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Press Release

Baker & McKenzie Advises on New Securitizations in Russia


Moscow, Russia, 20 March 2014 — Baker & McKenzie has completed a number of innovative securitizations over the last few months, strengthening its leading place on the Russian securitization market. With the help of these securitizations banks raised more than RUB70 billion in investor funding — a record amount in the Russian securitization market for such a short period. These transactions account for more than 80 percent of all the securitizations in Russia over the last nine months. Baker & McKenzie acted as both deal (transaction) counsel and tax counsel on these deals.

In December 2013 Baker & McKenzie's team completed a RUB28 billion domestic mortgage securitization for **Bank VTB24**. This is the largest public mortgage securitization ever undertaken in the Russian securitization market. The transaction structure allowed the volume of the junior tranche to be decreased, thus increasing the amount of funds raised through the senior tranche. The issued bonds were rated Baa2 by Moody's. The bonds were placed at the fixed rate of 7.9 percent p.a. and are eligible for repurchase transactions with the Russian Central Bank.

In December 2013, the Firm's securitization team completed a debut deal for **Transcapitalbank**. The deal was placed under the second Agency for Housing Mortgage Lending (AHML) program for the purchase of mortgage-backed bonds. The transaction involved an innovative mortgage risk insurance mechanism for the underlying collateral. The insurance was provided by OJSC "Insurance company AHML." This mechanism allowed the originator to achieve better subordination (90 percent — senior tranche, 10 percent — junior tranche), which is the lowest subordination on a Russian securitization so far. The issued bonds were rated Baa3 by Moody's, which is four notches higher than the rating of the originator. The bonds were placed with AHML and a number of private investors allowing the originator to receive financing at the fixed rate of 8 percent p.a.

In November and December 2013, **Investtradebank** and **Absolut Bank**, respectively, completed their repeat mortgage securitizations. The Investtradebank deal was placed under the AHML program for the purchase of mortgage-backed bonds, enabling the bank to receive long-term financing at the fixed rate of 9 percent p.a. Absolut Bank securitized its RUB9 billion mortgage portfolio and all the issued bonds were placed among market investors at the fixed rate of 8.9 percent p.a. The bonds were rated Baa3 by Moody's. This is the second successful market placement of mortgage bonds by Absolut Bank.

In December 2013, Baker & McKenzie advised **AHML** in connection with the first ever multi-originator mortgage securitization. The transaction envisaged the issue of five tranches of bonds, including a mezzanine tranche. Both senior and mezzanine tranches were placed at fixed rates (8.75 percent p.a. and 11 percent p.a., respectively). The structure of the transactions allowed consolidation of the mortgage portfolios of several regional partner mortgage agencies of AHML and enabled capital markets financing to be obtained on favorable conditions. Under the transaction each originator purchased a junior tranche, the size of which varied depending on the size of the mortgage portfolio of each originator.



In December 2013, the Firm successfully closed the first post-crisis cross-border securitization of consumer loans in Russia. The transaction was arranged by the London branch of Deutsche Bank and included loans originated by **OJSC Commercial Bank “Poidem!”**, which is a member of the Russian financial group “Life.” The structure allowed the bank to raise 3-year funding at a favorable interest rate.

In January 2014, Baker & McKenzie’s team completed a RUB10 billion **commercial true sale mortgage securitization**. The bonds were issued by CJSC Mortgage agent Kama. The notes were placed with a number of private investors at the fixed rate of 10.9 percent p.a.

Vladimir Dragunov, Moscow partner and head of the Russian Structured Finance Practice at Baker & McKenzie, says: “We are very proud that our clients have completed such complex and innovative transactions. Each of these deals has its own unique features. The experience and commitment of our team made it possible to successfully implement these transactions in a remarkably short timeframe.”

About Baker & McKenzie

Founded in 1949, Baker & McKenzie advises many of the world’s most dynamic and successful business organizations through more than 4,100 locally qualified lawyers and 6,000 professional staff in 75 offices in 47 countries. The Firm is known for its global perspective, deep understanding of the local language and culture of business, uncompromising commitment to excellence, and world-class fluency in its client service. Global revenues for the fiscal year ended 30 June 2013 were USD2.419 billion. Eduardo Leite is chairman of the Executive Committee. (www.bakermckenzie.com)

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