years. The interest rate of covered bonds is fixed for 10 years. The covered bond has a built-in put option.

Operational Risk:

» There are certain features that mitigate other aspects of operational risk for covered bondholders:

i) The special depository independently monitors the cover pool assets for eligibility and checks the cover pool's compliance with the coverage ratio requirement.

ii) The special depository will monitor the compliance with statutory test.

iii) In case of issuer insolvency, the issuer's insolvency administrator will have to liquidate the cover pool for the sole benefit of covered bondholders.

Weaknesses and Mitigants

Issuer:

» As is typical for covered bonds, the issuer has some ability (pre-default) to change the quality of the cover pool, which could have either credit-positive or credit-negative implications. **Mitigants** (1) Under Russian law the issuer cannot unilaterally change the conditions of the issuance, following the registration of that issuance with the CBR; (2) the covered bondholders have a direct claim on the issuer; and (3) the Mortgage Securities Act imposes requirements and controls.

» An additional **mitigant** is due to practice of covered bond issuance in Russia, whereby separate bond issuances are typically backed by separate cover pools. Because of this, asset substitution risk is somewhat less than for covered bond programmes with one revolving cover pool backing recurring bond issuances. The issuer may replace assets in the cover pool in specific limited cases only.

The Russian legal framework:

» Commingling risk: Any cash collections from the cover pool are paid directly into the issuer's general collection account. There may be some commingling risk after an acceleration of the covered bonds and before the insolvency of the issuer. **Mitigant**: Upon institution of bankruptcy proceedings, the insolvency administrator must open one bank account for the proceeds received as payments from the borrowers under the mortgage loans and a separate one for the proceeds from the sale of the cover pool. We have modelled some credit losses to account for this risk. Currently, the cover pool comprises only mortgages. However, if cash is included into the cover pool at the instruction of DeltaCredit, the cash would be held at the issuer's account with the CBR and would be treated as part of the cover pool.

» Legal uncertainties exist, because covered bond transactions and the underlying legal concepts of the Mortgage Securities Act have not been extensively tested in Russian courts. **Mitigant:** The TPI of "Very Improbable" for this transaction constrains the rating of the covered bonds at A3, with the foreign-currency and the local-currency ceilings at A2 for Russian transactions.

Credit Quality of the Cover Pool:

» The economic outlook in Russia remains negative, and we expect that banks' asset quality will come under negative pressure due to slower economic and credit growth.[2] **Mitigants:** (1) We base our cover pool assessment on the issuer's selection of good-quality loans with reasonably long seasoning for the cover pool; and (2) our collateral score modelling considers the characteristics of the Russian real-estate market and the idiosyncratic features of DeltaCredit's underwriting standards.

» The collateral score of 16.26% – for a Baa1 target rating – indicates average collateral credit risk compared with Russian RMBS transactions. In an international context, the collateral score is relatively high for a purely

residential mortgage loan portfolio backing a covered bond.

Refinancing Risk:

» Refinancing risk has not been mitigated in this transaction. The covered bonds will accelerate in two scenarios:

  i) If the issuer's banking licence is withdrawn by the CBR. Once the banking licence is withdrawn, insolvency proceedings of the issuer may commence; and

  ii) If the issuer defaults on certain obligations towards the covered bondholders (e.g., non payment of coupons for ten business days or more; non-compliance with minimum asset coverage) and the individual covered bondholders decide to accelerate payments.

» In scenario one, the cover pool will have to be liquidated to repay covered bondholders. In the second scenario, if the issuer does not cure the breach and is unable to repay bondholders upon the acceleration of the covered bonds, bondholders can go to court and require enforcement of the collateral.

» We note that the Mortgage Securities Act does not expressly prohibit partial pool sales. Thus, as a last resort, the entire pool could be sold via a public auction.

» In our expected loss calculations, we assume that the issuer must raise funds against the cover pool, following an issuer default.

Interest-Rate and Currency Risks:

» For covered bonds, there is the potential for exposure to interest-rate risk that could materialise following issuer default. **Mitigants:** (1) All assets and liabilities are denominated in Russian Roubles, with most of the cover pool assets bearing fixed interest rates; and (2) we take into account interest-rate risk in our modelling assumptions.

