

2nd Annual Securitisation in Russia & CIS Conference



Eugene Belin, Managing Director, ZAO Citibank

The Development of The Domestic Securitization
Market



2nd Annual Securitisation in Russia & CIS Conference



Securitization in Russia – Splendid Prospects But Long Way To Go

February 2008

Domestic residential mortgage sector demonstrates one of the fastest growth rates among other emerging market economies

Rapid economic growth and increase in real disposable income of the population, overall improvement of borrowing terms, development of the MBS legislation, state support for residential mortgage market development – all these factors combined provide solid foundation for the rapid growth of securitization markets in Russia

However there is a long way to go for securitization in Russia: mortgage outstanding volume is low (1.3% of GDP*), only two deals have been done in the market so far (GPB-Mortgage and FMA AHML), only mortgage-backed securities can be issued under local legislation

*Source: Fitch

2nd Annual Securitisation in Russia & CIS Conference



View of The Investment Bank on Domestic MBS

February 2008

MBS market today

- Russian legislation allows to issue MBS
- Tranching can be used
- Put option can be included in the MBS structure
- Limited number of issuers and small involvement of international investors result in low trading activity
- Main investors are local banks and asset management companies
- More favorable taxation comparing to corporate bonds
- Few offshore MBS deals in the CIS markets

MBS market tomorrow

- Eliminating bottlenecks in general and mortgage legislation
- New instruments with additional tranching and non-RMBS securitization (e.g. auto loans)
- Investing of pension and insurance reserves in MBS instruments will extend the investors base
- Growing trading activity as a result of larger supply and investors' base expansion
- MBS acceptance to CBR's Lombard List
- Russian market may become a benchmark for other CIS markets

2nd Annual Securitisation in Russia & CIS Conference



First Structured MBS Issue in The Domestic Market

February 2008

Deal Summary

- The issue had three tranches, the top one (Class A) was offered to international and domestic investors
- The issue was priced approximately 30 bps inside AHML's corporate bond curve
- Clean-up call for B and C tranches
- Class A tranche 2.8x oversubscribed at auction (book totaled RUB 8.1 billion)
- Good investor interest from Russia & International roadshow
- Significant interest for Class B & C tranches in future issues
- More than 20 dealers bid at the auction

Second Mortgage Agent is now on a waiting list. The clean-up call for tranche A will be date- and interest-based

Citi was a Sole Arranger of debut AHML RMBS issue – First Mortgage Agent of AHML

Deal Features

- Structured under MBS law
- Transaction documentation primarily under Russian Law
- Class A notes rated A3 by Moody's for, 2 notches higher than the sovereign Baa2 rating
- Incorporates structural features for credit and liquidity enhancement found in Western MBS transactions (where possible)
- Variable coupon rate for Class B and Class C tranches

2nd Annual Securitisation in Russia & CIS Conference



February 2008

What Needs To Be Achieved

Federal Regulations and Legal Issues

- Full bankruptcy remoteness of the SPV
- Larger flexibility under MBS law
- Structural subordination of the notes
- Deferred Class B coupon

Tranching

- Structure complying with international standards while primarily targeting the domestic market
- More complex tranching may be thought for particular investors needs

Investors' base

- Institutional investors including pension funds
- Refinancing with CBR (CBR's Lombard List) will boost investor's interest
- Active involvement of international investors looking for good quality and high rating
- Regular coverage of domestic MBS by research departments of leading Russian and International banks
- Strong coverage in international and local press

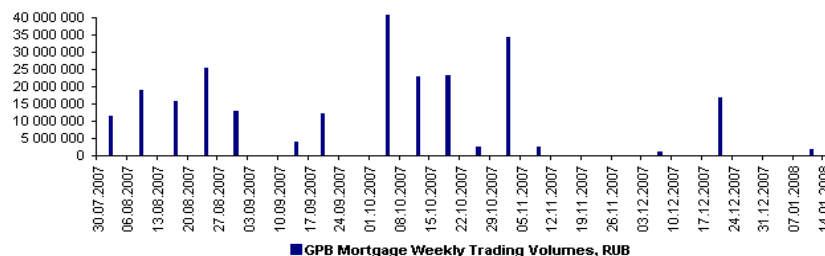
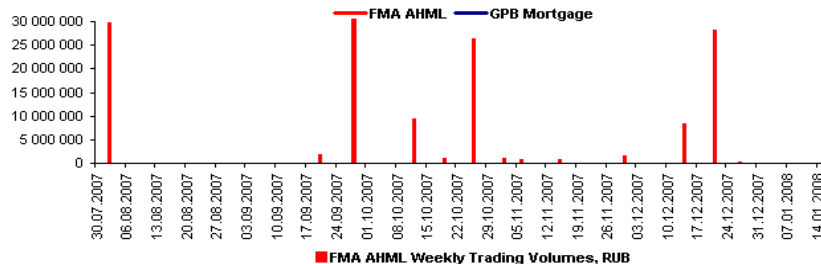
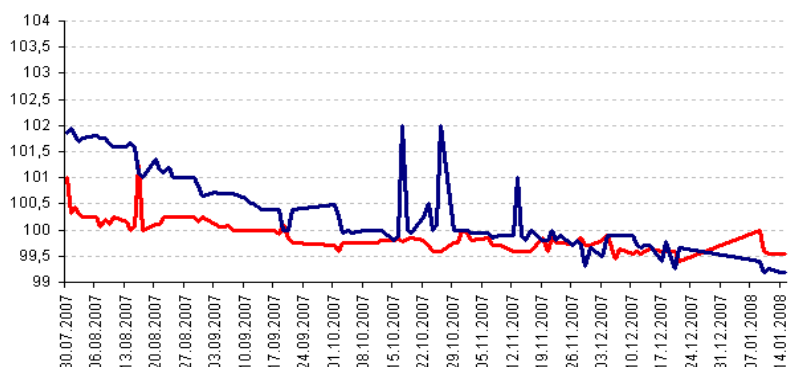
2nd Annual Securitisation in Russia & CIS Conference



