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The information contained in this Information Memorandum has been supplied by or on behalf of Closed Joint Stock Company "Second Mortgage Agent of AHML" (the "**Issuer**"). ZAO Citibank and any subsidiary or affiliate ("**Citi**"), Renaissance Capital – Financial Consultant Limited and any subsidiary or affiliate ("**Renaissance**" and, together with Citi, the "**Joint Arrangers**") have not independently verified such information and such information is being provided by the Joint Arrangers for informational purposes only. The Joint Arrangers do not make any representation or warranty as to the accuracy or completeness of such information and do not undertake any obligation to update or revise such information whether as a result of new information, future events or otherwise. Neither the Joint Arrangers nor their employees, directors or subsidiaries accept any liability, express or implied, for any representations or warranties contained in, or any omissions from, this Information Memorandum or any other written or oral communication transmitted to the recipient in the course of its evaluation of the proposed acquisition of bonds or otherwise.

This Information Memorandum has been prepared to assist the recipients in making their own evaluation of the proposed acquisition of bonds issued by the Issuer and for no other purpose. This Information Memorandum does not purport to be all-inclusive or to contain all information that a prospective investor may desire. **It is understood that each recipient of this Information Memorandum will perform its own independent investigation and analysis of the proposed acquisition of bonds issued by the Issuer, based on such information, as it deems relevant and without reliance on the Joint Arrangers. This Information Memorandum is not a substitute for the recipient's independent investigation and analysis. Each recipient of this Information Memorandum must check and observe all applicable legal requirements and, for the avoidance of doubt, receipt of this Information Memorandum and the information contained herein may not be treated as discharging any regulatory or statutory responsibilities under applicable legislation (including but not limited to anti-money laundering legislation) of any such recipient.**

NOTHING IN THIS INFORMATION MEMORANDUM CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE BONDS DESCRIBED HEREIN IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER RELEVANT JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("**REGULATION S**")), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE

REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

The content of this Information Memorandum has not been approved by an authorised person for the purposes of Section 21 of the Financial Services and Markets Act 2000. Accordingly, this Information Memorandum is not being distributed to, and must not be passed on to, the general public in the United Kingdom. Any invitation or inducement to engage in any investment activity included within this Information Memorandum is made only to, or directed only at, persons falling within Article 19 (*Investment professionals*) or Article 49 (*High net worth companies, unincorporated associations etc.*) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, persons who are "qualified investors" within the meaning of Sections 86(1) and 86(2) of the Financial Services and Markets Act 2000 (the "**FSMA**") or any other persons to whom it may otherwise lawfully be communicated (such persons together being "**relevant persons**").

This Information Memorandum must not be acted on or relied upon by persons other than relevant persons. Any invitation or inducement to engage in any investment activity included within this Information Memorandum is available only to relevant persons and will be engaged in only with relevant persons.

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This Information Memorandum is being sent at your request and by accepting this Information Memorandum, you shall be deemed to have represented to us that you and any customers you represent are not a U.S. person (as defined in Regulation S under the Securities Act) nor a person in the United States nor acting, directly or indirectly, on behalf of a U.S. person.

You are reminded that this Information Memorandum has been delivered to you on the basis that you are a person into whose possession this Information Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Information Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Arrangers or any affiliate of the Joint Arrangers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Joint Arrangers expressly disclaim any and all liability which is based on the information and statements or any part thereof contained in, or omitted from, this Information Memorandum.

This Information Memorandum has been prepared solely from facts, estimates and statements obtained from the Issuer, from Open Joint Stock Company "The Agency for Housing Mortgage Lending" ("**AHML**") and/or publicly available sources. These facts, estimates and statements may be based on various assumptions which may prove to be incorrect and the actual results may differ from those in this Information Memorandum as a result of various factors.

The Joint Arrangers hereby inform the recipients of this Information Memorandum that they may have various business relations with the Issuer, AHML or their respective affiliates and that, as a result of such relations, the Joint Arrangers may become aware of confidential information related to the Issuer, AHML or their respective affiliates which is not disclosed in this Information Memorandum.

This Information Memorandum may have been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Joint Arrangers nor their employees, directors or subsidiaries accept any liability, express or implied, for any difference between the Information Memorandum distributed to you in electronic form and the hard copy version available to you on request from the Joint Arrangers.

INFORMATION MEMORANDUM

CLOSED JOINT STOCK COMPANY "SECOND MORTGAGE AGENT OF AHML"

(Incorporated in the Russian Federation with Registration Number 1077757770837)

RUB 9,440,000,000 Class A Mortgage-Backed Fixed Rate Bonds due 2040

Issue Price: 100 per cent.

RUB 590,300,000 Class B Mortgage-Backed Variable Rate Bonds due 2040

Issue Price: 100 per cent.

RUB 697,317,000 Class C Mortgage-Backed Variable Rate Bonds due 2040

Issue Price: 193.21 per cent.

The RUB 9,440,000,000 Class A Mortgage-Backed Fixed Rate Bonds due 2040 (the "**Class A Bonds**"), the RUB 590,300,000 Class B Mortgage-Backed Variable Rate Bonds due 2040 (the "**Class B Bonds**") and the RUB 697,317,000 Class C Mortgage-Backed Variable Rate Bonds due 2040 (the "**Class C Bonds**") and, together with the Class A Bonds and the Class B Bonds, the "**Bonds**") are issued by Closed Joint Stock Company "Second Mortgage Agent of AHML" (the "**Issuer**") incorporated as a mortgage agent in the Russian Federation in accordance with Federal Law No. 152-FZ of 11 November 2003 "On Mortgage-Backed Securities", as amended (the "**MBS Law**"). The Bonds are issued in bearer form and are subject to mandatory centralised custody. The Bonds are issued simultaneously and are secured by the same mortgage collateral, subject to the priority set out in the decision of issuance of the Class A Bonds (the "**Class A Decision**"), the decision of issuance of the Class B Bonds (the "**Class B Decision**") and the decision of issuance of the Class C Bonds (the "**Class C Decision**" and, together with the Class A Decision and the Class B Decision, the "**Decisions**") and described in the prospectus prepared in respect of the Class A Bonds and the Class B Bonds (the "**Russian Prospectus**") and this Information Memorandum. The Decisions, the Russian Prospectus and related documents are in Russian, use Cyrillic script and refer to the Class A Bonds, Class B Bonds and Class C Bonds as "Class "A" Bonds" (*obligatsii klassa "A"*), "Class "B" Bonds" (*obligatsii klassa "B"*) and "Class "B" Bonds" (*obligatsii klassa "B"*). All Bonds in each Class of Bonds will rank *pari passu* without preference or priority amongst themselves.

The Bonds will be obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any other person or entity. The ultimate source of funds for the payment of principal and interest on the Bonds will be the Issuer's right to receive revenue and principal collections from a portfolio of residential mortgage loans (the "**Mortgage Portfolio**") originated to customers (the "**Obligors**") in the Russian Federation by credit and non-credit institutions (the "**Partner Institutions**") operating within the framework of a two level residential mortgage lending system of Open Joint Stock Company "The Agency for Housing Mortgage Lending" (the "**Seller**" or "**AHML**") and subsequently acquired by the Seller.

Interest on the Class A Bonds and, to the extent of revenue and principal collections from the Mortgage Portfolio, the Class B Bonds will be payable quarterly in arrear in Roubles on the 15th day of March, June, September and December each year (each, a "**Bond Payment Date**") commencing on 15 June 2008. Interest on the Class C Bonds will be payable on each Bond Payment Date to the extent of revenue collections from the Mortgage Portfolio. The minimum amount of interest on the Class B Bonds and/or the Class C Bonds will be payable at least annually. See "*Terms and Conditions of the Bonds – Interest*".

All payments of interest due on the Class A Bonds will rank in priority to payments of interest due on the Class B Bonds and the Class C Bonds. All payments of interest due on the Class B Bonds will rank in priority to payments of interest due on the Class C Bonds (save for the Minimum Class C Coupon).

Principal amounts payable under the Bonds will be due on each Bond Payment Date to the extent of principal collections from the Mortgage Portfolio available for distribution to the holders of the Bonds (the "**Bondholders**") on a full sequential pass-through basis in accordance with the priority of payments set out in the Decisions and described in the Russian Prospectus and this Information Memorandum. See "*Terms and Conditions of the Bonds – Redemption*".

All payments of principal due on the Class A Bonds will rank in priority to payments of principal due on the Class B Bonds and the Class C Bonds. All payments of principal due on the Class B Bonds will rank in priority to payments of principal due on the Class C Bonds. The Bonds will be subject to mandatory redemption in part and early redemption in the circumstances set out in the Decisions and described in the Russian Prospectus and this Information Memorandum. See "*Terms and Conditions of the Bonds - Redemption*".

The Class A Bonds and the Class B Bonds are expected, on placement, to be rated A3 and Ba3, respectively, by Moody's Investors Service Limited ("**Moody's**"). The Class C Bonds are not intended to be rated. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.**

A discussion of certain risk factors which should be considered in connection with an investment in the Bonds is set out in the section entitled "Risk Factors" commencing on page 20.

Joint Arrangers



This Information Memorandum is dated 16 May, 2008

All information contained in this Information Memorandum is current as of 27 February 2008 with the exception of the information relating to the Offer (as defined below) which is current as of 16 May 2008.

Limitation of Liability

This Information Memorandum is provided for information purposes only and is not an integral part of the documents submitted for registration to the Federal Financial Markets Service of the Russian Federation (the "FFMS"). This Information Memorandum has not been reviewed by, and the truth and accuracy of the information contained herein have not been verified by, any securities market authority in any country, and no recommendation to purchase the Bonds has been made by any such authority.

Although this Information Memorandum may provide information about the Issuer, the Seller, the Mortgage Portfolio and the Bonds over and above the minimum disclosures required by Russian law, potential investors should make their own independent investigation and analysis of the proposed acquisition of the Bonds. In particular, potential investors should rely only on their due diligence and the terms of issue and sale of the Bonds set out in the Decisions and described in the Russian Prospectus, all of which were registered with the FFMS on 27 November 2007. All potential investors are advised to familiarise themselves with the Decisions and the Russian Prospectus.

Responsibility Statement

The Issuer accepts responsibility for the information contained in this Information Memorandum (other than as set out below) and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the interpretation of such information.

The Seller accepts responsibility for the information contained in this Information Memorandum relating to itself, the market in which it conducts its business and the Mortgage Portfolio in the sections headed "*Overview of the Transaction*", "*Risk Factors*", "*Description of the Mortgage Portfolio*" and "*Description of AHML and its Business*", and to the best of the knowledge and belief of the Seller (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the interpretation of such information.

The Special Depository accepts responsibility for the information contained in this Information Memorandum relating to itself in the section headed "*Description of the Special Depository*", and to the best of the knowledge and belief of the Special Depository (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the interpretation of such information.

The Standby Special Depository accepts responsibility for the information contained in this Information Memorandum relating to itself in the section headed "*Description of the Special Depository*", and to the best of the knowledge and belief of the Standby Special Depository (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the interpretation of such information.

The information contained in this Information Memorandum which is set out in the section headed "*Residential Mortgage Lending Market in the Russian Federation*" has been obtained

from publicly available sources. The Issuer and the Seller accept responsibility for the accuracy of extraction of such information but accept no responsibility in relation to the content of such information.

No Representations about the Bonds

No person has been authorised to give any information or to make any representations in connection with the issue and sale of the Bonds and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Seller, ZAO Citibank and any subsidiary or affiliate ("**Citi**"), Renaissance Capital – Financial Consultant Limited and any subsidiary or affiliate ("**Renaissance**" and, together with Citi, the "**Joint Arrangers**"). All information contained in this Information Memorandum is given as of the date hereof unless specifically provided otherwise. Neither the delivery of this Information Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the information contained in this Information Memorandum since the date hereof.

The Joint Arrangers have not separately verified the information contained in this Information Memorandum. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Arrangers as to the accuracy, adequacy, reasonableness or completeness of information contained in this Information Memorandum.

The Joint Arrangers do not undertake to review the financial condition or affairs of the Issuer or the Seller during the life of the arrangements described in this Information Memorandum nor to advise any potential investor or investors of any information coming to the attention of the Joint Arrangers. Each person receiving this Information Memorandum acknowledges that such person has not relied on the Joint Arrangers in connection with making its decision to invest in the Bonds.

An investment in the Bonds is suitable only for financially sophisticated investors who are capable of fully evaluating the risks and who have an asset base sufficiently substantial as to enable them to sustain any loss they might suffer as a result of making such investment. Prospective investors may not construe the contents of this Information Memorandum as legal, economic, investment, tax or accounting advice. Prospective investors should consult their own professional advisers to ensure that they fully understand the risks associated with making an investment in the Bonds. Each investor contemplating subscribing for or purchasing the Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Seller. Each person contemplating making an investment in the Bonds must make its own determination of the suitability of any such investment with particular reference to its own investment objectives.

Selling Restrictions Summary

This Information Memorandum does not constitute an offer of, or an invitation to subscribe for or purchase, any Bonds. The distribution of this Information Memorandum and the offering and sale of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer, the Seller and the

Joint Arrangers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of the Bonds, see "*Subscription and Sale*".

The Issuer, the Seller and the Joint Arrangers do not represent that this Information Memorandum may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to any exemption available thereunder, nor assume any responsibility for facilitating any such distribution or offering.

Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Information Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Prospective investors should inform themselves as to the legal requirements and tax consequences within their countries of residence and domicile for the acquisition, holding and disposal of the Bonds.

In particular, the Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or any State securities laws. The Bonds are being offered outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Third Party Information

The information contained in this Information Memorandum with respect to the parties to the Transaction Documents (the "**Transaction Parties**") relates to and has been obtained from each of them, someone on behalf of them or is publicly available information.

The delivery of this Information Memorandum shall not create any implication that there has been no change in the affairs of the Transaction Parties since the date stated in respect of the relevant information in this Information Memorandum, or that the information contained or referred to in this Information Memorandum is correct as of any time subsequent to its date.

Forward-looking Statements

This Information Memorandum contains statements that constitute forward-looking statements. Words such as "*believes*", "*anticipates*", "*expects*", "*estimates*", "*intends*", "*plans*", "*will*", "*may*", "*should*" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. These statements include those regarding the intent, belief or current expectation of the Seller and its officers with respect to, among other things: (a) the financial condition of the Seller and the characteristics of its strategy, products or services; (b) the Seller's plans, objectives or goals, including those related to products or services; (c) statements of future economic performance; and (d) assumptions underlying those statements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties and actual results may differ from those in the forward-looking statements as a result of various factors. Accordingly, prospective purchasers of Bonds should not rely on such forward-looking statements. The information in this Information Memorandum, including the information set out in the section headed "*Risk*

Factors", identifies important factors that could cause such differences including, *inter alia*, a change in the overall economic conditions in the Russian Federation, a change in the Seller's financial condition and the effect of new legislation or government regulations (or new interpretation of existing legislation or government regulations) in the Russian Federation. Such forward-looking statements speak only as at the date of this Information Memorandum. Accordingly, the Issuer and the Seller do not undertake any obligation to update or revise any of them whether as a result of new information, future events or otherwise. The Issuer and the Seller do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely standard scenario. Moreover, no assurance can be given that any of the historical information, trends or practices mentioned and described in this Information Memorandum are indicative of future results or events.

Currency

In this Information Memorandum, unless otherwise specified, references to "**RUB**" and "**Roubles**" are to the lawful currency for the time being of the Russian Federation and references to "**U.S.\$**" or "**U.S. dollars**" are to the lawful currency for the time being of the United States of America.

Rounding

Some numerical figures included in this Information Memorandum have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

Interpretation

Unless otherwise indicated in this Information Memorandum or the context requires otherwise, capitalised terms used in this Information Memorandum have the meanings set out in Condition 1 (*Definitions*). See "*Terms and Conditions of the Bonds*". A glossary of defined terms used in this Information Memorandum is set out in the section entitled "*Glossary of Defined Terms*" commencing on page 149.

INVESTMENT IN THE BONDS INVOLVES A HIGH DEGREE OF RISK. PARTICULAR ATTENTION IS DRAWN TO THE SECTION HEREIN ENTITLED "RISK FACTORS".

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OVERVIEW OF THE TRANSACTION

The information in this section is an overview of the principal features of the transaction. This overview constitutes an introduction and should be read in conjunction with and is qualified in its entirety by reference to the more detailed information appearing or referred to elsewhere in this Information Memorandum, the Decisions and the Russian Prospectus. Summaries of documents and agreements herein are qualified by reference to the full text of each document and agreement. The Issuer and the Seller strongly recommend that all potential investors familiarise themselves with the Decisions, as it is these documents, rather than this Information Memorandum, which determine the rights of investors buying the Bonds and the terms and conditions of the Bonds. Copies of the Decisions may be obtained (i) at the Issuer's registered office at 3 Smolenskaya Square, office 645, 121099, Moscow, Russian Federation, (ii) at the Servicer's registered office at 69-B Novocheremushkinskaya Street, 117418, Moscow, Russian Federation and are also posted on the website of AHML (<http://www.ahml.ru>).

Description of the Bonds

	<i>Class A Bonds</i>	<i>Class B Bonds</i>	<i>Class C Bonds</i>
Currency	Rouble	Rouble	Rouble
Principal Balance	9,440,000,000	590,300,000	697,317,000
Issue Price	100 per cent.	100 per cent.	193.21 per cent.
Expected ratings	A3 by Moody's	Ba3 by Moody's	N/A
Method of Sale	Public offering (<i>otkrytaya podpiska</i>)	Public offering (<i>otkrytaya podpiska</i>)	Private offering (<i>zakrytaya podpiska</i>)
Credit Enhancement	Subordination of the Class B Bonds and the Class C Bonds, the Special Reserve and excess spread	Subordination of the Class C Bonds, the Special Reserve and excess spread	Excess spread
Interest Rate	Fixed Rate	Variable Rate	Variable Rate
Principal Redemption	Pass-through	Pass-through	Pass-through
Final Maturity Date	15 March 2040	15 March 2040	15 March 2040
Interest Accrual Method	Actual/365	Actual/365	N/A
Bond Payment Dates	15th day of June, September, December and March (subject to Russian Business Day adjustment)		
Russian Business Day	A day (other than Saturday, Sunday or a public holiday) on which banks are open for business in the Russian Federation		

Sale of Assets

Pursuant to a Russian law mortgage certificates sale and purchase agreement (the "**Mortgage Certificates Purchase Agreement**"), the Seller has sold to the Issuer a portfolio of mortgage certificates (*zakladnaya*) (the "**Mortgage Certificates**") conferring rights under:

- (a) a portfolio of Russian law, fixed rate, Rouble denominated residential mortgage loans (each, a "**Mortgage Loan**") extended by credit and non-credit institutions (the "**Partner Institutions**") operating within the framework of the residential mortgage lending system of the Seller to individual customers in the Russian Federation (the "**Obligors**") on the basis of standard form loan agreements (each, a "**Mortgage Loan Agreement**") conforming to the Standards of Issue, Refinancing and Servicing of Mortgage Loans (Credits) approved by the Seller on 1 March 2004 (as amended, the "**AHML Standards**") and subsequently acquired by the Seller; and
- (b) Russian law mortgages (the "**Mortgages**") in respect of residential properties in the Russian Federation financed or refinanced by such Mortgage Loans (the "**Mortgaged Property**").

In addition, the Seller has undertaken to ensure that the benefit of the insurance policies (the "**Insurance Policies**") relating to such Mortgage Loans (such benefit, together with the Mortgages being "**Related Rights**") is transferred to the Issuer. The Mortgage Certificates and the Related Rights conferred thereby are referred to in this Information Memorandum as the "**Assets**" and together as the "**Mortgage Portfolio**", and all payments remaining to be made by the Obligors in respect of any Asset from time to time are referred to as "**Receivables**".

In connection with the sale of the Assets to the Issuer, each Mortgage Certificate has been endorsed in the name of the Issuer as its legal owner (*zakonniy vladelets zakladnoy*) and notices of sale have been executed by or on behalf of the Seller and sent to the Obligors.

As of 26 September 2007 (the "**Transfer Date**"), the outstanding principal balance of the Mortgage Certificates (the "**Outstanding Principal Balance**") was equal to RUB 10,729,239,825.06 and the accrued but unpaid interest thereon (the "**Accrued Interest**") was equal to RUB 94,439,122.98. The purchase price of the Mortgage Certificates comprising the Mortgage Portfolio (the "**Purchase Price**") is equal to RUB 10,823,678,948.04.

Pursuant to the Mortgage Certificates Purchase Agreement, the Purchase Price is payable at the earlier of (a) a date falling 30 Russian Business Days after the Placement Completion Date; (b) a date falling 5 Russian Business Days after the registration by the FFMS of the report on the results of issue of the last Class of Bonds; and (c) 31 October 2008.

Eligibility Criteria

The Assets have been originated by the Partner Institutions in accordance with the AHML Standards and subsequently purchased by the Seller. For the purpose of sale to the Issuer, the Assets have been selected according to certain predetermined eligibility criteria (the "**Eligibility Criteria**"). For more detailed information, see "*Eligibility Criteria*".

Servicing of Assets

Pursuant to a Russian law servicing agreement (the "**Servicing Agreement**"), AHML as servicer (the "**Servicer**") has agreed to provide servicing to the Issuer in relation to the

Mortgage Portfolio. Among other activities, the Servicer will administer the Mortgage Portfolio, collect payments due in respect of the Receivables and compile monthly servicer reports.

The Servicer has engaged local servicers in the Russian regions (the "**Sub-servicers**") on a sub-contracting basis to perform certain functions under the Servicing Agreement. The Servicer will be liable for any acts or omissions of the Sub-servicers as well as for the acts and omissions of any other third parties the Servicer may engage in connection with the performance of its obligations under the Servicing Agreement, including debt collection agencies. For more detailed information, see "*Servicing of Assets*".

Call Option and Put Option

Pursuant to the Servicing Agreement, the Issuer has granted to the Servicer a call option (the "**Call Option**") exercisable in relation to Mortgage Certificates comprising the Mortgage Portfolio in respect of which certain events (each, a "**Call Option Event**") have occurred. The Servicer has granted to the Issuer a put option (the "**Put Option**") exercisable in relation to Mortgage Certificates meeting both of the following criteria: (a) in respect of which one or several Call Option Events have occurred; and (b) which did not comply with the Eligibility Criteria as at the Transfer Date. For more detailed information, see "*Servicing of Assets—Call Option and Put Option*".

Calculation Services

Pursuant to an English law calculation agency agreement (the "**Calculation Agency Agreement**") between the Issuer, Citibank, N.A., London Branch (the "**Calculation Agent**"), and AHML as standby calculation agent (the "**Standby Calculation Agent**") the Calculation Agent, and following the Enforcement Date, the Standby Calculation Agent has agreed to provide calculation services in relation to the Issuer's funds. Among other activities, the Calculation Agent or, as the case may be, the Standby Calculation Agent will calculate amounts of cash available to the Issuer for payments on each Bond Payment Date in accordance with the Payments Priorities and compile quarterly investor reports (each, an "**Investor Report**"). For more detailed information, see "*Calculation Services*".

Interest and Payments

Each Class of Bonds will bear interest in the manner specified in the relevant Decision and described in the Russian Prospectus and this Information Memorandum (see "*Terms and Conditions of the Bonds – Interest*"). Interest will be payable quarterly in arrears on the 15th day of March, June, September and December each year (each a "**Bond Payment Date**") subject to adjustment for Russian Business Days in respect of the period (each an "**Interest Period**") from and including the previous Bond Payment Date to but excluding such Bond Payment Date, provided, however, that the first interest period shall commence on the First Day of Placement of Class A Bonds (for the Class A Bonds), the First Day of Placement of Class B Bonds (for the Class B Bonds) and the day the purchase price of the Class C Bonds has been paid in full (for the Class C Bonds).

If there are insufficient funds available to meet interest payments on the Class B Bonds, payment of such interest will be deferred and interest shall accrue thereon until such time, if any, as sufficient funds become available in accordance with the terms specified in the relevant Decision and described in the Russian Prospectus and this Information Memorandum. Interest on the Class C Bonds will be payable on each Bond Payment Date only to the extent of any

remaining revenue collections from the Mortgage Portfolio. The minimum amount of interest on the Class B Bonds and/or the Class C Bonds (in each case, RUB 0.01 per Bond) will be payable at least annually. For more detailed information, see "*Terms and Conditions of the Bonds – Interest*".

Payments on the Bonds will be made in Roubles. If a tax deduction is required by law, the Issuer will not be obliged to gross-up the payments in respect of the amount of such tax deduction. The Issuer will act as a tax agent of the Bondholders with respect to the taxes withheld at a source of payment. For more detailed information, see "*Tax Considerations*".

Security

The obligations of the Issuer to the Bondholders will be secured by a pledge of the Mortgage Certificates and certain other property of the Issuer comprising the mortgage collateral for the Bonds (the "**Mortgage Collateral**"). For more detailed information, see "*Security Arrangements*".

Redemption of Bonds

Each Class of Bonds will be redeemed on 15 March 2040 (the "**Final Maturity Date**") at its then Principal Amount Outstanding and any accrued but unpaid interest thereon to the extent not previously redeemed. Before that date, the Bonds will be subject to mandatory redemption in part and early redemption in the circumstances set out in the Decisions and described in the Russian Prospectus and this Information Memorandum. For more detailed information, see "*Terms and Conditions of the Bonds – Redemption*".

Ranking of the Bonds

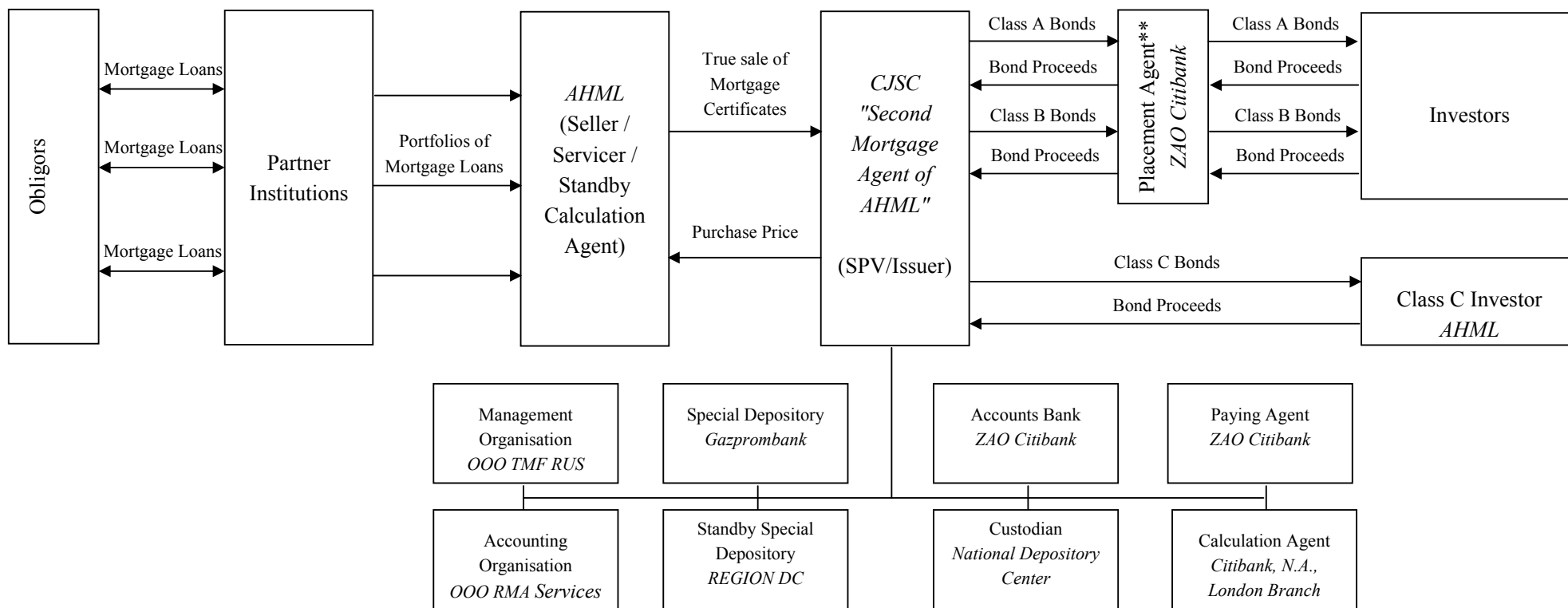
The Bonds constitute direct, secured and unconditional obligations of the Issuer. The Bonds in each Class of Bonds rank *pari passu* without preference or priority amongst themselves. Payments of interest due on the Class A Bonds will rank in priority to payments of interest due on the Class B Bonds, and payments of interest due on the Class B Bonds will rank in priority to payments of interest due on the Class C Bonds (save for the Minimum Class C Coupon), as specified in the Pre-Enforcement Revenue Payments Priorities. Payments of principal on the Class A Bonds will rank in priority to payments of principal on the Class B Bonds, and payments of principal on the Class B Bonds will rank in priority to payments of principal on the Class C Bonds, as specified in the Pre-Enforcement Principal Payments Priorities. For more detailed information, see "*Terms and Conditions of the Bonds – Pre-Enforcement Revenue Payments Priorities*" and "*Terms and Conditions of the Bonds – Pre-Enforcement Principal Payments Priorities*".

Offer to buy the Class A Bonds

On 14 May 2008 the Offeror executed an irrevocable offer to buy on 30 July 2009 (the "**Offer Purchase Date**") Class A Bonds in the amount requested by the respective Bondholders pursuant to the terms specified in the Offer.

STRUCTURE CHART

The structure chart forms an indicative summary of the principal features of the Transaction. The structure chart must be read in conjunction with, and is qualified in its entirety by, the detailed information presented elsewhere in this Information Memorandum, the Decisions and the Russian Prospectus.



* For a cash flow structure please see "Description of AHML and its Business-Cash Flow Structure".

** During the primary placement of the Class A Bonds and the Class B Bonds only.

TRANSACTION PARTIES AND TRANSACTION DOCUMENTS

The following section contains a summary of the material terms of the Transaction Documents.

The summary does not purport to be complete and is subject to the relevant sections of the Transaction Documents.

- Issuer:** Closed Joint Stock Company "Second Mortgage Agent of AHML", in its capacity as issuer of the Bonds in accordance with the terms of the Decisions. The Issuer has been established only for the purpose of purchasing the Mortgage Portfolio from the Seller, issuing the Bonds, entering into the Transaction Documents and engaging in other activities in relation to the foregoing. For more detailed information, see "*Description of the Issuer*".
- Seller:** Open Joint Stock Company "The Agency for Housing Mortgage Lending", in its capacity as seller of the Mortgage Portfolio in accordance with the terms of the Mortgage Certificates Purchase Agreement. The Seller is 100 per cent. owned by the Russian Federation. For more detailed information, see "*Description of AHML and its Business*".
- Servicer:** Open Joint Stock Company "The Agency for Housing Mortgage Lending", in its capacity as servicer of the Assets in accordance with the terms of the Servicing Agreement.
- Accounts Bank:** ZAO Citibank, in its capacity as the bank at which the Issuer Account and the Collateral Account are held in the name of the Issuer in accordance with the terms of the Issuer Account Agreement and the Collateral Account Agreement. The Accounts Bank is neither owned nor controlled by the Seller or an affiliate of the Seller.
- Offeror:** Open Joint Stock Company "The Agency for Housing Mortgage Lending", in its capacity as offeror in accordance with the Offer.
- Calculation Agent:** Citibank, N.A., London Branch, in its capacity as calculation agent in respect of the Issuer's funds in accordance with the terms of the Calculation Agency Agreement. The Calculation Agent is neither owned nor controlled by the Seller or an affiliate of the Seller.
- Standby Calculation Agent:** Open Joint Stock Company "The Agency for Housing Mortgage Lending", in its capacity as standby calculation agent in respect of the Issuer's funds in accordance with the terms of the Calculation Agency Agreement.