Structure Summary

Issuer:	DeltaCredit Bank (Baa3 stable; D/ba2stable)
Covered Bond Type:	Mortgage Covered Bonds
Issued Under Covered Bond Law:	Yes
Applicable Covered Bond Law:	Federal law No. 152-FZ "On Mortgage Backed Securities", dated 11 November 2003
Main Originator(s):	DeltaCredit Bank
Main Servicer(s):	DeltaCredit Bank
Back-up Servicer Facilitator:	N/A
Intra-group Swap Provider:	N/A
Monitoring of Cover Pool:	Special Depository
Trustees:	N/A
Timely Payment Indicator (TPI):	Very Improbable
TPI Leeway:	Limited

Covered Bonds Summary

Total Covered Bonds Outstanding:	RUB 7.0 billion
Currency of Covered Bonds:	RUB (100%)
Extended Refinance Period:	None
Principal Payment Type:	Hard bullet (No extension)
Interest Rate Type:	Fixed rate (100%)

Collateral Summary

Size of Cover Pool:	RUB 7.37 million
Main Collateral Type in Cover Pool:	Residential Mortgage Loans
Main Asset Location:	Russia
Loans Count:	3,012
Borrowers Count	3,012
Currency:	RUB (100%)
WA Seasoning:	24 months
WA Remaining Term:	168 months
Interest Rate Type:	99.86% fixed 0.14% floating
"Committed" Over - Collateralisation:	0%
Current Over-Collateralisation	5.2%
Cover Pool Losses	44.25%
Collateral Score:	16.26%
Pool Cut-off Date:	27 January 2014

Legal Aspects

DeltaCredit Bank plans to issue a new series of mortgage covered bonds, series 13-IP, which will have a cover pool separate from the cover pools of previously issued series. There are no additional structural features in this transaction over and above the requirements set by the Mortgage Securities Act.

Russian Mortgage Securities Act

We believe that the Mortgage Securities Act provides covered bond investors with certain legal protection. We understand from legal and industry advisors that the key characteristics of the Mortgage Securities Act include the following:

» The holders of covered bonds benefit from direct recourse to the issuer. The bonds are secured by a cover pool of eligible assets.

» The nominal value of the eligible cover pool cannot be lower than the aggregate principal amount of all covered bonds outstanding.

» The issuer may increase the amount of over-collateralisation of the cover pool up to a maximum of 20% of the total outstanding principal amount of the covered bonds.

» All assets allocated to the cover pool will be earmarked in a register administered by the special depository.

» The law provides assurance that the asset pool will not form part of the insolvency estate of the issuer, if the issuer becomes insolvent. The segregation of the cover pool from the issuer's general insolvency estate would include any cash flows stemming from the cover pool assets.

» The special depository is an independent entity licensed and regulated by CBR (Central Bank of Russia). The special depository is liable to (1) monitor the cover pool assets and ensure that the issuer operates in accordance with the provisions of the Mortgage Securities Act; and (2) notify covered bondholders on the occurrence of an event of default, if the issuer fails to notify the bondholders, and (3) notify the CBR in case of violation by the issuer of mandatory ratio prescribed by the Mortgage Securities Act.

Cover Pool Eligibility Criteria:

» The Mortgage Securities Act recognises that the following asset types can form part of the cover pool:

i. Mortgage loans with an LTV of up to 80%. This applies to the LTV at the time of inclusion of the loan in the cover pool, since there is no requirement to index the property values. There must also be up-to-date insurance for loss or damage to the property.

ii. Cash in a separate bank account.

iii. Russian government securities.

iv. Real-estate assets as the consequence of a foreclosure on a mortgage loan that was part of the cover pool.

Statutory Test

» **The Nominal Value Test**: The nominal value of the eligible cover pool cannot be lower than the aggregate principal amount of all covered bonds outstanding. The issuer must adhere to this test at all times and the special depository monitors this on an ongoing basis. A breach of this test would allow the bondholders to exercise their right for the early redemption of the bonds.

Segregation, Claw-Back, Commingling, Set-Off Risk, Acceleration:

» **Segregation:** The assets in the cover pool are pledged to the covered bondholders. If the issuer becomes insolvent – or if covered bondholders accelerate the covered bonds before issuer insolvency – covered bondholders have a priority right over the proceeds from the liquidation of the cover pool.

» The Mortgage Securities Act does not envisage any separate cover pool administrator; the insolvency administrator will carry out this function.

