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ЗАИМСТВОВАНИЙ  
ГОРОДА МОСКВЫ

МОСФИН  АГЕНТСТВО

# THE CITY OF MOSCOW: ISSUER'S PROFILE

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## Factors of Credibility

September 2007



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# Part 1. The City of Moscow Economy



## Russia's Growing Economy and Financial Stability is Beneficial to its Regional Economies

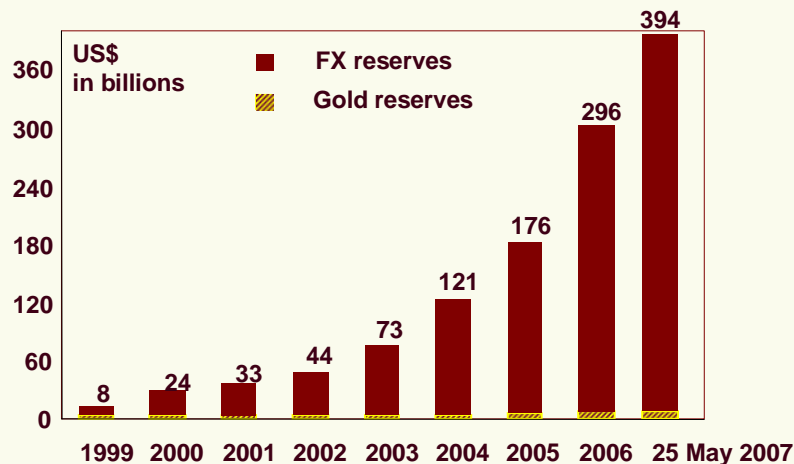


In 1998-2006 Russia's GDP grew by 1.7 times

In 1998-2006 Moscow's GCP grew more than twice

2005 City's GCP has been estimated at **RUB 3.6 trillions**

### Foreign Currency & Gold Reserves



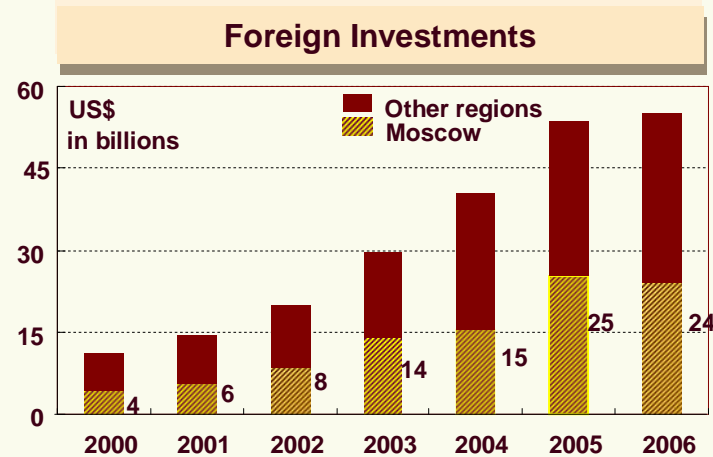
For the past 8 years City's GCP has grown by ~ **9% p.a.**

In 2007-2010 City's GCP is expected to grow by **7-7.5% p.a.**

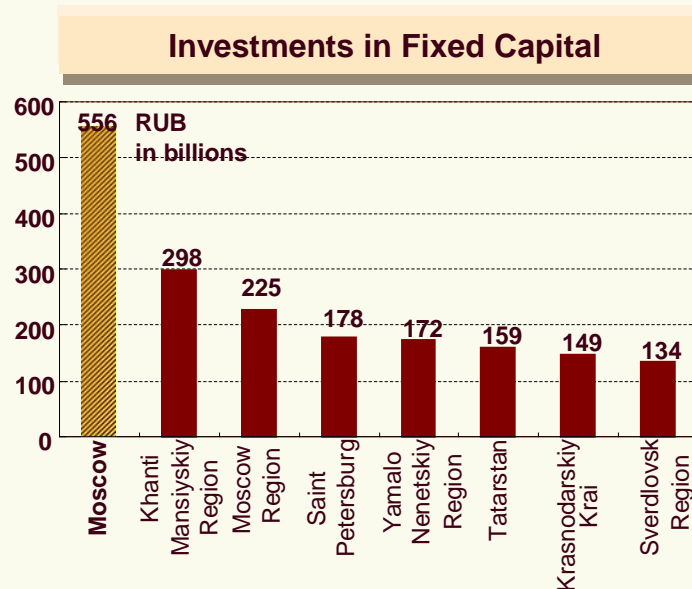
Growth of Reserves reflects increasing stability of Russia's financial system



## Investments in Fixed Capital and Foreign Investments are Essential Factors of Economic Development



In 2006 Moscow received US\$24 billion (44%) of all Foreign Investments in Russia

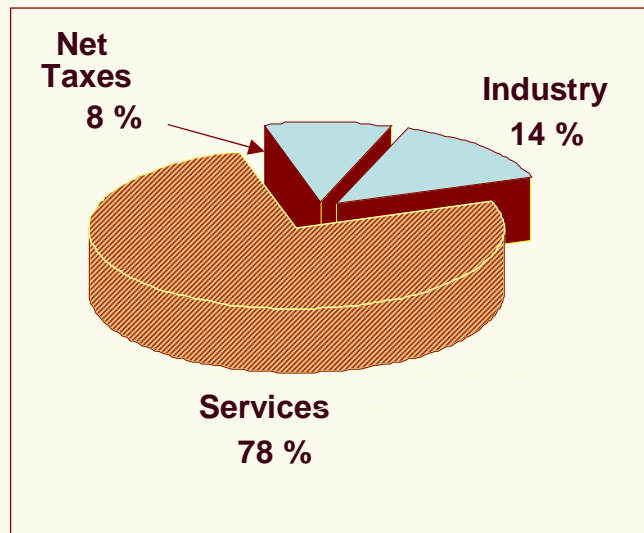


In 2006 Moscow received 12% of all investments in Fixed Capital in Russia



## Economic Structure of Moscow is Typical for Developed Countries

Structure of GCP



Services Sector accounts for 78% of City's GDP

City's economic structure is typical for megapolises and countries with developed economies

One of the strategic goals of the Moscow Government for 2007-2010 is to maintain economic growth of not less than 7% p.a.



## Moscow is Russia's Strongest Region

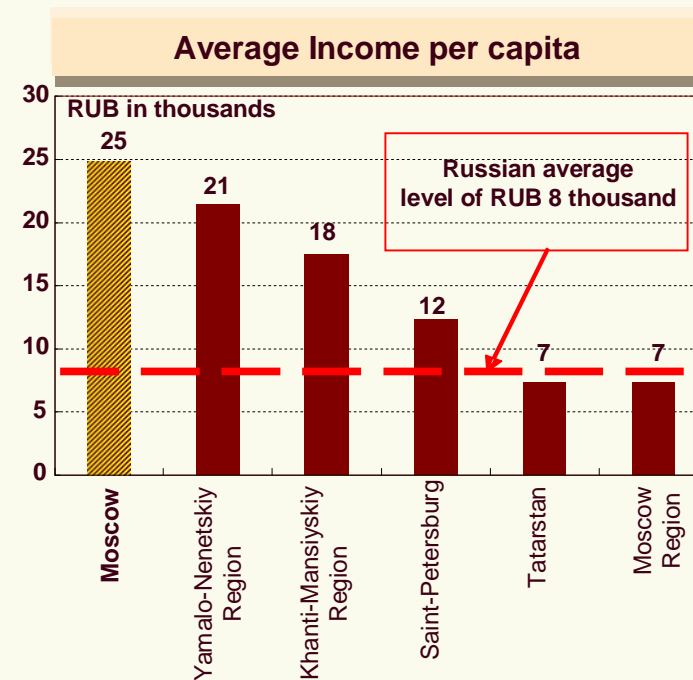
### Moscow's leading position is determined by:

- Strongest economy
- Largest population and highest living standards
- Diversified economy and budget revenues
- Developed financial sector
- Independence from Federal subsidies



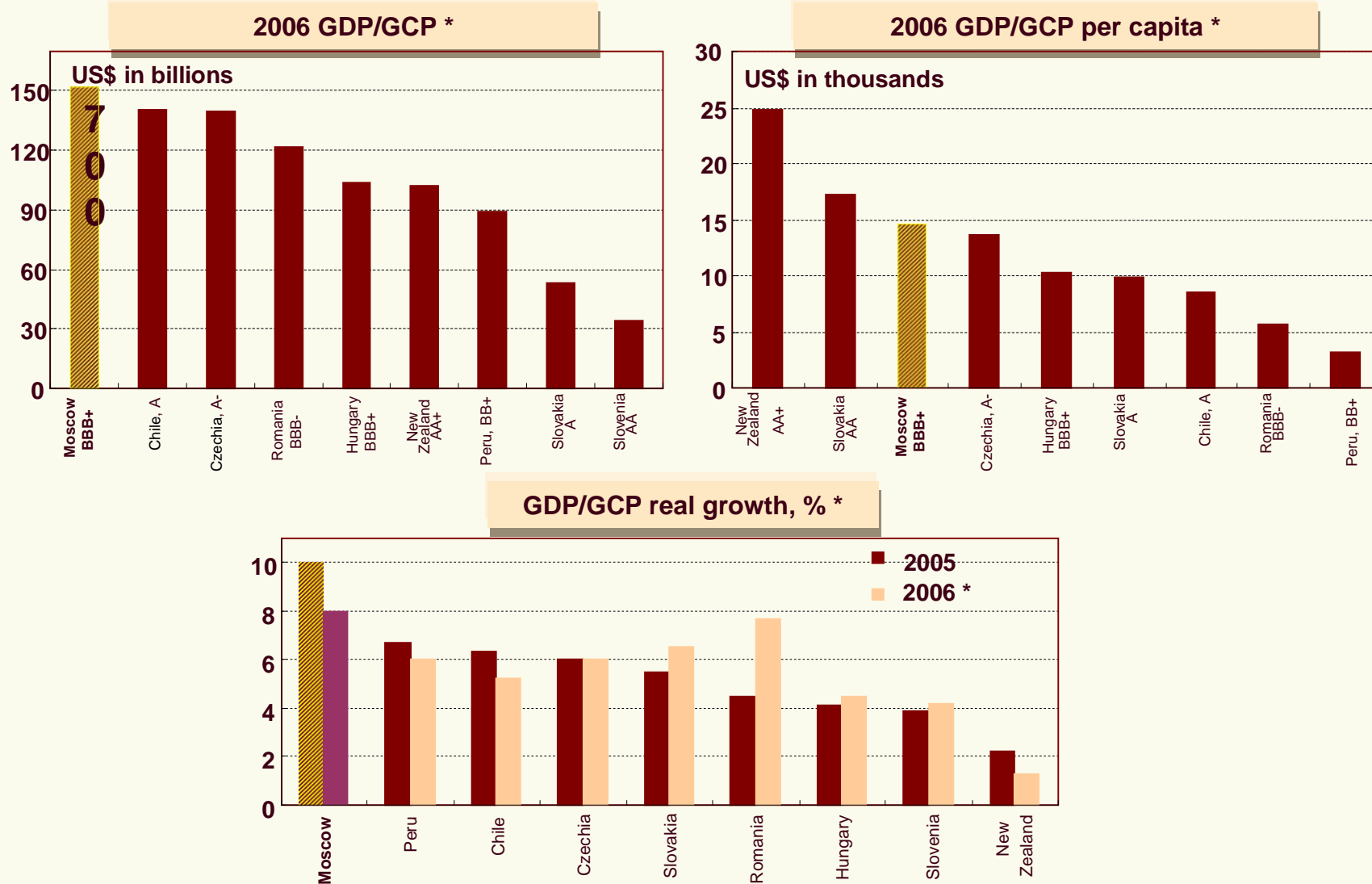
\* Data for 2004

\* \*Data for 2005





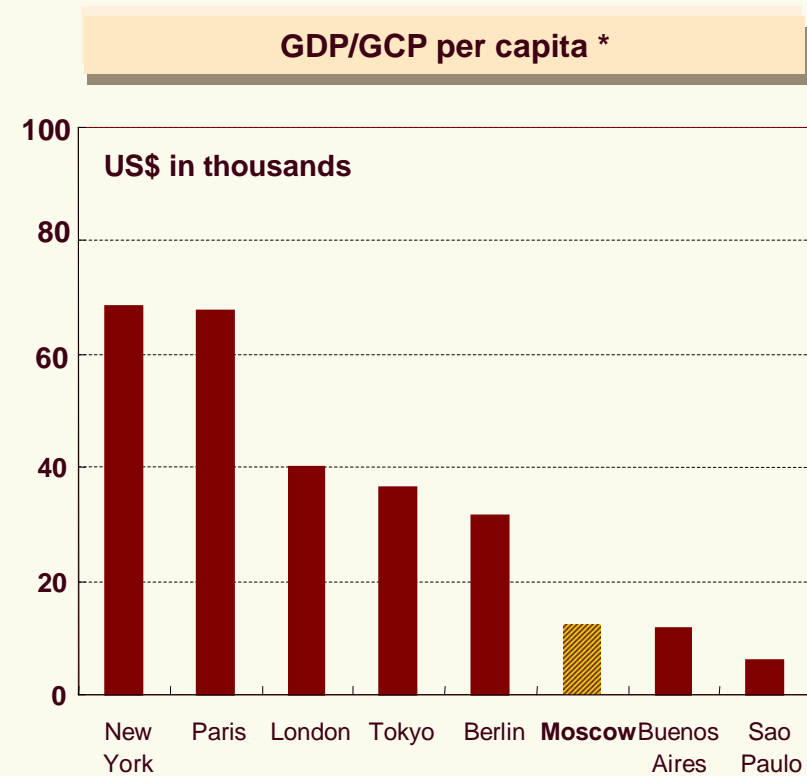
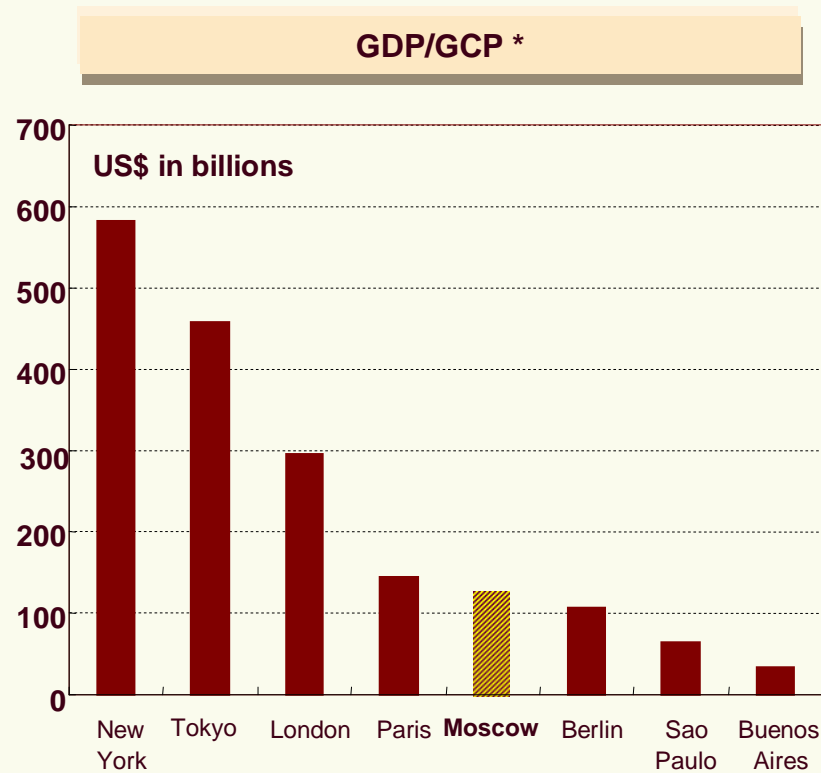
## Size of Moscow's Economy is on a Par With Some Highly Rated European Countries