Paying Agent:	ZAO Citibank, in its capacity as paying agent in respect of the Bonds in accordance with the terms of the Paying Agency Agreement. The Paying Agent is neither owned nor controlled by the Seller or an affiliate of the Seller.
Management Organisation:	OOO TMF RUS, in its capacity as the sole executive body and manager of the Issuer's funds in accordance with the terms of the Agreement on Transfer of Powers of the Sole Executive Body. The Management Organisation is neither owned nor controlled by the Seller or an affiliate of the Seller.
Accounting Organisation:	OOO RMA Services, in its capacity as specialised accounting organisation of the Issuer in accordance with the terms of the Bookkeeping Services Agreement. The Accounting Organisation is neither owned nor controlled by the Seller or an affiliate of the Seller.
Special Depository:	Gazprombank (Open Joint-Stock Company) (" Gazprombank "), in its capacity as special depository of the Mortgage Collateral in accordance with the terms of the Special Depository Agreement. The Special Depository is affiliated with the Seller through the Russian Federation. For more detailed information, see " <i>Description of the Special Depository</i> ".
Standby Special Depository:	CJSC Depository Company "REGION" (" REGION DC "), in its capacity as standby special depository of the Mortgage Collateral in accordance with the terms of the Standby Special Depository Agreement. The Standby Special Depository is neither owned nor controlled by the Seller or an affiliate of the Seller. For more detailed information, see " <i>Description of the Special Depository</i> ".
Joint Arrangers:	ZAO Citibank and Renaissance Capital – Financial Consultant Limited, in their capacity as Joint Arrangers of issue of the Class A Bonds and the Class B Bonds in accordance with the terms of the Subscription Agreement. The Joint Arrangers are neither owned nor controlled by the Seller or an affiliate of the Seller.
Placement Agent:	ZAO Citibank, in its capacity as placement agent in respect of the Class A Bonds and the Class B Bonds in accordance with the terms of the Subscription Agreement. The Placement Agent is neither owned nor controlled by the Seller or an affiliate of the Seller.
Custodian:	Not-for-Profit Partnership "The National Depository Center" (" NDC "), in its capacity as custodian for the

Bonds in accordance with the terms of the Custody Agreement.

Rating Agency:

Moody's Investors Service Limited ("**Moody's**"). Moody's is neither owned nor controlled by the Seller, nor any other party to the Transaction, nor any of their respective affiliates.

Transaction Documents:

The following documents constitute the "**Transaction Documents**" and the transactions contemplated therein constitute the "**Transaction**":

- The Issuer has entered into a mortgage certificates sale and purchase agreement (the "**Mortgage Certificates Purchase Agreement**") with the Seller, pursuant to which the Seller has sold and transferred the ownership rights to the Mortgage Certificates and Related Rights to the Issuer.
- The Issuer has entered into a servicing agreement (the "**Servicing Agreement**") with the Servicer, pursuant to which the Servicer has agreed to administer and conduct collection and enforcement activities in respect of the Mortgage Portfolio on behalf of the Issuer.
- The Issuer has entered into a special depository agreement (the "**Special Depository Agreement**") with the Special Depository, pursuant to which the Special Depository has agreed to perform statutory monitoring and control as well as custody and record keeping functions in respect of the Mortgage Collateral for the Bonds.
- The Issuer has entered into a standby special depository agreement (the "**Standby Special Depository Agreement**") with the Standby Special Depository, pursuant to which the Standby Special Depository has agreed to perform statutory monitoring and control as well as custody and record keeping functions in respect of the Mortgage Collateral for the Bonds in the event of a termination of the Special Depository's appointment.

- The Issuer has entered into an agreement on transfer of powers of the sole executive body (the "**Agreement on Transfer of Powers of the Sole Executive Body**") with the Management Organisation, pursuant to which the Management Organisation has agreed to exercise powers of the sole executive body of the Issuer, manage the Issuer's funds and generally act on behalf of the Issuer.
- The Issuer has entered into a bookkeeping and tax accounting services agreement (the "**Bookkeeping Services Agreement**") with the Accounting Organisation, pursuant to which the Accounting Organisation has agreed to provide bookkeeping, accounting, tax filing and related administrative and information services to the Issuer.
- The Issuer has entered into a paying agency agreement (the "**Paying Agency Agreement**") with the Paying Agent, pursuant to which the Paying Agent has agreed to act as a paying agent in respect of the Bonds in amounts paid to the Paying Agent by the Issuer.
- The Issuer has entered into a calculation agency agreement (the "**Calculation Agency Agreement**") with the Calculation Agent and the Standby Calculation Agent, pursuant to which the Calculation Agent and, following the Enforcement Date, the Standby Calculation Agent have agreed to provide certain calculation services to the Issuer in accordance with the relevant Payments Priorities.
- The Issuer has entered into an issuer account agreement (the "**Issuer Account Agreement**") with the Accounts Bank, pursuant to which the Accounts Bank has agreed to open and maintain the Issuer Account.
- The Issuer has entered into a collateral account agreement (the "**Collateral Account Agreement**") with the Accounts Bank, pursuant to which the Accounts Bank has agreed to open and maintain the Collateral Account.

- The Issuer has entered into a placement agency agreement (the "**Subscription Agreement**") with the Joint Arrangers and the Placement Agent pursuant to which the Joint Arrangers and the Placement Agent have agreed to provide certain services in connection with the issue and sale of the Class A Bonds and the Class B Bonds.

Offer:

The Offeror has executed an irrevocable offer to buy on the Offer Purchase Date Class A Bonds in the amount requested by the respective Bondholders pursuant to the terms specified in the Offer.

PRINCIPAL FEATURES OF THE BONDS

The information in this section is an overview of the principal features of the Bonds. Please refer to the Decisions for a more detailed description of the terms and conditions of the Bonds.

Bonds:	<p>RUB 9,440,000,000 Class A Mortgage-Backed Fixed Rate Bonds due 2040;</p> <p>RUB 590,300,000 Class B Mortgage-Backed Variable Rate Bonds due 2040; and</p> <p>RUB 697,317,000 Class C Mortgage-Backed Variable Rate Bonds due 2040.</p>
Issue Price	<p>The Class A Bonds will be placed at 100 per cent. of their nominal value.</p> <p>The Class B Bonds will be placed at 100 per cent. of their nominal value.</p> <p>The Class C Bonds will be placed at premium at 193.21 per cent. of their nominal value.</p>
Ratings:	<p>The Class A Bonds are expected, on placement, to be rated A3 by Moody's.</p> <p>The Class B Bonds are expected, on placement, to be rated Ba3 by Moody's.</p> <p>The Class C Bonds are not intended to be rated.</p> <p><i>A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. A suspension, reduction or withdrawal of any rating assigned to the Bonds may adversely affect the market price of the Bonds.</i></p>
Interest Rate:	<p>The Bonds will represent entitlements to payments of interest in respect of successive Interest Periods for the Class A Bonds and the Class B Bonds – from the First Day of Placement of Class A Bonds and the First Day of Placement of Class B Bonds, respectively, and for the Class C Bonds – from the day the purchase price of the Class C Bonds has been paid in full.</p>

The Class A Bonds will bear fixed interest. The rate of interest of the Class A Bonds will be determined by auction on the First Day of Placement of Class A Bonds.

The Class B Bonds will bear variable interest being the lesser of:

- (a) the Maximum Class B Coupon; and
- (b) the amount of collections available for payment of interest on the Class B Bonds in accordance with the Payments Priorities.

The Maximum Class B Coupon rate will be determined by auction on the First Day of Placement of Class B Bonds.

Any unpaid interest on the Class B Bonds will carry interest at the Maximum Class B Coupon rate applicable to the Class B Bonds.

Interest rate on the Class A Bonds and the Maximum Class B Coupon rate will step-up by 1 per cent. from the Bond Payment Date on which the Issuer became entitled to, but did not exercise the Clean-up Call. See "*Terms and Conditions of the Bonds – Interest*".

The Class C Bonds will bear variable interest equal to the amount of collections available for payment of interest on the Class C Bonds in accordance with the Payments Priorities.

The minimum amount of interest on the Class B Bonds and/or the Class C Bonds will be payable at least annually. See "*Terms and Conditions of the Bonds – Interest*".

Payments of interests on the Bonds derive only from amounts of Revenue Receipts received by the Issuer in respect of the related Calculation Period or, for the Class A Bonds and the Class B Bonds only, from the transfer of a Principal Addition Amount from the Principal Ledger and/or from the Special Reserve.

Form:

Each Class of Bonds will be represented by a bond certificate (each, a "**Bond Certificate**"), which will be subject to mandatory centralised custody with

the Custodian.

Bondholders and nominees will not be entitled to request definitive bond certificates.

The safekeeping of the Bond Certificates, recording and certification of rights to the Bonds and recording and certification of transfer of the Bonds, including where the Bonds are encumbered, will be effected by the Custodian and the depositories having nominee account arrangements with the Custodian (together with the Custodian, the "**Depositories**" and each, a "**Depository**").

Title to the Bonds will be confirmed by extracts from custody accounts issued by the Depositories to the Bondholders.

Title to the Bonds will pass to a new Bondholder upon a credit entry on the custody account that such new Bondholder will open with a Depository.

Denomination:

The Bonds in each Class of Bonds have a denomination of RUB 1,000.

Withholding Tax:

Income on the Bonds may be subject to Russian withholding tax. Russian withholding tax implications associated with acquisition, holding and disposal of the Bonds are discussed in the section headed "*Tax Considerations*".

Status and Ranking:

The Bonds constitute direct, secured and unconditional obligations of the Issuer. The Bonds in each Class of Bonds rank *pari passu* without preference or priority amongst themselves.

The Bonds represent the right to receive interest and principal payments from the Issuer in accordance with the Decisions.

All payments of interest due on the Class A Bonds will rank in priority to payments of interest due on the Class B Bonds and the Class C Bonds. All payments of interest due on the Class B Bonds will rank in priority to payments of interest due on the Class C Bonds (save for the Minimum Class C Coupon).

All payments of principal due on the Class A Bonds will rank in priority to payments of principal due on

the Class B Bonds and the Class C Bonds. All payments of principal due on the Class B Bonds will rank in priority to payments of principal due on the Class C Bonds.

Security Arrangements:

The obligations of the Issuer in respect of the Bonds will be secured by a first ranking pledge of the Mortgage Collateral in favour of the Bondholders. Such pledge arises by operation of law from the date initial Bondholders acquire the Bonds.

The Issuer will remain the legal and beneficial owner of the Mortgage Collateral notwithstanding the creation of the pledge until foreclosure on the Mortgage Collateral following the occurrence of an event of default under the Bonds (if any).

Final Redemption:

Unless the Bonds have previously been redeemed in full as set out in the Decisions and described in Condition 6 (*Redemption*), the Bonds will be redeemed by the Issuer on the Final Maturity Date at their then Principal Amount Outstanding and any accrued but unpaid interest thereon.

Mandatory Redemption in Part:

The Bonds will be subject to mandatory redemption in part on each Bond Payment Date to the extent of principal collections from the Mortgage Portfolio received in the corresponding Calculation Period.

The Class B Bonds will be subject to mandatory redemption in part only after redemption in full of the Class A Bonds and, similarly, the Class C Bonds will be subject to mandatory redemption in part only after redemption in full of the Class B Bonds.

Early Redemption at the Request of the Bondholders:

Bondholders are entitled to request early redemption of the Bonds at their Principal Amount Outstanding plus accrued but unpaid interest thereon in the event of:

- breach of the MBS Law requirements as to the amount of the Mortgage Collateral;
- breach of the MBS Law procedures for replacement of the Mortgage Collateral;

- breach of the MBS Law terms and conditions securing the proper performance of obligations under the relevant Class of Bonds;
- engagement by the Issuer in business activities or entry into transactions which are out of the scope of the Issuer's capacity or violate the restrictions set out in the MBS Law and the Issuer's charter;
- adoption by the shareholders of the Issuer or a court of a decision to liquidate the Issuer;
- filing by the Issuer of a voluntary bankruptcy petition or acceptance by a court of a third party petition for the bankruptcy of the Issuer; or
- non-compliance by the Issuer for three consecutive months with the MBS Law requirement that not less than 80 per cent. of the Principal Amount Outstanding of the Bonds must be represented by claims secured by mortgage.

Claims of the holders of the Class A Bonds for early redemption of the Class A Bonds will be satisfied in priority to claims of the holders of the Class B Bonds and the Class C Bonds for early redemption of the Class B Bonds and the Class C Bonds, respectively.

Claims of the holders of the Class B Bonds for early redemption of the Class B Bonds will be satisfied only after the Class A Bonds have been redeemed in full.

Claims of the holders of the Class B Bonds for early redemption of the Class B Bonds will be satisfied in priority to claims of the holders of the Class C Bonds for early redemption of the Class C Bonds.

Claims of the holders of Class C Bonds for early redemption of the Class C Bonds will be satisfied only after the Class A Bonds and the Class B Bonds have been redeemed in full.

Early Redemption at the Request of the Issuer:

The Issuer is entitled to request early redemption of the Bonds (the "**Clean-up Call**") at their Principal Amount Outstanding plus accrued but unpaid interest thereon. The Clean-up Call can be exercised by the Issuer at the earlier of:

- (a) the Bond Payment Date related to the twenty eighth Calculation Period; and
- (b) the Bond Payment Date immediately following the Bond Payment Date on which the Principal Amount Outstanding of the Bonds becomes less than 13 per cent. of the Principal Amount Outstanding of the Bonds as at the Placement Completion Date.

Interest rate on the Class A Bonds and the Maximum Class B Coupon rate will step-up by 1 per cent. from the Bond Payment Date in (a) or (b) above, whichever is earlier, if the Issuer does not exercise the Clean-up Call on such Bond Payment Date.

The Clean-up Call with respect to the Class A Bonds and the Class B Bonds must be exercised on the same Bond Payment Date. The Clean-up Call with respect to the Class C Bonds may or may not be exercised on the same Bond Payment Date as the Clean-up Call with respect to the Class A Bonds and the Class B Bonds.

The Issuer may not adopt a decision on the exercise of the Clean-up Call with respect to Class C Bonds prior to the adoption of decisions on the exercise of the Clean-up Call with respect to outstanding Class A Bonds and Class B Bonds (if any). The Issuer may not exercise the Clean-up Call with respect to Class C Bonds prior to the redemption in full of Class A Bonds and Class B Bonds.

On the Bond Payment Date on which the Bonds are redeemed in full, payment from monies recorded in the Revenue Ledger and the Principal Ledger will be effected in accordance with the Pre-Enforcement Revenue Payments Priorities and the Pre-Enforcement Principal Payments Priorities, respectively.

Recourse:	Recourse against the Issuer in respect of its liabilities to Bondholders is limited to the assets of the Issuer. The net proceeds of the realisation of, or enforcement with respect to, such assets, which shall be distributed in accordance with the order of priorities set out in the Post-Enforcement Payments Priorities and applicable Russian legislation, may not be sufficient to make all payments due in respect of the Bonds. If following distribution there remains a shortfall, the Bondholders will be able to file a petition for, or join any other person in instituting proceedings for, the insolvency or liquidation of the Issuer as a consequence of such shortfall or otherwise.
Admission to Trading and Listing:	The Issuer intends to seek admission to trading for the Class A Bonds and the Class B Bonds as well as listing for the Class A Bonds on the Moscow Interbank Currency Exchange (" MICEX ").
Governing Law:	The issue of the Bonds is governed by the laws of the Russian Federation. The Transaction Documents are governed by the laws of the Russian Federation, save for the Calculation Agency Agreement which is governed by English law.
Registration Number:	Class A Bonds: 4-01-65388-H Class B Bonds: 4-02-65388-H Class C Bonds: 4-03-65388-H

KEY DATES AND PERIODS

Transfer Date:	26 September 2007.
Submission Date:	22 October 2007.
Registration Date:	27 November 2007.
First Day of Placement of Class A Bonds:	27 February 2008.
First Day of Placement of Class B Bonds:	27 February 2008.
First Day of Placement of Class C Bonds:	27 February 2008.
Placement Completion Date:	The date of completion or termination of placement of the last of the three Classes of Bonds.
Russian Business Day:	A day (other than Saturday, Sunday or a public holiday) on which banks are open for business in the Russian Federation.
London Business Day:	A day (other than Saturday, Sunday or a public holiday) on which banks are open for business in London.
Bond Payment Date:	The 15th day of June, September, December and March each year commencing on 15 June 2008 (subject to Russian Business Day adjustment).
Servicer Report Date:	A day not later than the 25th day of the calendar month immediately following the related Collection Period (subject to Russian Business Day adjustment).
Calculation Date:	A day not later than 5 London Business Days following the Servicer Report Date and in any case not later than 4 Russian Business Days prior to each Bond Payment Date.
Calculation Period:	Each successive three month period described below and the "related Calculation Period" means: <ul style="list-style-type: none">(a) the period from 1 February to 30 April, in relation to the Bond Payment Date falling in June;(b) the period from 1 May to 31 July, in relation to the Bond Payment Date falling in September;(c) the period from 1 August to 31 October, in relation to the Bond

Payment Date falling in December; and
(d) the period from 1 November to 31 January, in relation to the Bond Payment Date falling in March,

provided, however, that the first such period will commence on (and include) the Submission Date and will end (and include) 30 April 2008.

Collection Period:

Each successive one month period, the first such period commencing on (and including) the Submission Date and ending on (and including) the last day of the relevant calendar month, and each successive period commencing on (and including) the first day of the immediately following calendar month.

Interest Period:

Each successive three month period from (and including) a Bond Payment Date to (but excluding) the next Bond Payment Date, provided, however, that the first interest period shall commence on the First Day of Placement of Class A Bonds (for the Class A Bonds), the First Day of Placement of Class B Bonds (for the Class B Bonds) and the day the purchase price of the Class C Bonds has been paid in full (for the Class C Bonds).

Final Maturity Date:

15 March 2040.

RISK FACTORS

An investment in the Bonds involves a number of risks. Prospective investors should carefully consider the following risks and uncertainties in conjunction with other information contained in this Information Memorandum. The risks and uncertainties described below, however, cannot disclose all of the significant aspects of the Bonds and investment decisions should not be made solely on the basis of these risk factors since the information contained herein cannot serve as a substitute for independent, specific advice which is tailored to the requirements, investment objectives, experience, knowledge and circumstances of a prospective investor.

General Legal Considerations

Russian regulation of securitisation

Although there has been an increasing number of securitisation transactions of Russian assets recently, securitisation structures are still relatively new in the Russian Federation and have not been properly tested in Russian courts. Moreover, the Russian Federation is still developing an adequate legal framework for the proper functioning of securitisation structures and, in particular, issuance of mortgage-backed securities. The MBS Law became operative in 2006 only and the terminology and concepts used in the Transaction Documents may be unfamiliar to a Russian court. Additional information on securitisation regulation in the Russian Federation can be found in the section headed "*Securitisation Framework in Russia*".

Due to a lack of court practice and the inexperience of the Russian judicial system in dealing with securitisation transactions, there is no assurance as to the approach that Russian courts may adopt to securitisation structures generally and to certain aspects of securitisation within the framework of the MBS Law in particular, which may adversely affect the ability of the Bondholders to recover their investment in the Bonds.

Calculation of amount of mortgage collateral

The MBS Law provisions on calculation of amount of mortgage collateral may be subject to varying interpretations. The MBS Law provides that the amount of mortgage collateral must at any time be not less than the outstanding principal balance of the bonds secured by such mortgage collateral. The MBS Law does not however prescribe a detailed computation methodology. The risk is mitigated to a certain extent by clarifications in respect of this aspect of the MBS Law received by the Seller from the FFMS.

The calculation of the sufficiency of the mortgage collateral is made separately for each class of bonds and the amount of mortgage collateral is considered sufficient only if it is equal to, or exceeds, the aggregate of the outstanding principal balance of the bonds of a particular class and the outstanding principal balance of the bonds of those classes that have priority over such class. For the purposes of this calculation, the mortgage collateral will include all scheduled principal and all interest due under the mortgage loan agreements. Such computation methodology leads to an impression of a significant overcollateralisation. This methodology has been confirmed by the FFMS in its clarification letter addressed to the Seller and is reflected in the Decisions and the Russian Prospectus (the "**Issuance Documents**") which were registered with the FFMS. Nevertheless, should this computation methodology change and apply retrospectively to the

bonds issued before such change, any defaults under the Mortgage Certificates may lead to insufficiency of mortgage collateral for the most subordinated Class of Bonds.

A breach of the MBS Law requirements as to sufficiency of the mortgage collateral triggers a right of bondholders of a relevant class of bonds to request early redemption of that relevant class of bonds. Under the MBS Law, the performance of the issuer's obligations under the bonds having the same priority is allowed only following the due performance of its obligations under the bonds having a higher priority. The Decisions establish priorities of payments among the holders of different Classes of Bonds. See Condition 6.3 (*Early Redemption at the Request of the Bondholders*). Pursuant to these priorities of payments, holders of the Class B Bonds and the Class C Bonds will be entitled to request early redemption of the Class B Bonds and the Class C Bonds, respectively, in the circumstances specified in the relevant Decisions. However, the Issuer will not satisfy their claims until holders of the Class A Bonds request early redemption of the Class A Bonds and such claims are satisfied in full. Although the MBS Law expressly allows such priorities of payments to be established for different classes of bonds, in the event of a dispute there can be no assurance as to how Russian courts would interpret the relevant provisions of the MBS Law and give effect to the priorities of payments set out in the Decisions, which may adversely affect the ability of the Bondholders to recover their investment in the Bonds.

Enforcement of mortgage collateral

In the event that an issuer of mortgage-backed bonds defaults on its obligations or bankruptcy proceedings are instituted in respect of such issuer, claims of the bondholders and other creditors of the issuer will be satisfied from the proceeds of sale of the mortgage collateral and other available assets of the issuer (if any) as envisaged under the MBS Law.

Foreclosure on the mortgage collateral can be initiated through judicial proceedings only. As a general rule, a court hearing must be held within two months of the relevant enforcement claim being filed. However, as a matter of Russian law and practice, a court can extend this timing if the court proceeding was postponed or suspended on grounds provided by Russian law. In addition, a court has discretionary powers to reject an enforcement claim if the issuer's default is utterly insignificant, compared to the value of the mortgage collateral.

The mortgage collateral may not be sold from a public auction prior to expiry of a two month period from the date the issuer's obligations under the mortgage-backed bonds became due. The provisions relating to foreclosure of mortgage collateral are not clearly spelled out in the MBS Law. On one hand, they establish subordination of rights of the holders of bonds of different seniority to request foreclosure on the mortgage collateral and for subordination of distribution of funds received upon realisation of mortgage collateral among holders of such bonds. On the other hand, the MBS Law may be interpreted as if it provides that only those bondholders are entitled to direct distribution of proceeds from realisation of the mortgage collateral that have filed a claim for foreclosure prior to the public auction. Those bondholders who failed to submit such claims prior to the public auction according to such interpretation of the MBS Law, will be satisfied out of the funds remained after the satisfaction of the timely submitted claims and transferred to the deposit of a notary. Failure to file a claim for foreclosure may adversely affect the ability of the Bondholders to recover their investment in the Bonds.

Pursuant to the priorities set out in the Decisions, the foreclosure claims of the holders of the Class B Bonds may be satisfied only after, and are subject to, redemption in full of the Class A Bonds. Correspondingly, the foreclosure claims of the holders of the Class C Bonds may be satisfied only after, and are subject to, redemption in full of the Class B Bonds. Although the MBS Law expressly permits the establishment of such priorities in the decisions of issuance, in the event of a dispute there can be no assurance as to how Russian courts would interpret the relevant provisions of the MBS Law and give effect to the priorities set out in the Decisions, which may adversely affect the ability of the Bondholders to recover their investment in the Bonds.

The nature of a mortgage agent (in this transaction, the Issuer) implies that bondholders are not likely to actively participate in the insolvency and enforcement proceedings. The basic insolvency procedure provides that the insolvency administrator's (also referred to in this Information Memorandum as the liquidator, both terms being translations of the Russian term *arbitrazhniy / konkursniy upravljajushiy*) activities must be approved by the creditors' committee being a group of creditors appointed by the general meeting of the creditors. However, there is currently no mechanism under Russian law allowing the bondholders to act as a class and in a case of insolvency of a mortgage agent and/or enforcement of the mortgage collateral, the bondholders as creditors are unlikely to be able to gather and decide on issues regarding the procedure for realisation of the mortgage collateral. Accordingly, any realisation will be conducted to a material extent at the discretion of the insolvency administrator, the consequences of which are uncertain and may adversely affect the ability of the Bondholders to recover their investment in the Bonds.

In relation to an enforcement of the Mortgage Collateral, none of the Joint Arrangers, the Placement Agent, the Seller, the Servicer (or any Replacement Servicer), the Special Depository, the Custodian, the Calculation Agent, the Paying Agent, the Accounts Bank, the Management Organisation or the Accounting Organisation shall be responsible or in any way liable for any failure to sell any Mortgage Certificate or for any sale of a Mortgage Certificate at a price below the value of the relevant Mortgage Loan.

Absence of trustee

There is no concept of trustee under Russian law and the structure of the transaction does not envisage the appointment of a trustee. In accordance with the MBS Law, the Issuer has appointed the Special Depository, which is not affiliated with the Issuer to, among other things, monitor performance by the Issuer of Russian law requirements as to the assets comprising the Mortgage Collateral, the structure of the Mortgage Collateral and the sufficiency of the Mortgage Collateral to secure performance by the Issuer of its obligations under the Bonds. However, the Special Depository will not, and will not be bound to, take any steps, institute any proceedings and/or take any other action in respect of the Issuer (other than monitoring that the Mortgage Collateral is disposed of in compliance with the MBS Law and the Decisions and notification of the FFMS and the Bondholders in certain limited circumstances). Absence of a trustee may adversely affect the ability of the Bondholders to recover their investment in the Bonds.

Level of Issuer's bankruptcy remoteness

The Issuer is a closed joint stock company incorporated as a mortgage agent (*ipotechniy agent*) under the laws of the Russian Federation. In accordance with the MBS Law, the Issuer is not allowed to have employees, and therefore two different third-party service providers have been appointed to perform the management and accounting functions of the Issuer. The Issuer is also prohibited from carrying out any business activities that are not envisaged by the MBS Law, which therefore limits it broadly to activities connected with the issue of the Bonds, the performance of obligations thereunder and the maintenance of the Issuer as an operating legal entity.

However, the MBS Law, and Russian law in general, do not provide for Russian joint stock companies to have the same level of bankruptcy remoteness as international special purpose vehicles typically used to issue mortgage-backed securities. In particular, the Issuer can be declared bankrupt upon petition by a creditor of the Issuer or an authorised official body (for instance, the FFMS) or at the request of the Issuer in accordance with the relevant provisions of Federal Law No. 127-FZ of 26 October 2002 "On Insolvency (Bankruptcy)", as amended (the "**Bankruptcy Law**"). Any limitation on the right to file petitions for liquidation or bankruptcy of the Issuer is not enforceable as a matter of Russian law.

Moreover, Russian law provides for additional grounds for involuntary liquidation of the Issuer upon petitions by the state authorities:

- The MBS Law provides that should a mortgage agent violate its limited capacity by carrying out business activities that are not provided for by the MBS Law or by entering into agreements with individuals providing for compensation, it may be liquidated upon petition by an authorised official body (for instance, the FFMS).
- The JSC Law provides that should the value of net assets of a joint stock company fall below the minimum charter capital (10,000 Roubles or approximately U.S.\$ 400 for closed joint stock companies) by the end of each reporting year, except for the year when such joint stock company was registered, according to the annual financial statements of the joint stock company prepared under the Russian Accounting Standards (the "**RAS**") or according to the results of audit, it may be liquidated upon petition of the registration authorities being the Russian tax authorities.
- The Civil Code of the Russian Federation (the "**Civil Code**") provides that a legal entity may be liquidated by court upon petition of an authorised official body should such legal entity have been established with gross violations of law which are not capable of being remedied or is carrying out activities expressly prohibited by law or with repeated or gross violations of applicable laws and regulations.
- Federal Law No. 129-FZ dated 8 August 2001 "On State Registration of Legal Entities and Individual Entrepreneurs" provides that if a legal entity does not submit financial statements under the RAS and does not carry out any operations with any of its bank accounts during any twelve month period the registration authorities (the Russian tax authorities) are entitled to exclude such legal entity from the Unified State Register of Legal Entities, i.e. effectively liquidate it.

The commencement of bankruptcy and/or liquidation proceedings in respect of the Issuer may adversely affect the ability of the Bondholders to recover their investment in the Bonds.

Restricted capacity of the Issuer

Given that the Issuer is not allowed to carry out activities not envisaged by the MBS Law, it is also not entirely clear to what extent the Issuer may enter into the auxiliary agreements that may be necessary for the Transaction (including any loan agreement for the purposes of exercising the Clean-up Call). If any of the auxiliary agreements was invalidated as being out of the scope of the Issuer's capacity, this could adversely affect the ability of the Bondholders to recover their investment in the Bonds.

Insolvency of the Seller

The Bonds are solely the obligations of the Issuer. However, in the event that the Seller becomes insolvent or pre-insolvency measures are instituted in respect of the Seller, during subsequent proceedings, pre-insolvency or insolvency management, a bankruptcy administrator, liquidator or various creditors may seek to challenge the "true sale" of the Assets to the Issuer. If a Russian court were to determine that the transfer of the Assets to the Issuer was not a "true sale", the court could choose to unwind the entire Transaction, which would force the return of the Assets to the Seller. Additionally, a transaction entered into or performed by the Seller within a period of six months prior to the appointment of the pre-insolvency or insolvency manager may be invalidated by the court if such transaction entails a "preferential satisfaction" of the claim of one creditor over those of other creditors. The term "preferential satisfaction" is not clearly defined under Russian law and Russian courts have not yet established uniform criteria for its application. It is, however, arguable that the Issuer is not a creditor of the Seller for these purposes.

In this Transaction, the Mortgage Certificates were transferred by the Seller to the Issuer on 26 September 2007. However, the 'true sale' will not be considered completed until such time as the Issuer has paid the Purchase Price. The Purchase Price is expected to be paid shortly after the date of the Placement Completion Date. Therefore, in the circumstances described above it is likely that the six-month "claw back" period outlined above would commence from the date when the Purchase Price is paid in full.

In addition, in insolvency, the Seller would be entitled to refuse to perform contracts which have not been performed in full or in part (executory contracts) to the extent that such contracts may preclude the reinstatement of the Seller's solvency or would result in damages to the Seller when compared with analogous transactions concluded in similar circumstances.

If the Issuer's acquisition of the Mortgage Portfolio were unwound or invalidated, the Issuer would have to return the Assets to the Seller in exchange for the Purchase Price (whether or not the Seller would have sufficient funds to pay such Purchase Price). Therefore, if a Russian court decides to take any of these actions, the Issuer may not be able to make payments of principal and interest on the Bonds. No party shall be responsible or in any way liable for any consequences associated with the Russian courts taking such actions.

Post-enforcement waterfall

Upon enforcement of the Mortgage Collateral, the Bondholders will have first recourse to the Mortgage Certificates and the other assets of the Issuer then in existence comprising the Mortgage Collateral. Upon such enforcement and subject to discharge of certain current expenses associated with the enforcement:

- (a) amounts of principal and interest payable on the Class A Bonds will rank in priority to all amounts owing to the holders of the Class B Bonds and the Class C Bonds;
- (b) amounts of principal and interest payable on the Class B Bonds will rank in priority to all amounts owing to the holders of the Class C Bonds;
- (c) no amounts will be paid to the holders of the Class B Bonds or the Class C Bonds until all amounts owing to the holders of the Class A Bonds have been paid in full; and
- (d) no amounts will be paid to the holders of the Class C Bonds until all amounts owing to the holders of the Class A Bonds and Class B Bonds have been paid in full.

This subordination may reduce the recovery of the Bondholders of a particular Class of Bonds upon an enforcement of the Mortgage Collateral. For a description of the Post-Enforcement Payments Priorities, see "*Security Arrangements – Post-Enforcement Payments Priorities*".

In the event that the proceeds of sale of the Mortgage Collateral are insufficient to satisfy the claims of the Bondholders, they may claim the remaining amounts in the course of general bankruptcy proceedings. In such general bankruptcy proceedings, however, certain payments will rank higher in priority to payments of principal and interest of the Bonds.

As described elsewhere in this section, given the nature of the Mortgage Certificates and the other risks relating to the Mortgage Portfolio and the Russian Federation, it may be difficult to take enforcement action in relation to the Mortgage Collateral and it may not be possible to realise sufficient funds from sale of the Mortgage Collateral to make payments in respect of the Bonds.

Moreover, no security has been created over the Issuer Account or the Collateral Account, as it is unlikely that such security would be valid and enforceable as a matter of Russian law. Consequently, it may not be possible to realise sufficient monies to make payments in respect of the Bonds.