» If the covered bonds accelerate before issuer insolvency, the covered bondholders must pursue the liquidation of the cover pool through the Russian courts, by way of public auction. The proceeds will then be used to repay the covered bonds. If there is a shortfall for the covered bondholders, they will benefit from an unsecured claim against the issuer for that amount. If there is a surplus, this will be paid back to the issuer.

» In case of issuer insolvency, the insolvency administrator has to liquidate the cover pool – not more than nine months after court ruling on issuer's insolvency – by way of public auction. The proceeds will then be used to repay the covered bonds. If there is a shortfall for covered bondholders, they will benefit from an unsecured claim against the insolvency estate of the issuer for that amount. If there is a surplus, this will be paid back to the issuer's insolvency estate.

» **Claw-back risk:** According to the legal information available to us, there is no claw-back risk under the Mortgage Securities Act.

» **Set-off risk:** This may arise from mutual credits and debits between the issuer under liquidation and a borrower. This is excluded by both the Bank Insolvency Law and the issuer's standard loan documentation for the underlying mortgage loans.

» **Commingling risk:** Before either issuer insolvency or issuer default, cash collections towards the covered bondholders will be made directly into the issuer's general collection account. As such, cash flows stemming from the mortgage borrowers in the cover pool may be commingled before the insolvency administrator opens a separate collection account. To account for this commingling risk, we model a certain amount of credit losses due to cash commingling.

» The Mortgage Securities Act also stipulates that the issuer should include in the cover pool cash collections if the collateral amount is below the legally required minimum.

» **Acceleration risk:** Covered bonds will automatically accelerate upon issuer insolvency. If the issuer infringes its obligations towards covered bondholders before its insolvency, the covered bondholders have the right to accelerate their individual covered bonds at that point in time, without the issuer being insolvent.

Cover Pool Monitor

» The issuer has appointed a CBR-authorised independent cover pool monitor (the special depository). The special depository must review the correct registration of assets, monitor the compliance with the statutory test and and notify the CBR in case of violation by the issuer of the mandatory ratio prescribed by the Mortgage Securities Act. The special depository does not have disposal rights over the cover pool - it only monitors observation of the mandatory ratio in relation to the cover pool and provides a consent to repay the bonds using monetary funds in the cover pool.

Moody's Rating Methodology

We detail the approach we use for rating covered bond transactions in our Rating Methodology.[3] We performed a detailed analysis of the Russian residential mortgage market to assess the macro-economic environment in which the issuer operates. The effect of the issuer's credit strength, the quality of the collateral and market risks are considered below.

Credit Strength of the Issuer

The covered bonds constitute direct, unconditional and senior obligations of DeltaCredit Bank (Baa3 stable; D/ba2 stable). For further information on DeltaCredit's ratings, see "Related Research".

The Credit Quality of the Cover Pool

The RUB7.37 million portfolio consists of residential mortgage loans and the weighted-average remaining term of the portfolio is 168 months. The eligibility criteria for the mortgage loans assigned to the cover pool include:

» Each qualifying loan amount must not exceed 80% of the lending value of the securing property.

» Each mortgage loan must benefit from property insurance for at least 100% of the mortgage loan.

» At the time of the transfer to the cover pool, the relevant borrower must have paid the first payment due for each mortgage loan.

DeltaCredit uses affordability calculations. These limit the amount that it can lend to a borrower. To determine the affordability, DeltaCredit takes into consideration a borrower's base salary, subject to certain restrictions. On a case-by-case basis, DeltaCredit may take into account other sources of income, such as returns on investments, bonuses and overtime. From this, tax, insurance premiums and cost of living are deducted, as well as payments related to other debt, before comparing it with the cost of the new loan. See Appendix 2 for further details in respect of underwriting and valuation.

Summary Collateral Analysis: Collateral Score

From a credit perspective, we regard the following characteristics of the cover pool as credit-positive:

» All loans are amortising and secured by owner-occupied residential properties in Russia.

» All loans are first-ranking prime mortgage loans denominated in Russian Rubles and originated by DeltaCredit or its partner institutions applying the same underwriting standards.

» The pool has moderate LTVs, with an average weighted-un-indexed LTV ratio of 58.4%; this implies a lower default-probability level for the underlying borrowers.