\* ESTIMATES



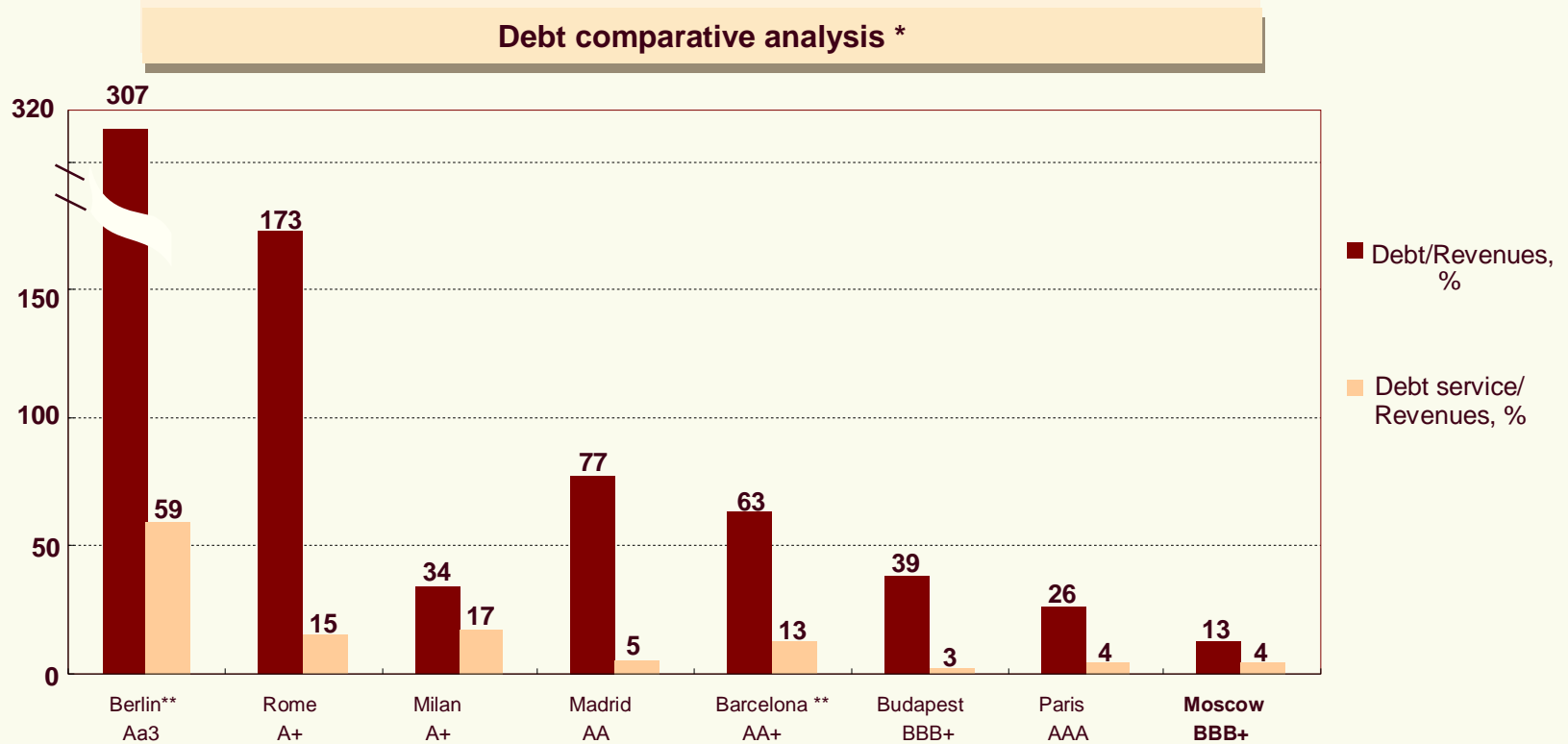
## Economic Indicators of Some Cities



\* Data for 2004 & 2005



## Debt Comparative Analysis



Debt burden of Moscow (BBB+) is much lower than, for instance, debt burden of Budapest (BBB+), Madrid (AA) or Paris (AAA)

\* Source: 2005, Standard & Poor's; 2006, City of Moscow

\*\* Source: 2004, Moody's



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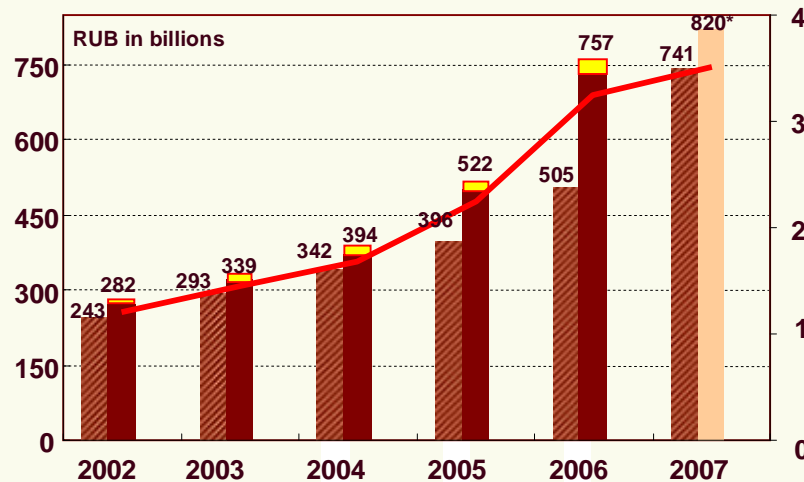
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## Part 2. City's Finances



## Conservative Budgetary Approach Minimizes Credit Risks

Planned and Factual Budget Revenues



- Revenues (plan)
- Revenues (fact)
- Subventions & Subsidies (fact)
- Growth Index, 2001=1

\* Moscow Debt Committee's estimates

In 2001-2006 City's factual revenues exceeded planned revenues by 19.7%

Factual revenues exceeded planned revenues as a result of conservative budgetary planning

**Conservative budgetary planning minimizes budget credit risk**

Conservative planning creates difficulties with realisation of City's Investment and Borrowing Programs