Pledge of money

Although Russian legislation does not expressly prohibit pledge of monetary funds, Russian jurisprudence does not recognise such pledge. However, the MBS Law expressly allows monetary funds to form part of the mortgage collateral, which is pledged to secure obligations under mortgage-backed bonds. Moreover, the MBS Law provides that if a mortgage agent (in this transaction, the Issuer) is subject to bankruptcy proceedings, pledged mortgage collateral is excluded from the bankruptcy estate of the mortgage agent. Notwithstanding express provisions of the MBS Law that monetary funds forming part of the mortgage collateral must be applied to satisfy the claims of the bondholders, in the absence of implementation practice it is not entirely clear how Russian courts will treat monetary funds included in the mortgage collateral which is

pledged to secure the obligations under the Bonds. There is also a risk that monetary funds forming part of the Mortgage Collateral for the Bonds may commingle with other monetary funds belonging to the Issuer, which may adversely affect the ability of the Bondholders to recover their investment in the Bonds.

According to Russian court practice an essential characteristic of a pledge is that the object being pledged is capable of being sold at a public auction in the event of default under the secured obligation. Since the monetary funds cannot be sold at a public auction it is unclear what kind of procedure can be applied to such funds if the execution is levied upon the mortgage collateral.

Anti-monopoly approval

If a legal entity meets certain criteria established by the anti-monopoly laws and regulations a sale of assets of such legal entity may be subject to the prior approval by the Federal Antimonopoly Service of the Russian Federation (the "FAS"), which must be obtained by a party to an asset sale agreement. Generally, the prior approval may be required for a sale of (i) more than 10 per cent. of the balance sheet value of assets of a legal entity that is a financial organisation (as defined in the Federal Law "On Protection of Competition" No. 135-FZ dated 26 July 2006 (the "**Antimonopoly Law**")) or (ii) more than 20 per cent. of the balance sheet value of the fixed and intangible assets of a legal entity that is not a financial organisation.

According to a strict definition, the Seller is not a financial organisation under the Russian Antimonopoly Law. Furthermore, mortgage certificates do not qualify as fixed or intangible assets under the secondary legislation of the Russian Federation. We note that the Seller has obtained from the FAS written clarifications confirming the above position. This suggests, however, that there is a lack of anti-monopoly regulation of sale of mortgage certificates by entities which are not financial organisations in Russia. There is no assurance that the legislator, the FAS or other authorities would not try to close this loophole in the anti-monopoly legislation. Amendments to Russian laws and regulations do not generally have retroactive effect. However, should such amendments provide to the contrary, this may adversely affect the ability of the Bondholders to recover their investment in the Bonds.

Changes of law and circumstances

The structure of the Transaction and, *inter alia*, the issue of the Bonds and the ratings assigned to the Class A Bonds and the Class B Bonds by Moody's are based on Russian law, its judicial interpretation and administrative practice in effect as at the date of this Information Memorandum (including with respect to interrelation of Articles 807(1) and 816 of the Civil Code and paragraph 6 of Article 2 of the Federal Law No. 39-FZ of 22 April 1996 "On Securities Market", as amended, and/or state registration of issues of bonds and reports on the results of issue of bonds where the bonds have been placed at premium to their nominal value and non-challenge of such issues of bonds and such reports) as it affects the parties to the Transaction Documents and having regard to the expected tax treatment of all relevant entities under such law, interpretation and practice. No assurance can be given as to the likelihood or impact of any possible change to such law, interpretation or practice on and after the date of this Information Memorandum. Should any such change occur during the life of the Bonds, it may adversely affect the ability of the Issuer to make payments of principal and interest on the Bonds.

The occurrence of certain events beyond the reasonable control of the Issuer and the Seller including strike, lock out, labour dispute, act of God, war, riot, civil commotion, malicious damage, accident, computer software, hardware or system failure, fire, flood or storm may lead to a reduction on or delay to or misallocation of the payments received from the Obligors or result in the suspension of the obligations of the parties under the Transaction Documents, which may adversely affect the ability of the Issuer to make payments of principal and interest on the Bonds.

Risks Relating to the Operations of the Issuer

Limited resources of the Issuer

The Issuer is a special purpose entity organised as a mortgage agent under the laws of the Russian Federation, with no business operations other than the issuance of the Bonds, the financing of the purchase of the Mortgage Portfolio and the entry into the Transaction Documents and auxiliary documents related thereto. The Issuer's ability to meet its obligations in respect of the Bonds, its operating and administrative expenses and all other liabilities under the relevant Payments Priorities are wholly dependent upon:

- funds received by the Issuer in respect of the Mortgage Portfolio;
- the Special Reserve of the Issuer in an amount equal to 8 per cent. of the Principal Amount Outstanding of the Bonds as of the Placement Completion Date;
- the Legal Expenses Reserve of the Issuer in an amount equal to 0.5 per cent. of the Principal Amount Outstanding of the Bonds as of the Placement Completion Date;
- the Contingency Expenses Reserve of the Issuer in an amount of RUB 250,000; and
- interest earned on the Issuer Account and/or the Collateral Account.

The Issuer will have no other funds available to it to meet its obligations under the Bonds or any other payments ranking in priority to, or *pari passu* with, the Bonds. The Transaction does not provide for a guaranteed investment contract nor does it contemplate any other investment of any funds deposited in the Issuer Account or the Collateral Account. The Issuer's ability to make full and timely payments of principal and interest on the Bonds will be dependent on the Servicer properly performing its obligations under the Servicing Agreement to procure that amounts due and payable by the Obligors are paid into the Issuer Account and the Collateral Account.

The Class A Bonds will be of higher priority in right of payment of interest and principal to the Class B Bonds and the Class C Bonds, and the Class B Bonds will be of higher priority in right of payment of interest and principal to the Class C Bonds (save for the Minimum Class C Coupon). Due to their subordination, the Class B Bonds and the Class C Bonds bear a greater credit risk than the Class A Bonds, and the Class C Bonds bear a greater credit risk than the Class B Bonds.

Cash commingling risk

The servicing arrangement used by the Issuer envisages that payments by the Obligors under the Mortgage Loan Agreements are not transferred directly to the Issuer. Part of the payments are first paid by the Obligors to sub-servicers being either the Primary Lenders or the Regional Operators (the "**Sub-servicers**") and then transferred to the Servicer. Another part of the payments is transferred directly to the Servicer. The Servicer, in turn, transfers all such payments to the Issuer. This makes the amounts "in transit" susceptible to risks of the Servicer and the Sub-servicers, principally commingling risk or misappropriation of funds. According to the Russian law on commission agency, assets of the principal should be segregated from the assets of the agent in the case of insolvency of the latter. However, money is fungible, and there is no ownership right in relation to money in the account but only a claim of the holder of the account against the bank in which the account is opened. Therefore, it might be difficult to achieve segregation of the Receivables from the estate of the Servicer or a Sub-servicer in the event of insolvency of the latter. In particular, the Russian court may hold that all money in accounts of the Servicer or such Sub-servicer must be included in its estate, and the Issuer would rank as an unsecured creditor in respect of its claim against the Servicer or such Sub-servicer. According to the Servicer's standard agreements with the Sub-servicers, the time lag between the receipt of funds and the transfer thereof to the Servicer may be up to one month, because the standard servicing agreement provides that the funds are to be remitted to the Servicer on the 5th day of each calendar month. According to the Transaction Documents, the Servicer remits the collections to the Issuer on the 23rd day of each calendar month, which increases the time lag by additional 18 days. These factors could lead to delays or losses in collections and adversely affect the ability of the Issuer to make payments of principal and interest on the Bonds.

The above risk is to a certain extent mitigated by an undertaking of the Servicer to guarantee the obligations of the Sub-servicers to transfer collections received from the Obligors if a default on the part of the Sub-servicers to transfer such collections is due to insolvency, introduction of temporary administration, seizure of accounts or occurrence of similar events in respect of the Sub-servicers. In addition, this risk may be mitigated by the undertaking of the Servicer to make fully operative a collection procedure, whereby all Obligors will be required to make payments directly to the account of the Servicer, by 31 December 2008. A further mitigant of this risk arising is the current credit rating of the Servicer. See "*Description of AHML and its Business*".

Reliance on third parties

The Issuer is a party to contracts with a number of other third parties who have agreed to render services in relation to the Transaction and the Bonds. Although the Issuer has chosen recognised firms (such as Citibank, N.A., London Branch as Calculation Agent, ZAO Citibank as Paying Agent and Accounts Bank, Gazprombank (Open Joint Stock Company) as Special Depository and Limited Liability Company TMF RUS as Management Organisation) having substantial experience in the securitisation industry to provide such services, in the event that any of the third parties providing such services to the Issuer fails to perform its obligations under the relevant agreements to which it is a party, the ability of the Bondholders to recover their investment in the Bonds may be adversely affected.

Absence of back-up servicer

The Issuer has not appointed a back-up servicer to administer the Assets in case of termination of appointment of the Servicer pursuant to the Servicing Agreement. Although the Obligors will, at the request of the Issuer, be notified of the occurrence of a Servicer Replacement Event and of the account of the Issuer to which payments under the Mortgage Loan Agreements should be made, there may be an interruption in the administration of the Assets which may cause losses or delays in payments on the Bonds. See also "*Servicer substitution*". This risk is, however, to a certain extent mitigated by the current credit rating of the Servicer. See "*Description of AHML and its Business*".

Servicer substitution

In the event of termination of the appointment of the Servicer by reason of the occurrence of certain events set out in the Servicing Agreement, it would be necessary for the Issuer to appoint a Replacement Servicer. There is no guarantee that a Replacement Servicer could be found who would be willing or able to administer the Assets and/or to be bound by the Put Option on the terms of the Servicing Agreement. The risk of the occurrence of a Servicer Replacement Event is, however, to a certain extent mitigated by the current credit rating of the Servicer. See "*Description of AHML and its Business*".

The Servicer relies on its trained staff and information processing system to maintain its collection procedures. If the Servicer is removed or substituted, there could be an interruption in the administration of the Assets which may cause losses or delays in payments on the Bonds. Furthermore, the processing of payments on the Assets may be delayed during the course of the Servicer substitution and collections may be reduced or delayed as a Replacement Servicer assumes its responsibilities, notifies the Obligors of the occurrence of a Servicer Replacement Event and replaces the payment arrangements operated by the Servicer with alternative payment procedures introduced by it. The ability of a Replacement Servicer to fully perform its duties would depend on the information and records available to it.

The Servicer and any Replacement Servicer, as the case may be, may rely on third parties for the performance of their obligations under the Transaction Documents. There is no guarantee that such third parties will perform such obligations on behalf of the Servicer or the Replacement Servicer, as the case may be, either at all or to the standard required from the Servicer or the Replacement Servicer, as the case may be, under the Transaction Documents, which could lead to a breach on the part of the Servicer or the Replacement Servicer, as the case may be, under the relevant Transaction Documents and potential losses on the Mortgage Portfolio. The above risk in respect of the Servicer is to a certain extent mitigated by an undertaking of the Servicer to guarantee the obligations of the Sub-servicers to transfer collections received from the Obligors if a default on the part of the Sub-servicers to transfer such collections is due to insolvency, introduction of temporary administration, seizure of accounts or occurrence of similar events in respect of the Sub-servicers. In addition, this risk may be mitigated by the undertaking of the Servicer to make fully operative a collection procedure, whereby all Obligors will be required to make payments directly to the account of the Servicer, by 31 December 2008.

Any of the above factors may adversely affect the ability of the Issuer to make payments of principal and interest on the Bonds.

Insolvency of the Servicer and/or Sub-servicers

All payments received by the Servicer and/or Sub-servicers from the Obligor will generally be remitted to the relevant account of the Issuer on a monthly basis.

In the event that any bankruptcy proceeding is introduced with respect to the Servicer and/or any Sub-servicer, or a banking licence of any Sub-servicer is revoked, it is unlikely that a Russian court would segregate money due to the Issuer and held in any Obligor's account with a Sub-servicer or in any account of the Servicer from the Servicer's and/or the Sub-servicer's estate, and the Issuer would rank as an unsecured creditor in respect of its claims.

Furthermore, the Central Bank of the Russian Federation (the "**Central Bank**") may in certain circumstances appoint a temporary administration (*vremennaya administratsiya*) for a credit institution such as certain Sub-servicers prior to (and in attempt to prevent) bankruptcy proceedings. In such a case the Central Bank may, upon application by the temporary administrator of a Sub-servicer, impose a moratorium on payments to creditors following the imposition of the temporary administration but before revocation of such Sub-servicer's banking licence. The moratorium would cover monetary obligations that arose prior to the appointment of the temporary administration.

In addition, in insolvency, the Servicer and/or any Sub-servicer would be entitled to refuse to perform contracts which have not been performed in full or in part (executory contracts) to the extent that such contracts may preclude the reinstatement of the Servicer's and/or Sub-servicer's solvency or would result in damages to the Servicer and/or Sub-servicer when compared with analogous transactions concluded in similar circumstances.

Therefore, there may be a risk of the Sub-servicers being unable to remit to the Issuer the funds received from the Obligor during the moratorium and a risk of the Servicer and/or Sub-servicers being unable to remit such funds to the Issuer due to the repudiation of the Servicing Agreement and/or any sub-servicing agreement as an executory contract.

The level of commingling risk in connection with the Mortgage Portfolio will depend upon a variety of factors, including whether or not servicing has been transferred to any Replacement Servicer and whether or at what stage a Russian court might regard an un-recovered amount remitted by an Obligor to such Obligor's current account with a Sub-servicer as constituting a good discharge of the Obligor's obligation under its Mortgage Loan to which such amount was intended to be applied.

Any insolvency related event or commingling risk in respect of the Servicer, any Sub-servicer or any Replacement Servicer might adversely affect the ability of the Issuer to make payments of principal and interest on the Bonds.

The above risk in respect of the Servicer and Sub-servicers is to a certain extent mitigated by an undertaking of the Servicer to guarantee the obligations of the Sub-servicers to transfer collections received from the Obligor if a default on the part of the Sub-servicers to transfer such collections is due to insolvency, introduction of temporary administration, seizure of accounts or occurrence of similar events in respect of the Sub-servicers. In addition, this risk may be mitigated by the undertaking of the Servicer to make fully operative a collection

procedure, whereby all Obligor will be required to make payments directly to the account of the Servicer, by 31 December 2008.

Additional expenses

There may be unforeseen increases in expenses of the Issuer. Under Russian securities regulations, the Decisions are required to specify a fixed maximum amount of such expenses. The Issuer has attempted to predict all future expense requirements during the expected life of the Bonds, but there may be instances where unforeseen costs arise. In addition, the Issuer will establish, on or about the Placement Completion Date, a Contingency Expenses Reserve of RUB 250,000 which will be used as liquidity to meet any unforeseen operational expenses. Once fully funded the Contingency Expenses Reserve will not be amortising and any utilisation will be replenished through the excess spread. If the Issuer's funds in the Mortgage Collateral and in the Contingency Expenses Reserve are not sufficient to pay all costs of the Issuer when they become due, there is a possibility that an unpaid creditor may have standing to commence bankruptcy proceedings against the Issuer. This may adversely affect the ability of the Bondholders to recover their investment in the Bonds.

Potential information technology disruptions

The Servicer's, or any Replacement Servicer's ability to service the Mortgage Portfolio efficiently will depend to a significant extent upon the capacities of their information technology systems. Although the Servicer has contingency procedures (see "*Description of AHML and its Business – Information Technology*") which it believes to be appropriate to address this risk, there can be no assurance that a disruption (even short term, and including disruption resulting from power outages) to any significant aspect of the information technology systems, delays or increased costs associated with operating such systems would not have an adverse effect on the Servicer's or any Replacement Servicer's ability to service the Assets, thus adversely affecting the ability of the Bondholders to recover their investment in the Bonds.

Conflicts of interest

Certain parties to the Transaction act in more than one capacity. For example, AHML acts as Seller, Servicer and Standby Calculation Agent and various entities of Citi act as Joint Arranger, Placement Agent, Paying Agent, Calculation Agent and Accounts Bank. The fact that these entities fulfil more than one role could potentially lead to a conflict between the rights and obligations of these entities in one capacity and the rights and obligations of these entities in another capacity. In addition, this could also lead to a conflict between the interest of these entities and the interests of the Bondholders. These factors potentially may adversely affect the ability of the Issuer to make payments of principal and interest on the Bonds.

Risks Relating to the Bonds

Limited liability under the Bonds

The Bonds will be solely the obligations of the Issuer. The Bonds will not be obligations or responsibilities of, or guaranteed by, any other person or entity. In particular, the Bonds will not be obligations or responsibilities of, and will not be guaranteed by, any of the Joint Arrangers, the Placement Agent, the Seller, the Servicer, the Special Depository, the Custodian, the Calculation Agent, the Paying Agent, the Accounts Bank, the Management Organisation, the

Accounting Organisation, Moody's, the Obligors or any other person or entity. Furthermore, none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make any payment of any amount due on the Bonds.

Partial redemption of the Bonds

Russian legislation does not explicitly regulate issuance of bonds that are to be redeemed in portions, where the amount of partial redemption depends on the performance of a third party.

The Bonds will be redeemed in portions, with the amount of partial redemption depending on the amount of principal payments received under the Mortgage Loan Agreements. Obligors are required to make scheduled principal payments but may also make additional principal payments ("prepayments"). The holders of the Bonds will be aware of periodicity of redemption of principal (see "*Terms and Conditions of the Bonds*"), but will not know the amount of principal to be redeemed (see "*Risk factors – Risks Relating to the Assets – Prepayments of Mortgage Loans*"). As a matter of Russian law, the redemption price should depend on factors that are outside the Issuer's control. The Seller has received a clarification from the FFMS that the redemption price can be determined by reference to collections under the Mortgage Loan Agreements. However, mortgage-backed bonds are a relatively new product for the Russian Federation. There can be no assurance as to the approach that the Russian courts will adopt in respect of periodic partial redemption of the Bonds, which may adversely affect the ability of the Bondholders to recover their investment in the Bonds.

Payment of interest on the Bonds

Russian securities regulations are silent on whether it is possible to calculate the amount of interest payments under the bonds by reference to collections in a particular interest payment period or to carry any unpaid interest over to subsequent interest payment dates.

Pursuant to the Decisions, payments of interests on the Bonds derive only from amounts of Revenue Receipts received by the Issuer in respect of the related Calculation Period or, in certain circumstances, from the transfer of a Principal Addition Amount from the Principal Ledger and/or from the Special Reserve. Furthermore, any unpaid interest on the Class B Bonds is deferred and carries interest at the Maximum Class B Coupon rate applicable to the Class B Bonds.

The Seller has received a clarification from the FFMS that the amount of the interest payments in respect of the related Calculation Period can be determined by reference to collections under the Mortgage Loan Agreements. However, mortgage-backed bonds are a relatively new product for the Russian Federation and there can be no assurance as to the approach that the Russian courts will adopt to the methodology of calculation of interest on the Bonds, which may adversely affect the ability of the holders of the Class B Bonds and the Class C Bonds to receive income on their investment in the Class B Bonds and the Class C Bonds, respectively, as provided in the relevant Decisions.

Early redemption

Although the Issuer is entitled (as to which see "*Terms and Conditions of the Bonds – Redemption*") to redeem the Bonds at its discretion in certain circumstances, it is not obliged to do so. The ability of the Issuer to redeem the Bonds in any of the circumstances in which it is

entitled to do so will be dependent primarily upon its ability to sell or refinance the Mortgage Portfolio for an amount sufficient to enable the Issuer to make payments of all sums due to the Bondholders upon any such redemption. Accordingly, if the Issuer is unable to raise sufficient redemption funds, whether by sale or by refinancing of the Mortgage Portfolio or otherwise, the Issuer will not be able to exercise its right of early redemption of the Bonds.

Limitations on transfer and secondary market for the Bonds

Mortgage-backed bonds are relatively new to the Russian fixed income markets, as such there may be a limited secondary market for the Bonds.

If a market for the Bonds develops, there can be no assurances as to its liquidity, ability of the Bondholders to sell their Bonds or the price at which the Bondholders will be able to sell their Bonds. The market price of the Bonds could be subject to fluctuations due to, among other things, variations in the value of the Mortgage Portfolio, the market for similar securities, prevailing interest rates, changes in regulation and general market and economic conditions. In addition, the Seller may purchase all or a part of the Class A Bonds and/or the Class B Bonds at the public offering. There can be no guarantee as to the price of the Bonds on a secondary market, if such a secondary market for the Bonds develops.

The global securitisation markets are currently experiencing severe disruptions worldwide resulting from reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. There can be no assurance as to if or when market conditions will improve.

A prolonged reduction in demand for mortgage-backed or other debt securities, alone or in combination with the continuing increase in prevailing market interest rates, may adversely affect the market value of the Bonds and may adversely affect the ability of the Bondholders to sell the Bonds.

The Bonds have not been, and will not be, registered with any securities authority in any jurisdiction other than the Russian Federation. The Bonds may not be sold or traded on the secondary market before a report on the results of issue of the Bonds has undergone state registration with the FFMS. The Bonds have not been, and will not be, placed and/or traded in any jurisdiction other than the Russian Federation. These restrictions may hinder the Bondholders' ability to sell the Bonds.

Ratings of the Bonds

Moody's ratings address the expected loss posed to investors by the legal final maturity. 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.

Moody's issues provisional ratings in advance of the final sale of securities, but these ratings represent only Moody's preliminary credit opinions. Upon a conclusive review of the Transaction and associated documentation, Moody's will endeavour to assign definitive ratings to the Class A Bonds and the Class B Bonds. A definitive rating may differ from a provisional rating.

The ratings that may be assigned to the Class A Bonds and the Class B Bonds upon their (ratings) issuance will be based on, among other things, the projected revenues from the Mortgage Portfolio and other relevant structural features of the Transaction, which will reflect only the views of Moody's as at the date of their assignment. There is no assurance that such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by Moody's as a result of, among other things, changes in, or unavailability of, information or if, in the judgment of Moody's, circumstances so warrant.

Rating agencies other than Moody's could seek to rate the Bonds and if such "unsolicited ratings" are lower than the equivalent rating assigned by Moody's, such ratings could have an adverse effect on the market value of the Bonds.

No gross-up for taxes

So long as Russian tax laws so require, payments under the Bonds will be made after deduction of any applicable withholding taxes or other deductions. None of the Joint Arrangers, the Placement Agent, the Issuer, the Seller, the Servicer (or any Replacement Servicer), the Special Depository (or the Standby Special Depository), the Custodian, the Calculation Agent, the Paying Agent, the Accounts Bank, the Management Organisation, the Accounting Organisation or any other person or entity will be required to gross up payments in respect of such withholding taxes or other deductions, or indemnify any party in respect thereof. In addition, if the Issuer incurs any taxes (including value added taxes) in the future, it will be required to pay them from the funds available to it, which may reduce the payments to Bondholders in respect of the Bonds.

In addition, according to the Russian tax law in certain cases the Issuer will act as a tax agent of the Bondholders with respect to the taxes to be withheld at a source of payment (see "*Tax Considerations*"). According to the Decisions, where the Bondholders fail to provide the Issuer with a confirmation of their tax status, the Issuer will withhold the relevant taxes at their maximum rate envisaged by the legislation of the Russian Federation.

Risks Relating to the Assets

Disclosure about the Assets and residential mortgage lending market

Statistical and other data on residential mortgage loans available to the Seller may be less complete than that available to comparable entities in jurisdictions with more mature markets. None of the Transaction Parties has undertaken or will undertake any independent investigation or review of, or seek to verify such statistical information. There can be no assurances as to the future performance of the Assets.

The Issuer's rights as mortgagee evidenced by Mortgage Certificates will remain unregistered

While the Issuer is entitled to register itself as the mortgagee under the Mortgage Certificates at the Unified State Register of Rights to Immovable Property and Transactions Therewith (the "**Unified State Register**"), there is no requirement in the Transaction Documents to effect such registration and no such registration is contemplated. Until such time as the Issuer seeks for itself to be registered as the mortgagee, the Mortgage Certificates will be registered in the Unified State Register in the name of the Seller.

The risk of not attending to such registration is that delays may occur in the collection of the relevant Receivables due to the relevant Obligor requiring the Issuer to present the relevant Mortgage Certificate to him or her prior to making any payment under the relevant Mortgage Loan Agreement (thus requiring the Issuer or the Servicer to obtain the relevant Mortgage Certificate from the Special Depository) and, if a Mortgage Certificate becomes unavailable (through loss, destruction or otherwise) for presentation to any party requiring such presentation, the Issuer would need to establish its entitlement as a mortgagee in proceedings in a Russian court, which may cause delays. The possibility of a Mortgage Certificate becoming unavailable (through loss, destruction or otherwise) is mitigated by the fact that the Special Depository has agreed to attend to the safe keeping of the Mortgage Certificates. See "*Custody Arrangements*".

The above risks, however, may adversely affect the ability of the Issuer to make payments of principal and interest on the Bonds.

Compliance of the Assets with the Eligibility Criteria

The Issuer has not undertaken and will not undertake any investigations, searches or other actions in respect of the Assets, and will rely instead on the representations given by the Seller in the Mortgage Certificates Purchase Agreement as to compliance of the Assets with the Eligibility Criteria as of the Transfer Date. This risk may be mitigated to a certain extent by the fact that some of the Eligibility Criteria coincide with the minimum eligibility requirements of the MBS Law to the Mortgage Collateral, which have been verified by the Special Depository.

The contractual remedy of the Issuer in respect of a breach by the Seller of any obligation to ensure the compliance of the Mortgage Certificates with the Eligibility Criteria as of the Transfer Date shall be the entitlement of the Issuer to require the Servicer to buy the non-conforming Mortgage Certificate which became defaulted in terms of the MBS Law and the obligation of the Servicer to buy such Mortgage Certificate and pay for it an amount equal to the Outstanding Principal Balance and Accrued Interest as at the date of such sale. This shall not limit any other remedies available to the Issuer if the Seller fails to act pursuant to this procedure. There can be no assurance that the Servicer will have the financial resources to honour its obligations to effectively repurchase any Assets in respect of which such a breach of the Eligibility Criteria is established. There is also no guarantee that a Replacement Servicer could be found who would be willing to agree to be bound by the Put Option on the terms of the Servicing Agreement. Any of the above factors may adversely affect the ability of the Bondholders to recover their investment in the Bonds.

Prepayments of Mortgage Loans

Mortgage Loans can generally be prepaid without penalty by the Obligors. Obligors' defaults may also result in the acceleration of the Mortgage Loan Agreements. The rate of prepayment of loans, which is affected by a wide variety of social, economic, and other factors, cannot be accurately predicted.

As the Russian residential property and mortgage loan market matures competition amongst lenders should be expected to increase. As a result of this competition a range of more competitive interest rates and a greater range of mortgage product features may emerge. These

factors may lead to refinancing by borrowers, which will affect the speed at which the Bonds are redeemed. Please see "*Weighted Average Life of the Class A Bonds and the Class B Bonds*".

The rate of prepayment on the Mortgage Portfolio will affect the speed at which the Bonds are redeemed. The higher the prepayment rate is, the quicker the Bonds will be redeemed and vice versa. Prepayments on the Mortgage Portfolio will be applied in accordance with the Pre-Enforcement Principal Payments Priorities towards redemption of the Class A Bonds, the Class B Bonds and the Class C Bonds on a full sequential pass-through basis (see also "*Risks Relating to the Bonds – Partial redemption of the Bonds*"). For more detailed information about the relationship between the rate of prepayment on the Mortgage Portfolio and the weighted average lives of the Class A Bonds and the Class B Bonds, see "*Weighted Average Life of the Class A Bonds and the Class B Bonds*".

Underwriting standards

The Seller has put in place the AHML Standards, a set of eligibility criteria and underwriting, refinancing and servicing procedures applicable to purchases of residential mortgage loans from its Partner Institutions. However, the emergence of the Russian residential mortgage loan market is a recent phenomenon, and Russian lenders currently lack the credit scoring tools available in more mature markets. The system of credit bureaus operating in the Russian Federation which could help lenders assess the creditworthiness of potential obligors is relatively new and reliable sources to verify Obligor's income and assets may not always be readily available, which may lead to over- or under- reporting of actual salaries on loan applications. Although the Partner Institutions are required to apply the lending criteria and apply stringent policies of verification of their Obligor's income, which the Seller believes to be adequate and efficient to assess the prospective borrowers' income, in the absence of more sophisticated credit tools and more reliable sources of verification, the consequences of such limitations could negatively affect the performance of the Mortgage Portfolio, which would adversely affect the ability of the Issuer to make payments of principal and interest on the Bonds.

Collectability of Assets

The collectability of amounts due under the Mortgage Loans is subject to, among other things, credit and liquidity risks and will generally fluctuate in response to, among other things, general economic conditions, the financial standing of Obligor and other similar factors. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy filings by Obligor and could ultimately have an adverse impact on the ability of Obligor to repay the Mortgage Loans.

In addition, in the event of enforcement against the Obligor the ability of the Issuer to dispose of Mortgaged Property at a price sufficient to repay the amounts outstanding under the relevant Mortgage Loan will depend upon a number of factors including the availability of buyers for that Mortgaged Property and real estate prices in general at that time.

Enforcement procedures

If an Obligor defaults under the relevant Mortgage Loan the Issuer has the right to initiate foreclosure on the relevant Mortgaged Property through judicial proceedings. As an alternative

to foreclosure through judicial proceedings the Issuer and the relevant Obligor may also enter into an agreement on extra-judicial discharge of the Issuer's claims in the presence of a Russian notary after a default under a Mortgage Loan occurs. This out-of-court procedure for effecting foreclosure therefore requires cooperation of the relevant Obligor. Such agreement may also be invalidated by a court at the request of a third party whose rights have been infringed by it (such as any member of the relevant Obligor's family).

Without the cooperation of the relevant Obligor there is a risk that the Issuer may be involved in lengthy judicial proceedings in a Russian court. As a general rule, a court hearing must be held within two months of the relevant enforcement claim being filed. However, as a matter of Russian law and practice, a court can extend this timing if the court proceeding was postponed or suspended on grounds provided by Russian law. An Obligor may delay court proceedings by failing to appear in court for "good" reasons (such as illness), filing a counterclaim against the Issuer or appealing a decision before a court of a higher authority or otherwise. In practice, an Obligor may also have a number of opportunities to delay an attempt to foreclose on the relevant Mortgaged Property by contesting the order for payment and/or compliance with the procedure for enforcement which in turn will delay the receipt of proceeds from an enforcement against that Mortgaged Property by the Issuer. A court has discretionary powers to reject an enforcement claim if an Obligor's default is utterly insignificant and the value of the Issuer's claims is obviously incommensurate to the value of the Mortgaged Property.

After the Issuer obtains a court decision ordering the levy of execution and the relevant Obligor refuses to cooperate in its execution, the Issuer would need to initiate the execution proceedings with court bailiffs who would arrange for the sale of the Mortgaged Property at a public auction. Although there can be no assurance that this will necessarily always be the case, the sale of the Mortgaged Property through court bailiffs generally takes from two to four months. Furthermore, in the decision ordering the levy of execution a court may at its discretion delay the public auction for a period of up to one year upon the Obligor's application.

The procedure for enforcement and eviction is more complicated when a member of the family of the Obligor is under the protection of the agency of guardianship and curatorship (which is applicable where the relevant member of the Obligor's family has limited legal capacity or is a minor without parents). The agency may hinder the disposal of the Mortgaged Property and/or eviction if the authorities believe it is contrary to the interests of the protected individual.

There are examples emerging of successful judicial foreclosure under Russian law residential mortgages, including some undertaken by the Seller. However, the law in this area is still developing and there is a risk that the recovery process relating to defaulted Mortgage Loans would not proceed with a great degree of certainty relating to the timing or outcome. This could adversely affect the ability of the Issuer to make payments of interest and principal on the Bonds.

The Issuer will establish, on or about the Placement Completion Date, a Legal Expenses Reserve in an amount equal to 0.5 per cent. of the Principal Amount Outstanding of the Bonds as of the Placement Completion Date. The Legal Expenses Reserve funds can be used by the Issuer as liquidity to fund legal expenses incurred in relation to the enforcement of its rights. Once fully funded the Legal Expenses Reserve will not be amortising and any utilisation will be replenished through excess spread.

Ability to sell the Mortgage Portfolio

The ability of the Issuer to redeem the Bonds prior to the Final Maturity Date, including following an Event of Default, may depend upon whether the Mortgage Portfolio can be realised to obtain an amount sufficient to redeem the Bonds. At present the secondary market for residential mortgage loans in the Russian Federation is still developing and the Issuer or, following an Event of Default, the relevant specialised organisation appointed to sell the Mortgage Portfolio, may not be able to sell the Mortgage Portfolio should it be required to do so. Moreover, due to its size, the sale of the Mortgage Portfolio as a single portfolio may not be possible and more than one purchaser may have to be identified. This may adversely affect the ability of the Bondholders to recover their investment in the Bonds.