From a credit perspective, we regard the following characteristics of the cover pool as credit-negative:

» The asset diversification of the cover pool is weak, because of a high concentration of mortgage loans in Moscow City and the Moscow region.

» 27.3% of the loans in the cover pool have been extended based on DeltaCredit's income verification form instead of the official tax form.

We have incorporated the factors discussed above into our analysis. We calculate a collateral score[4] based on the credit quality of the cover pool assets. In addition, the collateral

score published in this report reflects all adjustments made; this number therefore includes the cushion built in to address the factors described above.

Due to the Russian practice of individual cover pools backing individual series of covered bonds once a series has been issued, asset addition is limited to the rate of amortisation of the underlying residential mortgage loans or substitution of ineligible assets. This should reduce substitution risk to a level lower than that for most other covered bonds.

In addition, the transaction includes features that mitigate the substitution risks, such as:

» There are strict eligibility criteria in place governing the replacement of any ineligible loans. Failure to replace ineligible loans from the cover pool may lead to a violation of the statutory test mentioned above.

» The special depository will monitor the cover pool on daily basis.

For this transaction, the collateral score of the pool is 16.26%. For comparison, see Related Research: "

"Moody's Global Covered Bonds Monitoring Overview: Q4 2013", published on 2 June 2014 .

See Appendix 1 for more information on the cover pool

Refinancing Risk

Refinancing risk has not been mitigated in this transaction. Following the acceleration of the covered bonds, the issuer must raise funds against the cover pool if the covered bondholders are to receive principal payment. After an issuer default, the market value of these assets may be subject to volatility, potentially leading to a discount on the nominal value of the assets at the time of cover pool liquidation. Examples of the stressed refinancing margins we use for different types of prime-quality assets are published in our Rating Methodology.

Aspects of this covered bond issuance that are refinancing-positive include:

» The issuer's strong underwriting standards and the special depository's stringent monitoring ensure that the cover pool assets are of high quality.

» All cover pool assets are amortising.

» Over 60% of the loans in the cover pool will have switched to variable interest rates within 5 years (please refer to chart D in Appendix 1 for the interest-rate profiles of the loans). This reduces the interest-rate sensitivity if the assets are sold.

Aspects of this covered bond issuance that are refinancing-negative include:

» All covered bonds accelerate upon issuer insolvency.

» The bondholders may accelerate the covered bonds before the issuer is technically insolvent. Covered bondholders have the right to accelerate the bonds if the issuer breaches certain obligations towards the covered bondholders (e.g., the non-payment of interest for 10 business days on the covered bonds, or a breach of the nominal value test).

» The variable-rate loan type is not market standard, as most loans in the Russian mortgage market are generally fixed rate. As such, variable-rate loans may be less liquid if sold.

» 27.3% of the loans in the cover pool have been extended based on DeltaCredit's income verification form instead of the official tax form.

Interest-Rate and Currency Risks

As with most covered bonds, there is potential for interest-rate risk. For example, following issuer default, covered bondholders may be exposed to this risk, which could arise from the different payment promises and durations on the cover pool assets and the covered bonds.

EXHIBIT 1

Overview Assets and Liabilities at programme inception

	Assets (%)	Liabilities (%)	WAL Assets (years)	WAL Liabilities (years)
Fixed rate	99.86	100.0	13.8	[•]
Variable rate	0.01	0.0	14.7	N/A

WAL = weighted-average life

Aspects specific to this covered bond issuance that are market-risk positive include:

» There is no exposure to currency risk, as the assets and liabilities are Russian Rouble-denominated. We do not expect currency risk to materialise in the near future.

» The yield on the mortgage loans is likely to exceed the interest due on the covered bonds.

Aspects specific to this covered bond issuance that are market-risk negative include:

» There is no feature reducing interest-rate risk (e.g. NPV tests) under the Mortgage Securities Act.

» A sale of fixed-rate assets (to meet due payments on the covered bonds following the issuer's default) could lead to a crystallisation of mark-to-market losses caused by interest-rate movements. 99.86% of the assets are fixed rate (please refer to chart D in Appendix 1 for the interest-rate profiles of the loans).

No derivatives have been entered into the cover pool, since derivatives cannot form part of the cover pool according to the Mortgage Securities Act. We publish the interest and currency stressed rates used over different time horizons in our Rating Methodology.