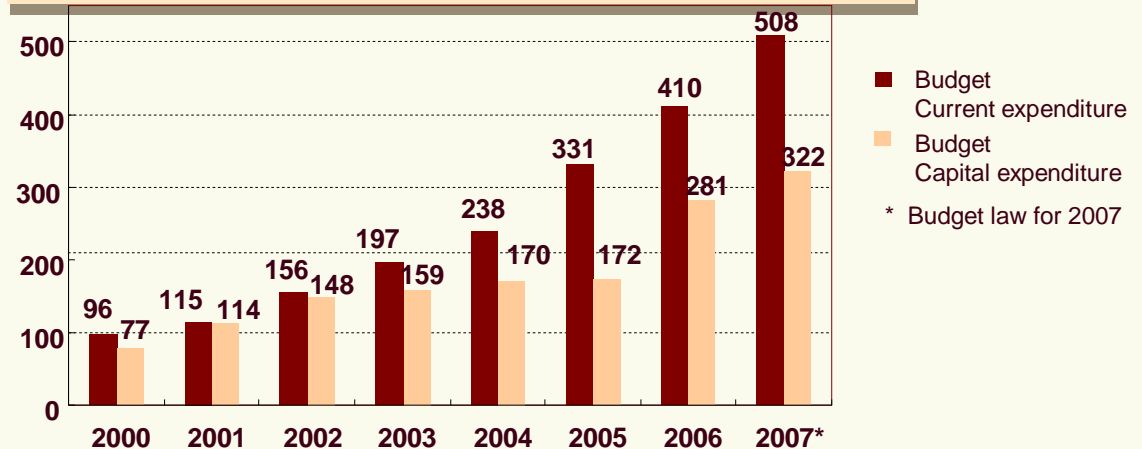
## City's Capital Expenditure Accounts for Significant Proportion of Total Investments in Fixed Capital

Budget investments provide grounds for development of City's infrastructure

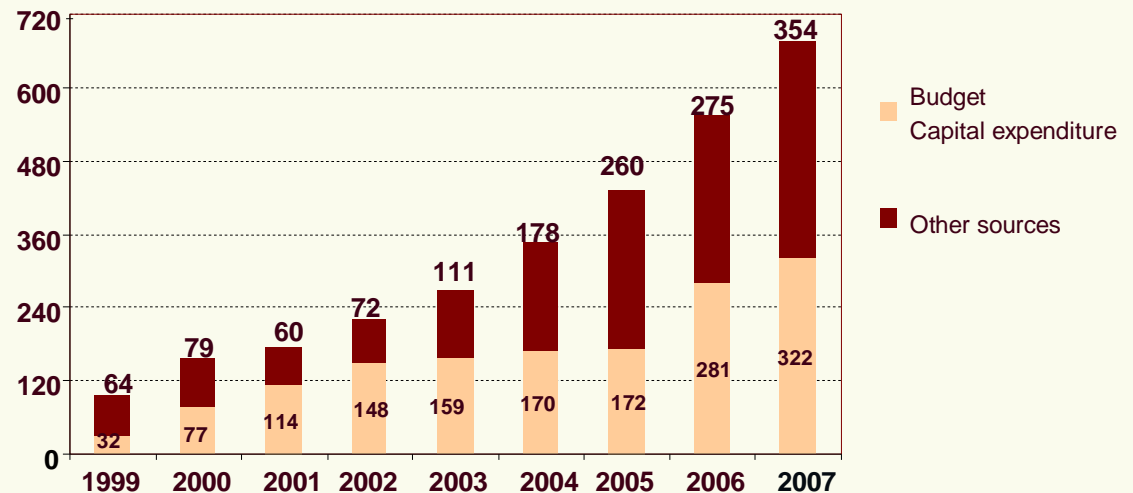
Budget investments reduce financial (credit) risks

Budget funds accounts for 40-50% of total investments in Fixed Capital

Budget Current and Capital Expenditure



Investments in Fixed Capital





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## Part 3. Debt Management



## Credit Risk Management and Cost Optimization Through Consistent Improvement of Debt Structure

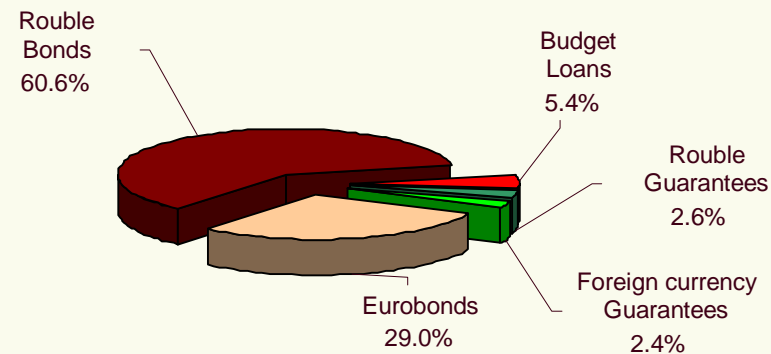
As of 1 April 2007 City's debt equaled RUB 93.4 bln.

Low debt burden:  
Debt/Revenues = 12.5%

By April 2007 proportion of liquid instruments (i.e. Rouble Bonds and Eurobonds) in City's overall debt equaled 89.6%