Insurance

Under the terms of the Mortgage Loans, the Obligors must ensure that a holder of a Mortgage Certificate is the primary beneficiary under the insurance policies relating to the Mortgaged Property. In addition, each Obligor is required to take out life and health insurance policies, with the holder of the Mortgage Certificate as the primary loss payee, to secure such Obligor's obligations under the relevant Mortgage Loan. As a matter of Russian law, the Issuer as mortgagee is entitled to the proceeds of insurance payments under the Insurance Policies relating to the Mortgaged Property in an amount not less than the amount due and payable by the Obligor under the Mortgage Loan even if it is not named as beneficiary under such Insurance Policies, although this rule does not extend to the life and health Insurance Policies. Under the Insurance Policies, the holder of the Mortgage Certificate is mentioned as the loss payee without its identity being specified. This means that any holder of the Mortgage Certificate automatically becomes a loss payee under the relevant Insurance Policy.

As a matter of Russian law, an insured person may change a beneficiary under an insurance policy at any time prior to such beneficiary having performed any obligation under an insurance policy or prior to it having claimed any insurance payment. If, contrary to the terms of a Mortgage Loan, an Obligor replaces the beneficiary under the relevant Insurance Policies with a person other than the Issuer, the payment of proceeds derived from the Insurance Policies to the Issuer may not be possible. If this was to occur, the ability of the Issuer to make payments of interest or principal due under the Bonds may be adversely affected.

Geographic concentration of the Assets

Although the geographic concentration of the Assets comprising the Mortgage Portfolio is fairly low compared to similar transactions in the market, any deterioration in the economic condition of the areas where the Assets are located or any deterioration in the economic condition of other areas in the Russian Federation that causes an adverse effect on the ability of the Obligors to repay under the Mortgage Loan Agreements could increase the risk of losses on the Assets. Such losses, if they occurred, could have an adverse effect on the ability of the Bondholders to recover their investment in the Bonds.

Restricted information

The Transaction requires that information on the Assets and the Obligors be, or potentially be, disclosed to various parties at different stages of the Transaction. It is unclear under Russian law

how personal data protection rules interact with the general right of the Seller to assign its rights under the Mortgage Loan Agreements.

While the disclosure of such restricted information should not affect the validity of the Mortgage Certificates Purchase Agreement, this issue is not entirely clear due to the lack of court decisions on this point and the change of the legislation on personal data protection (Federal Law No. 152-FZ On Personal Data dated 27 July 2006 entered into force on 25 January 2007), which introduced additional uncertainty in relation to the interrelation of personal data protection rules (including those related to obligor's consent to the transfer of personal data) and the general right of creditors to assign their claims under loans. Although the disclosure of information relating to the Assets under the Transaction Documents should not breach personal data protection laws, there can be no certainty that Russian courts would not take a different view.

Consumer protection laws in the Russian Federation

Currently, the Russian Federation has no consumer protection laws specifically concerning residential mortgage loans or their collection. The legal framework for consumer protection is established by the Russian Law No. 2300-1 On Protection of Consumers' Rights dated 7 February 1992, as amended (the "**Consumer Protection Law**"). It is, however, not entirely clear how this law may be applied to the Mortgage Loans.

Additionally, there is no guarantee that, in the absence of clear consumer protection regulations in connection with residential mortgage loans or their collection, certain regulatory agencies (for example, the Central Bank and/or the FAS) will not start to regulate such residential mortgage loans. Furthermore, ambiguities of the current regulation create additional uncertainty as to how the existing provisions of the consumer protection legislation would be interpreted by courts and applied in practice in the context of residential mortgage loans. Although there is no consistent court practice in this respect, one recent reported court case in the context of consumer loans suggests that Russian courts may be inclined to support challenges to provisions in consumer loan documentation (for example, relating to late payment fees and prepayment fees) which the court regards as onerous, unfair or otherwise unwarranted, whether or not such provisions contravene specific provisions of consumer legislation, although such an approach has not yet been tested in the Russian Supreme Arbitrazh Court.

In another recent court case, a judicial division of the Supreme Arbitrazh Court refused to pass over to the Presidium of the Supreme Arbitrazh Court a claim against decisions of the lower courts pursuant to which an administrative fine was levied on a lender for the inclusion in mortgage loan agreements of provisions requiring the borrowers to take out life and health insurance policies as well as provisions allowing the lender to accelerate mortgage loans in the event of the death of a borrower. While, in practice, decisions of the Supreme Arbitrazh Court (*postanovleniye*) may have the force of a precedent, the decision referred to in this paragraph was issued in the form of a ruling (*opredeleniye*) by a judicial division of the Supreme Arbitrazh Court (which many commentators treat as a "filter" preventing the Presidium of the Supreme Arbitrazh Court from considering immaterial cases) rather than by the Presidium of the Supreme Arbitrazh Court. Furthermore, the lender's claim was not considered on its merits but dismissed on procedural grounds, having been considered in the context of an administrative rather than a civil action. Although the requirement to take out life and health insurance policies

should not *per se* contradict Russian law, unless (and this has been an argument in support of certain claims in recent court cases) it is a part of a conspiracy between the lender and the insurance company, should the courts treat the inclusion of such requirements in mortgage loan agreements as contradicting the Consumer Protection Law, the ability of the Issuer to make payments of principal and interest on the Bonds may be adversely affected. In particular, pursuant to the Consumer Protection Law, a customer has the right to claim damages incurred as a result of the breach of his or her right of independent choice of goods and services. Although in many instances Russian courts refused to recognise validity of set-off of contractual claims against claims in tort, court practice in this respect is inconsistent and provisions of the Civil Code do not expressly restrict such set-off. Therefore, the possibility of set-off of damages against payments under mortgage loan agreements cannot be excluded.

In addition to the above, the Mortgage Loan Agreements may be treated as so-called "contracts of adhesion" (i.e., contracts that the Obligors may execute only in accordance with the lender's standard form without the possibility of negotiating their terms). According to the Civil Code, Obligors may demand termination or amendment of the Mortgage Loan Agreements containing terms that the Obligors would not have accepted if they had the ability to negotiate them. To the extent that the benefit of the Mortgage Loan Agreements is intended to flow through to the Bonds, challenges by Obligors of these provisions may adversely affect the ability of the Issuer to make payments of principal and interest in respect of the Bonds.

Any of the above factors, as well as the adoption of any new law or regulation (including those with retroactive effect), or change in interpretation by the relevant state authorities, or application of the Consumer Protection Law or any regulation in an unpredictable manner by a Russian court, may make the collection of defaulted loans or penalties more difficult and thus may adversely affect the ability of the Issuer to make payments of principal and interest on the Bonds.

Risks Relating to the Russian Federation

Social instability in the Russian Federation

Social conditions in the Russian Federation have at various times been unstable and experienced:

- failure of some Russian companies to pay full salaries on a regular and timely basis;
- failure of salaries and benefits to keep pace with the increasing cost of living; and
- discrepancy between levels of income and social stratification.

Although social conditions in the Russian Federation have generally been improving since 1999, there is no assurance that these positive trends will not be reversed, which may have political, social and economic consequences, such as social unrest, increase in support for a return to a more authoritarian form of government, increased nationalism and increased violence, any of which could have a material adverse effect on the Obligors' ability to meet their obligations under the Mortgage Loan Agreements and, consequently, would adversely affect the ability of the Issuer to make payments of principal and interest on the Bonds.

Economic instability in the Russian Federation

Since the dissolution of the former Soviet Union in the early 1990's, the Russian Federation has been undergoing a rapid transformation from a one-party state with a centrally planned economy to a pluralist democracy with market economy. This transformation has been marked by periods of significant instability and the Russian economy has at various times experienced:

- significant declines in gross domestic product;
- hyperinflation;
- currency instability;
- significant increases in unemployment and underemployment;
- impoverishment of a large proportion of the Russian population.
- high levels of state debt relative to gross domestic product;
- a weak banking system providing limited liquidity to Russian enterprises;
- high levels of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- growth of "black" and "grey" market economies;
- high levels of capital outflow; and
- high levels of corruption and extensive penetration of organised crime into the economy.

The Russian economy has been subject to abrupt downturns. In particular, on 17 August 1998, in the face of a rapidly deteriorating economic situation, the Russian government defaulted on its Rouble-denominated securities, the Central Bank ceased to support the Rouble and a temporary moratorium was imposed on certain hard currency payments. These actions resulted in an immediate and severe devaluation of the Rouble and a sharp increase in the rate of inflation, a dramatic decline in the prices of Russian debt and equity securities and an inability of Russian issuers of securities to raise funds in the international capital markets.

Although economic conditions in the Russian Federation have generally been improving since 1999 (for example, Russian GDP growth since 2001 averaged 6.4 per cent., and, according to the Russian Statistics Service, reached 8.1 per cent. in 2007), there can be no assurance that the recent positive trends in the Russian economy, such as the increase in gross domestic product, a relatively stable Rouble and a reduced rate of inflation, will continue.

Notwithstanding the recent wage growth exceeding 10 per cent., the global credit crunch in the second half of 2007 may affect the rate of growth of household borrowing in 2008. The

strengthening of the Rouble in real terms relative to the U.S. dollar, the consequences of a relaxation in a monetary policy and other factors, could also have an adverse effect on the Russian economy and, therefore, the ability of the Obligors (in particular those whose income is linked to the U.S. dollar) to meet their obligations under the Mortgage Loan Agreements in the future.

Systemic banking crisis in the Russian Federation and the Russian banking system's perceived undercapitalisation

An occurrence of a systemic banking crisis and the Russian banking system's perceived undercapitalisation (particularly amongst small to medium Russian banks) could adversely affect the operational activity of the Servicer, Sub-servicers or any Replacement Servicer and the operation of the Transaction as a whole.

Although banking and financial markets in Russia have been expanding at above 50 per cent. per year since 2000, one of the main drivers for that was the expansion of global financial markets and the availability of relatively cheap U.S. dollar financing. The liquidity crisis of May–June 2004 in the Russian banking market demonstrated the vulnerability of the Russian banking system and its dependence on access to liquidity. The fallout from international credit markets is likely to put additional pressure on some parts of banking and finance in Russia.

The global liquidity crisis of recent months has constrained Russian banks' ability to attract financing and roll over loans. The Russian authorities took a proactive approach to improve domestic liquidity. Measures provided by the Central Bank included overnight and one week refinancing through a fixed-rate REPO. In addition, in the beginning of 2008 the funds of the Russian development institutions may be injected in the system, thus supporting further domestic liquidity and the Rouble bond market.

Russian banking and other financial systems are still in a state of transition when compared with the banking and other financial systems of more developed countries and the Russian banking system is, on occasion, subject to inconsistent regulation and supervision. A crisis in the Russian banking industry may adversely affect the ability of the Issuer to make payments of interest and principal on the Bonds.

Political intervention

Actions of the Russian legislative, executive and judicial authorities can affect the Russian securities market and Russia-related securities. State authorities have a high degree of discretion in the Russian Federation. Arbitrary state actions have included withdrawal of licences, sudden and unexpected tax audits, criminal prosecution and civil actions. Since 2003, the Russian tax authorities have been taking actions against certain Russian companies' use of tax optimisation schemes and press reports have been speculating that these enforcement actions have been selective. In particular, the events surrounding the tax claims brought against the Yukos Oil Company, as well as tax claims brought by the Russian tax authorities against several other major Russian companies and prosecution of their beneficial owners, have led some commentators to question the strength and progress of market and political reforms in the Russian Federation, which has caused significant fluctuations in the market prices of Russian securities and spurred capital flight. There can be no assurance that no similar event could occur

in the future, and the occurrence of any similar event may negatively affect the Russian market and price of Russia-related securities, including the Bonds.

Lack of independence of the judicial system, the difficulty of enforcing court decisions and unpredictability of the legal system

The independence of the judicial system and its immunity from economic, political and social influences in the Russian Federation remains uncertain, and the court system is generally understaffed and underfunded. The Russian Federation is a civil law jurisdiction and, as such, judicial precedents have no binding effect on subsequent decisions and many court decisions are not published. All of these factors make court judgments in the Russian Federation difficult to predict and effective redress uncertain. Additionally, court claims and administrative or criminal proceedings are often used in furtherance of political aims. Furthermore, court judgments are not always enforced or followed up by law enforcement agencies.

Although the Russian Federation is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (as successor to the Soviet Union) and therefore an arbitral award obtained in another member state should be recognised by a Russian court, in practice reliance on international treaties may meet with resistance or lack of understanding in Russian courts and introduces an element of delay and unpredictability into the process of enforcing any foreign arbitral award in the Russian Federation. In addition, Russian courts may not enforce any judgment obtained in a court established in a country other than the Russian Federation unless there is a treaty in effect between such country and the Russian Federation providing the reciprocal recognition and enforcement of court judgments, save for a remote possibility of enforcement at the court's discretion or on reciprocity basis.

Russian laws are often vague and change rapidly, and are therefore difficult to interpret. There can be no assurance that Russian legislation will not be altered, in whole or part, or that a Russian court or other regulatory authority will not interpret such legislation in such a way that the arrangements embodied in the Transaction Documents or any transaction thereunder are rendered illegal, null or void, whether retroactively or otherwise, or are otherwise adversely affected in any way. If any redress was sought with Russian legal authorities, any of these factors could adversely affect the ability of the Issuer to make payments of principal and interest on the Bonds.

Risks Relating to Russian Taxation

Changes in tax legislation

At present the Tax Code of the Russian Federation (the "**Tax Code**") and a number of laws regulating various taxes and levies established at the federal, regional and local levels apply in the Russian Federation. Applicable taxes include, in particular, profits tax, value added tax, property tax, unified social tax and other taxes and levies.

Because of the political changes which have occurred in the Russian Federation over the past several years, there have recently been significant changes to the Russian taxation system. Global tax reforms in the Russian Federation commenced in 1999 with the introduction of Part One of the Tax Code, which sets general taxation guidelines. Since then, the Russian Federation has been in the process of replacing legislation regulating the application of major taxes such as

corporate income tax, VAT and corporate property tax with new chapters of the Tax Code. For instance, new chapters of the Tax Code on VAT, unified social tax and personal income tax came into force on 1 January 2001, the profits tax and mineral extraction tax chapters came into force on 1 January 2002, the corporate property tax chapter of the Tax Code came into force on 1 January 2004 and the land tax chapter of the Tax Code came into force on 29 November 2004. Although, as of today the tax reforms have been completed to a wide extent, some significant changes may still be introduced to the Russian tax law. Thus, the Federal Law No.137-FZ of 27 July 2006 introduced significant amendments to the Tax Code regarding the Russian tax administration system, which became effective from 1 January 2007.

In practice, the Russian tax authorities often have their own interpretation of the tax laws in a way that does not favour taxpayers, who often have to resort to court proceedings to defend their position against the tax authorities. Different interpretations of tax regulations exist both among and within government ministries and organisations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement.

Tax declarations, together with related documentation are subject to review and investigation by a number of authorities, each of which may impose fines, penalties and interest charges. Generally, taxpayers are subject to field tax audit by the tax authorities for a period of three calendar years of their activities preceding the year in which the audit is carried out. Previous audits do not exclude subsequent claims relating to the audited period because Russian tax law authorises upper-level tax inspectorates to revisit the results of tax audits conducted by subordinate tax inspectorates. In addition, recently the Constitutional Court of the Russian Federation issued a decision that provides grounds for the tax authorities to disregard the statute of limitations in relation to claims for fines, penalties and interest on underpaid amounts of tax in circumstances where the level of cooperation on the part of the taxpayer with the tax authorities is deemed inadequate. Since the term "inadequate cooperation" is not defined under the Russian tax law, this decision potentially grants considerable discretion to the Russian tax authorities to disregard the statute of limitations in their tax investigations.

The Issuer's management believes that the Issuer fully complies with the current tax legislation. However, the above uncertainties may expose the Issuer to the risk of significant fines and penalties and enforcement measures despite the best efforts of the Issuer at compliance, and could result in a greater than expected tax burden. The Issuer's management, however, believes that this risk is insignificant and therefore no reserves for such expenses are planned to be created.

VAT on transactions with Mortgage Certificates

The Seller has sold the Mortgage Certificates to the Issuer in accordance with the Mortgage Certificates Purchase Agreement. The Purchase Price payable by the Issuer to the Seller in connection with the purchase of the Mortgage Certificates and related to a separate Mortgage Loan would be equal to the sum of the Outstanding Principal Balance of such Mortgage Loan and the Accrued Interest in respect thereof, in each case as at the Transfer Date.

The provisions of the Mortgage Certificates Purchase Agreement as well as the methodology of accounting for Mortgage Certificates applied by the Seller give grounds to state that for VAT purposes transactions with Mortgage Certificates most likely will be treated as transactions with securities. Under such treatment redemption of the Mortgage Certificates by borrowers, sale of

the Mortgage Certificates by the Seller to the Issuer as well as resale of the Mortgage Certificates by the Issuer to the Seller should not be subject to Russian VAT.

It should be noted, however, that in view of the ambiguity of the Russian tax legislation one cannot exclude a possibility of treating transactions on sale and/or redemption of the Mortgage Certificates as transactions on sale and/or redemption of receivables (property rights). The possibility of such treatment is estimated as remote. Under such scenario, in accordance with Article 155(4) of the Tax Code, the Issuer and the Seller will have to account for VAT on the difference between the income received from the Obligor or the income received upon subsequent transfer of the Mortgage Certificates and the expenses incurred upon acquisition of the Mortgage Certificates. Obligations of the Issuer to account for VAT on the above difference may influence the Issuer's financial condition and adversely affect the ability of the Issuer to make payments of principal and interest on the Bonds.

In the event that transactions with the Mortgage Certificates are treated as transactions with property rights, obligations of the Seller to account for VAT on such transactions should not affect the ability of the Issuer to make payments under the Bonds, as the Issuer should not be liable for payment of VAT due to the budget by the Seller or any other party to the transaction and this issue should influence the Seller only.

It should be noted that the Federal Law No. 195-FZ of 19 July 2007 (hereinafter, "**the Law No. 195-FZ**") provides that starting from 1 January 2008 VAT exemption should apply to transactions on assignment (acquisition) of receivables arising from agreements on provision of loans in monetary form and/or credit agreements as well as transactions on performance of a borrower's obligations to a new creditor pursuant to an initial agreement, the receivables under which were assigned. The amendment is effective from 1 January 2008 and starting from that date should eliminate the VAT risk described above in respect of transfer of the Mortgage Certificates performed from 1 January 2008.

There is a risk, however, that the current wording of the above amendment can be interpreted by tax authorities in a way that the exemption cannot be applied to assets/receivables (such as the Mortgage Certificates) purchased prior to 2008. Under such treatment, the Issuer would be required to account for VAT on the difference between the income received from the Obligor and the expenses incurred upon acquisition of the Mortgage Certificates. However such risk is remote.

The above innovation should not eliminate the VAT risk for the Seller arising from the sale of the Mortgage Certificates to the Issuer performed in 2007.

RESIDENTIAL MORTGAGE LENDING MARKET IN THE RUSSIAN FEDERATION

The following section has been produced from information obtained from publicly available sources. The Issuer and the Seller accept no responsibility as to the accuracy of its contents.

Introduction

Under the planned economy of the Soviet Union, housing was primarily administered by the government. After the reforms of the 1990s, the real estate market in the Russian Federation started to develop and, as a result of privatisation, more than 60 per cent. of Russian citizens became owners of residential properties. Purchasing real estate is currently difficult due to a significant gap between property prices and income of potential purchasers and a lack of properties offered in the market. Nevertheless, due to an active development of the mortgage lending market, new construction, growing income of population coupled with macroeconomic and political stability, there has been significant improvement on both federal and regional levels in the residential mortgage lending market. For instance, the legal environment for mortgage lending has been put together and the mechanisms for attracting financing from capital markets to the residential mortgage lending market are being developed.

Since the 1990s residential mortgage lending has become an integral part of the government housing policy, set out in the federal programme "Housing" approved in 1993 and expanded in 1996. The principal law regulating mortgages, Federal Law No.102-FZ "On Mortgage (Pledge of Real Estate)" (the "**Mortgage Law**") was adopted on 16 July 1998.

In 2000, the Russian Government adopted the Conception of Development of Residential Mortgage Lending in the Russian Federation to foster the development of the regulatory and legal framework for residential mortgage lending. Furthermore, in November 2003, Federal Law No.152-FZ "On Mortgage-Backed Securities" (the "**MBS Law**") was adopted with a view to developing a domestic market for residential mortgage-backed securities. This has since been reinforced by subsequent amendments to the Tax Code of the Russian Federation and by further amendments to the MBS Law itself. See "*Securitisation Framework in Russia*".

In 2005, the Russian Government approved the Conception of Development of the Unified Residential Mortgage Loan Refinancing System in the Russian Federation outlining the leading role of AHML in the emerging residential mortgage lending market in the Russian Federation in the mid-term perspective. In particular, the main activities of AHML will include:

- ensuring affordability of mortgage loans for the majority of Russian citizens;
- development of mortgage loan refinancing system for regional banks and non-banking institutions;
- development of mortgage loan underwriting, refinancing and servicing standards; and
- methodological and technical assistance to mortgage loan market participants.

In 2006, within the state programme "Dwelling" the so-called national project "Affordable and Comfortable Housing for the Citizens of the Russian Federation" was launched. One of the priorities of this national project is the development of residential mortgage lending in the Russian Federation and decrease the interest rates for residential mortgage loans.

Trends

In recent years the combination of, among other factors, the macroeconomic environment, legislative developments and the increased sophistication of Russian credit institutions have led to the significant growth in mortgage lending. According to the Federal Registration Service of the Russian Federation (the "FRS"), approximately 206,000 mortgage loans were extended in the year 2006, a 260 per cent. increase compared with the year 2005. AHML estimates that approximately 317,000 mortgage loans were extended in the year 2007, a 27 per cent. increase compared with the year 2006. In monetary terms, the mortgage lending market has grown by more than 200 per cent. The growth was also supported by consistent reduction of mortgage loan interest rates during the last five years.

Based on the FRS data, the proportion of housing transactions involving mortgage loans in the housing market of the Russian Federation was 14 per cent. in the year 2007, 8.6 per cent. in the year 2006 and 3.5 per cent. in the year 2005. Despite this dynamic growth, the size of the mortgage lending market in Russia is still considered to be low in comparison to other developing economies in the region. In 2007, according to the Central Bank, the size of the Russian residential mortgage lending market as a proportion of GDP was approximately 2.2 per cent. Russian Government projections indicate that the size of the residential mortgage lending market as a proportion of GDP is expected to exceed 6 per cent. by the year 2010. Furthermore, the amounts of mortgage lending within the overall retail lending sector remain at relatively low levels. According to the Central Bank, as at 1 October 2007 the indebtedness under mortgage loans and loans secured on residential properties as a proportion of total retail loans extended in the Russian Federation was 18.3 per cent. and 23.4 per cent., respectively.

Despite the pace of market growth, there are certain hurdles that limit the ability of the market to develop further. In particular, the competitiveness of the Russian residential mortgage lending market is dependant on the further development of regional banks. In view of an excess demand for liquidity, AHML remains an important institution for maintaining the liquidity of regional banks.

The main role of AHML is to create a two level residential mortgage lending system, a unified mortgage loan underwriting and refinancing procedure and to promote infrastructure for residential mortgage lending in regions of the Russian Federation. According to the FRS, approximately 52 per cent. of mortgage loans extended in the year 2007 were certified by mortgage certificates, as compared with 60 per cent. in the year 2006, 47 per cent. in the year 2005 and 25 per cent. in the year 2004. The major part of these mortgage certificates are standard form based and comply with AHML Standards, which contributes to their liquidity.

In order to increase the availability of mortgage lending products, the Russian Government has been implementing various programmes promoting "social mortgage", such as a young families support programme, a families with kids support programme and a military mortgage programme. The purpose of these programmes is to subsidise acquisition of residential properties for persons in lower income brackets from state funds, thus expanding the customer base and facilitating further development of the housing lending market in the Russian Federation.

A further obstacle to the development of the housing lending market in the Russian Federation has been the absence of extensive statistics. This is also changing as the market becomes more

experienced and with the introduction of credit bureaus following the enactment of the Credit Histories Law referred to below under "*Legal Framework*".

Market Participants

The main mortgage lenders in the emerging market of the Russian Federation are banks. The activity in the secondary market is led by AHML, the regional mortgage agencies, specialised refinancing companies and major (including foreign) banks. However, new participants have recently been emerging in the Russian housing lending market and such new participants include debt collection agencies, valuation companies, conduits, mortgage brokers etc.

Residential mortgage lending is offered by an increasing number of banks in Russia. According to the Central Bank, the number of credit institutions extending mortgage loans has increased from 201 in the year 2004 to more than 500 as of 1 October 2007. Other important trends include an increase of the volume of mortgage loans in the portfolios of universal banks and the emergence of specialised mortgage banks in the Russian Federation.

The Russian residential mortgage market is currently dominated by state-owned entities and subsidiaries of the major international banking groups. Sberbank is the largest player in the residential mortgage market, with a market share of approximately 36 per cent. as of 30 June 2007. Together with the numbers two and three - also state-controlled AHML and VTB Group, the aggregate share of the top-three state-controlled mortgage market players amounted to approximately 54 per cent. of the residential mortgage market in terms of volume, as of 30 June 2007.

Another significant group of mortgage market players is represented by Russian subsidiaries of international banking groups: DeltaCredit (Société Générale Group), Raiffeisenbank and Impexbank (RZB Group), CityMortgage Bank (Morgan Stanley), Absolut Bank (KBC), International Moscow Bank (Unicredit Group) with the share of these banks amounted to additional 11 per cent. of the Russian residential mortgage market, as of 30 June 2007. International banking groups are purchasing local bank portfolios or directly participating in the capital of local banks are bringing with them experience, technologies and well-developed practices of consumer lending.

The mortgage loan refinancing system of AHML currently operates on the whole territory of the Russian Federation. AHML has accredited 76 regional operators and 64 service agents. More than 133 institutions in 70 regions of Russia extend mortgage loans in compliance with the AHML Standards. As of 1 February 2008, AHML refinanced 110,046 mortgage loans in an aggregate amount of approximately 79.5 billion Roubles. The share of AHML in the mortgage market is estimated at 15 per cent. as per the number of loans originated and at 10 per cent. in monetary terms. The annual volume of mortgage loans refinanced by AHML is set out in the table below:

Year	Portfolio size at the end of period (RUB million)	Number of loans refinanced during the period
2001	7	16
2002	36	76
2003	687	2,074
2004	3,957	10,149
2005	7,829	15,593
2006	27,053	39,214
2007	78,867	42,173

Source: AHML

Legal Framework

Since the dissolution of the Soviet Union and the shift from "socialist" legal concepts to the market oriented concepts of private (civil) law, efforts have been made to establish an appropriate legal framework for residential mortgage and housing lending, although the law and legal practice in this sector is still at a relatively early stage of development.

The Mortgage Law was adopted in 1998. More recently there have been various legislative initiatives designed to improve the legal framework applicable to mortgage lending, including amendments to the Civil Code, the Civil Procedural Code of the Russian Federation and to the Mortgage Law itself. These amendments included, among other things, abolishment of a peremptory notary certification requirement for mortgage agreements and mortgage certificates and removal of a number of restrictions limiting foreclosure on residential real estate where it represented the only dwelling of an individual.

On 30 December 2004, the Federal Law No. 218-FZ "On Credit Histories" (the "**Credit Histories Law**") was adopted. This law provides for the establishment, for the first time in the Russian Federation's recent history, of credit bureaus supervised by the competent authority (which is currently the FFMS) that maintain a database of borrowers' credit histories. The Credit Histories Law provides for the creation and maintenance of a central catalogue of credit histories by the Central Bank.

For a description of the regulation of securitisation in the Russian Federation, see "*Securitisation Framework in Russia*".

SECURITISATION FRAMEWORK IN RUSSIA

The following discussion is a summary of the material aspects of securitisation framework in Russia. It is not an exhaustive analysis of the relevant laws and regulations. Potential investors should seek their own legal advice as to any application to their circumstances.

Introduction

Russian regulation of securitisation is still evolving and there is currently no general securitisation law in the Russian Federation. Moreover, there is only one special law, the MBS Law, adopted for securitisation of a particular asset class. The development of the legal framework for securitisation in the Russian Federation may follow one of the following paths: adoption of separate laws for various securitisation asset classes accompanied by amendments to various federal laws that are currently applicable to securitisation structures or by the adoption of a general securitisation law.

The MBS Law

The MBS Law was adopted in November 2003. The adoption of the MBS Law was preceded by protracted discussions and was expected to give additional impetus to the development of mortgage lending in the Russian Federation by way of creation of an effective refinancing mechanism. Although the MBS Law was an important step in the development of securitisation legislation in the Russian Federation, it only became operative in July 2006 when it was amended to eliminate some of the impediments to issuance of domestic mortgage-backed securities.

Mortgage agents

The MBS Law has introduced the concept of a mortgage agent, which is equivalent to the notion of an SPV used for international securitisations.

A mortgage agent can only be incorporated as a joint-stock company under the laws of the Russian Federation with limited legal capacity for the purpose of issuing mortgage-backed bonds. The scope of permitted business activities of the mortgage agent is subject to restrictions in the charter and the MBS Law. The number of bond issues the mortgage agent may issue is fixed in the charter and may not be changed or amended further. After discharge of its obligations under all such issues of bonds, the mortgage agent is subject to liquidation. The mortgage agent is not allowed to hire employees nor enter into agreements with individuals providing for compensation, and the breach of this provision may be sufficient grounds for the FFMS to claim liquidation of the mortgage agent in court.

The powers of the sole executive body of the mortgage agent must be passed over to a management organisation. No specific requirements are set out in the legislation for the commercial legal entities that may carry out the management organisation's functions. The accounting and related functions of a mortgage agent must be passed over to a specialised accounting organisation. The roles of the sole executive body and the accounting organisation may not be performed by the same legal entity.

For a description of risks related to mortgage agents, see "*Risk Factors – General Legal Considerations*".

Mortgage-backed bonds

Pursuant to the MBS Law, mortgage-backed bonds (*obligatsii s ipotechnym pokrytiem*) are bonds secured, in full or in part, by the pledge of mortgage collateral. When the mortgage-backed bonds are sold, all rights of the holder of the bonds to the mortgage collateral are transferred to the new holder thereof.

Mortgage-backed bonds can be issued by credit institutions or mortgage agents and must bear interest, which is payable at least once a year.

In accordance with the MBS Law, mortgage-backed bonds are subject to early redemption in the following circumstances:

- (a) a breach of the MBS Law requirements related to the mortgage collateral, in particular when:
 - (i) claims secured by mortgage, property and securities included into the mortgage collateral do not meet the requirements of the MBS Law;
 - (ii) the amount of the mortgage collateral is less than the principal amount outstanding of the mortgage-backed bonds; and
 - (iii) claims secured by mortgage (as opposed to cash or other assets of the mortgage agent) are less than 80 per cent. of the principal amount outstanding of the mortgage-backed bonds (subject to a three months cure period);
- (b) a breach of procedures for replacement of the mortgage collateral;
- (c) a breach of terms and conditions securing the proper performance of obligations under the mortgage-backed bonds;
- (d) engagement of the mortgage agent in business activities or its entry into transactions not permitted by the MBS Law; and
- (e) other circumstances set out in the decisions of issuance of the mortgage-backed bonds.

The issuer of mortgage-backed bonds is obliged to inform the bondholders of their right to request early redemption of the mortgage-backed bonds, as well as of the price and the procedure of such redemption upon occurrence of the events that trigger early redemption.

Subordination

The MBS Law allows issuance of several issues (*vypuski* as opposed to *transhi*) of mortgage-backed bonds secured by the same mortgage collateral. Further, the MBS Law allows establishment of priorities among such issues in respect of:

- (a) payments of principal and interest on the bonds;
- (b) early redemption of the bonds at the request of bondholders;
- (c) proceeds of foreclosure on the mortgage collateral in a non-insolvency situation; and

- (d) proceeds of foreclosure on the mortgage collateral in case of insolvency of the mortgage agent.

The MBS Law provides that performance of the issuer's obligations under the bonds having the same priority is allowed only following the due performance of its obligations under the bonds having a higher priority. For a description of uncertainties related to subordination, see "*Risk Factors – General Legal Considerations*".