Linkage

All covered bonds are linked to the underlying issuer rating. The covered bond rating will therefore come under stress if DeltaCredit's credit strength deteriorates. The reasons for this include:

» Refinancing risk: Following issuer default, covered bondholders are fully exposed to refinancing risk.

» The covered bonds would accelerate if the issuer breaches its obligations towards the covered bondholders.

As a result of this linkage – and particularly that the covered bonds can accelerate before the issuer's insolvency – the probability of default of the covered bonds may be higher than expected for a senior unsecured debt issuance with the same rating. However, our primary rating target is the expected loss, which also takes severity of loss into account, which in this case is consistent with the covered bond rating.

Our Timely Payment Indicator (TPI)[5] assesses the likelihood that the issuer will make timely payments to covered bondholders, following an issuer default. The TPI thus determines the maximum rating a covered bond issuance can achieve with its current structure.

Aspects to this covered bond issuance that are TPI negative include:

» The covered bonds will accelerate upon issuer insolvency.

» The covered bonds may accelerate before issuer insolvency, if the issuer infringes its obligations towards the covered bondholders.

We have assigned a TPI of Very Improbable to this transaction.

The TPI Leeway measures the number of notches by which the issuer's rating may be downgraded before the covered bonds are downgraded under the TPI framework. Based on the current issuer rating of Baa3 and the TPI of Very Improbable, the TPI Leeway for this issuance is limited.

Monitoring

We expect the issuer to deliver certain performance data to us, on an on-going basis. If this data is not made available, our ability to monitor the ratings may be impaired. This could negatively affect the ratings or, in some cases, our ability to continue to rate the covered bonds

Appendix 1: Cover Pool Information

All cover pool characteristics are actual levels (rather than assumed levels) based on reports from DeltaCredit.

Overview	
Collateral Score:	16.26%
Asset balance:	7,368,053,805
Average loan balance:	2,446,233
Number of loans:	3,012
Number of borrowers:	3,012
Number of properties:	3,012
WA Remaining Term (in months):	167.75
WA Seasoning (in months):	23.51

Details on LTV	
WA current LTV (*):	58.4%
WA Indexed LTV:	n/a
Valuation type:	Market Value
LTV threshold:	80%
Junior ranks:	n/d
Prior ranks:	0.0%

Specific Loan and Borrower characteristics	
Loans benefiting from a guarantee:	n/a
Interest Only Loans:	0.0%
Loans for second homes / Vacation:	0.0%
Buy to Let loans / Non owner occupied properties:	0.0%
Limited income verified	0.0%
Adverse Credit Characteristics(**):	0.0%

Performance	
Loans in arrears (≥ 2months - < 6months):	0.0%
Loans in arrears (≥ 6months - < 12months):	0.0%
Loans in arrears (> 12months):	0.0%
Loans in a foreclosure procedure:	0.0%

Multi-Family Properties	
Loans to tenants of tenant-owned Housing Cooperatives:	n/a
Other type of Multi-Family loans (***)	n/a

(*) Based on original property valuation
(**) Refers to Borrowers with previous missed payments, Borrowers with a previous personal bankruptcy or Borrowers with record of court claims against them at time of origination
(***) This "other" type refers to loans directly to Housing Cooperatives and to Professional Landlords