**Structure of Overall Debt as of 01.04.2007**





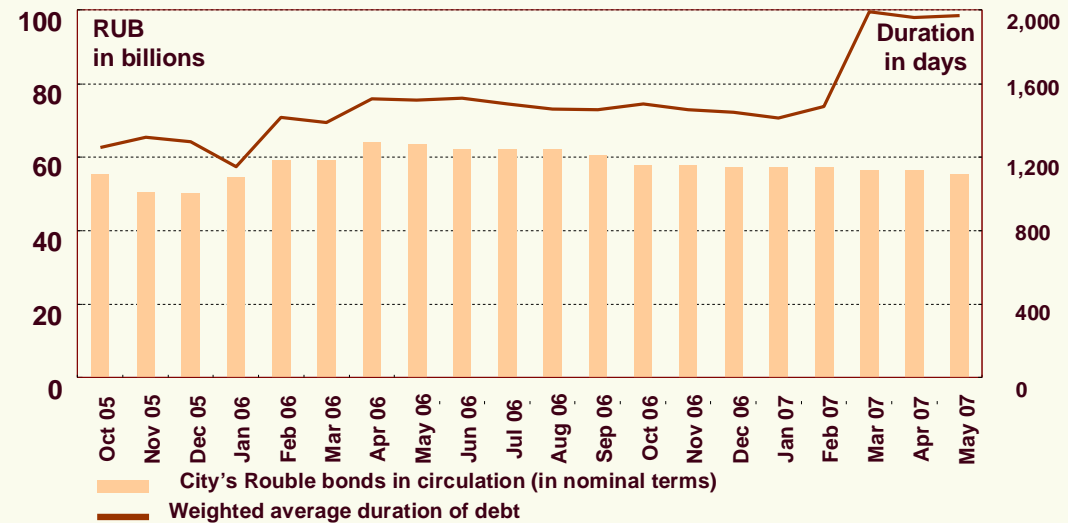
## Reduction of Debt Burden

### Through Increase of Duration and Improvement of Debt Profile

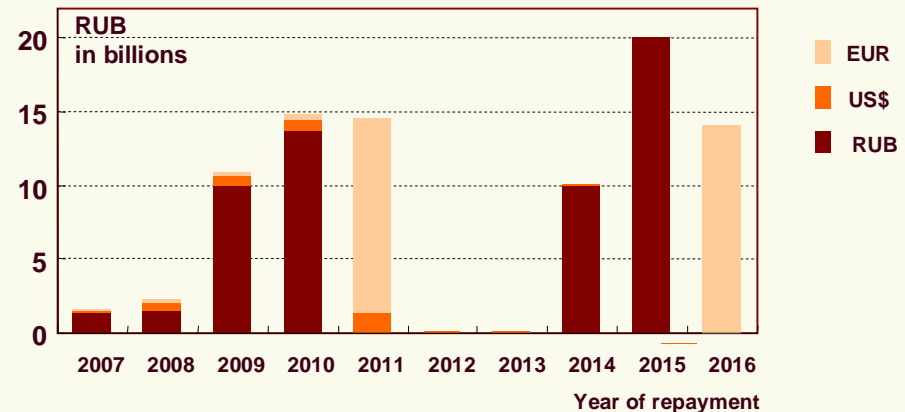
In 2004-2007 volume of Rouble Bonds in circulation equaled ~ RUB 55-60 bln.

In 2004-2007 average duration of Rouble Bonds grew from 3 to 5.4 years

2005-2007: Duration of Rouble Bonds



Direct Debt Repayment as of 01.04.2007





## 2007 Rouble Bond Swaps

### Swaps \*

#### Bonds Placed

Issue	Repayment Date	RUB, bln.
RU27039MOS	21.07.2014	1.24
RU27041MOS	30.07.2010	4.24
RU31047MOS	28.04.2009	5.00
RU32044MOS	24.06.2015	10.00
TOTAL		20.48

#### Bonds Cancelled

Issue	Repayment Date	RUB, bln.
RU25029MOS	05.06.2008	4.39
RU25031MOS	20.05.2007	2.87
RU25036MOS	16.12.2008	3.44
RU25040MOS	26.10.2007	3.18
RU25042MOS	13.08.2007	2.77
RU25043MOS	17.05.2008	4.55
TOTAL		22.20

In February-March 2007 Moscow swapped its short-term bonds due 2007-2008 for bonds maturing in 2009-2015. Deal's value was RUB 22.4 bln. at market price.

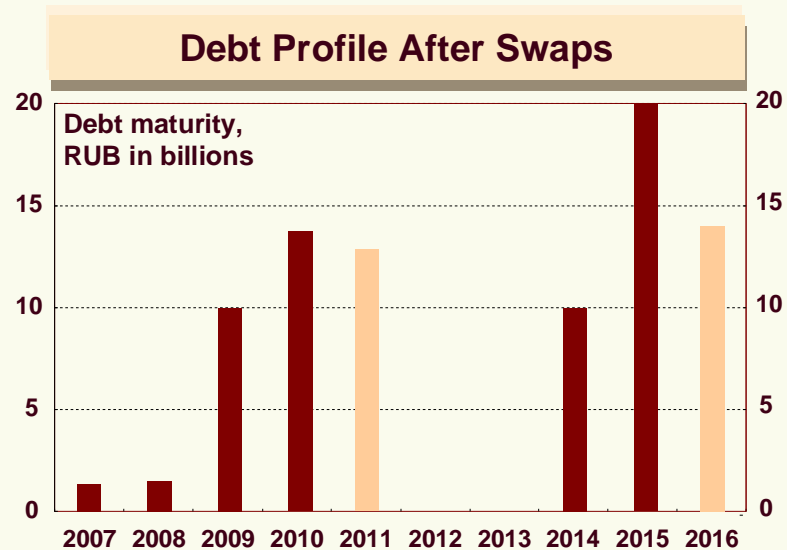
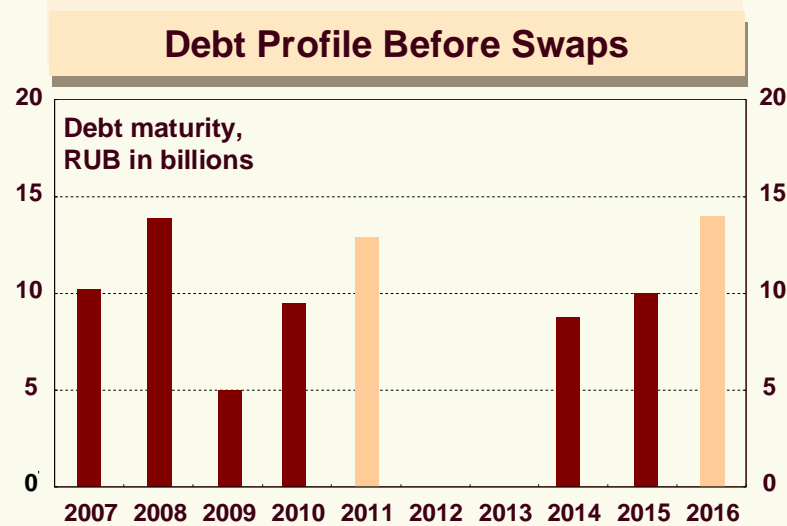
#### Goals:

- reduction of short-term debt burden
- increase of duration and improvement of debt profile
- increase of bond market liquidity through issuance of large issues

\* in nominal terms

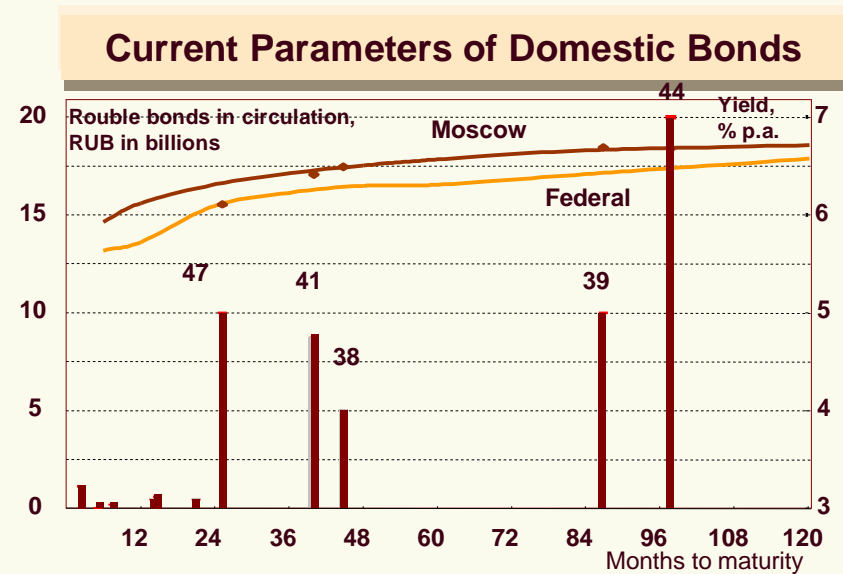


## Swaps' Details



### Results of swap deals:

1. Debt due 2007-2008 was almost refinanced
2. Maturity of bond portfolio was increased from 3.7 to 5.4 years
3. Almost half of City bonds will have maturities of 7 years or longer
4. City's debt was reduced by RUB 728 mln.
5. **About 90% of all Rouble bonds are in four issues ranging from RUB 10-20 bln.**