Mortgage collateral

The MBS Law sets out a number of requirements to the mortgage collateral being the aggregate of claims and other property items that secures the obligations of the issuer under the mortgage-backed securities.

The MBS Law limits the types of assets that may be included in the mortgage collateral. These may generally be rights to principal and/or interest under mortgage loans, mortgage certificates, mortgage participation certificates (*ipotekniye sertifikaty uchastiya*), Rouble or foreign currency funds, sovereign securities and, in certain circumstances, immovable property. Mortgage certificates pledged under other obligations may not be included in the mortgage collateral. The subsequent pledge of property already pledged to secure the relevant mortgage loans is permitted only in a limited number of cases.

The legislation provides a number of requirements to the claims secured by mortgages that are to be included in the mortgage collateral as well as a number of grounds that prevent the inclusion of certain claims secured by mortgages in the mortgage collateral. In order to be eligible for inclusion in the mortgage collateral the claims secured by mortgages shall comply with the following requirements at the time of becoming mortgage collateral:

- the principal amount outstanding of each loan agreement or each mortgage certificate may not exceed 70 per cent of the value of the relevant mortgaged property as estimated by the independent appraiser;
- the mortgage agreement may not contain provisions allowing the mortgaged property to be replaced or realised without the mortgagee's consent;
- the mortgaged property must be insured against loss or damage in favour of the creditor during the whole term of the obligation;
- the subject of the loan agreement may only be monetary funds.

Claims secured by mortgage may not be included in the mortgage collateral in the following circumstances: (i) the obligation under the relevant claim is more than 6 month overdue; (ii) the mortgaged property has been lost, including if such loss results from a court decision coming into force that declares the mortgage void or terminates it for any other reason; (iii) a court decision comes into force which declares the obligation void or terminates it for any other reason; (iv) the relevant obligor is declared insolvent (bankrupt) in accordance with the legislation of the Russian Federation on insolvency (bankruptcy); (v) there has been no loss or damage insurance of the mortgaged property for more than 6 months.

For the purpose of this Transaction, when a Mortgage Certificate is excluded from the Mortgage Collateral for the reasons listed above, the Issuer will continue to own, and the Special Depository will continue to be in custody of, such Mortgage Certificate. However, the Servicer has been granted the Call Option with respect to such Mortgage Certificates, as to which please refer to "*Servicing of Assets—Call Option and Put Option*".

Claims may also be excluded from the mortgage collateral due to their sale or replacement or with the termination of the relevant obligation. Sale and replacement of claims included in the mortgage collateral is permitted only in limited circumstances described in the MBS Law.

In a case of the issuer's insolvency mortgage collateral is excluded from its bankruptcy estate, and the claims of the bondholders are satisfied from the proceeds from the sale of the mortgage collateral. However, if the proceeds from the sale of the mortgage collateral are insufficient to satisfy the claims of the bondholders, they may join the general bankruptcy proceedings as unsecured creditors.

Special depository

The functions of a special depository can be carried out by a commercial organisation that has obtained a (i) licence of a special depository of investment funds, unit investment funds and private pension funds and a (ii) licence for depository activity at the securities market. The special depository may not be affiliated with the issuer.

MBS Law provides that special depositories must act only in the interests of holders of mortgage-backed bonds in respect of which they maintain registers of mortgage collateral. Special depositories perform the following functions:

- (a) *keep record of the mortgage collateral*: special depositories keep record of the mortgage collateral by way of maintaining a register of mortgage collateral. They also monitor compliance by the issuer with Russian law requirements as to the assets comprising the mortgage collateral, the structure of the mortgage collateral and the sufficiency of the mortgage collateral to secure performance by the issuer of its obligations under the mortgage-backed bonds secured by such mortgage collateral;
- (b) *keep safe the property comprising the mortgage collateral*: special depositories must keep safe documents confirming the issuer's rights to the property included in the mortgage collateral (e.g. mortgage certificates comprising the mortgage collateral must be physically delivered to the special depository);
- (c) *control the disposal by the issuer of the property and funds comprising the mortgage collateral*: special depositories control operations of the issuer with property and funds included in the mortgage collateral. Special depositories must allow only those transactions with mortgage collateral that do not lead to violation of the MBS Law requirements to the mortgage collateral and comply with the relevant issuance decisions. A failure by the special depository to comply with these requirements leads to a joint and several liability of the special depository to the bondholders; and
- (d) *notification of bondholders and the FFMS*: the special depository must notify the bondholders of their right to request early redemption of the bonds within 10 days after it receives a documentary confirmation of the emergence of such right of the bondholders.

Additionally, the special depository is under a duty to notify the FFMS about any violation of law by the issuer within 3 days of becoming aware of such violation.

Please see "*Risk Factors– General Legal Considerations–Absence of Trustee*".

Proposed Amendments

The Russian Government has prepared a draft law on nominee account recording of mortgage certificates (the "**Draft Law**"). The Draft Law, if approved by the Russian Parliament, is expected to facilitate the transfer of pools of mortgage certificates and reduce legal risks related to such transfer. According to the Draft Law, rights to mortgage certificates will be recorded using nominee accounts of their holders with Russian depositories. Transfer and encumbrance of mortgage certificates will also be effected through the nominee accounts, which is expected to expedite these processes. The depositories will keep safe the mortgage certificates, which should reduce risks of loss and destruction attributable to the existing system where the seller transfers original mortgage certificates to their new owner each time the mortgage certificates are sold.

DESCRIPTION OF THE MORTGAGE PORTFOLIO

Assets

The Assets transferred to the Issuer under the Mortgage Certificates Purchase Agreement comprise:

- (i) the Mortgage Certificates; and
- (ii) the Related Rights.

Mortgage Certificates

The Mortgage Certificate (*zakladnaya*) is a registered security that certifies (i) the right of its legal owner (*zakonniy vladelets zakladnoy*) to satisfaction under a pecuniary claim secured by the Mortgage, without the need to provide further proof of the existence of the Obligor's undertaking, and (ii) the right of mortgage in relation to the Mortgaged Property.

Related Rights

The Related Rights comprise:

- (i) the Mortgages; and
- (ii) the Insurance Policies.

Each Mortgage Loan is secured by a first ranking mortgage over the relevant residential property.

Under each Mortgage Loan Agreement, the Obligor is obliged to insure in favour of the creditor and for the full term of the relevant Mortgage Loan plus one Russian Business Day (i) the risk of loss of and damage to the Mortgaged Property for at least 110 per cent. of the Outstanding Principal Balance of the relevant Mortgage Loan; and (ii) the Obligor's life and health for at least 110 per cent. of the Outstanding Principal Balance of the relevant Mortgage Loan. Pursuant to the Insurance Policies and related amendment agreements, each Insurance Policy related to the Mortgage Portfolio specifies the legal owner of the relevant Mortgage Certificate as the first loss payee under such Insurance Policy. See "*Risk Factors – Risks Relating to the Assets – Insurance*" and "*Risk Factors – General Legal Considerations – Consumer protection laws in the Russian Federation*".

Receivables

The Receivables consist of the right to receive all payments (whether or not yet due) which remain to be paid by an Obligor pursuant to a Mortgage Loan Agreement by way of:

- (i) principal amounts of the Mortgage Loan advanced thereunder;
- (ii) interest on the amount of the Mortgage Loan so advanced; and
- (iii) penalties relating to any amount referred to in items (i) and (ii) above that is overdue.

Mortgage Loans

The Mortgage Loans have been advanced by the Partner Institutions to the Obligors and were subsequently acquired by the Seller. The Mortgage Loans have been selected for the Mortgage Portfolio on the basis of characteristics that demonstrate the capacity to produce funds in order to service payments due under the Bonds. For more detailed information please see "*Eligibility Criteria*" below.

Each Mortgage Loan is made pursuant to a Mortgage Loan Agreement governed by Russian law. Each Mortgage Loan is denominated in Roubles and bears interest at a fixed rate set out in the applicable Mortgage Loan Agreement. Each Mortgage Loan is certified by a Mortgage Certificate.

Principal and interest under each Mortgage Loan are payable on a scheduled monthly consolidated annuity basis on the dates and in the amounts set out in the relevant Mortgage Loan Agreement. For more detailed information, see "*Material Terms of the Mortgage Loan Agreements*" below.

Mortgage Loan Documents

Each of the Mortgage Loan Documents is entered into, or has been brought in conformity with, AHML Standards comprising, among other documents, forms of:

- (i) Mortgage Loan Agreement;
- (ii) Mortgage (unless created by operation of law);
- (iii) Mortgage Certificate; and
- (iv) the Insurance Policies.

Each of the Mortgage Loan Documents is governed by Russian law.

Material Terms of the Mortgage Loan Agreements

Form

The Mortgage Loan Agreements are documented in the form of a written agreement.

Amount and currency

The Mortgage Loan Agreements provide for a fixed amount of the loan. All loans included in the Mortgage Portfolio are denominated, disbursed and repayable in Roubles.

Disbursement

Each Mortgage Loan was disbursed in a single disbursement to the Rouble current account of the Obligor or in cash.

Commissions and fees

The Mortgage Loan Agreements do not provide for any commissions and fees to be payable by the Obligors to the relevant creditor.

Interest

Interest accrues on the outstanding balance of the Mortgage Loan on a monthly basis at a fixed interest rate specified in the applicable Mortgage Loan Agreement. Interest accrues from the date of actual disbursement and up to the date of final repayment of the Mortgage Loan on the basis of the actual number of days elapsed (on the basis of 365 or 366 days in a year) and is payable on a monthly basis.

Default interest

If any payment of principal and/or interest is not made when due, default interest is payable by the Obligor at a rate of 0.2 per cent. of the amount in default per every calendar day of default.

Repayment of principal and interest

Except for the first and final payment, principal and interest are required to be paid monthly by equal consolidated payments on an annuity basis. The first payment is comprised of the interest only. The final payment may be subject to adjustment if its amount exceeds the actual amount of obligations then due from the Obligor. The Mortgage Loan Agreement provides for the formula pursuant to which monthly payments are calculated.

All payments should be made in the payment period from the first day to the last day of a month (the "**Interest Payment Period**") with payment date not later than on the last day of the month.

No repayment holiday is contemplated by the Mortgage Loan Agreements except for the first payment, which is comprised of the interest only.

For a description of repayment mechanics please see "*Description of the Seller and its Business – Mortgage Loan Servicing – Payment Process*".

Prepayment

The Mortgage Loan Agreements permit prepayment without penalty subject to a six-month moratorium period starting from the date of disbursement of the relevant Mortgage Loan. Prepayments can be effected only during the Interest Payment Period specified in the relevant Mortgage Loan Agreement and are subject to prior notification and a restriction with respect to minimum amount that can be prepaid. No prepayment fee is charged in connection with the prepayment of the Mortgage Loans. However, if the Obligor fails to effect the prepayment after giving a notification on prepayment, a penalty for failure to prepay is charged.

The Obligor's undertakings

The undertakings of the Obligors under the Mortgage Loan Agreements include, *inter alia*:

- (a) to sign and register the residential property purchase agreement;
- (b) to enter into life and disability insurance and loss of and damage to the Mortgaged Property insurance, in which the creditor should be named as the first loss payee (upon assignment of the Mortgage Loan the Obligor undertakes to ensure that the new creditor is named as the first loss payee, which in respect of the Mortgage Portfolio has been

reinforced by amendment agreements to the Insurance Policies naming any legal owner of the Mortgage Certificates as the first loss payee);

- (c) an ongoing obligation to furnish certain information and documents to the creditor including information on new residents moving into the Mortgaged Property, on changes of the Obligor's family members, changes of its employment details, on any civil or criminal action against it, income statements, information on change of place of residence, confirmation that all utility payments and other payments in respect of the Mortgaged Property have been made in a timely manner, etc.

The creditor's undertakings

The obligations of the creditors under the Mortgage Loan Agreements include, *inter alia*:

- (a) to notify the Obligor of any assignment by the creditor of its rights under the Mortgage Loan Agreement; and
- (b) to confirm to the Obligor the full discharge of its obligations under the Mortgage Loan Agreement and return the original Mortgage Certificate to the Obligor within 14 to 30 days of such a discharge.

Acceleration events

Acceleration events under the Mortgage Loan Agreements include, *inter alia*, the following:

- (a) use of the loan proceeds for any purpose other than that indicated in the Mortgage Loan Agreement;
- (b) delay in payment of any monthly instalment exceeding 30 days;
- (c) non-performance or undue performance by the Obligor of any undertaking under a Mortgage Loan Agreement, a residential property purchase agreement or the Insurance Policies;
- (d) more than three delays in payment of monthly instalments during a period of twelve months (even if each such delay is immaterial);
- (e) full or partial destruction of the Mortgaged Property;
- (f) material violation by the Obligor of any maintenance procedures in relation to the Mortgaged Property if such a violation may lead to full or partial destruction of the Mortgaged Property; and
- (g) other cases contemplated by the applicable legislation and the Mortgage Loan Agreements.

Upon occurrence of an acceleration event the creditor may accelerate the Mortgage Loan and demand immediate repayment of all sums outstanding, including the principal, accrued interest and penalties (if any) under the Mortgage Loan Agreement by giving a written request to the Obligor. Thereafter, if the Mortgage Loan is not repaid within 30 days, the creditor is entitled to enforce the Mortgage.

Assignment

Each Mortgage Loan Agreement contains an express provision permitting the assignment of the creditor's rights under the Mortgage Loan Agreement. All transfers of the Mortgage Loans by the Partner Institutions to the Seller have been duly notified to the Obligors. In accordance with the Mortgage Certificates Purchase Agreement, the Seller has notified the Obligors of the assignment of the Mortgage Loans and the Related Rights to the Issuer.

Confidentiality

Each Mortgage Loan Agreement provides that all information received in connection with a relevant Mortgage Loan is deemed confidential and may be disclosed to third parties only with the prior consent of the other party to a relevant Mortgage Loan Agreement or otherwise by operation of Russian law. There is an exception, however, for provision of such information in the case of transfer of rights under the Mortgage Certificate.

Governing law

Each Mortgage Loan Agreement is governed by Russian law.

Composition of the Mortgage Portfolio

The composition of the Mortgage Portfolio is summarised in the table below. References to "original" mean the characteristics of the Mortgage Portfolio as at the time of origination of the loan and references to "current" mean the characteristics of the Mortgage Portfolio as of 1 September 2007.

Aggregate Current Outstanding Principal Balance (RUB)	10,727,617,399
Aggregate Original Outstanding Principal Balance (RUB)	11,466,571,583
Average Current Outstanding Principal Balance (RUB)	568,773
Average Original Outstanding Principal Balance (RUB)	607,951
Maximum Current Outstanding Principal Balance (RUB)	6,144,964
Maximum Original Outstanding Principal Balance (RUB)	6,205,000
Total Number of Mortgage Loans	18,861
Weighted Average Mortgage Loan Seasoning (months)	14
Weighted Average Term to Maturity (months)	184
Weighted Average Current Loan to Value (%)	51.3
Weighted Average Original Loan to Value (%)	54.2
Weighted Average Interest Rate (% per annum)	12.36

The characteristics of the Mortgage Portfolio as of 1 September 2007 are summarised in the tables below (please note that due to rounding adjustments numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them).

Table 1. Distribution of Loans by Original Loan Balance (as at 1 September 2007)

Original Loan Amount (RUB)	Number of Loans	%	Current Balance (RUB)	%
$100,000 \leq x < 250,000$	1,344	7.13%	242,930,290	2.26%
$250,000 \leq x < 500,000$	7,655	40.59%	2,585,475,890	24.10%
$500,000 \leq x < 750,000$	5,157	27.34%	2,870,615,826	26.76%
$750,000 \leq x < 1,000,000$	2,274	12.06%	1,828,254,114	17.04%
$1,000,000 \leq x < 1,250,000$	1,269	6.73%	1,322,549,500	12.33%
$1,250,000 \leq x < 1,500,000$	509	2.70%	652,124,866	6.08%
$1,500,000 \leq x < 1,750,000$	297	1.57%	451,453,713	4.21%
$1,750,000 \leq x < 2,000,000$	143	0.76%	249,910,019	2.33%
$2,000,000 \leq x < 2,250,000$	102	0.54%	200,298,047	1.87%
$2,250,000 \leq x < 2,500,000$	24	0.13%	52,600,954	0.49%
$2,500,000 \leq x < 2,750,000$	23	0.12%	54,464,541	0.51%
$2,750,000 \leq x < 3,000,000$	11	0.06%	30,648,229	0.29%
$3,000,000 \leq x < 3,250,000$	21	0.11%	59,900,546	0.56%
$3,250,000 \leq x < 3,500,000$	6	0.03%	19,920,211	0.19%
$3,500,000 \leq x < 6,225,000$	26	0.14%	106,470,654	0.99%
Total	18,861	100.00%	10,727,617,399	100.00%

Table 2. Distribution of Loans by Current Outstanding Principal Balance (as at 1 September 2007)

Current Loan Amount (RUB)	Number of Loans	%	Current Balance (RUB)	%
$100,000 \leq x < 250,000$	2,636	13.98%	502,860,433	4.69%
$250,000 \leq x < 500,000$	7,826	41.49%	2,949,762,378	27.50%
$500,000 \leq x < 750,000$	4,241	22.49%	2,600,409,281	24.24%
$750,000 \leq x < 1,000,000$	2,221	11.78%	1,930,819,201	18.00%
$1,000,000 \leq x < 1,250,000$	951	5.04%	1,064,168,519	9.92%
$1,250,000 \leq x < 1,500,000$	480	2.54%	655,917,260	6.11%
$1,500,000 \leq x < 1,750,000$	218	1.16%	353,496,343	3.30%
$1,750,000 \leq x < 2,000,000$	141	0.75%	265,234,273	2.47%

$2,000,000 \leq x < 2,250,000$	47	0.25%	98,789,324	0.92%
$2,250,000 \leq x < 2,500,000$	28	0.15%	66,525,859	0.62%
$2,500,000 \leq x < 2,750,000$	16	0.08%	41,861,877	0.39%
$2,750,000 \leq x < 3,000,000$	16	0.08%	46,599,475	0.43%
$3,000,000 \leq x < 3,250,000$	8	0.04%	24,782,311	0.23%
$3,250,000 \leq x < 3,500,000$	12	0.06%	40,393,592	0.38%
$3,500,000 \leq x < 6,225,000$	20	0.11%	85,997,273	0.80%
Total	18,861	100.00%	10,727,617,399	100.00%

Table 3. Distribution of Loans by Original Loan-to-Value Ratio (as at 1 September 2007)

Original LTV (%)	Number of Loans	%	Current Balance (RUB)	%
$x < 30.00\%$	72	0.38%	27,709,460	0.26%
$30.00\% \leq x < 35.00\%$	2,582	13.69%	1,034,930,403	9.65%
$35.00\% \leq x < 40.00\%$	1,543	8.18%	712,176,949	6.64%
$40.00\% \leq x < 45.00\%$	1,870	9.91%	944,084,691	8.80%
$45.00\% \leq x < 50.00\%$	2,650	14.05%	1,482,878,528	13.82%
$50.00\% \leq x < 55.00\%$	2,685	14.24%	1,623,174,946	15.13%
$55.00\% \leq x < 60.00\%$	1,004	5.32%	595,699,317	5.55%
$60.00\% \leq x < 65.00\%$	1,462	7.75%	921,480,759	8.59%
$65.00\% \leq x < 70.00\%$	3,021	16.02%	2,113,674,888	19.70%
$70.00\% \leq x < 75.00\%$	1,845	9.78%	1,211,889,564	11.30%
$75.00\% \leq x < 80.00\%$	26	0.14%	13,866,369	0.13%
$80.00\% \leq x < 85.00\%$	35	0.19%	15,815,636	0.15%
$85.00\% \leq x \leq 90.00\%$	37	0.20%	18,067,770	0.17%
$x > 90.00\%$	29	0.15%	12,168,119	0.11%
Total	18,861	100.00%	10,727,617,399	100.00%

Weighted Average Original Loan to Value: 54.2%

Table 4. Distribution of Loans by Current Loan-to-Value Ratio (as at 1 September 2007)

Current LTV (%)	Number of Loans	%	Current Balance (RUB)	%
x < 30.00%	2,031	10.77%	615,414,381	5.74%
30.00% ≤ x < 35.00%	2,039	10.81%	883,934,328	8.24%
35.00% ≤ x < 40.00%	1,788	9.48%	829,482,863	7.73%
40.00% ≤ x < 45.00%	2,018	10.70%	1,039,908,804	9.69%
45.00% ≤ x < 50.00%	3,893	20.64%	2,458,186,843	22.91%
50.00% ≤ x < 55.00%	864	4.58%	474,011,528	4.42%
55.00% ≤ x < 60.00%	1,322	7.01%	806,430,353	7.52%
60.00% ≤ x < 65.00%	1,579	8.37%	1,062,996,411	9.91%
65.00% ≤ x < 70.00%	3,327	17.64%	2,557,251,889	23.84%
Total	18,861	100.00%	10,727,617,399	100.00%

Weighted Average Current Loan to Value: 51.3%

Table 5. Distribution of Loans by Quarter of Origination (as at 1 September 2007)

Origination Date	Number of Loans	%	Current Balance (RUB)	%
Q3 2003	4	0.02%	1,160,365	0.01%
Q4 2003	104	0.55%	30,256,423	0.28%
Q1 2004	185	0.98%	51,926,518	0.48%
Q2 2004	347	1.84%	105,823,279	0.99%
Q3 2004	279	1.48%	87,091,201	0.81%
Q4 2004	551	2.92%	200,800,216	1.87%
Q1 2005	413	2.19%	148,220,373	1.38%
Q2 2005	885	4.69%	352,110,466	3.28%
Q3 2005	545	2.89%	230,954,441	2.15%
Q4 2005	901	4.78%	417,067,918	3.89%
Q1 2006	1,241	6.58%	598,604,365	5.58%
Q2 2006	3,502	18.57%	1,742,572,292	16.24%
Q3 2006	1,419	7.52%	772,690,665	7.20%
Q4 2006	5,010	26.56%	3,328,477,900	31.03%
Q1 2007	2,591	13.74%	1,996,938,285	18.61%

Q2 2007	884	4.69%	662,922,693	6.18%
Total	18,861	100.00%	10,727,617,399	100.00%

Table 6. Distribution of Loans by Original Term (as at 1 September 2007)

Original Term (Months)	Number of Loans	%	Current Balance (RUB)	%
$0 \leq x < 60$	100	0.53%	25,969,351	0.24%
$60 \leq x < 120$	1,288	6.83%	455,491,923	4.25%
$120 \leq x < 180$	3,045	16.14%	1,389,225,237	12.95%
$180 \leq x < 240$	11,486	60.90%	7,352,039,082	68.53%
$240 \leq x < 300$	1,695	8.99%	811,593,376	7.57%
$300 \leq x \leq 360$	1,247	6.61%	693,298,429	6.46%
Total	18,861	100.00%	10,727,617,399	100.00%

Weighted Average Term to Maturity (Months): 184

Table 7. Distribution of Loans by Months since Origination (as at 1 September 2007)

Months Since Origination	Number of Loans	%	Current Balance (RUB)	%
$0 \leq x < 6$	884	4.69%	662,922,693	6.18%
$6 \leq x < 12$	7,601	40.30%	5,325,416,185	49.64%
$12 \leq x < 18$	4,921	26.09%	2,515,262,956	23.45%
$18 \leq x < 24$	2,142	11.36%	1,015,672,282	9.47%
$24 \leq x$	3,313	17.57%	1,208,343,283	11.26%
Total	18,861	100.00%	10,727,617,399	100.00%

Weighted Average Seasoning (Months): 14

Table 8. Distribution of Loans by Months to Maturity (as at 1 September 2007)

Remaining Time to Maturity (Months)	Number of Loans	%	Current Balance (RUB)	%
$0 \leq x < 60$	1,358	7.20%	363,533,395	3.39%
$60 \leq x < 120$	3,456	18.32%	1,501,474,257	14.00%
$120 \leq x < 180$	11,281	59.81%	7,378,450,574	68.78%
$180 \leq x < 240$	1,568	8.31%	768,734,538	7.17%

240 ≤ x < 300	777	4.12%	436,451,766	4.07%
300 ≤ x < 360	421	2.23%	278,972,869	2.60%
Total	18,861	100.00%	10,727,617,399	100.00%

Table 9. Distribution of Loans by Year of Maturity (as at 1 September 2007)

Maturity Date	Number of Loans	%	Current Balance (RUB)	%
2007	1	0.01%	636,387	0.01%
2008	50	0.27%	8,300,448	0.08%
2009	220	1.17%	40,365,406	0.38%
2010	325	1.72%	75,096,448	0.70%
2011	486	2.58%	149,469,385	1.39%
2012	398	2.11%	133,045,778	1.24%
2013	469	2.49%	172,961,736	1.61%
2014	627	3.32%	238,180,157	2.22%
2015	624	3.31%	255,880,227	2.39%
2016	1,204	6.38%	567,442,032	5.29%
2017	538	2.85%	289,640,239	2.70%
2018	401	2.13%	197,307,678	1.84%
2019	440	2.33%	215,919,456	2.01%
2020	631	3.35%	312,297,343	2.91%
2021	7,387	39.17%	4,766,764,625	44.43%
2022	2,334	12.37%	1,839,055,053	17.14%
2023	130	0.69%	61,522,729	0.57%
2024	424	2.25%	178,075,864	1.66%
2025	526	2.79%	258,317,938	2.41%
2026	354	1.88%	196,142,216	1.83%
2027	119	0.63%	71,341,908	0.67%
2028	68	0.36%	40,599,332	0.38%
2029	79	0.42%	40,661,465	0.38%
2030	160	0.85%	83,654,460	0.78%
2031	325	1.72%	183,995,492	1.72%

2032	158	0.84%	96,133,565	0.90%
2033	63	0.33%	54,253,091	0.51%
2034	207	1.10%	114,927,006	1.07%
2035	88	0.47%	67,816,939	0.63%
2036	22	0.12%	15,015,652	0.14%
2037	3	0.02%	2,797,344	0.03%
Total	18,861	100.00%	10,727,617,399	100.00%

Table 10. Distribution of Loans by Fixed Rate (as at 1 September 2007)

Fixed Interest Rate (% per annum)	Number of Loans	%	Current Balance (RUB)	%
11.00%	5,349	28.36%	3,359,470,273	31.32%
11.50%	740	3.92%	346,495,641	3.23%
12.00%	2,993	15.87%	1,285,103,252	11.98%
12.50%	2,391	12.68%	2,126,133,944	19.82%
12.75%	450	2.39%	309,461,886	2.88%
13.00%	2,145	11.37%	1,339,496,695	12.49%
13.50%	426	2.26%	261,432,491	2.44%
14.00%	1,691	8.97%	765,816,871	7.14%
14.50%	2	0.01%	1,095,293	0.01%
15.00%	2,673	14.17%	932,204,091	8.69%
16.00%	1	0.01%	906,962	0.01%
Total	18,861	100.00%	10,727,617,399	100.00%

Weighted Average Interest Rate (% per annum): 12.36

Table 11. Distribution of Loans by Property Type (as at 1 September 2007)

Real Estate Type	Number of Loans	%	Current Balance (RUB)	%
Flat	18,392	97.51%	10,341,302,153	96.40%
House	469	2.49%	386,315,246	3.60%
Total	18,861	100.00%	10,727,617,399	100.00%

Table 12. Distribution of Loans by Region (as at 1 September 2007)

Location of Property	Number of Loans	%	Current Balance (RUB)	%
Altai Territory	1,658	8.79%	1,015,641,300	9.47%
Samara Region	1,618	8.58%	954,546,993	8.90%
Republic of Bashkortostan	773	4.10%	658,946,198	6.14%
Republic of Tatarstan	1,281	6.79%	620,258,851	5.78%
Omsk Region	810	4.29%	439,243,198	4.09%
Republic of Udmurtia	727	3.85%	422,507,767	3.94%
Kirov Region	743	3.94%	405,249,360	3.78%
Vologoda Region	760	4.03%	403,959,635	3.77%
Kemerovo Region	623	3.30%	366,380,405	3.42%
Novosibirsk Region	449	2.38%	354,595,678	3.31%
Chuvash Republic	722	3.83%	349,125,454	3.25%
Krasnoyarsk Territory	438	2.32%	308,912,366	2.88%
St. Petersburg	285	1.51%	307,285,064	2.86%
Sverdlovsk Region	384	2.04%	291,974,431	2.72%
Novgorod Region	466	2.47%	234,158,797	2.18%
Republic Mordovia	600	3.18%	231,546,046	2.16%
Republic of Buryatia	498	2.64%	226,644,738	2.11%
Chelyabinsk Region	358	1.90%	214,211,640	2.00%
Perm Region	293	1.55%	209,105,357	1.95%
Tomsk Region	402	2.13%	197,271,456	1.84%
Volgograd Region	389	2.06%	176,868,909	1.65%
Orenburg Region	390	2.07%	175,862,782	1.64%
Saratov Region	335	1.78%	165,943,260	1.55%
Kaluga Region	258	1.37%	156,498,880	1.46%
Lipetsk Region	410	2.17%	153,349,531	1.43%
Primorsky Territory	215	1.14%	151,016,395	1.41%
Arkhangelsk Region	210	1.11%	127,211,692	1.19%
Penza Region	298	1.58%	115,030,828	1.07%
Republic of Komi	155	0.82%	106,498,255	0.99%

Nizhegorodskaya Region	168	0.89%	105,167,798	0.98%
Ulyanovsk Region	202	1.07%	91,153,828	0.85%
Ryazan Region	209	1.11%	88,195,745	0.82%
Astrakhan Region	178	0.94%	77,928,817	0.73%
Tver Region	136	0.72%	72,581,571	0.68%
Republic of Sakha (Yakutia)	78	0.41%	63,796,647	0.59%
Rostov Region	112	0.59%	62,679,041	0.58%
Krasnodar Territory	100	0.53%	60,327,518	0.56%
Stavropol Region	109	0.58%	56,192,599	0.52%
Republic of Tyva	177	0.94%	51,535,425	0.48%
Yaroslavl Region	90	0.48%	46,613,142	0.43%
Kursk Region	90	0.48%	42,498,858	0.40%
Tyumen Region	68	0.36%	38,436,724	0.36%
Moscow Region	67	0.36%	34,674,174	0.32%
Leningrad Region	40	0.21%	34,591,783	0.32%
Bryansk Region	88	0.47%	34,036,122	0.32%
Irkutsk Region	50	0.27%	33,699,997	0.31%
Khabarovsk Region	51	0.27%	32,158,803	0.30%
Republic of Karelia	46	0.24%	31,046,420	0.29%
Yamal-Nenetsk Region	36	0.19%	23,415,985	0.22%
Republic of Khakasia	45	0.24%	20,063,197	0.19%
Vladimir Region	46	0.24%	19,030,992	0.18%
Moscow	3	0.02%	12,589,870	0.12%
Republic of Adygeya	22	0.12%	11,889,445	0.11%
Republic of Mari El	18	0.10%	11,760,767	0.11%
Tula Region	20	0.11%	7,074,869	0.07%
Republic of North Osetia	25	0.13%	6,742,946	0.06%
Kostroma Region	9	0.05%	5,419,718	0.05%
Republic of Dagestan	6	0.03%	4,202,084	0.04%
Orel Region	12	0.06%	4,104,724	0.04%
Taimyr (Dolgano-Nenets) Region	10	0.05%	2,413,832	0.02%

Hanta-Mansiski Region	1	0.01%	1,570,744	0.01%
Republic of Altai	1	0.01%	177,949	0.00%
Total	18,861	100.00%	10,727,617,399	100.00%

Table 13. Distribution of Loans by Borrower Age (as at 1 September 2007)

Borrower Age (years)	Number of Loans	%	Current Balance (RUB)	%
x < 25	562	2.98%	324,493,961	3.02%
25 ≤ x < 30	4,142	21.96%	2,231,324,650	20.80%
30 ≤ x < 35	5,125	27.17%	2,873,499,888	26.79%
35 ≤ x < 40	3,503	18.57%	2,113,099,632	19.70%
40 ≤ x < 50	4,068	21.57%	2,382,756,047	22.21%
50k ≤ x	1,461	7.75%	802,443,220	7.48%
Total	18,861	100.00%	10,727,617,399	100.00%

Table 14. Distribution of Loans Currently in Arrears (as at 1 September 2007)

Days Delinquent	Number of Loans	%	Current Balance (RUB)	%
Current	18,858	99.98%	10,725,863,557	99.98%
1- 30 Days	3	0.02%	1,753,842	0.02%
Total	18,861	100.00%	10,727,617,399	100.00%

ELIGIBILITY CRITERIA

The Seller has represented to the Issuer that the Mortgage Certificates sold to the Issuer pursuant to the Mortgage Certificates Purchase Agreement complied, as of the Transfer Date, with the following eligibility criteria (the "**Eligibility Criteria**"):

Eligible Mortgage Certificates

1. Each Mortgage Certificate complied with the AHML Standards in their edition effective as at the date of acquisition of such Mortgage Certificate by the Seller.
2. Each Mortgage Certificate evidences the Mortgage Loan:
 - (a) denominated and payable in Roubles;
 - (b) not providing for any deduction, set-off, rebate or discount; and
 - (c) secured by the Mortgage.
3. Each Mortgage Certificate evidences the right of pledge over the Mortgaged Property.
4. No lien or right of set-off or counterclaim or other right of deduction exists or has been created or has arisen between the Partner Institution or the Seller and the Obligor which would entitle the Obligor to reduce the amount of any payment otherwise due under the Mortgage Certificate.
5. The Mortgage Certificate is not pledged and does not contain any restriction on assignment by the Seller other than the requirement to notify the Obligor within 10 days after such assignment.
6. The Outstanding Principal Balance of the Mortgage Loan as at the Transfer Date did not exceed RUB 6,200,000.
7. The Outstanding Principal Balance of the Mortgage Loan as at the Transfer Date did not exceed 70 per cent. of the value of the Mortgaged Property.
8. Payments under the Mortgage Loan Agreement are due monthly in arrears at a fixed interest rate.
9. There was no delay in payment of any monthly instalment as at the Transfer Date.
10. There have been no delays in payment of any monthly instalments exceeding 30 days.
11. The Mortgaged Property is not a real estate under construction.
12. The Mortgaged Property has not been lost or destroyed without a possibility of repair (in part or in full).
13. There have been no claims challenging the validity of the Purchase Agreement, the Mortgage Loan Agreement, the Insurance Policy or the Mortgage Certificate.
14. There have been no claims requesting seizure or foreclosure on the Mortgaged Property.
15. The Obligor, as at the Transfer Date, was in compliance with its obligation to pay insurance premiums under the Insurance Policies.

