

September 17, 2010

Fourth Issue of Agency for Housing Mortgage Lending (AHML) Mortgage Bonds Placed Successfully

On 16 September 2010, OJSC Agency for Housing Mortgage Lending has successfully placed the first tranche of the Series 4 mortgage-backed bonds.

Housing mortgage-backed bonds from ZAO "Ipoteknyi Agent AIZhK 2010-1" (hereinafter, the "Bonds") consist of three issues (class A1, A2, and B) backed by single mortgage collateral. Total amount of the three issues is RUB 13.5 bn. A1 class bonds have been placed today. The amount of the issue is RUB 6,096 million. A1 class bonds received an international credit rating Baa1 by Moody's Investors Service credit rating agency. The bonds also come with a three-year tender offer from AHML. OJSC Agency for Housing Mortgage Lending is the issuer. ZAO Citibank is the lead-arranger.

The placement price for class A1 Bonds was 101% of the face value, which corresponds to the yield-to-maturity of 8.43% p.a. The issue was oversubscribed by more than two times. The bonds were placed among a broad range of the market participants. On the same day, MICEX has recorded Bond transactions at prices that are higher than the placement price. This fact proves that mortgage-backed securities reflecting the innovations made by AHML are once again in demand among the investors and are considered to be very secure instruments.

Successful placement of mortgage-backed AHML bonds after a more than two-year interval has opened the Russian market for mortgage-backed securities and sent an important signal to the investment community.

"This transaction is a precedent for the market. AHML has introduced an innovative structure, including two senior tranches with different duration that ensured high interest among the investors to the Bond placement and made it possible to place all of the first senior tranche bonds at market terms." – announced Alexander Semenyaka, General Director of AHML. "As a development institution, the Agency strives to ensure that there is a broad selection of mortgage-backed securities in Russia that would reflect market realities and appeal to the need of the various investor groups. This placement has demonstrated that this goal is achievable even in current uneasy conditions. AHML will continue working in this direction and introducing new instruments for mortgage assets refinancing."

Zdenek Turek, President of ZAO Citibank that acted as the Sole Arranger of this issue, commented on the successful placement: "The total book closed more than 2 times oversubscribed, and we managed to price the deal at the best end of the initial range for our customer. Citi and AHML were at the origin of the Russian mortgage securities market, and we are very happy to see this market re-open after the crisis."

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ZAO Citibank was one of the first banks with foreign capital that entered Russian market in 1993. Citibank has since grown to become one of the largest banks in the country. Citibank offers its corporate and individual clients a broad range of [products](#) and [services](#). At present, the Bank has over 3,000 employees; its distribution network includes over 350 [ATMs](#), [retail branches](#) across major cities in Russia, Kazakhstan, and Ukraine. For more information on Citibank in Russia, visit www.citibank.ru

OAO "Agency for Housing Mortgage Lending" (AHML) was established by the Government of Russian Federation in 1997 as a 100% state-owned open joint-stock company. The Agency implements national programs that provide affordable housing and improve housing conditions of the people. AHML pays special attention to the development of the new credit products (incl. socially oriented ones) as well as the implementation of innovative mechanisms that expand availability of mortgages. The Agency has developed a program to support mortgage borrowers facing temporary income declines due to unfavorable economic conditions. Currently, AHML actively implements policies that encourage bank lending for construction of economy-class housing.

An important task for AHML is to provide liquidity to Russian commercial banks that offer long-term mortgage loans to people by purchasing rights of claim on those loans with the funds raised by placing securities in the Russian stock market. As of 27 August 2010, the Agency has refinanced over 190 thousand mortgage loans for a total of over 161.7 billion rubles.