## Development of City Bond Market – Essential Element of Debt Management System

### Bonds in Circulation \*

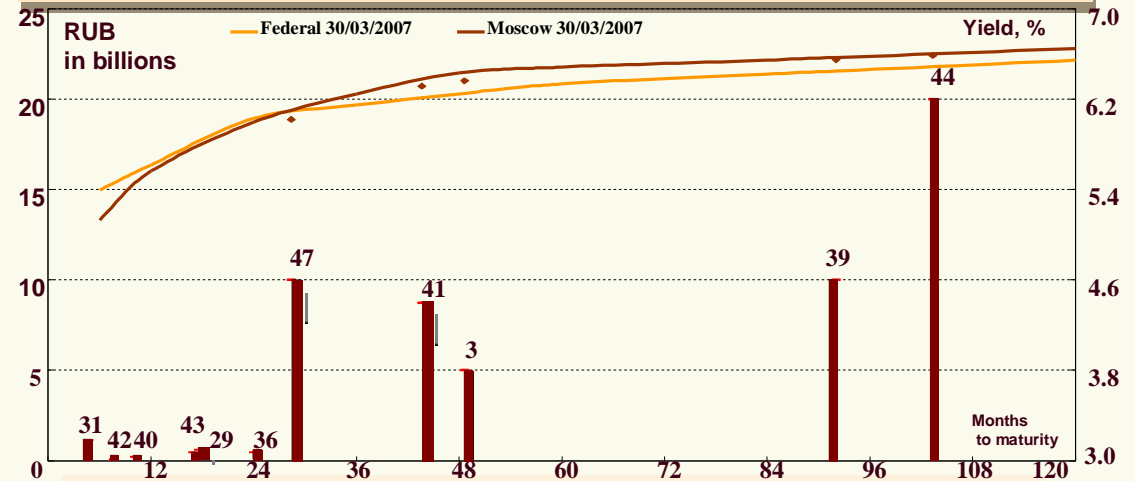
	RUB, bln.
<b>Market segment</b>	<b>30.03.07</b>
Federal bonds	941.0
Corporate bonds	920.8
Municipal bonds	182.1
including	
Moscow City bonds	56.6
<b>Total</b>	<b>2,043.9</b>

\* Data from public sources

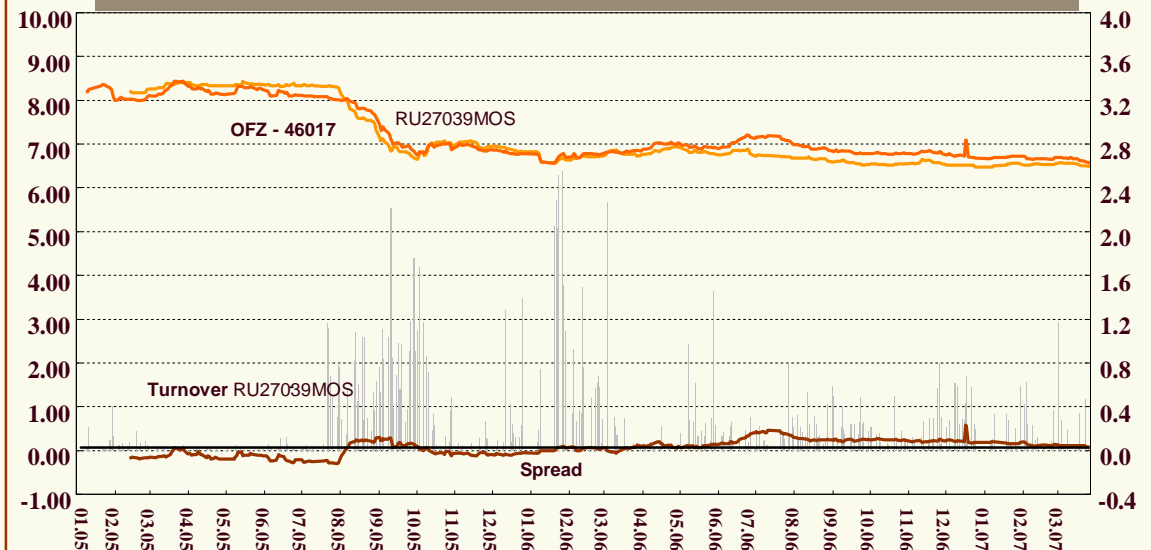
### Monthly Average Bond Market Turnover in 2007

	RUB, bln.
<b>Market segment</b>	<b>30.03.07</b>
Federal bonds	46.8
Corporate bonds	151.8
Municipal bonds	41.6
including	
Moscow City bonds	20.4
<b>Total</b>	<b>240.2</b>