16. The Obligor, as at the Transfer Date, was in compliance with all of its obligations under the Mortgage Certificate.
17. No events had occurred and no facts had been established that could have an adverse effect on the performance of the Obligor's undertakings or the right of the creditor to recover from the proceeds of foreclosure on the Mortgaged Property.
18. Each Obligor was an Eligible Obligor (see "*— Eligible Obligors*" below).
19. Each Mortgage Certificate was duly executed by the parties thereto and constitutes legal, valid, binding and enforceable obligations of the Obligor.
20. Each Purchase Agreement have been duly executed and fully performed by all parties thereto.
21. Each Mortgage Loan Agreement and each Purchase Agreement are governed by the laws of the Russian Federation.
22. Each Mortgage Loan Agreement is in writing.
23. Each Mortgage Certificate, each Mortgage Loan Agreement and each Obligor are identified in the Unified Information System of AHML.
24. The Obligor's ownership of the Mortgaged Property and the Mortgage have been duly registered in the Unified State Register.
25. The Mortgaged Property has been duly insured against loss and damage for the whole term of the Mortgage Loan Agreement in an amount equal to the Outstanding Principal Balance of the relevant Mortgage Loan *plus* 10 per cent. The first loss payee under the relevant Insurance Policy is the legal owner of the relevant Mortgage Certificate.
26. The life and health of the Obligor have been duly insured for the whole term of the Mortgage Loan Agreement in an amount equal to the Outstanding Principal Balance of the relevant Mortgage Loan *plus* 10 per cent. The first loss payee under the relevant Insurance Policy is the legal owner of the relevant Mortgage Certificate.
27. The Mortgaged Property is located in the Russian Federation and is free and clear of any encumbrance other than the Mortgage.
28. The Mortgage Loan Agreement does not contain provisions permitting deferral of interest payments thereunder.
29. The Mortgage Loan Agreement does not provide for negative amortisation.
30. The Mortgaged Property is a residential property primarily designated for housing of the Obligor.
31. The Mortgage Certificate is not a duplicate and there is no stamp thereon stating it is a duplicate.

Eligible Obligor

"**Eligible Obligor**" means an Obligor who:

- (a) is an individual (as opposed to a partnership, a limited liability company, a joint-stock company or other legal entity) and is a party to the Mortgage Loan Agreement as borrower or co-borrower;
- (b) was at least 18 years of age with full legal capacity at the time of entering into the Mortgage Loan Agreement and the Purchase Agreement;
- (c) is an Obligor whose credit and where applicable employment history have been assessed in accordance with the AHML Standards;
- (d) who, as far as the Seller is aware, is not deceased or declared deceased or untraceable; and
- (e) who, as far as the Seller is aware, is not and has not been declare insolvent or bankrupt.

SALE OF ASSETS

Sale of Mortgage Portfolio

The Seller has sold to the Issuer, pursuant to the Mortgage Certificates Purchase Agreement, the Mortgage Certificates conferring rights under (a) the Mortgage Loans granted by the Partner Institutions to Obligors on the basis of the Mortgage Loan Agreements and subsequently acquired by the Seller, and (b) the Mortgages. In addition to that, the Seller has transferred to the Issuer the benefit of the Insurance Policies relating to such Mortgage Loans. The Mortgage Certificates Purchase Agreement does not provide for Mortgage Certificates to be substituted or for additional Mortgage Certificates to be sold to the Issuer.

Mechanics of Transfer

Each Mortgage Certificate has been endorsed on behalf of the Seller identifying the Issuer as a new legal owner of the relevant Mortgage Certificate, containing a reference to the Mortgage Certificates Purchase Agreement as to the ground for transfer of title to the relevant Mortgage Certificate from the Seller to the Issuer, and bearing a signature of a duly authorised representative of the Seller.

The Issuer has authorised the Special Depository as custodian of the Mortgage Certificates to act on its behalf vis-à-vis the Seller in respect of the transfer of the Mortgage Certificates under the Mortgage Certificates Purchase Agreement. On the Transfer Date, the Special Depository as custodian of the Mortgage Certificates has done all the necessary verifications and checks on the delivered Mortgage Certificates in order to ensure that the Mortgage Certificates are eligible for inclusion in the Mortgage Collateral.

The Issuer and the Seller have executed an act of acceptance and settlement confirming receipt of the Mortgage Certificates and the documents that the Seller was obliged to transfer pursuant to the Mortgage Certificates Purchase Agreement. Upon completion of these steps the Issuer has become the owner of the Mortgage Certificates that are specified both in the Mortgage Certificates Purchase Agreement and in the act of acceptance and settlement.

Notice of Sale to Obligors

The Seller has notified the Obligors of the sale of the Mortgage Certificates to the Issuer under the Mortgage Certificates Purchase Agreement.

Consideration

The consideration payable by the Issuer to the Seller for the purchase of the Assets (the "**Purchase Price**") relating to a particular Mortgage Loan is an amount determined by the Seller and the Issuer in accordance with the provisions of the Mortgage Certificates Purchase Agreement, being equal to the sum of the Outstanding Principal Balance of such Mortgage Loan and the Accrued Interest in respect thereof, in each case as at the Transfer Date. Pursuant to the Mortgage Certificates Purchase Agreement, payment of the Purchase Price has been deferred until the earlier of the following dates: (i) a date falling 30 Russian Business Days after the Placement Completion Date, (ii) a date falling 5 Russian Business Days after the registration by the FFMS of the report on the results of issue of the last Class of Bonds, and (iii) 31 October 2008.

Warranties given by the Seller

The Seller has, in the Mortgage Certificates Purchase Agreement, given warranties to the Issuer in relation, among other things, to its corporate matters (including its solvency) and the Assets.

In respect of the Assets the Seller has given the following warranties:

- As at the date of the Mortgage Certificates Purchase Agreement, the Seller is the owner, free and clear of any pledge, encumbrance, third-party rights or other legal restriction, of each Mortgage Certificate and there is no agreement to create any pledge, encumbrance, third-party rights or other legal restriction over any Mortgage Certificate.
- The Seller has paid for each Mortgage Certificate in full in accordance with the relevant mortgage certificate purchase agreement and, so far as the Seller is aware, each relevant Partner Institution has notified the relevant Obligors of the transfer of rights to such Mortgage Certificate to the Seller.
- Each Mortgage Certificate has been duly endorsed by the appropriate party to the Seller in accordance with the Mortgage Law and is in the custody of Gazprombank or its sub-contractors.
- Each Mortgage Certificate is complete and includes all additional sheets and attachments which need to be attached thereto.
- Each Mortgage Certificate complies with the Eligibility Criteria set out in the Mortgage Certificates Purchase Agreement.
- As at the date of the Mortgage Certificates Purchase Agreement, the Seller is not aware of any inconsistencies between the Mortgage Certificates and the related Mortgage Loan Agreements and Mortgages, and the Seller was not aware of any inconsistencies between them as at the date of purchase of the relevant Mortgage Certificates from the Partner Institutions.
- The Mortgage Loan Agreements, the Mortgages and the legislation of the Russian Federation do not require the Obligor's consent to sell or transfer the Mortgage Certificates to the Issuer.
- The Seller has in all material respects duly performed all its obligations which have fallen due under or in connection with the Mortgage Certificates and as far as the Seller is aware no Obligor, Partner Institution or third party has threatened or commenced any legal action against the Seller for any failure on the part of the Seller to perform any such obligation or any legal action challenging the validity or proper execution of any Mortgage Certificate.
- So far as the Seller is aware, no Mortgage Certificate has been terminated, repudiated or rescinded by the Seller, any Partner Institution, any Obligor or any third party.
- As at the date of the Mortgage Certificates Purchase Agreement, the Seller has not received any written notice of the full discharge of the Obligor's obligations under any of the Mortgage Certificates.

- As at the date of the Mortgage Certificates Purchase Agreement, the Seller has not received any written notice, nor is it aware of any material default on any obligation certified by the Mortgage Certificates on the part of any Obligor since the date when the Mortgage Certificates were drawn up.
- As at the date of the Mortgage Certificates Purchase Agreement, the Seller has not received any written notice of destruction or loss of the Mortgaged Property.
- As at the date of the Mortgage Certificates Purchase Agreement, there are no delays in payment of insurance premiums under the Insurance Policies.
- As at the date of the Mortgage Certificates Purchase Agreement, the Seller has not received any written notice of any legal action, dispute or claim, existing or threatened, that affects or could affect any Obligor or any Mortgage Certificate (including any claim challenging the validity of assignment under such Mortgage Certificate) or that adversely affects or could adversely affect the ability of the Obligor to perform its obligations under any Mortgage Certificate or entitles the Obligor to refuse to perform such obligations.
- So far as the Seller is aware at the date of the Mortgage Certificates Purchase Agreement, no Mortgage Certificate is void or voidable at the instance of any Obligor by reason of fraud, undue influence, duress, misrepresentation or for any other reason.
- So far as the Seller is aware at the date of the Mortgage Certificates Purchase Agreement, none of the Mortgage Certificates has left the possession of any previous lawful owners thereof as a result of theft or otherwise against that person's will.
- So far as the Seller is aware at the date of the Mortgage Certificates Purchase Agreement, none of the Mortgage Certificates have been amended or modified other than as reflected in the relevant Mortgage Certificate and/or attachments thereto.
- At the time of purchase of the Mortgage Certificates, the Seller was not aware of any violation of the Mortgage Law or any other applicable legislation related to drawing up or assignment of any Mortgage Certificate.
- The Seller and its employees comply with the applicable provisions of any data protection and consumer protection legislation.

See also "*Servicing of Assets—Call Option and Put Option*".

SERVICING OF ASSETS

Servicing

The Servicing Agreement contains provisions setting out the terms and conditions relating to the appointment of the Servicer and the performance of its duties.

Servicing Fee

Subject to and in accordance with the Payments Priorities, the Servicer will receive a fee on each Monthly Payment Date in respect of the related Collection Period (the "**Servicer Fee**"), in an amount calculated by reference to the Outstanding Principal Balance of the Mortgage Portfolio on the last day of such Collection Period.

Servicer's Duties

The duties of the Servicer will include, but not be limited to:

- (a) administering the Mortgage Portfolio in accordance with the terms of the Servicing Agreement;
- (b) collecting payments due in respect of the Receivables;
- (c) representing the Issuer in its relations with, among other parties, the Obligors, the insurance companies with which the Insurance Policies are held and the Special Depository;
- (d) implementing enforcement procedures in respect of the Defaulted Mortgage Certificates; and
- (e) compiling monthly servicer reports to the Calculation Agent, the Special Depository and the Rating Agency (see "*Provision of Information*" below).

Collection of Receivables

In accordance with the Civil Code, each Obligor must repay the Mortgage Loan to the Issuer as creditor on the dates and according to the procedures set out in the relevant Mortgage Loan Agreement. Therefore, each Obligor must ensure that the Issuer as creditor timely receives sufficient funds to cover payments to be made by such Obligor in accordance with a schedule of monthly instalments under the relevant Mortgage Loan Agreement. If the Obligor fails to do so, penalties for a missed payment will be charged in accordance with the relevant Mortgage Loan Agreement.

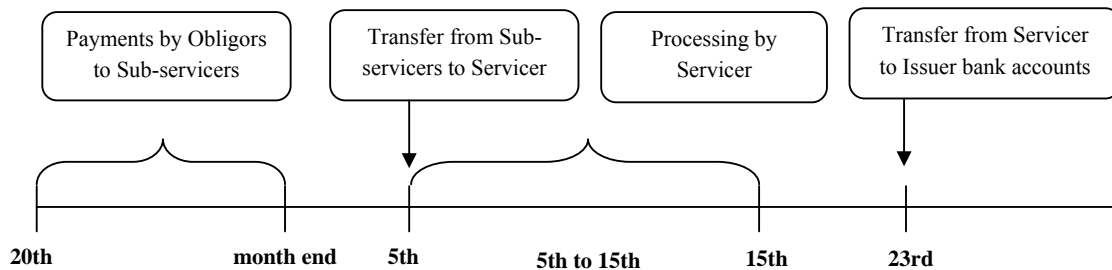
The Servicer has engaged the Regional Operators and the Service Agents (in such capacity, the "**Sub-servicers**") on a sub-contracting basis to perform certain of its functions under the Servicing Agreement. The Sub-servicers will, *inter alia*, perform the following functions:

- (a) process all incoming payments from the Obligors;
- (b) transfer accumulated payments to the Servicer on a monthly basis;
- (c) compile monthly reports on collections for the Servicer;

- (d) monitor maintenance by the Obligor of insurance with respect to the Mortgaged Property and life or disability of the Obligor;
- (e) monitor timely payment by the Obligor of insurance premiums;
- (f) monitor availability, and maintenance conditions, of the Mortgage Property;
- (g) handle general payment and non-payment inquiries of the Obligor and resolve any issues that the Obligor may have; and
- (h) keep safe the credit file documents not transferred to the Special Depository.

The Servicer will be liable for any acts or omissions of the Sub-servicers as well as for the acts and omissions of any other third parties the Servicer may engage in connection with the performance of its obligations under the Servicing Agreement, including debt collection agencies.

Collections timeline according to current collection procedures is illustrated below:



Provision of information

The Servicer will prepare:

- (i) a monthly report to the Issuer and the Special Depository in the forms set out in the Servicing Agreement on or before the 23rd day of each month following the reported month; and
- (ii) a monthly servicer report to the Issuer, the Calculation Agent and Moody's in a form agreed among them from time to time on or before the 25th day of each month following the reported month.

Termination of Servicer's Appointment

The appointment of the Servicer under the Servicing Agreement will terminate on the Final Discharge Date unless terminated earlier upon the occurrence of any of the following events set out in the Servicing Agreement (the "**Servicer Replacement Events**"):

- (a) the Servicer fails to remit any payment due under the Servicing Agreement or upon demand (where the due date is not specified) and such failure continues for 3 Russian Business Days, or the amount remitted to the Issuer is incorrect or inaccurate in any material aspect and such inaccuracy continues for 3 Russian Business Days, provided in each case that the event was not caused by administrative or technical error of the banking system during the electronic transfer of payments;

- (b) the Servicer fails to deliver any servicer report when due and such failure continues for 10 Russian Business Days, or any servicer report is incorrect or inaccurate in any material respect and such inaccuracy continues for 10 Russian Business Days;
- (c) any representation made by the Servicer in the Servicing Agreement proves to be incorrect at any date between the Transfer Date and the date of the Servicing Agreement;
- (d) the Russian Federation ceases to own directly or indirectly more than 50 per cent. of the ordinary shares of the Servicer;
- (e) an Insolvency Event occurs in respect of the Servicer;
- (f) it becomes unlawful for the Servicer to perform its obligations under the Servicing Agreement.

In case of such early termination, the Issuer may appoint a Replacement Servicer in accordance with the Servicing Agreement. Please see "*Risk Factors – General Legal Considerations – Absence of back-up servicer*".

Call Option and Put Option

Pursuant to the Servicing Agreement, the Issuer has granted to the Servicer the Call Option exercisable in relation to any of the Mortgage Certificates comprising the Mortgage Portfolio in respect of which one or more of the following events (each, a "**Call Option Event**") have occurred:

- (a) the obligation under the Mortgage Certificate is more than 6 months overdue;
- (b) the Mortgaged Property has been lost, including if such loss results from a court decision coming into force that declares the Mortgage void or terminates it for any other reason;
- (c) a court decision comes into force which declares the Mortgage Certificate or any obligations thereunder void or terminates them for any other reason;
- (d) the Obligor is declared insolvent (bankrupt) in accordance with the legislation of the Russian Federation on insolvency (bankruptcy);
- (e) there has been no loss or damage insurance of the Mortgaged Property for more than 6 months;
- (f) breach of the requirement that the Mortgaged Property must be insured against loss or damage in favour of the creditor under the Mortgage Certificate for the period until such obligation matures and in an amount not less than the principal amount outstanding under such obligation; and
- (g) any payment obligations under the Mortgage Certificate included in the Mortgage Collateral is more than 3 months overdue.

Following the exercise of the Call Option, the Issuer will be required to sell the relevant Mortgage Certificate to the Servicer at a purchase price equal to the aggregate of (a) the Outstanding Principal Balance of the relevant Mortgage Loan and (b) the Accrued Interest on such Mortgage Loan (the "**Option Price**").

Pursuant to the Servicing Agreement, the Servicer has granted to the Issuer the Put Option exercisable in relation to any of the Mortgage Certificates comprising the Mortgage Portfolio:

- (a) in respect of which one or more of the Call Option Events have occurred; and
- (b) which did not comply with the Eligibility Criteria as at the Transfer Date.

Following an exercise of the Put Option, the Servicer will be required to purchase the relevant Mortgage Certificate from the Issuer at a purchase price equal to the Option Price.

Funds received by the Issuer as a result of an exercise of the Call Option or the Put Option will be included in the Mortgage Collateral.

CALCULATION SERVICES

Calculation Agency Services

The Calculation Agency Services will include, but not be limited to:

- (a) the creation and maintenance of the Ledgers (see "*Use of Ledgers*");
- (b) the calculations in respect of the allocation of the Issuer's funds in accordance with the Payments Priorities; and
- (c) the provision of the Calculation Agent Report and the Investor Report and the fulfilment of any other reporting requirements provided for in the Calculation Agency Agreement.

Use of Ledgers

The Calculation Agent, on behalf of the Issuer, will be required to maintain the following Ledgers (each a "**Ledger**") as records in the books of the Issuer:

- (i) the Revenue Ledger, which will be used to record as a credit entry, *inter alia*, Revenue Receipts and amounts (if any) transferred from the Principal Ledger, and from which amounts will, *inter alia*, be debited in accordance with the Pre-Enforcement Revenue Payments Priorities;
- (ii) the Principal Ledger, which will be used to record as a credit entry, *inter alia*, Principal Receipts and amounts transferred from the Revenue Ledger to reduce debit balances on the Principal Deficiency Ledger, and from which amounts will, *inter alia*, be debited in accordance with the Pre-Enforcement Principal Payments Priorities;
- (iii) the Reserve Ledger, which will be divided into three sub-ledgers (the "**Special Reserve Ledger**", the "**Legal Expenses Reserve Ledger**" and the "**Contingency Expenses Reserve Ledger**") and which will be used to record as a credit entry, *inter alia*, any amounts transferred from the Revenue Ledger in accordance with the Pre-Enforcement Revenue Payments Priorities in the following order:
 - (a) *first*, to the Special Reserve Ledger until the credit balance thereof reaches the Special Reserve Required Amount;
 - (b) *second*, to the Legal Expenses Reserve Ledger until the credit balance thereof reaches the Legal Expenses Reserve Required Amount; and
 - (c) *third*, to the Contingency Expenses Reserve Ledger until the credit balance thereof reaches the Contingency Expenses Reserve Required Amount.

The Reserve Ledger will be used to record as a debit entry, *inter alia*, any drawings transferred to the Revenue Ledger and any drawings in respect of Legal Expenses and Contingency Expenses of the Issuer;

- (iv) the Principal Deficiency Ledger, which will be divided into three sub-ledgers relating to the Class A Bonds, the Class B Bonds and the Class C Bonds as the "**Class A Principal Deficiency Ledger**", the "**Class B Principal Deficiency Ledger**", and the "**Class C Principal Deficiency Ledger**", respectively, and which will be used to record from time

to time, as debit entries, amounts of any Principal Losses in respect of the Mortgage Certificates and amounts transferred from the Principal Ledger to the Revenue Ledger to reduce or eliminate any Revenue Shortfall and to which will be credited a sum equal to any amount transferred from the Revenue Ledger to the Principal Ledger to reduce or make good any debit balance on the Principal Deficiency Ledger. Any amounts debited to the sub-ledgers will be debited in the following order:

- (a) *first*, to the Class C Principal Deficiency Ledger, subject to a maximum amount equal to the Principal Amount Outstanding of the Class C Bonds then outstanding;
- (b) *second*, to the Class B Principal Deficiency Ledger, subject to a maximum amount equal to the Principal Amount Outstanding of the Class B Bonds then outstanding; and
- (c) *third*, to the Class A Principal Deficiency Ledger, subject to a maximum amount equal to the Principal Amount Outstanding of the Class A Bonds then outstanding.

Any credits to these sub-ledgers will be made in reverse order to the above.

- (v) the Class B Deferred Coupon Ledger, which will be used to record as a credit entry an amount by which the Maximum Class B Coupon exceeds the Class B Coupon, and as a debit entry any amounts to reduce or make good any credit balance on the Class B Deferred Coupon Ledger.

Pre-Enforcement Revenue Payments Priorities

On each Monthly Payment Date prior to the Enforcement Date (if any), payment from monies recorded in the Revenue Ledger of the amounts due and payable by the Issuer on such Monthly Payment Date shall be effected in relation to the following matters in the amounts required in the following order of priority:

- (a) to pay *pari passu*, in no order of priority among them, any Taxes due and payable by the Issuer or expected to become due and payable by the Issuer after that Monthly Payment Date and prior to the following Monthly Payment Date;
- (b) to pay *pari passu*, in no order of priority among them any Third Party Expenses;
- (c) to pay *pari passu* and *pro rata* any amounts due and payable by the Issuer to:
 - (i) the Management Organisation pursuant to the Agreement on Transfer of Powers of the Sole Executive Body; and
 - (ii) the Accounting Organisation pursuant to the Bookkeeping Services Agreement;
- (d) to pay *pari passu* and *pro rata* any amounts due and payable by the Issuer to:
 - (i) the Calculation Agent pursuant to the Calculation Agency Agreement;
 - (ii) the Paying Agent pursuant to the Paying Agency Agreement;

- (iii) the Placement Agent and the Joint Arrangers pursuant to the Subscription Agreement;
 - (iv) the Custodian pursuant to the Custody Agreement;
 - (v) the Special Depository pursuant to the Special Depository Agreement;
 - (vi) the Auditor pursuant to the Audit Services Agreement; and
 - (vii) the Rating Agency pursuant to the Agreement on Annual Monitoring;
- (e) to pay any amounts due and payable to the Servicer pursuant to the Servicing Agreement;
- and, if the Monthly Payment Date is a Bond Payment Date, items (f) to (m);*
- (f) to pay *pari passu* and *pro rata* interest due and payable in respect of the Class A Bonds;
 - (g) to pay *pari passu* and *pro rata* any amounts due and payable by the Issuer to:
 - (i) the Minimum Class B Coupon;
 - (ii) the Minimum Class C Coupon;
 - (h) to record a credit entry of an amount equal to the Class A Revenue Addition Amount (if any) determined as at the related Calculation Date, in the Class A Principal Deficiency Ledger and to record a credit entry of such amount in the Principal Ledger;
 - (i) to pay *pari passu* and *pro rata* the Class B Coupon due and payable in respect of the Class B Bonds;
 - (j) to record a credit entry of an amount equal to the Class B Revenue Addition Amount (if any) determined as at the related Calculation Date, in the Class B Principal Deficiency Ledger and to record a credit entry of such amount in the Principal Ledger;
 - (k) to record a credit entry of an amount equal to the Class C Revenue Addition Amount (if any) determined as at the related Calculation Date, in the Class C Principal Deficiency Ledger and to record a credit entry of such amount in the Principal Ledger;
 - (l) to record a credit entry in the Reserve Ledger of an amount in replenishment of any sub-Ledger of the Reserve Ledger up to the required amount of such sub-Ledger;
 - (m) to pay any remaining balance as coupon in respect of the Class C Bonds.

Pre-Enforcement Principal Payments Priorities

On each Monthly Payment Date prior to the Enforcement Date (if any), payment from monies recorded in the Principal Ledger of the amounts due and payable by the Issuer on such Monthly Payment Date shall be effected in relation to the following matters in the amounts required in the following order of priority:

- (a) to pay an amount equal to the Principal Addition Amount (if any) determined as at the related Calculation Date, such amount to be recorded as a credit entry in the Revenue Ledger;

and, if the Monthly Payment Date is a Bond Payment Date items (b) to (d);

- (b) to pay *pari passu* and *pro rata* to the holders of the Class A Bonds until the Principal Amount Outstanding of Class A Bonds is reduced to zero;
- (c) to pay *pari passu* and *pro rata* to the holders of the Class B Bonds until the Principal Amount Outstanding of Class B Bonds is reduced to zero;
- (d) to pay *pari passu* and *pro rata* to the holders of the Class C Bonds.

Use of Issuer's funds to meet Revenue Shortfalls

If on any Bond Payment Date there are insufficient Revenue Receipts (before taking account of the Special Reserve or any Principal Addition Amount referred to in "*Use of Principal Receipts to meet Revenue Shortfalls*" below) to meet the required payments under items (a) to (i) of the Pre-Enforcement Revenue Payments Priorities, a "**Revenue Shortfall**" will be considered to have occurred, and the Calculation Agent will:

- (a) first, record a debit entry of an amount equal to the Principal Addition Amount in the Principal Ledger to reduce or, as applicable, eliminate such Revenue Shortfall (see below under "*Use of Principal Receipts to meet Revenue Shortfalls*"); and
- (b) second, if the drawing under (a) is insufficient to make good the Revenue Shortfall, make a drawing from the Special Reserve Ledger to the extent available to reduce or as applicable, eliminate such Revenue Shortfall.

Use of Principal Receipts to meet Revenue Shortfalls

Principal Receipts will be applied to make good Revenue Shortfalls in priority to making payments of principal under the Bonds. Principal Receipts so applied are referred to in this Information Memorandum as "**Principal Addition Amounts**". Any amount of Principal Receipts so applied will result in a debit to the relevant Principal Deficiency Ledger (see "*Use of Revenue Receipts to meet Principal Deficiencies*").

Use of Revenue Receipts to meet Principal Deficiencies

Revenue Receipts can be utilised by the Issuer to repay any Principal Addition Amount and to meet Principal Losses. A "**Principal Loss**" means, in relation to any Defaulted Mortgage Certificate on any day, the principal amount due in respect of such Defaulted Mortgage Certificate on the day on which it is declared by the Servicer to be a Defaulted Mortgage Certificate. The Servicer will declare Defaulted Mortgage Certificate any Mortgage Certificate in respect of which one or more of the following events have occurred:

- (a) the Obligor is in default in making a monthly payment and such default has continued for more than 89 calendar days;

- (b) the Mortgaged Property is completely or partially (without possibility of repair) destroyed;
- (c) the relevant Purchase Agreement, Mortgage Loan Agreement, Insurance Policies or Mortgage Certificate has been held void by court;
- (d) the Mortgaged Property has been seized or foreclosed; or
- (e) there are no Insurance Policies in force, including due to non-performance by the relevant Obligor of its obligation to pay insurance premiums provided that such absence of Insurance Policies has continued for more than 179 calendar days.

A Principal Loss or a Principal Addition Amount in any Calculation Period will cause a principal deficiency to occur, and the amount of such Principal Loss or Principal Addition Amount will be debited to a separate ledger (the "**Principal Deficiency Ledger**"). The Principal Deficiency Ledger will be divided into three sub-ledgers, the "**Class A Principal Deficiency Ledger**", the "**Class B Principal Deficiency Ledger**" and the "**Class C Principal Deficiency Ledger**". Principal Deficiencies will be debited to the Class C Principal Deficiency Ledger up to an amount equal to the Principal Amount Outstanding of the Class C Bonds, thereafter to the Class B Principal Deficiency Ledger up to an amount equal to the Principal Amount Outstanding of the Class B Bonds, and thereafter to the Class A Principal Deficiency Ledger.

If, on any subsequent Bond Payment Date, Revenue Receipts allow, amounts standing to the credit of the Revenue Ledger will be debited from the Revenue Ledger and credited to the relevant sub-ledger of the Principal Deficiency Ledger in the order of priorities set out in the Pre-Enforcement Revenue Payments Priorities to the extent of the debit on the relevant sub-ledger, thereby reducing or eliminating the loss incurred by the relevant Class of Bonds.

Any amounts of Revenue Receipts used to reduce principal deficiencies on a Bond Payment Date will be regarded as Principal Receipts on such date and added to the Principal Ledger, and will therefore be available for redemption of the Bonds.

Should any principal amount subsequently be recovered in respect of an amount declared to be a Principal Loss and in respect of which a debit has been made to the Principal Deficiency Ledger, such amount (a "**Principal Recovery**") will be added to the Revenue Ledger, as will any interest amount (a "**Revenue Recovery**") subsequently recovered in respect of which a Principal Loss has been declared.

Resignation and Removal of the Calculation Agent

Pursuant to the Calculation Agency Agreement, the Calculation Agent may at any time resign its appointment upon not less than 45 days' notice in writing to the Issuer, provided that such resignation shall not take effect until a successor calculation agent acceptable to the Issuer has been duly appointed by the Issuer on terms substantially similar to those of the appointment of the Calculation Agent under the Calculation Agency Agreement. If the Issuer has not appointed a successor prior to the expiry of the notice period given by the Calculation Agent, the Calculation Agent shall be entitled to appoint on its behalf such a successor.

In addition, the Calculation Agent may by written notice of termination to the Issuer and the Standby Calculation Agent terminate its appointment under the Calculation Agency Agreement

on the date specified in such notice immediately or at any time after the Enforcement Date. See "*Standby Calculation Agent*" below.

Pursuant to the Calculation Agency Agreement, the Issuer may at any time revoke the appointment of the Calculation Agent by not less than 45 days' notice in writing to the Calculation Agent, provided that such revocation shall not take effect until a successor has been duly appointed by the Issuer on terms substantially similar to those of the appointment of the Calculation Agent under the Calculation Agency Agreement.

In addition, the Issuer may by written notice of termination to the Calculation Agent terminate the Calculation Agent's appointment hereunder on the date specified in such notice immediately or at any time after the occurrence of any of the following events:

- (a) if an Insolvency Event occurs in relation to the Calculation Agent;
- (b) if the Calculation Agent fails to deliver any reports required to be delivered by it under the Calculation Agency Agreement;
- (c) if the Calculation Agent fails to observe or perform in any material respect any of its other obligations under the Calculation Agency Agreement; or
- (d) if it is or becomes impossible or unlawful for the Calculation Agent to continue its business or discharge its obligations as contemplated by the Calculation Agency Agreement.