Domestic Market Outlook

February 2008

Domestic MBS Bonds Price Dynamics



- Since the beginning of August substantial credit spread widening (especially for the banks' bonds) has been noted despite the support from monetary authorities
- 1st tier FI bonds spreads are currently up to 100 bp wider compared with August 2007 levels
- Liquidity compression affected domestic MBS issues
- Due to limited liquidity MBS issues displayed some resilience to domestic market volatility
- We expect improvement of RUB liquidity in the 1Q2008 as a result of new funds arriving to local bond market from Bank for Development and the State Public Utilities Support Fund resources as well as the possibility of Eurobonds refinancing with CBR. But investors are still cautious with bank sector risk.

2nd Annual Securitisation in Russia & CIS Conference



Disclaimer

February 2008

IRS Circular 230 Disclosure: *Citigroup Inc. and its affiliates do not provide tax or legal advice. Any discussion of tax matters in these materials (i) is not intended or written to be used, and cannot be used or relied upon, by you for the purpose of avoiding any tax penalties and (ii) may have been written in connection with the "promotion or marketing" of any transaction contemplated hereby ("Transaction"). Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.*

Any terms set forth herein are intended for discussion purposes only and are subject to the final terms as set forth in separate definitive written agreements. This presentation is not a commitment to lend, syndicate a financing, underwrite or purchase securities, or commit capital nor does it obligate us to enter into such a commitment, nor are we acting as a fiduciary to you. By accepting this presentation, subject to applicable law or regulation, you agree to keep confidential the existence of and proposed terms for any Transaction.

Prior to entering into any Transaction, you should determine, without reliance upon us or our affiliates, the economic risks and merits (and independently determine that you are able to assume these risks) as well as the legal, tax and accounting characterizations and consequences of any such Transaction. In this regard, by accepting this presentation, you acknowledge that (a) we are not in the business of providing (and you are not relying on us for) legal, tax or accounting advice, (b) there may be legal, tax or accounting risks associated with any Transaction, (c) you should receive (and rely on) separate and qualified legal, tax and accounting advice and (d) you should apprise senior management in your organization as to such legal, tax and accounting advice (and any risks associated with any Transaction) and our disclaimer as to these matters. By acceptance of these materials, you and we hereby agree that from the commencement of discussions with respect to any Transaction, and notwithstanding any other provision in this presentation, we hereby confirm that no participant in any Transaction shall be limited from disclosing the U.S. tax treatment or U.S. tax structure of such Transaction.

We are required to obtain, verify and record certain information that identifies each entity that enters into a formal business relationship with us. We will ask for your complete name, street address, and taxpayer ID number. We may also request corporate formation documents, or other forms of identification, to verify information provided.

Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration, are subject to change at any time without notice and are not intended as a solicitation with respect to the purchase or sale of any instrument. The information contained in this presentation may include results of analyses from a quantitative model which represent potential future events that may or may not be realized, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute our judgment as of the date hereof and are subject to change without any notice. We and/or our affiliates may make a market in these instruments for our customers and for our own account. Accordingly, we may have a position in any time.

Although this material may contain publicly available information about Citi corporate bond research, fixed income strategy or economic and market analysis, Citi policy (i) prohibits employees from offering, directly or indirectly, a favorable or negative research opinion or offering to change an opinion as consideration or inducement for the receipt of business or for compensation; and (ii) prohibits analysts from being compensated for specific recommendations or views contained in research reports. So as to reduce the potential for conflicts of interest, as well as to reduce any appearance of conflicts of interest, Citi has enacted policies and procedures designed to limit communications between its investment banking and research personnel to specifically prescribed circumstances.

© 2007 Citigroup Global Markets Limited. Authorized and regulated by the Financial Services Authority. All rights reserved. Citi and Citi and Arc Design are trademarks and service marks of Citigroup Inc. or its affiliates and are used and registered throughout the world.