### Yield Curve and Bonds Placed



### Yield Dynamics of Federal & Moscow Rouble Bonds

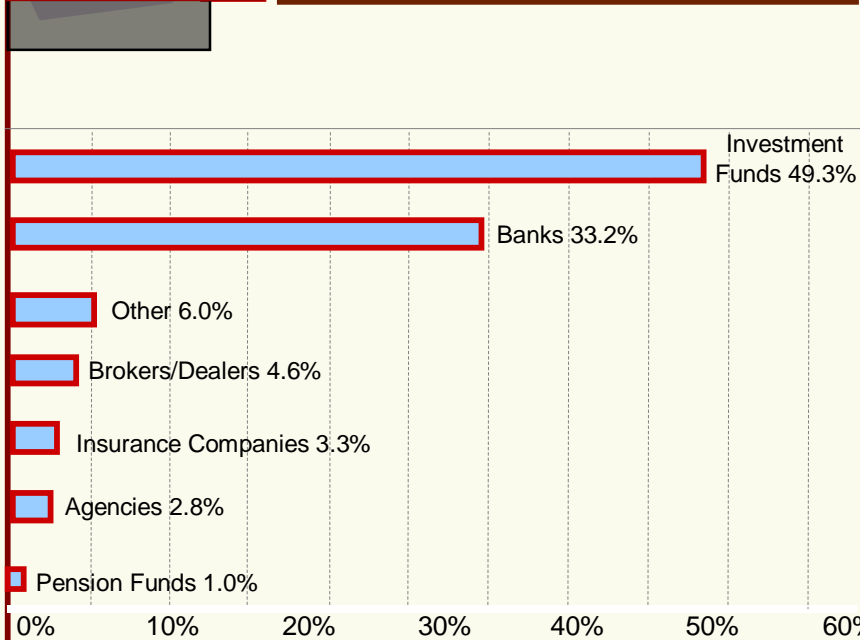




## City Of Moscow 2006 Eurobond



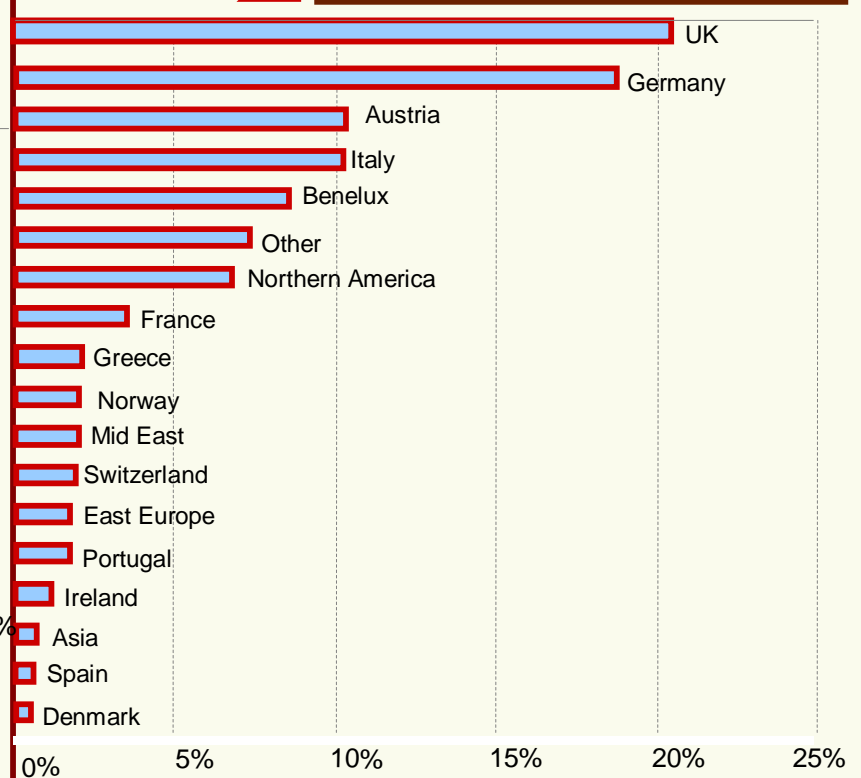
### Investor Allocations By Type



Investors in City of Moscow Eurobond included international pension funds, insurance companies and state agencies



### Investor Allocations By Region



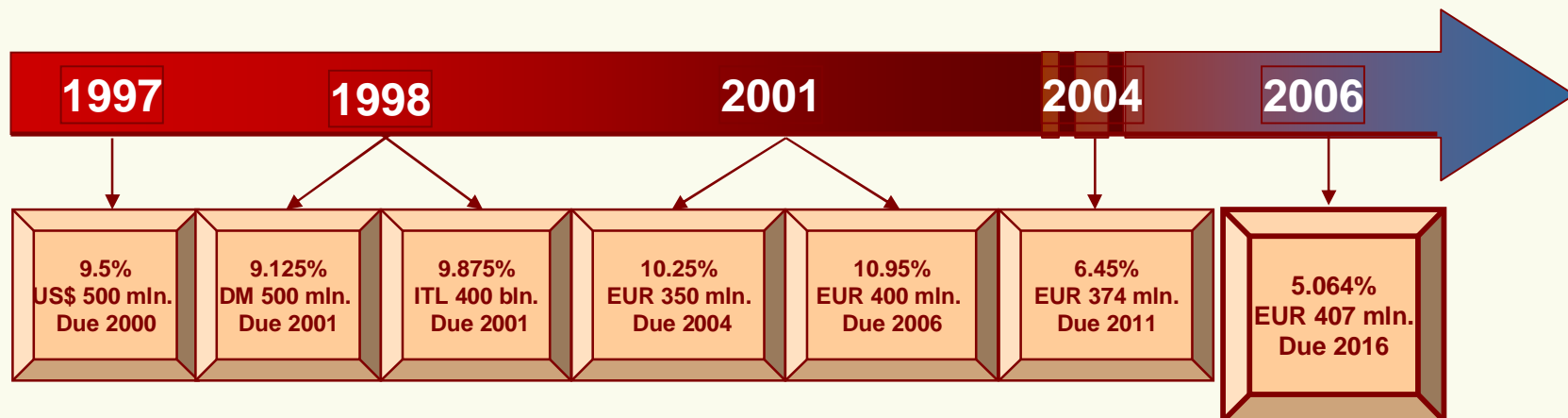
Eurobond was acquired by 162 financial institutions from 24 countries  
Demand equaled EUR 1.84 billion – 4.5 times above the offer



## 10 Years On International Debt Market

### Eurobond Issuance

In the Past 10 Years Moscow State Debt Committee placed 7 Eurobond Issues



- In October 2006 Moscow Debt Committee raised EUR 407 mln. through issuance of loan participation notes maturing in 2016
- Transaction was priced at 5.064% - Moscow set new benchmark for regional and corporate issuers in Russia



## Safe Debt Requirements

City Set Additional Limits to Maintain Debt at Safe Level

Indicator	Maximum Level
Debt / Revenues	24%
Annual Debt Repayment / Capital Resource	100%
(Annual Debt Repayment + Debt Service) / Revenues	15%
Annual Debt Repayment / Current Balance	50%



## City of Moscow Debt Indicators

Size of City's debt complies with regulations of Russian Budget Code and meets City's additional Safe Debt Requirements

Compliance with Safe Debt Requirements allows Moscow to repay all its debt from Budget without new borrowings

	RUB in billions			
	2004	2005	2006*	2007**
<b>Budget Indicators</b>				
<b>Revenue</b>	393.6	522.2	756.9	820.0
<b>Expenditure</b>	407.4	503.2	691.3	829.3
<b>Capital resource</b>	156.0	191.1	346.6	312.4
<b>Debt Indicators</b>				
<b>Debt</b>	103.5	88.9	94.8	109.9
<b>Debt repayment</b>	28.9	34.1	22.8	23.4
<b>Debt service</b>	7.5	8.8	9.1	13.0
<b>Debt Burden, %</b>				
<b>Debt / Revenue</b>	26%	17%	13%	13%
<b>Debt / Expenditure</b>	2%	2%	1%	2%
<b>Debt repayment / Revenue</b>	7%	7%	3%	3%
<b>Debt repayment / Capital resource ***</b>	19%	18%	7%	7%
<b>(Debt repayment + Debt service) / Revenue</b>	9%	8%	4%	4%

Notes:

Budget and Debt indicators are as at the end of indicated periods

\* Data are as of 1 Jan 2007

\*\* Debt and Revenue are estimated by Moscow Debt Committee;  
Expenditure is set by City Budget Law

\*\*\* Capital Resource equals Revenue net of Current expenditure and Expenditure of Designated Purpose Funds



## 2006 Execution of Moscow Borrowing Program

	in billions			
	Borrowing		Repayment	
	Plan*	Fact**	Plan*	Fact**
In 2006 Current surplus was used for advance repayment of debt and reduction of Borrowing Program				
	<b>RUB</b>			
	<b>58.9</b>	<b>17.9</b>	<b>6.8</b>	<b>9.0</b>
	5.6	0.5	1.1	1.2
	53.3	17.4	5.7	7.7
	<b>EUR</b>			
	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
	0.4	0.4	0.4	0.4
	<b>US\$</b>			
				<b>0.005</b>
				0.005
	<b>73.8</b>	<b>31.7</b>	<b>21.7</b>	<b>22.8</b>
	<b>52.1</b>	<b>8.8</b>		
Following reduction of Borrowing Program in 2006 City's debt increased just by 6.6%				