Standby Calculation Agent

Pursuant to the Calculation Agency Agreement, the Standby Calculation Agent has agreed, following the termination of the Calculation Agent's appointment, to provide calculation agency services to the Issuer in lieu of the Calculation Agent and in accordance with the terms of the Calculation Agency Agreement.

SECURITY ARRANGEMENTS

Pledge of Mortgage Collateral

The Issuer's obligations to repay the Principal Amount Outstanding and to pay interest due under the Bonds are secured by a first ranking pledge of the Mortgage Collateral in favour of the Bondholders. The pledge arises by operation of law from the date the first Bondholder acquires the Bonds. The Issuer remains the legal and beneficial owner of the Mortgage Collateral notwithstanding the creation of the pledge until foreclosure on the Mortgage Collateral.

In the event that the Issuer defaults on its obligations under the Bonds, claims of the Bondholders will be satisfied from the proceeds of sale of the Mortgage Collateral in priority to the other creditors of the Issuer, as envisaged by the MBS Law. Please see "*Post-enforcement Payments Priorities*" below. The material terms of pledge of the Mortgage Collateral are set out below:

- (a) claims of the holders of the Class A Bonds for foreclosure on the Mortgage Collateral are satisfied in priority to similar claims of the holders of the Class B Bonds and/or the Class C Bonds;
- (b) claims of the holders of the Class B Bonds for foreclosure on the Mortgage Collateral are satisfied in priority to similar claims of the holders of the Class C Bonds;
- (c) claims of the holders of the Class B Bonds for foreclosure on the Mortgage Collateral may not be satisfied before the Class A Bonds are redeemed in full;
- (d) claims of the holders of the Class C Bonds for foreclosure on the Mortgage Collateral may not be satisfied before the Class A Bonds and the Class B Bonds are redeemed in full;
- (e) the Mortgage Collateral may not be sold from a public auction prior to expiry of a two-month period from the date the Issuer's obligations became due;
- (f) the Issuer may, at any time prior to the sale of the Mortgage Collateral, terminate the foreclosure procedures by discharge of its obligations under the Bonds in the amount due from the Issuer as of the date of such discharge of obligations;
- (g) the proceeds of sale of the Mortgage Collateral shall be distributed in the following order of priority:
 - (i) *first*, to the holders of the Class A Bonds who filed their claims prior to the public auction date;
 - (ii) *second*, to a notary's custody for the benefit of the holders of the Class A Bonds who did not file their claims prior to the public auction date;
 - (iii) *third*, to the holders of the Class B Bonds who filed their claims prior to the public auction date;

- (iv) *fourth*, to a notary's custody for the benefit of the holders of the Class B Bonds who did not file their claims prior to the public auction date;
 - (v) *fifth*, to the holders of the Class C Bonds who filed their claims prior to the public auction date;
 - (vi) *sixth*, to a notary's custody for the benefit of the holders of the Class C Bonds who did not file their claims prior to the public auction date; and
 - (vii) *seventh*, after deduction of costs related to the sale of the Mortgage Collateral any excess proceeds are returned to the Issuer;
- (h) if the proceeds of sale of the Mortgage Collateral are insufficient to satisfy in full claims of the holders of a particular Class of Bonds, such proceeds are distributed pro rata among the holders of that Class of Bonds irrespective of whether they had filed their claims prior to the public auction date.

Please see "*Risk Factors — General Legal Considerations — Enforcement of mortgage collateral*".

Post-Enforcement Payments Priorities

Following the Enforcement Date (if any) and subject to the provisions of the MBS Law, the Bankruptcy Law and other applicable legislation, payment of the amounts due and payable by the Issuer shall be effected in relation to the following matters in the amounts required in the following order of priority:

- (a) to the extent applicable, to pay current liabilities (*tekushiye obyazatelstva*) of the Issuer related to realisation of the Mortgage Collateral, including remuneration of the bankruptcy manager (*konkursny upravlyaushiy*) in accordance with paragraph 8 of Article 16.1 of the MBS Law;
- (b) to pay *pari passu* and *pro rata* all accrued but unpaid interest and the Principal Amount Outstanding in respect of the Class A Bonds;
- (c) to pay *pari passu* and *pro rata* all accrued but unpaid interest (based on the Maximum Class B Coupon) and the Principal Amount Outstanding in respect of the Class B Bonds;
- (d) to pay *pari passu* and *pro rata* all accrued but unpaid interest and the Principal Amount Outstanding in respect of the Class C Bonds;

provided that payments specified under items (a) to (d) are made to the extent of funds available as a result of enforcement against the Mortgage Collateral in accordance with the provisions of the MBS Law; and

- (e) to pay, from the funds other than those referred to in the immediately preceding paragraph, *pari passu* and *pro rata* all amounts due and payable:
 - (i) under items (a) to (d) above to the extent not covered by funds available as a result of enforcement against the Mortgage Collateral in accordance with the provisions of the MBS Law;

- (ii) to the Management Organisation pursuant to the Agreement on Transfer of Powers of the Sole Executive Body;
- (iii) to the Accounting Organisation pursuant to the Bookkeeping Services Agreement;
- (iv) to the Calculation Agent pursuant to the Calculation Agency Agreement;
- (v) to the Paying Agent pursuant to the Paying Agency Agreement;
- (vi) to the Placement Agent and the Joint Arrangers pursuant to the Subscription Agreement;
- (vii) to the Accounts Bank pursuant to the Collateral Account Agreement and the Issuer Account Agreement;
- (viii) to the Custodian pursuant to the Custody Agreement;
- (ix) to the Special Depository pursuant to the Special Depository Agreement;
- (x) to the Auditor pursuant to the Audit Services Agreement;
- (xi) to the Rating Agency pursuant to the Agreement on Annual Monitoring;
- (xii) to the Servicer pursuant to the Servicing Agreement; and
- (xiii) to other creditors of the Issuer (if any).

Limited Recourse and Non-Petition

The Transaction Documents do not provide for limited recourse and non-petition, see "*Risk Factors – General Legal Considerations – Post-enforcement Waterfall*".

CUSTODY ARRANGEMENTS

General

The Seller's arrangements with Partner Institutions contemplate that the Regional Operators and Service Agents deliver originals of all mortgage certificates purchased by the Seller as well as originals of all applicable insurance policies to the custody of the Special Depository in its capacity as the Seller's custodian. In addition, originals and/or copies of valuation reports in respect of the mortgaged property are also transferred to the Special Depository. Primary Lenders have delivered all credit file documents related to the mortgage certificates acquired by the Seller to the Special Depository.

Transfer of Mortgage Certificates

The Issuer has authorised the Special Depository as custodian of the Mortgage Certificates to act on its behalf vis-à-vis the Seller in respect of the transfer of the Mortgage Certificates under the Mortgage Certificates Purchase Agreement. On the Transfer Date, the Special Depository as custodian of the Mortgage Certificates has done all the necessary verifications and checks on the delivered Mortgage Certificates in order to ensure that the Mortgage Certificates are eligible for inclusion in the Mortgage Collateral.

Custody Services

Pursuant to the terms of the Special Depository Agreement, the Special Depository provides safe custody of the original Mortgage Certificates and certain related credit file documents. The Special Depository has undertaken to keep Mortgage Certificates separate from the property of the Special Depository and its other clients and to maintain an electronic register of the Mortgage Certificates such that each Mortgage Certificate can be identified and retrieved (if required) by the name of a particular Obligor.

Based on a power of attorney provided by the Issuer, the Servicer may request the Special Depository to release certain Mortgage Certificates required by it from time to time in order to perform its duties under the Servicing Agreement. Each release and acceptance of the Mortgage Certificates will be documented by execution of an act of transfer and acceptance.

OPERATION OF ISSUER'S ACCOUNTS

The Issuer has opened with the Accounts Bank two rouble bank accounts, namely the Collateral Account and the Issuer Account.

The Collateral Account of the Issuer will be supervised by the Special Depository. Any debit of funds from the Collateral Account will require authorisation of the Special Depository which will be provided to the extent such debit does not lead to a breach of mandatory ratios established by the MBS Law for the Mortgage Collateral.

The Collateral Account will be used to:

- (a) credit principal collections in respect of Mortgage Certificates that are not, and have not been, Defaulted Mortgage Certificates;
- (b) credit the proceeds from the sale of Mortgage Certificates to the Servicer under the Call Option or the Put Option;
- (c) credit any interest or other income earned on the Collateral Account;
- (d) credit the amounts of Special Reserve;
- (e) credit the amounts transferred from the Issuer Account in accordance with the Calculation Agency Agreement; and
- (f) debit the amounts in accordance with the Payments Priorities.

The Issuer Account will not be supervised by the Special Depository. The Issuer Account will be used to:

- (a) credit the proceeds from the sale of the Bonds;
- (b) credit the amounts of the Legal Expenses Reserve and the Contingency Expenses Reserve;
- (c) credit interest collections in respect of the Mortgage Certificates;
- (d) credit principal collections in respect of the Defaulted Mortgage Certificates;
- (e) credit insurance payments under the Insurance Policies;
- (f) credit any interest or other income earned on the Issuer Account;
- (g) credit penalties and fines under the Mortgage Certificates;
- (h) credit penalties and fines under agreements to which the Issuer is a party;
- (i) credit foreclosure proceeds upon the sale of the Mortgaged Property;
- (j) credit any other amounts which are not subject to crediting to the Collateral Account;
- (k) debit the amount of the Purchase Price to the Seller; and
- (l) debit the amounts in accordance with the Payments Priorities.

Pursuant to the Calculation Agency Agreement, amounts standing to the credit of the Issuer Account shall only be paid:

- (a) on or about the Placement Completion Date, to the Seller in an amount not exceeding the Purchase Price, in a satisfaction of the Purchase Price due and payable by the Issuer to the Seller pursuant to the Mortgage Certificates Purchase Agreement;
- (b) on or about the Placement Completion Date, to the Collateral Account in an amount equal to the Special Reserve Required Amount;
- (c) no later than 3 Russian Business Days prior to each Monthly Payment Date after amounts are paid into the Issuer Account in accordance with the provisions of the Servicing Agreement, to the Collateral Account in an amount calculated as:
 - (i) the credit balance of the Issuer Account; less
 - (ii) the aggregate of:
 - (a) the amounts payable by the Issuer in accordance with items (a) to (e) inclusive of the Pre-Enforcement Revenue Payments Priorities; and
 - (b) the credit balances of the Legal Expenses Reserve Ledger and the Contingency Expenses Reserve Ledger after any credit entry is made to the Legal Expenses Reserve Ledger and the Contingency Expenses Reserve Ledger on the related Calculation Date under item (l) of the Pre-Enforcement Revenue Payments Priorities; and
 - (c) the amounts received by the Issuer in respect of Collection Periods following the Collection Period related to such Monthly Payment Date;
- (d) on any Russian Business Day prior to the first Monthly Payment Date, in payment of the Initial Expenses;
- (e) on any Russian Business Day, in payment of:
 - (i) the amounts for which debit entries to the Legal Expenses Reserve Ledger may be made in accordance with the Calculation Agency Agreement; and
 - (ii) the amounts for which debit entries to the Contingency Expenses Reserve Ledger may be made in accordance with the Calculation Agency Agreement;
- (f) on or about the last Bond Payment Date on which the Bonds are to be redeemed in full (including by way of Clean-up Call), the credit balance of the Issuer Account after the payment of items (a) to (e) inclusive of the Pre-Enforcement Revenue Payments Priorities, to the Collateral Account.

All payments permitted to be made under the Pre-Enforcement Payments Priorities (save for items (a) to (e) inclusive of the Pre-Enforcement Revenue Payments Priorities which may be made from the Issuer Account) shall only be made out of amounts standing to the credit of the Collateral Account but only to the extent that such payments do not cause the Collateral

Account to become overdrawn and to the extent such payments do not directly lead to a Mortgage Collateral Deficit on the relevant Bond Payment Date.

DESCRIPTION OF THE ISSUER

Introduction

The Issuer is a closed joint stock company incorporated as a mortgage agent under the laws of the Russian Federation and registered in the Unified State Register of Legal Entities under number 1077757770837.

The registered office of the Issuer is located at 3 Smolenskaya Square, office 645, Moscow, 121099, Russian Federation, and the telephone number at the registered office is +7 (495) 933-8935. The Issuer has no subsidiaries.

Principal activities

The principal objects of the Issuer are set out in the Issuer's charter approved by the decision of the foundation meeting of the Issuer on 6 July 2007. The Issuer has been established for the purpose of purchasing the Mortgage Portfolio from the Seller, issuing the Bonds, entering into the Transaction Documents and engaging in other activities in relation to the foregoing. The principal object of the Issuer is to ensure refinancing of mortgage loans by issuing mortgage-backed bonds.

Pursuant to its charter, the Issuer is allowed to carry out the following activities:

- (a) purchase mortgage loans;
- (b) purchase mortgage certificates;
- (c) purchase sovereign securities, real estate and other property specified in the MBS Law;
- (d) issue mortgage-backed bonds;
- (e) perform its obligations under the mortgaged backed bonds;
- (f) service mortgage loans and/or mortgage certificates;
- (g) attract loans required to the Issuer in connection with performance of its obligations under mortgage-backed bonds and/or in connection with maintenance of the Issuer as operating entity;
- (h) enter into hedging arrangements in respect of currency and interest rate risks, in each case in connection with performance of its obligations under mortgage-backed bonds; and
- (i) perform other activities not prohibited by Russian law and necessary for Issuer's operation including conclusion of agreements with brokers, dealers, service agents, calculation agents, paying agents, consultants, management companies, auditors and accountants and agreements on rendering of other services.

The activities of the Issuer are restricted by the MBS Law and the Issuer's charter. The Issuer is disallowed to carry out any business activities other than activities connected with the issue of the Bonds, performance of obligations thereunder and maintenance of the Issuer as an operating entity. The Issuer's charter prohibits any amendments to the object of the Issuer's activities.

The Issuer has not carried out any business or activities since the date of its incorporation other than those incidental to its incorporation and the purchase from the Seller of the Mortgage Portfolio.

Share capital

The share capital of the Issuer comprises 10,000 ordinary shares of RUB 1 each, all of which are fully paid up.

9,900 shares of the Issuer are owned by Stichting Moscow Mortgages I, a foundation (*stichting*) incorporated under the laws of The Netherlands, registered with the Amsterdam Chamber of Commerce under number 34259472 and having its statutory office in The Netherlands at Locatellikade 1, 1076AZ Amsterdam.

100 shares of the Issuer are owned by Stichting Moscow Mortgages II, a foundation (*stichting*) incorporated under the laws of The Netherlands, registered with the Amsterdam Chamber of Commerce under number 34259474 and having its statutory office in The Netherlands at Locatellikade 1, 1076AZ Amsterdam.

Neither Stichting Moscow Mortgages I nor Stichting Moscow Mortgages II is owned or controlled by the Seller or an affiliate of the Seller.

The shareholders of the Issuer have entered into a deed of undertaking by which they, among other things, have undertaken for so long as the Issuer has any outstanding liabilities under the Bonds:

- to remain shareholders of the Issuer;
- not to amend the Issuer's charter;
- not to take any decision and/or action to reorganise or liquidate the Issuer; and
- not to take any decision to pay any dividends.

Corporate administration

The management function of the Issuer and powers of its sole executive body are performed by OOO TMF RUS (the "**Management Organisation**"). The Management Organisation is a limited liability company incorporated under the laws of the Russian Federation and having its registered office at 3 Smolenskaya Square, office 645, Moscow, 121099, Russian Federation. It is a part of the TMF group which is a global independent management and accounting outsourcing firm. Pursuant to the Agreement on Transfer of Powers of the Sole Executive Body, the Management Organisation will, among other things:

- act on behalf and in the name of the Issuer and represent the Issuer in the Russian Federation and abroad in relations with any third parties;
- ensure information disclosure in respect of the Issuer and the Bonds in accordance with the applicable legislation, requirements of the authorised official bodies and rules of the relevant stock exchange;

- ensure keeping of statutory books of the Issuer, its accounting and tax filing; and
- open and close Issuer's accounts with banks, special registrars, depositories and other organisations as well as manage and operate such accounts.

Pursuant to the Agreement on Transfer of Powers of the Sole Executive Body, the Management Organisation undertakes that it will not resign from its position until a replacement management organisation is appointed who is acceptable to the Issuer.

Accounting and bookkeeping

The accounting and bookkeeping functions of the Issuer are performed by OOO RMA Services (the "**Accounting Organisation**"). The Accounting Organisation is a limited liability company incorporated under the laws of the Russian Federation and having its registered office at 3 Smolenskaya Square, office 645, Moscow, 121099, Russian Federation. The Accounting Organisation is also a part of TMF group. Pursuant to the Bookkeeping Services Agreement, the Accounting Organisation will provide bookkeeping, accounting and tax filing and related administrative and information services to the Issuer and will, among other things:

- set up tax and accounting policies and respective systems of the Issuer;
- maintain, safekeep and archive accounting and tax records of the Issuer;
- prepare and file annual and interim financial statements of the Issuer;
- prepare and file tax returns of the Issuer; and
- represent the Issuer and its interests before tax authorities and deal with accounting matters that are usually dealt with by the chief accountant of a legal entity including acting as a tax representative of the Issuer.

Pursuant to the Bookkeeping Services Agreement, the Accounting Organisation undertakes that it will not resign from its position until a replacement accounting company is appointed who is acceptable to the Issuer.

Litigation and arbitration

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) prior to the date of this Information Memorandum.

DESCRIPTION OF AHML AND ITS BUSINESS

Introduction

The Seller is an open joint stock company incorporated under the laws of the Russian Federation. The Seller was established by the Decree of the Russian Government dated 26 August 1996 No. 1010 "On the Agency for Housing Mortgage Lending". The Seller is registered in the Unified State Register of Legal Entities under number 1027700262270. Its registered office is at 69B Novocheremushkinskaya Street, Moscow, Russian Federation. The sole shareholder of the Seller is the Russian Federation, represented by the Federal Agency for Federal Property Management of the Russian Federation. The Seller has been declared a strategic enterprise according to the decrees of the President and the Russian Government. The Seller has a corporate rating of Baa2 by Moody's for foreign currency obligations and A3 by Moody's for local currency obligations.

The principal objects of the Seller are to refinance mortgage loans and thereby enhance the liquidity of the mortgage lending market in the Russian Federation as well as to ensure the affordability of mortgage lending products to Russian citizens.

The Seller was established for, among other purposes:

- ensuring affordability of mortgage loans for the majority of Russian citizens;
- development of mortgage loan refinancing system for regional banks and non-banking institutions;
- development of mortgage loan underwriting, refinancing and servicing standards; and
- methodological and technical assistance to mortgage loan market participants.

Moody's assigned the following global scale ratings to the Seller: A3 long-term and Prime-1 short-term local currency issuer ratings and Baa2 long-term and Prime-2 short-term foreign currency issuer ratings. The outlook on the global scale ratings is stable. The Seller's global scale ratings of A3/P-1 (local currency) and Baa2/P-2 (foreign currency) reflect the Seller's global default and loss expectation. The Seller's Baa2 foreign currency issuer rating is constrained by Russia's foreign currency deposit ceiling, which is at the same level.

The Seller's primary source of funding are the proceeds of issue of bonds secured by sovereign guarantees and loans (to uphold current liquidity). The Russian Government commenced provision of guarantees to the bonds issued by the Seller in 2001. Since then, the volume of mortgage loans refinanced by the Seller has been constantly growing. See "*The Residential Mortgage Lending Market in the Russian Federation — Market Participants*". The Seller has placed eleven issues of guaranteed bonds in the aggregate amount of RUB 40,420,000,000 and acted as seller in one issue of mortgage-backed bonds in the amount of RUB 3,500,000,000.

Management

The current senior executives of the Seller are:

Alexander Semenyaka (*General Director*): Mr. Semenyaka has been General Director of AHML since 2002. He graduated from the Moscow State University and holds a PhD in applied

mathematics. Mr. Semenyaka has more than twenty years in the financial industry including more than five years with Gazprom.

Pavel Voytov (*First Deputy General Director*): Mr. Voytov has been Deputy General Director of AHML since 2003. He graduated from the Moscow State University and holds a degree in applied mathematics. Mr. Voytov has more than fifteen years in the financial services industry including more than five years with Gazprom.

Sergey Barsukov (*First Deputy General Director*): Mr. Barsukov has been Deputy General Director of AHML since 2007. Prior to that, he was a managing director of KIT Finance Investment Bank in 2005-2007.

Andrey Semeniuk (*Deputy General Director*): Mr. Semeniuk has been Deputy General Director of AHML since 2007. Prior to that, he worked in the Russian Government in 2002-2007. Since 2004, Mr. Semeniuk has been the Head of Financial Markets Development, Property Relations and Insolvency Division of the Finance and Economics Department of the Russian Government. He was awarded a State Counsel of the Russian Federation (1st Grade) by the Presidential Decree dated 26 January 2005.

Leonid Vekshin (*Deputy General Director*): Mr. Vekshin has been Deputy General Director of AHML since 2006. Prior to that he was the Head of Finance Department of AHML and a deputy Head of Securities and Corporate Finance Department of Gazprom. Mr. Vekshin has more than ten years in the securities market industry.

Natalia Koltsova (*Head of Structured Products Department*): Ms. Koltsova is the Head of Structured Products Department of AHML. She graduated from the Moscow University of Economics and Statistics and holds a degree in economic cybernetics. Ms. Koltsova has more than ten years in the financial services industry including more than four years with Gazprom and more than five years with AHML.

Regional Partner Network

The Seller is the key player in the two level mortgage lending system and has developed a wide regional network covering practically all regions of the Russian Federation. The principal participants of the Seller's network include, among other participants, the Regional Operators, the Service Agents and the initial lenders other than the Regional Operators and Service Agents (the "**Primary Lenders**").

Primary Lenders

The Primary Lenders are credit and non-credit institutions that originate mortgage loans for their own portfolios as well as for subsequent sale to the Seller. The Primary Lenders' business involves origination and underwriting of mortgage loans in accordance with AHML Standards, registration of the mortgages with Unified State Register, arranging the issuance of the respective mortgage certificates and selling such mortgage certificates to the Regional Operators or the Seller.

Regional Operators

The Regional Operators are non-credit institutions engaged in origination and refinancing of mortgage loans at the regional level for subsequent sale of pools of mortgage certificates to the Seller. In addition, the Regional Operators act as servicers in respect of mortgage loans sold to the Seller, thus conducting routine administration, cash collection, arrears monitoring and defaulted mortgage loans management. The status and the scope of authority of a Regional Operator may vary from region to region based on the level of development of the relevant regional mortgage lending market.

The Regional Operators fund their activities using both their equity capital and borrowings. In order to participate in the Seller's regional partner network, Regional Operators must comply with AHML Standards, including sound financial condition and sufficient equity capital, appraised by the Seller using its own methods. The Seller requires that the Regional Operators are at least 50 per cent. plus 1 share owned or otherwise controlled by the regional authorities. The cooperation of the Seller and its Regional Operators is based on three-party agreements on cooperation entered into among the Seller, the Regional Operator and the regional authorities. The latter are thereby to provide guarantees to the obligations of the Regional Operators. Moreover, in accordance with AHML Standards, an organisation may be appointed Regional Operator only if it has developed the necessary 'infrastructure' in the relevant region including at least one insurance company and one independent property appraisal company both of which are subject to the Seller's approval.

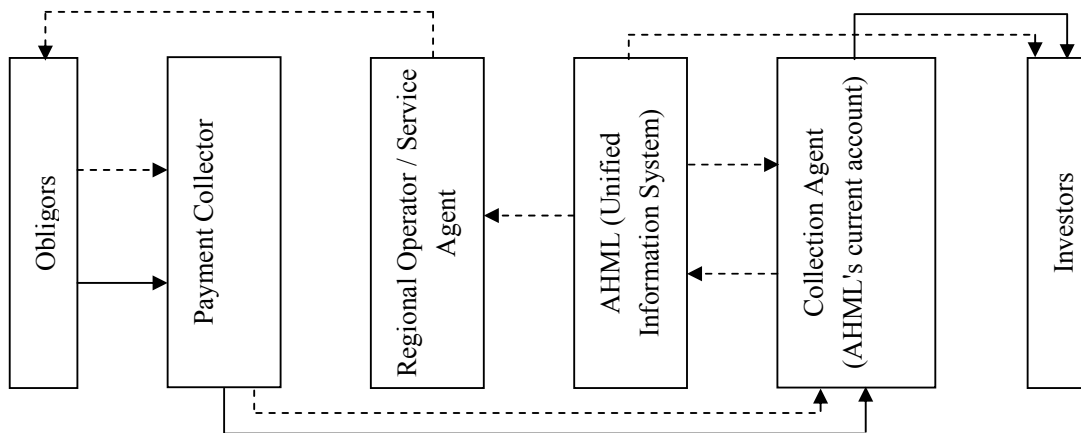
Service Agents

The Service Agents are credit and non-credit institutions that originate mortgage loans for their own portfolios as well as for subsequent sale to the Seller and that act as servicers in respect of mortgage certificates sold to the Seller. In order to participate in the Seller's regional partner network, Service Agents must comply with AHML Standards, including sound financial condition and sufficient equity capital, appraised by the Seller using its own methods.

As of February 2008, the Seller had accredited 76 Regional Operators, 64 Service Agents and has made arrangements with 85 Primary Lenders.

Cash flow structure

The outline cash flow structure which the Seller expects to implement by the end of 2008 is illustrated in the diagram below:



*Cash flows are indicated by solid lines.

** Information flows are indicated by dashed lines.

Origination and Underwriting Criteria

The Seller is not directly engaged in origination of residential mortgage loans. However, to be eligible for refinancing by the Seller, the mortgage loan must comply with the AHML Standards and, in particular, the following origination and underwriting criteria:

- (i) *interest rate*: fixed interest rate;
- (ii) *currency*: denominated and payable in Roubles;
- (iii) *purpose*: purchase or construction of residential properties;
- (iv) *collateral*: mortgage over the property to be purchased or over real estate already owned by the borrower;
- (v) *insurance coverage required*: insurance against property loss or damage and borrower's life and disability insurance for 110 per cent. of the outstanding principal balance of the mortgage loan for the whole life of the mortgage loan plus one day;
- (vi) *maximum loan amounts*: depends on location of property, e.g. RUB 16,200,000 if the property is located in Moscow, the Moscow region, St. Petersburg or the Krasnodar Territory and RUB 9,300,000, RUB 5,700,000 or RUB 4,000,000 if the property is located in other regions of the Russian Federation (in each case as determined by the Seller);
- (vii) *minimum down payment*: 10 per cent. of the lower of (a) the value of property pursuant to the residential property purchase agreement, and (b) the value of property pursuant to an appraisal report of an independent appraisal company;

- (viii) *appraisal of property*: value of property confirmed by an independent appraisal company;
- (ix) *LTV*: from 30 per cent. to 90 per cent. loan-to-value ratio (where the LTV ratio exceeds 80 per cent. of the amount of the loan may not exceed RUB 1,500,000);
- (x) *term of the loan*: from 12 months to 360 months;
- (xi) *amortisation*: annuity-type;
- (xii) *certification*: mortgage certificate.

The sub-group of mortgage loans eligible for refinancing by the Seller are subject to the Eligibility Criteria (see "*Eligibility Criteria*".)

Quality Control Procedures

The Seller purchases mortgage loans under mortgage certificate purchase agreements with Partner Institutions. The Seller's agreements with Partner Institutions and AHML Standards establish procedures for the purchase by the Seller of mortgage certificates issued in relation to the mortgage loans extended by the Partner Institutions. Such procedures generally require a Partner Institution to apply the origination and underwriting procedures, and to use the standard documentation for the extension of mortgage loans, consistent with AHML Standards. In addition, the Seller has implemented a three level quality control system in respect of the mortgage certificates it acquires.

First Level of Quality Control

Following the conclusion of the mortgage certificates purchase agreement but prior to the delivery of the mortgage certificates, the Seller completes certain special forms and a questionnaire in its Unified Information System (the "**UIS**"). See "*Information Technology*". The Seller also reviews scanned copies of the relevant credit file documents (including the borrower's passport, marriage certificate, mortgage certificate, mortgage loan agreement, residential property purchase agreement, valuation report, insurance policies and other relevant documents specific to an application) and checks the UIS fields for completeness and consistency.

Second Level of Quality Control

Following the delivery of the mortgage certificates, all mortgage certificates are subject to examination by special experts accredited by the Seller. The experts verify, *inter alia*, the completeness of credit files, compliance of mortgage certificates and the relevant credit file documents with AHML Standards and legislation of the Russian Federation and the consistency of data contained in the UIS. The experts provide one of the following opinions in respect of each mortgage certificate:

- Class 1: standard and eligible mortgage certificate;
- Class 2: non-standard mortgage certificate with a curable incompliance;
- Class 3: non-standard mortgage certificate with an incurable incompliance.

Those mortgage certificates that are classified as Class 2 must be brought into conformity with AHML Standards and the applicable legislation within twenty days from the date when their seller receives from the Seller a request to eliminate the incompliance. If the defects are not cured within the above period or if the mortgage certificates are classified as Class 3, the Seller is entitled to initiate the buy-back procedures in respect of such mortgage certificates.

Third Level of Quality Control

Following the expert review, the Seller performs a random review of the mortgage certificates. Total share of mortgage certificates subject to such review is between 20 per cent. and 30 per cent. of the acquired pool. The credit file documents are checked for compliance with AHML Standards, the applicable legislation and the database requirements pursuant to a special regulation approved by the Seller.

Any errors or incompliance revealed at the third level of control are cured by the Seller, forwarded to special experts for their second review and cure or, if such defects or incompliance may not be cured, become subject of the buy-back procedures.

Mortgage Loan Servicing

Overview

Servicing of the mortgage loans is partly performed by the Servicer and partly by third parties engaged by the Servicer.

The Sub-servicers, *inter alia*, perform the following functions:

- processing of all incoming payments from the Obligors (unless such Sub-servicer is not yet a party to the new payment collection scheme);
- monthly transfer of the accumulated payments to the Seller (unless such Sub-servicer is not yet a party to the new payment collection scheme);
- preparation of monthly reports on collections for the Seller;
- monitoring of maintenance by the Obligors of insurance with respect to residential properties and life or disability of the Obligors;
- monitoring of timely payment by the Obligors of insurance premiums;
- monitoring of the availability, and maintenance conditions, of the mortgage property;
- handling general inquiries of the Obligors and resolution and management of any issues that the Obligors may have; and
- safekeeping of the credit file documents not transferred to the Seller.

The Servicer performs, *inter alia*, the following mortgage loan servicing functions:

- development of comprehensive mortgage loan servicing procedures;
- monitoring of performance by the Sub-servicers of their obligations outlined above;

- processing of monthly mortgage payments received from the Obligor and the Sub-servicers;
- collection of overdue loans through both out-of-court and court procedures; and
- arranging of safekeeping of the mortgage certificates, insurance policies, appraisal report and other credit file documents transferred to the Seller (if any).

Repayment

Repayment of Mortgage Loans is made by the Obligor by making monthly consolidated payments on an annuity basis. For more details, please see "*Description of the Mortgage Portfolio – Repayment of principal and interest*".

Prepayment

Mortgage Loan Agreements do not contain prepayment restrictions except a six-month moratorium preventing prepayments starting from the date of issue of the relevant Mortgage Loans. For more details, please see "*Description of the Mortgage Portfolio – Prepayment*".

Payment Process

For a description of the existing payment procedures, please see "*Description of the Mortgage Portfolio – Repayment of principal and interest*".

All payments from the Obligor are received by either (i) transfer by the Obligor to the account of the Servicer, (ii) direct debit from the Obligor's account opened with the relevant Sub-servicer, to the account of such Sub-agent, (iii) wire transfer from the Obligor's account with a bank other than the relevant Sub-servicer, to the account of the Servicer or the relevant Sub-Servicer, or (iv) payment in cash by the Obligor to the relevant Sub-servicer. The Sub-servicers, that are not yet parties to the new payment collection scheme, process the monthly payments and transfer them to the Servicer no later than on the fifth day of the month following the month when such payments were collected.

To mitigate the commingling risk (see "*Risk Factors – Risks Relating to the Operations of the Issuer – Cash Commingling Risk*") and reduce the cash remittance period, the Servicer has undertaken to replace the existing mortgage loan collection procedures when all incoming payments are processed by the Sub-servicers with alternative procedures when the Obligor will be required to make annuity payments to the account of the Servicer. Pursuant to the Servicing Agreement, such alternative procedures must be implemented by 31 December 2008.