CHART A
Balance per LTV-band

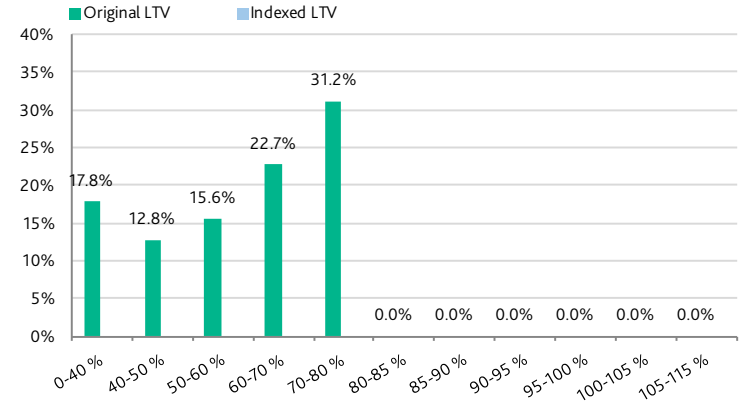


CHART B
Cover Pool Composition

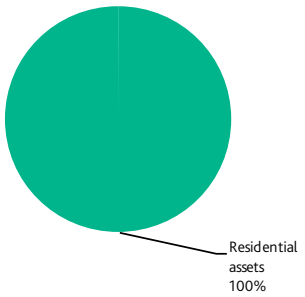


CHART C
Seasoning

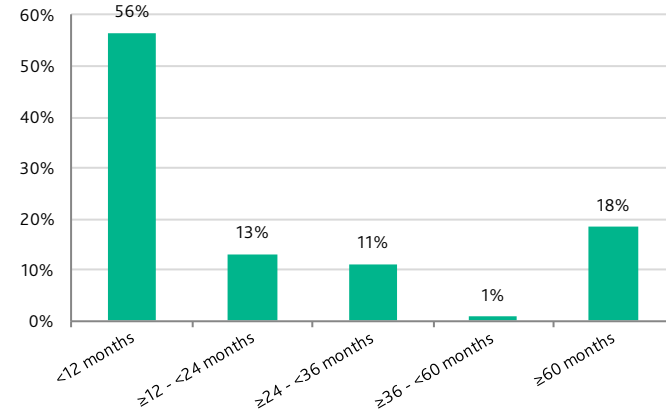


CHART D
Interest Rate Type

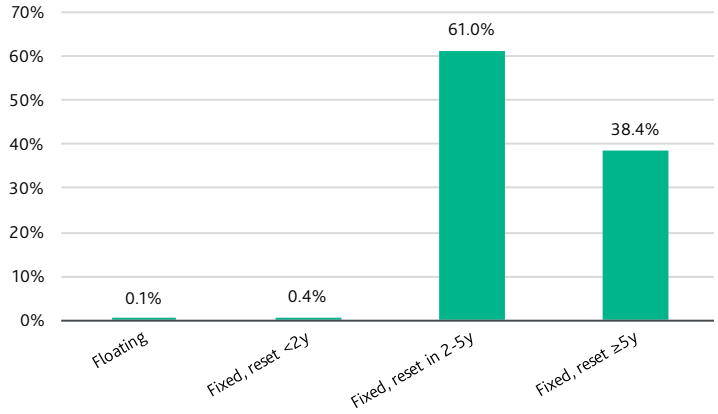
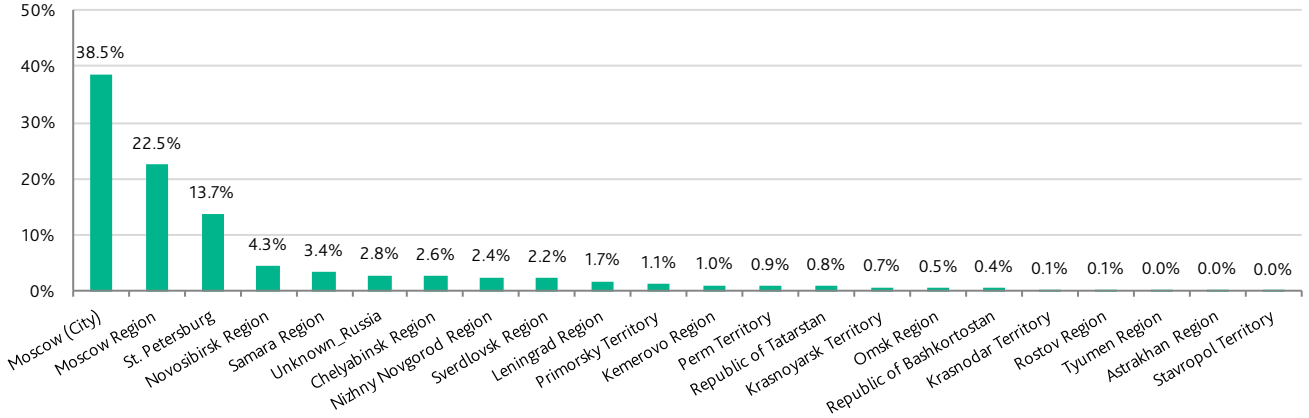


CHART E

Regional Distribution



Appendix 2: Income Underwriting And Valuation

Below is a description of income underwriting and property valuation procedures provided by the issuer:

A. Residential Income Underwriting		
1	Is income always checked?	Yes
2	Does this check ever rely on income stated by borrower ("limited income verification")?	No
3	Percentage of loans in cover pool that have limited income verification	None
4	If limited income verification loans are in the cover pool, describe what requirements the lender has in place for these loans.	N/A
5	Does income in all cases constrain the amount lent (for example through some form of Income Sufficiency Test ("IST")?	Yes
6	If not, what percentage of cases are exceptions?	No exceptions
For the purposes of any IST:		
7	Is it confirmed that income after tax is sufficient to cover both interest and principal?	Yes
8	If so, over what period is it assumed principal will be paid (typically on an annuity basis)? Any exceptions?	Payment of interest and principal will be paid on an annuity basis, until full loan repayment
9	Does the age of the borrower constrain the period over which principal can be amortised?	Yes
10	Are any stresses made to interest rates when carrying out the IST? If so, when and for what type of products?	Yes, for products with floating rates, we take into account the current interest rate, plus 1%. For products with a mixed rate (fixed for the several first years, then reverting to floating), we take into account the current interest rate, plus 0.5%
11	Are all other debts of the borrower taken into account at the point the loan is made?	Yes
12	How are living expenses of the borrower calculated? And what is the stated maximum percentage of income (or income multiple if relevant) that will be relied on to cover debt payments (specify if income is pre or post tax)?	For this purpose, the Bank calculates **Obligations to Income (OTI) Ratio.** OTI is the main coefficient to define the client's payment ability and creditworthiness and is a ratio of all borrower's (clients') obligations to his (their) incomes. The OTI ratio defines the maximum allowed ratio of the borrower's (clients') total long-term obligations to his (their) budget. This includes expenses related to both the payment of the mortgage loan and to other long-term obligations (credits, maintenance, compulsory tax payments, other debts). **In accordance to the Bank's requirements, the OTI Ratio should not exceed:** **50%** if total net income **does not exceed** $1,300 **60%** if total net income **exceeds** $1,300 (
Other comments		None.

B. Residential Valuation		
1	Are valuations based on market or lending values?	For purpose of calculating the LTV ratio, we take into account the minimum price between the market value and the real price of the deal (sale apartment)
2	Are all or the majority of valuations carried out by external valuers (with no direct ownership link to any company in the Sponsor Bank group)?	Yes, 100% of valuations are carried out by external valuers
3	How are valuations carried out where an external valuer is not used?	N/A
4	What qualifications are external valuers required to have?	Experience > 3 years 2 employees with experience >1 year Membership in self-regulated organisations Professional liability insurance Non affiliation with a real-estate agency
5	What qualifications are internal valuers required to have?	N/A
6	Do all external valuations include an internal inspection of a property?	Yes
7	Any exceptions?	None
8	Do all internal valuations include an internal inspection of a property?	N/A
9	What exceptions?	N/A
	Other comments	None

Moody's Related Research

For a more detailed explanation of our approach to this type of transaction as well as similar transactions please refer to the following reports:

Rating Methodology:

» Moody's Approach to Rating Covered Bonds, March 2014 (SF345822)

Special Comment:

» Global Covered Bonds Monitoring Overview: Q4 2013, June 2014 (SF368525)

Banking System Outlook:

» Banking System Outlook: Russia, October 2013 (158054)

Credit Opinion

» DeltaCredit Bank

Covered Bonds Website:

» www.moodys.com/coveredbonds

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Moody's publishes a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at www.moodys.com/SFQuickCheck.

[1] The ratings shown are DeltaCredit's long-term global local currency deposit rating, its standalone bank financial strength rating/baseline credit assessment and the corresponding rating outlooks.

[2] Please refer to Banking System Outlook: Russia, published on 7 October 2013.

[3] "Moody's Rating Approach to Rating Covered Bonds", published in March 2014 (see Related Research).

[4] The collateral score can be seen as the amount of risk-free enhancement required to protect a Aaa rating from otherwise unsupported assets – therefore, the stronger the collateral credit quality, the lower the collateral score. This only considers the credit deterioration of the assets and ignores any risk from refinancing and market risk (see Rating Methodology "Moody's Rating Approach to Covered Bonds", published in March 2014 (see Related Research).

[5] See Moody's Rating Methodology"Moody's Rating Approach to Rating Covered Bonds", published in March 2014.

Report Number: SF376371

MOODY'S
INVESTORS SERVICE