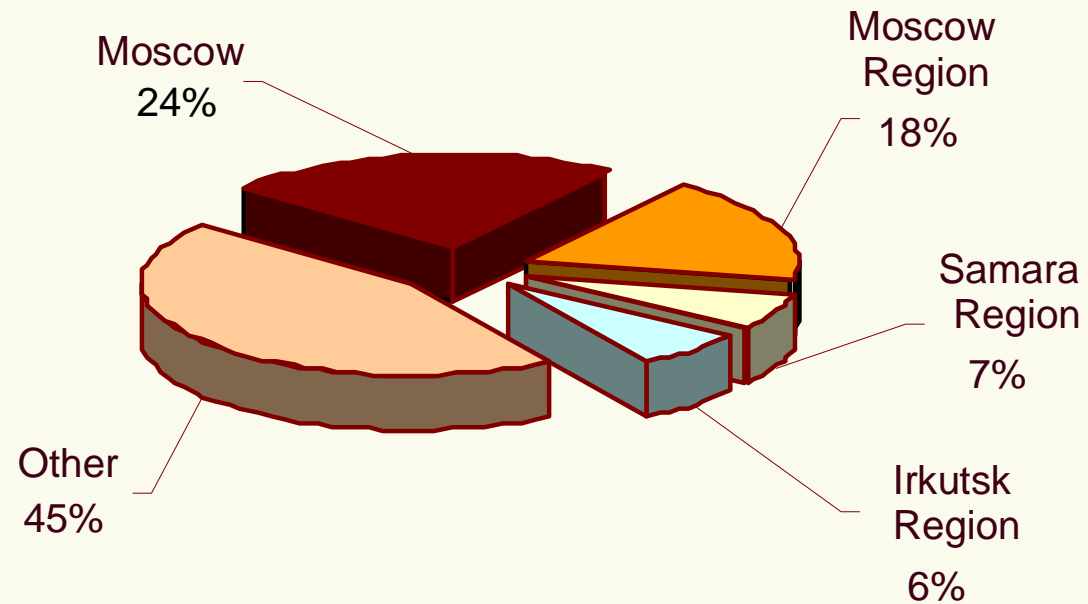
\* City of Moscow Law No. 37 of 5 June 2006 On amendments to City of Moscow Budget Law for 2006

\*\* Moscow Department of Finance estimates



## 2006 Sub-Federal Bond Market Structure

### 2006 Largest Regional Bond Issuers



In 2006 Moscow was the largest issuer on Regional bond market – 23.5%



## 2007 Borrowing Strategy

### Key element of 2007 Borrowing Strategy is Concentration of Liquidity in Large Bond Issues

From 2006 Moscow has started issuance of large bond issues with maturities of 3, 5, 10 and 15 years

Size of each new bond issue with maturity of 10 and 15 years will range from RUB 20 to 30 bln. and will be placed within 2 years

By 2011 average maturity of Rouble bonds will grow from 5 to 8 years

**2008-2010 Bond placement strategy \***

RUB in thousands

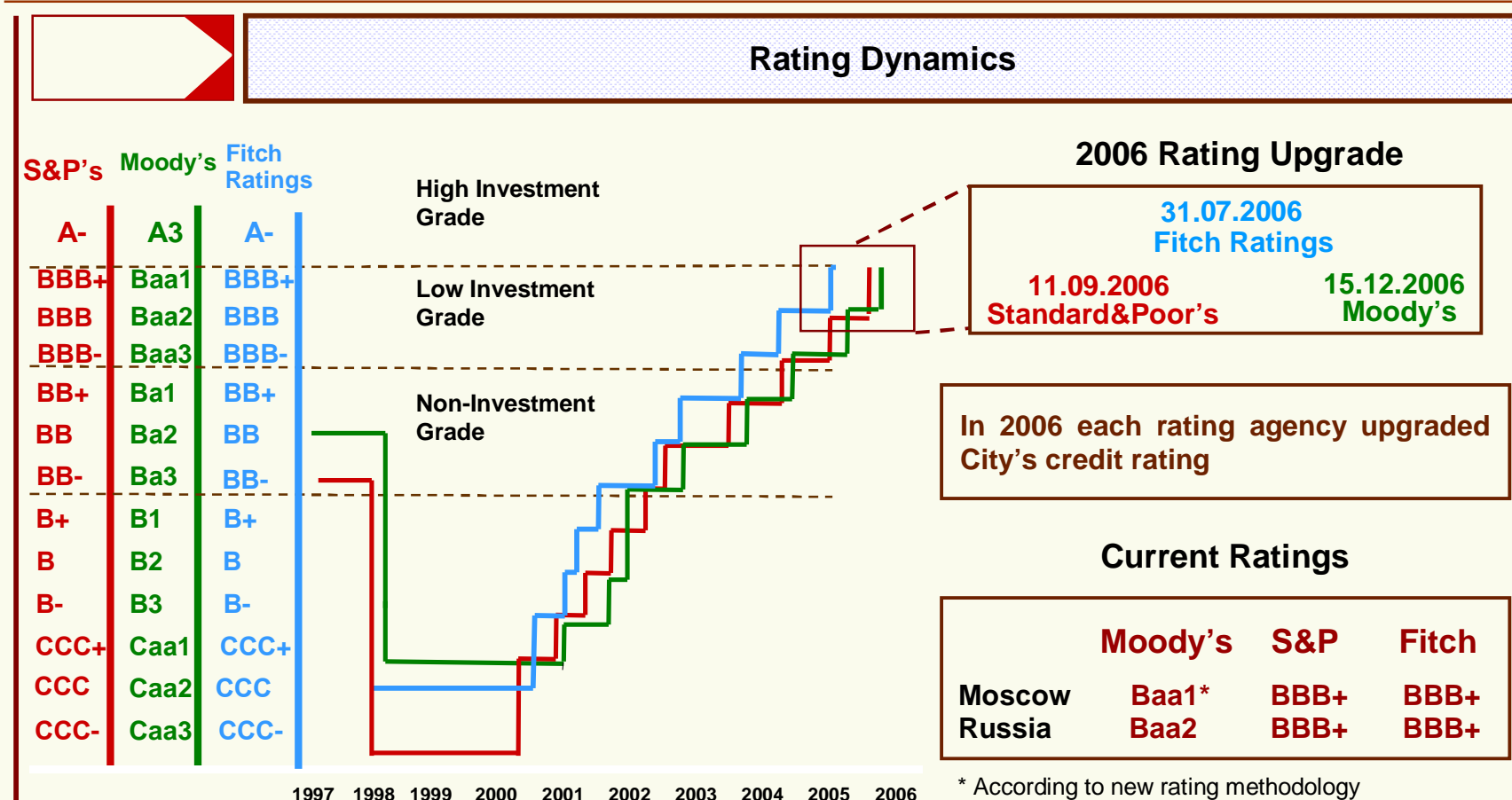
Maturity	2008	2009	2010	Total
2008				1,503,188
2009				10,000,000
2010				15,000,000
2011	15,000,000			15,000,000
2012		15,000,000		25,000,000
2013	20,000,000		15,000,000	35,000,000
2014		20,000,000		30,000,000
2015			20,000,000	40,000,000
2016				
2017				
2018	40,000,000			40,000,000
2019		40,000,000		40,000,000
2020			40,000,000	40,000,000
2021				
2022	40,000,000			40,000,000
2023				
2024		40,000,000		40,000,000
2025			40,000,000	40,000,000

\* Figures can be amended subject to changes in budgetary policy and market conditions

	- Bonds registered but not placed
	- Plan for 2008
	- Plan for 2009
	- Plan for 2010



## City of Moscow Ratings



In the past 7 years three largest international rating agencies raised City of Moscow credit rating 27 times



## Information Resources



[www.findep.mos.ru](http://www.findep.mos.ru)

Information on structure and functions of City of Moscow Finance Department, City of Moscow Treasury, results of execution of City Budget, documents on budget process etc.



[www.mos.ru](http://www.mos.ru)

Official Web-site of Moscow Government



[www.moscowdebt.ru](http://www.moscowdebt.ru)

Information on domestic and external City bonds, City Budget, City Borrowing Program, procedure of issuance, circulation and repayment of bonds, research etc.