Delinquency Experience

The tables below provide information relating to the delinquency experience across AHML's consolidated mortgage loan book (including mortgage loans sold by AHML to third parties but in respect of which AHML continues to perform the servicing function).

*Arrears Dynamics of AHML's Consolidated Mortgage Loan Book**

Date	Arrears amount as per cent. of total mortgage book					
	In arrears (days)				Total in arrears	Total
	Current	30-90	90-180	180+		
<u>01/01/2007</u>	<u>99.07%</u>	<u>0.56%</u>	<u>0.30%</u>	<u>0.07%</u>	<u>0.93%</u>	<u>100%</u>
<u>01/04/2007</u>	<u>98.59%</u>	<u>0.83%</u>	<u>0.36%</u>	<u>0.22%</u>	<u>1.41%</u>	<u>100%</u>
<u>01/07/2007</u>	<u>97.54%</u>	1.44%	0.71%	0.32%	2.46%	100%
01/10/2007	96.58%	1.59%	1.15%	0.68%	3.42%	100%
01/01/2008	95.82%	1.68%	1.24%	1.26%	4.18%	100%

*Arrears Dynamics of AHML's Consolidated Mortgage Loan Book with Original LTV ≤ 70%**

Date	Arrears amount as per cent. of total mortgage book					
	In arrears (days)				Total in arrears	Total
	Current	30-90	90-180	180+		
<u>01/01/2007</u>	<u>99.16%</u>	<u>0.43%</u>	<u>0.33%</u>	<u>0.09%</u>	<u>0.84%</u>	<u>100%</u>
<u>01/04/2007</u>	<u>98.86%</u>	<u>0.60%</u>	<u>0.28%</u>	<u>0.26%</u>	<u>1.14%</u>	<u>100%</u>
<u>01/07/2007</u>	<u>98.52%</u>	<u>0.79%</u>	<u>0.38%</u>	<u>0.31%</u>	1.48%	100%
01/10/2007	98.21%	0.82%	0.51%	0.45%	1.79%	100%
01/01/2008	98.15%	0.70%	0.51%	0.64%	1.85%	100%

* The above delinquency data relates to AHML's total book of mortgage assets and includes assets that were not included in the Mortgage Portfolio.

In relation to the above table, the term "delinquent" applies to a loan in respect of which a borrower has failed to make a payment in whole or in part within 30 or 31 days of any interest payment date under relevant mortgage loan agreement.

Defaulted Mortgage Loan Administration

The Seller has developed comprehensive defaulted mortgage loan administration procedures and strives to regularly improve these. As of 1 January 2008, defaulted loans constituted only 2.13 per cent. of the Seller's mortgage portfolio calculated by reference to the outstanding principal balance of the mortgage loans.

The Seller's delinquency prevention measures are designed for the monitoring of the Obligor's proper and timely payment of principal and interest under the relevant mortgage loan agreement. The Seller regularly monitors the quality of mortgage loans in its portfolio and classifies them in one of the following categories:

- (i) *standard*: the Obligor is in full compliance with the terms of the relevant mortgage loan agreement;
- (ii) *on watch*: the Obligor made minor violations of the rules and/or procedures, without causing an increase in credit risk;

- (iii) *on special watch*: there have been 4 to 6 cases of delays in payment during one year, a delay in payment exceeding 30 days, legal documentation issues that can be reversed or damage to the mortgaged property that can be promptly remedied;
- (iv) *questionable*: significant violations of AHML Standards have been discovered or there has been a third party claim against the mortgaged property;
- (v) *defaulted*: delay in payment exceeding 90 days, loss or destruction of the mortgaged property without possibility of repair etc.

The loan is considered to be delinquent on the day following the payment date or the last day of the interest payment period as relevant. Delinquency management is performed in strict compliance with special delinquent mortgage administration procedures adopted by the Seller. Once a non-payment has occurred, the Obligors receive regular calls. On the 6th day following the non-payment the Seller sends to the Obligor the first letter demanding for repayment of overdue indebtedness. Other demand letters are also sent on the 30th and 60th days. In the meantime, the Obligor continues to receive regular calls from the Seller with a periodicity of 5 to 10 days. On the 90th day the Seller assigns to the relevant mortgage loan a status of "defaulted" and accelerates the mortgage loan.

The Seller has adopted special procedures to monitor the proper and timely payment of the insurance premium under the relevant insurance policies. If a non-payment occurs, the Obligors receive regular calls. On the 7th or 8th day after the end of the month in which the insurance premium should have been paid, the Seller sends to the Obligor the first letter demanding the payment of the overdue insurance premium. The second demand letter follows on the 20th day. On the 90th day the Seller assigns the relevant mortgage loan a status of "defaulted" and accelerates the mortgage loan.

Summary of the public sale process

With regard to the key question of enforcement of residential mortgages, the Civil Code and the Mortgage Law set out the procedures of foreclosure on mortgaged real estate. The main features of the public sale process, which is the applicable enforcement procedure in cases where a borrower does not cooperate upon foreclosure, or where the sale of the mortgaged real estate through out-of-court procedures is not possible, are set out below.

- The minimum sale price of a mortgaged property applicable from the start of the public sale is determined jointly by a lender and a borrower, and in case of disagreement between them, by the court. The court bailiffs then deliver a request to the organiser of the public sale and such request will include the minimum sale price. The organiser of the public sale will proceed with the public sale on the basis of the request. The auction should be held within two months of such request.
- The court has the right in exceptional circumstances upon the pledgor's request to postpone the public sale of the mortgaged property for up to one year.
- Persons wishing to take part in the public sale are to enter a down payment (*zadatok*), in accordance with the terms indicated in the notification about the public sale. The amount of the down payment must not exceed 5 per cent. of the initial selling price of the mortgaged property.

- At the end of the public sale the down payment is to be paid back to the persons who took part in the public sale but who did not win. The down payment is also to be paid back in the event that the public sale does not take place.
- The person who bids the highest price for the mortgaged property being sold in the public sale is to be recognised as the winner of the public sale. This person and the organiser of the public sale must sign minutes confirming the results of the public sale.
- The winner of the public sale must, within five days of the auction, pay the sum which he bid for the relevant mortgaged property (the applicable purchase price) less the original down payment, into the account indicated by the organiser of the public sale. If this sum is not paid within such five day period, then the down payment will not be returned to the winner of the public sale.
- Within five days of the applicable purchase price being paid by the person who has won the public sale, the organiser of the public sale is to conclude a sale and purchase agreement with him. This agreement and the minutes confirming the results of the public sale are considered as grounds for entering the termination of the relevant mortgage into the Unified State Register.
- The sum received at the public sale, after settlement of expenses incurred by the organiser of the public sale, is forwarded to the lender for repayment of the relevant mortgage loan. If the sum received exceeds the amount of the borrower's indebtedness, then the residual sum will be remitted to the borrower by the organiser of the public sale.
- If the public sale is declared as void (for example, if there were less than two potential buyers at the public sale; no bid higher than the initial selling price of the mortgaged property was made or the person who won the public sale did not pay the applicable purchase price within the required period), then a second public sale should be held no later than one month following the previous auction. The initial selling price of the mortgaged property at the second public sale is to be reduced by 15 per cent.
- If the second public sale is also declared as void, the lender has the right to acquire (to reserve) the mortgaged property at a designated discount and to set off its claims secured by the mortgaged property against the applicable purchase price. If the lender does not use its right to acquire (reserve) the mortgaged property within one month following the announcement that the second public sale was void, the relevant mortgage is to be terminated, and the lender would have to pursue the borrower as an unsecured creditor.

Information Technology

Operation and information technology ("IT") is one of the priorities of the Seller's activities. The Seller is committed to developing and maintaining its IT infrastructure to maintain high levels of automation and support to its existing operations, as well as to ensure the possibility of the future growth of its operations.

The Seller operates a Unified Information System ("UIS"), which is a unique system developed specifically for the Seller and its Partner Institutions and which keeps record of the Obligors' details, mortgage certificates' details (including payment schedules, actual payments information, insurance monitoring details etc.) and transactions with mortgage certificates. In addition, UIS allows for electronic document management and provides for instruments for mortgage portfolio analysis and mortgage pooling.

The Seller also maintains back-up systems to minimise the impact of any major disruption of its IT systems. Such back-up systems include both computer applications recording all critical data on a daily basis and back-up tapes deposited with Gazprombank on a weekly basis.

The Seller is also in the process of establishment of a back-up data processing centre in Novosibirsk and expects to commission it in 2008.

The Seller considers its IT systems to be adequate to service current volumes of operations and to manage the future growth of its mortgage portfolio, while at the same time maintaining quality standards.

DESCRIPTION OF THE SPECIAL DEPOSITORY

The Special Depository

Gazprombank (Open Joint Stock Company) ("**Gazprombank**") is a universal bank incorporated under the laws of the Russian Federation and having its registered office at 16 Block 1, Nametkina St., Moscow 117420, Russian Federation. Gazprombank's operations are focused on commercial and retail lending, project finance, trade finance, investment banking, attracting deposits, foreign exchange and securities trading. Gazprombank also generates income from plastic card services, depository and custodian services, money transfer and clearing operations, settlements, fund management, brokerage and trading.

Gazprombank is one of the three major Russian banks. It ranks 3rd among the largest banks in Central and Eastern Europe by capital. Major rating agencies have assigned investment grade ratings to Gazprombank.

Extended regional network of Gazprombank embraces 36 branches and 4 Russian subsidiary banks. In addition, Gazprombank is a shareholder of two foreign banks, being Belgazprombank (Belarus) and Areksimbank (Armenia).

Gazprombank is a member of the AHML mortgage lending programme and provides mortgage services to approximately 50 mortgage brokers in the Russian Federation. Gazprombank provides limited bridge financing for a period of up to three months for mortgages that are then sold to AHML.

Gazprombank has the largest security depository network in the Russian Federation in terms of deposited securities' value, covering approximately 60 regions in the Russian Federation. Gazprombank provides a comprehensive package of services for owners of securities issued by over 300 companies in Russia.

The Standby Special Depository

CJSC "Depository Company "REGION" ("**REGION DC**") is a closed joint stock company organised under the laws of the Russian Federation, incorporated in 1999, registered in the Unified State Register of Legal Entities under the number 1037708002144 on 15 January 2003, and having its registered office at 11 A Verkhnyaya Krasnoselskaya Str., bid. 6, Moscow 107140, Russian Federation.

REGION DC offers its clients depository services and specialised depository services in accordance with the legislation of the Russian Federation. REGION DC pursues its activities on the basis of two valid licences issued by the FFMS, one of which provides for carrying out depository activities and the other for carrying out activities of a special depository on the securities market. REGION DC is one of the major non-banking depositories in the Russian Federation with more than a six year track record in the depository business.

REGION DC is a member of the Professional Association of Registrars, Transfer Agents and Depositories (PARTAD), one of the largest self-regulatory associations of professional securities market participants in the Russian Federation. Representatives of REGION DC are elected as members of the board of directors of PARTAD, thus enabling them to take an active

part in developing the infrastructure of the Russian securities market and the market for collective investments.

REGION DC enjoys the highest PARTAD rating, AAA. The depositary business of REGION DC has been insured with the "ROSNO" insurance company under the Bankers Blanket Bond (BBB) policy, and is also covered by the combined insurance of professional securities market participants. Compliance by REGION DC with the requirements of the Standards of Depositary Activity (elaborated jointly by PARTAD, the National Association of Securities Market Participants (NAUFOR) and the National Securities Association (NFA) and approved by the Federal Securities Commission of the Russian Federation on 19 December 2002) is confirmed by the appropriate certificate issued by PARTAD.

REGION DC has four years' experience of providing services for mortgage refinancing programmes for such partners as IFC, OPIC, EBRD, DeltaCredit, Moscow Narodny Bank Limited and others. Under these projects REGION DC performs the function of an authorised custodian ensuring safekeeping of the mortgage certificates and mortgage files, verification thereof for completeness and supervision of compliance with the terms and conditions of the loan agreement concerning the relevant mortgaged properties.

USE OF PROCEEDS

The gross proceeds of the issue of the Bonds, expected to amount to approximately RUB 11,377,586,175.70, will be used by the Issuer toward the payment of the Purchase Price of the Mortgage Portfolio, funding the initial balances of the Special Reserve, the Legal Expenses Reserve and the Contingency Expenses Reserve and certain expenses related to the offering and sale of the Class A Bonds and the Class B Bonds.

WEIGHTED AVERAGE LIFE OF THE CLASS A BONDS AND THE CLASS B BONDS

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts in net reduction of principal of such security (assuming no losses). The weighted average lives of the Bonds will be influenced by, among other things, the actual rate of prepayment on the Mortgage Portfolio.

The model used to determine the figures set out in this Information Memorandum in respect of the Mortgage Loans represents an assumed constant per annum rate of prepayment ("**CPR**") each month relative to the then Outstanding Principal Balance of the Mortgage Loans.

For example, to assume 15% CPR is to assume that 15 per cent. of the Outstanding Principal Balance of the Mortgage Portfolio is prepaid over the year. CPR does not purport to be a historical description of prepayment experience or a prediction of the anticipated rate of prepayment of any group of receivables, including the Mortgage Loans to comprise the Mortgage Portfolio.

For a discussion of the factors which may influence the rate of payments (including prepayments) of the Mortgage Loans, see "*Risk Factors – Risks Related to the Assets – Prepayments of Mortgage Loans*". In general, the weighted average lives of the Bonds will be shortened if the level of prepayments of principal of the Mortgage Loans increases. The weighted average lives of the Bonds will depend upon a variety of other factors, including the timing of changes in the rate of principal payments and the priority sequence of distributions of principal among the Classes of Bonds. See Condition 9 (*Pre-Enforcement Principal Payments Priorities*) of the "*Terms and Conditions of the Bonds*".

The interaction of the foregoing factors may have different effects on the various Classes of Bonds and the effects on any Class of Bonds may vary at different times during the life of the relevant Class. Accordingly, no assurance can be given as to the weighted average life of any Class of Bonds. Furthermore, to the extent that the price of any Class of Bonds represents a discount or premium to the respective original Outstanding Principal Balance of such Class of Bonds, variations in the weighted average lives of those Bonds will result in variations in the related yields to maturity.

The Bonds have been structured assuming, amongst other things, a prepayment assumption of 15% CPR. The actual rate of prepayment may vary considerably from the rate used for any prepayment assumption. As the rate of payment of principal of each Class of principal-repayable Bonds will depend on the rate of payment (including prepayments) of the Outstanding Principal Balance of the Mortgage Portfolio, final payment of any Class of Bonds could occur significantly earlier than the Final Maturity Date. Reinvestment risk associated with the early redemption of the Bonds will be borne exclusively by the Bondholders.

The following tables were prepared based on the characteristics of the Mortgage Loans and the following additional assumptions (the "**Structuring Assumptions**"):

- (a) The Mortgage Loans prepay in full at the specified CPR monthly with no defaults, losses or enforcements;
- (b) no Principal Deficiency arises;

- (c) no Mortgage Loan is repurchased by the Seller or otherwise realised by the Issuer;
- (d) the interest rate applied to each Mortgage Loan is fixed;
- (e) the Bonds are placed on 27 February 2008 and all payments on the Bonds are paid on the 15th day of June, September, December and March each year, commencing 15 June 2008;
- (f) the amortisation of any Mortgage Loan is calculated as annuity loans;
- (g) redemption possibilities are limited to those set out in the Decisions and described in Condition 6 (*Redemption*) of the "*Terms and Conditions of the Bonds*";
- (h) no event of default occurs on the part of the Issuer as set out in the Decisions and described in Condition 11 (*Events of Default*) of the "*Terms and Conditions of the Bonds*";
- (i) interest on the Bonds of each Class is fixed or may be calculated at any time per formula provided in the Decisions.

The actual characteristics and performance of the Mortgage Loans are likely to differ from the Structuring Assumptions used in constructing the table set forth below. The following table is hypothetical in nature and is provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. Apart from the issues arising from the Structuring Assumptions, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal distributions than indicated in the table at the various percentages of CPR specified, even if the weighted average remaining term to maturity of the Mortgage Loans is assumed. Any difference between the Structuring Assumptions and the actual characteristics and performance of obligations under the Mortgage Loans will affect the percentage of the initial amount outstanding of the Bonds which are outstanding over time and cause the weighted average lives of the Bonds to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage of CPR.

The prepayment assumption to be used for pricing purposes in relation to the various classes of Bonds may vary from the Structuring Assumptions.

Subject to the foregoing discussion and assumptions, the following tables indicate the percentages of initial Principal Amount Outstanding and the weighted average lives of the Class A Bonds and the Class B Bonds. The average lives have been calculated on an actual/365 basis.

Percentage of Initial Principal Amount Outstanding and Weighted Average Life of the Class A Bonds in Years with Clean-up Call

	CPR							
	0.00%	5.00%	10.00%	15.00%	20.00%	25.00%	30.00%	35.00%
Placement Date								
27 February 2008	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15 June 2008	97.04%	92.85%	88.61%	84.30%	79.94%	75.50%	70.99%	66.40%
15 June 2009	92.65%	83.49%	74.70%	66.26%	58.20%	50.50%	43.18%	36.25%
15 June 2010	87.73%	74.35%	62.16%	51.09%	41.12%	32.19%	24.24%	17.24%
15 June 2011	82.35%	65.50%	50.93%	38.43%	27.80%	18.86%	11.43%	5.33%
15 June 2012	76.57%	56.99%	40.94%	27.92%	17.48%	9.23%	2.82%	0.00%
15 June 2013	70.47%	48.90%	32.13%	19.26%	9.54%	2.33%	0.00%	0.00%
15 June 2014	63.96%	41.16%	24.34%	12.13%	3.44%	0.00%	0.00%	0.00%
15 June 2015	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted Average Life in Years	5.86	4.71	3.76	2.99	2.36	1.88	1.53	1.27
Payment Period (start)	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08
Payment Period (end)	15-Jun-15	15-Jun-15	15-Jun-15	15-Jun-15	15-Mar-15	15-Dec-13	15-Dec-12	15-Mar-12

Percentage of initial Principal Amount Outstanding and Weighted Average Life of the Class B Bonds in Years with Clean-up Call

	CPR							
	0.00%	5.00%	10.00%	15.00%	20.00%	25.00%	30.00%	35.00%
Placement Date								
27 February 2008	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15 June 2008	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15 June 2009	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15 June 2010	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15 June 2011	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15 June 2012	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%
15 June 2013	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%
15 June 2014	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%
15 June 2015	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted Average Life in Years	7.30	7.30	7.30	7.30	7.05	5.80	5.04	4.28
Payment Period (start)	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08
Payment Period (end)	15-Jun-15	15-Jun-15	15-Jun-15	15-Jun-15	15-Mar-15	15-Dec-13	15-Mar-13	15-Jun-12

Percentage of Initial Principal Amount Outstanding and Weighted Average Life of the Class A Bonds in Years to Maturity without exercise of the Clean-up Call

	CPR							
	0.00%	5.00%	10.00%	15.00%	20.00%	25.00%	30.00%	35.00%
Placement Date								
27 February 2008	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15 June 2008	97.04%	92.85%	88.61%	84.30%	79.94%	75.50%	70.99%	66.40%
15 June 2009	92.65%	83.49%	74.70%	66.26%	58.20%	50.50%	43.18%	36.25%
15 June 2010	87.73%	74.35%	62.16%	51.09%	41.12%	32.19%	24.24%	17.24%
15 June 2011	82.35%	65.50%	50.93%	38.43%	27.80%	18.86%	11.43%	5.33%
15 June 2012	76.57%	56.99%	40.94%	27.92%	17.48%	9.23%	2.82%	0.00%
15 June 2013	70.47%	48.90%	32.13%	19.26%	9.54%	2.33%	0.00%	0.00%
15 June 2014	63.96%	41.16%	24.34%	12.13%	3.44%	0.00%	0.00%	0.00%
15 June 2015	57.03%	33.75%	17.46%	6.28%	0.00%	0.00%	0.00%	0.00%
15 June 2016	49.73%	26.71%	11.43%	1.52%	0.00%	0.00%	0.00%	0.00%
15 June 2017	42.09%	20.05%	6.18%	0.00%	0.00%	0.00%	0.00%	0.00%
15 June 2018	34.50%	14.00%	1.75%	0.00%	0.00%	0.00%	0.00%	0.00%
15 June 2019	26.53%	8.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15 June 2020	17.89%	2.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15 June 2021	8.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15 June 2022	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted Average Life in Years	8.01	5.63	4.06	3.04	2.36	1.88	1.53	1.27
Payment Period (start)	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08
Payment Period (end)	15-Jun-22	15-Dec-20	15-Dec-18	15-Dec-16	15-Mar-15	15-Dec-13	15-Dec-12	15-Mar-12

Percentage of Initial Principal Amount Outstanding and Weighted Average Life of the Class B Bonds in Years to Maturity without exercise of the Clean-up Call

	CPR							
	0.00%	5.00%	10.00%	15.00%	20.00%	25.00%	30.00%	35.00%
Placement Date								
27 February 2008	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15 June 2008	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15 June 2009	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15 June 2010	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15 June 2011	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15 June 2012	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	66.72%
15 June 2013	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	53.30%	0.00%
15 June 2014	100.00%	100.00%	100.00%	100.00%	100.00%	58.22%	0.00%	0.00%
15 June 2015	100.00%	100.00%	100.00%	100.00%	80.56%	2.05%	0.00%	0.00%
15 June 2016	100.00%	100.00%	100.00%	100.00%	24.11%	0.00%	0.00%	0.00%
15 June 2017	100.00%	100.00%	100.00%	62.82%	0.00%	0.00%	0.00%	0.00%
15 June 2018	100.00%	100.00%	100.00%	14.49%	0.00%	0.00%	0.00%	0.00%
15 June 2019	100.00%	100.00%	66.42%	0.00%	0.00%	0.00%	0.00%	0.00%
15 June 2020	100.00%	100.00%	11.99%	0.00%	0.00%	0.00%	0.00%	0.00%
15 June 2021	100.00%	55.96%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15 June 2022	82.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15 June 2023	18.77%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15 June 2024	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15 June 2025	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted Average Life in Years	14.91	13.51	11.73	9.71	7.97	6.59	5.50	4.65
Payment Period (start)	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08	27-Feb-08
Payment Period (end)	15-Sep-24	15-Mar-22	15-Sep-20	15-Dec-18	15-Mar-17	15-Sep-15	15-Jun-14	15-Jun-13

TERMS AND CONDITIONS OF THE BONDS

The following is an overview of the material terms and conditions of the Bonds. The comprehensive texts of the terms and conditions of the Bonds are set out in the Decisions registered with the FFMS. All potential investors are advised to familiarise themselves with the Decisions as it is these documents, rather than this Information Memorandum, which determine the rights of investors buying the Bonds and the terms and conditions of the Bonds.

The issue of the RUB 9,440,000,000 Class A Mortgage-Backed Fixed Rate Bonds due 2040 (the "**Class A Bonds**"), the RUB 590,300,000 Class B Mortgage-Backed Variable Rate Bonds due 2040 (the "**Class B Bonds**") and the RUB 697,317,000 Class C Mortgage-Backed Variable Rate Bonds due 2040 (the "**Class C Bonds**" and together with the Class A Bonds and the Class B Bonds, the "**Bonds**") by Closed Joint Stock Company "Second Mortgage Agent of AHML" (the "**Issuer**") was duly authorised by a resolution of the general meeting of shareholders of the Issuer passed on 19 October 2007.

The statements in these terms and conditions of the Bonds (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the decision of issuance of the Class A Bonds (the "**Class A Decision**"), the decision of issuance of the Class B Bonds (the "**Class B Decision**"), the decision of issuance of the Class C Bonds (the "**Class C Decision**" and, together with the Class A Decision and the Class B Decision, the "**Decisions**").

1. DEFINITIONS

In these Conditions the following defined terms have the meanings set out below:

"**Accounting Organisation**" means Limited Liability Company "RMA Services" or any successor accounting organisation of the Issuer;

"**Accounts Bank**" means ZAO Citibank or any successor accounts bank;

"**Agreement on Annual Monitoring**" means an agreement between the Issuer and the Rating Agency so named;

"**Agreement on Transfer of Powers of the Sole Executive Body**" means an agreement between the Issuer and the Management Organisation dated 24 August 2007 so named;

"**Audit Services Agreement**" means an agreement between the Issuer and the Auditor so named;

"**Auditor**" means Closed Joint Stock Company "BKR-Intercom-Audit" or any successor auditor of the Issuer;

"**Bankruptcy Law**" means the Federal Law of the Russian Federation No. 127-FZ of 26 October 2002 "On Insolvency (Bankruptcy)" (as amended);

"**Bond Payment Date**" means the Monthly Payment Date in June, September, December and March each year (or if such day is not a Russian Business Day, the next succeeding Russian Business Day) commencing on 15 June 2008;

"**Bondholders**" means, collectively, the holders of the Class A Bonds, the Class B Bonds and the Class C Bonds, and "**Bondholder**" means any of them;

"Bookkeeping Services Agreement" means an agreement between the Issuer and the Accounting Organisation dated 24 August 2007 so named;

"Calculation Agency Agreement" means an agreement between the Issuer and the Calculation Agent dated 31 October 2007 so named;

"Calculation Agent" means Citibank, N.A., London Branch or any successor calculation agent;

"Calculation Date" means a day not later than 5 London Business Days following the Servicer Report Date and in any case, in relation to a Monthly Payment Date or a Bond Payment Date, a day not later than 4 Russian Business Days prior to such Monthly Payment Date or such Bond Payment Date;

"Calculation Period" means each successive three months period described below in this definition and the **"related Calculation Period"** means:

- (a) the period from 1 November to 31 January, in relation to the Bond Payment Date falling in March;
- (b) the period from 1 February to 30 April, in relation to the Bond Payment Date falling in June;
- (c) the period from 1 May to 31 July, in relation to the Bond Payment Date falling in September; and
- (d) the period from 1 August to 31 October, in relation to the Bond Payment Date falling in December,

provided, however, that the first such period shall commence on (and include) the Submission Date and shall end on (and include) 30 April 2008;

"Class" and **"Class of Bonds"** means the Class A Bonds, the Class B Bonds or the Class C Bonds;

"Class A Bonds" means the Rouble-denominated mortgage-backed fixed rate bonds classified as Class A or the amount thereof for the time being outstanding or, as the context may require, a specific number thereof;

"Class A Principal Deficiency" means any debit balance on the Class A Principal Deficiency Ledger;

"Class A Principal Deficiency Ledger" means the sub-ledger of such name created and maintained by the Calculation Agent as a sub-ledger of the Principal Deficiency Ledger;

"Class A Revenue Addition Amount" means, in relation to any Bond Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Calculation Agency Agreement, being the lesser of the debit balance on the Class A Principal Deficiency Ledger as at such Calculation Date (before making any determinations in accordance with the Pre-Enforcement Payments Priorities) and the amount of Revenue Receipts received during the related Calculation Period and available

to the Issuer in the Revenue Ledger as at such Bond Payment Date after payment of the amounts determined in accordance with items (a) to (g) of the Pre-Enforcement Revenue Payments Priorities;

"Class B Bonds" means the Rouble-denominated mortgage-backed variable rate bonds classified as Class B (referred to in Cyrillic as "Class "Б" Bonds" (*obligatsii klassa "B"*) in the Decisions and the Russian Prospectus) or the amount thereof for the time being outstanding or, as the context may require, a specific number thereof;

"Class B Deferred Coupon Ledger" means the Ledger in the operating books of the Issuer so named;

"Class B Principal Deficiency" means any debit balance on the Class B Principal Deficiency Ledger;

"Class B Principal Deficiency Ledger" means the sub-ledger of such name created and maintained by the Calculation Agent as a sub-ledger of the Principal Deficiency Ledger;

"Class B Revenue Addition Amount" means, in relation to any Bond Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Calculation Agency Agreement, being the lesser of the debit balance on the Class B Principal Deficiency Ledger as at such Calculation Date (before making any determinations in accordance with the Pre-Enforcement Payments Priorities) and the amount of Revenue Receipts received during the related Calculation Period and available to the Issuer in the Revenue Ledger as at such Bond Payment Date after payment of the amounts determined in accordance with items (a) to (i) of the Pre-Enforcement Revenue Payments Priorities;

"Class C Bonds" means the Rouble-denominated mortgage-backed variable rate bonds classified as Class C (referred to in Cyrillic as "Class "В" Bonds" (*obligatsii klassa "B"*) in the Decisions and the Russian Prospectus) or the amount thereof for the time being outstanding or, as the context may require, a specific number thereof;

"Class C Principal Deficiency" means any debit balance on the Class C Principal Deficiency Ledger;

"Class C Principal Deficiency Ledger" means the sub-ledger of such name created and maintained by the Calculation Agent as a sub-ledger of the Principal Deficiency Ledger;

"Class C Revenue Addition Amount" means, in relation to any Bond Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Calculation Agency Agreement, being the lesser of the debit balance on the Class C Principal Deficiency Ledger as at such Calculation Date (before making any determinations in accordance with the Pre-Enforcement Payments Priorities) and the amount of Revenue Receipts received during the related Calculation Period and available to the Issuer in the Revenue Ledger as at such Bond Payment Date after payment of the amounts determined in accordance with items (a) to (j) of the Pre-Enforcement Revenue Payments Priorities;

"Clean-up Call" means the exercise by the Issuer of its right to fully repay the Principal Amount Outstanding of the relevant Class of Bonds at the earlier of:

- (a) the Bond Payment Date related to the twenty eighth Calculation Period; and
- (b) the Bond Payment Date immediately following the Bond Payment Date on which the Principal Amount Outstanding of the Bonds becomes less than 13 per cent. of the Principal Amount Outstanding of the Bonds as at the Placement Completion Date;

"Clean-up Call Date" means the date, at least 15 Russian Business Days prior to the next Bond Payment Date, on which a competent corporate body of the Issuer adopts a decision to exercise the Clean-up Call in accordance with the Decisions;

"Collateral Account" means the Rouble account established by the Issuer at the Accounts Bank and supervised by the Special Depository;

"Collateral Account Agreement" means the collateral account agreement constituted by the Issuer's customer activation form dated 5 September 2007 and the tariffs of the Accounts Bank;

"Collection Period" means each successive one month period, the first such period commencing on (and including) the Submission Date and ending on (and including) the last day of the relevant calendar month, and each successive period commencing on (and including) the first day of the immediately following calendar month; and the **"related Collection Period"** in relation to:

- (a) a Servicer Report Date, means the Collection Period ending immediately prior to such Servicer Report Date;
- (b) a Calculation Date, means the Collection Period related to the Servicer Report Date immediately preceding such Calculation Date; and
- (c) a Monthly Payment Date, means the Collection Period preceding the Collection Period ending immediately prior to such Monthly Payment Date;

"Contingency Expenses" means any amounts due and payable to third parties (but not in excess of the credit balance of the Contingency Expenses Reserve Ledger), other than amounts classified appropriately in any other category of expense in the Pre-Enforcement Revenue Payments Priorities and incurred by the Issuer in connection with performance of its obligations under the Bonds and/or maintenance of the Issuer as an operating entity;

"Contingency Expenses Reserve" means the credit balance from time to time of the Contingency Expenses Reserve Ledger;

"Contingency Expenses Reserve Ledger" means the sub-ledger of such name created and maintained by the Calculation Agent as a sub-ledger of the Reserve Ledger;

"Contingency Expenses Reserve Release Amount" means, on the last Bond Payment Date on which the Bonds are to be redeemed in full (including by way of Clean-up Call), the credit balance of the Contingency Expenses Reserve Ledger;

"Contingency Expenses Reserve Required Amount" means the amount determined by the Issuer prior to the First Day of Placement of Class C Bonds and disclosed in accordance with Russian law and the Decisions;

"Custodian" means Not-for-Profit Partnership "The National Depository Center", in its capacity as the custodian for the Bonds in accordance with the terms of the Custody Agreement;

"Custody Agreement" means an agreement between the Issuer and the Custodian dated 10 October 2007 so named;

"Defaulted Mortgage Certificate" means a Mortgage Certificate in respect of which one or more of the following events have occurred:

- (a) the Obligor is in default in making a monthly payment and such default has continued for more than 89 calendar days;
- (b) the Mortgaged Property is completely or partially (without possibility of repair) destroyed;
- (c) the relevant Purchase Agreement, Mortgage Loan Agreement, Insurance Policies or Mortgage Certificate has been held void by court;
- (d) the Mortgaged Property has been seized or foreclosed; or
- (e) there are no Insurance Policies in force, including due to non-performance by the relevant Obligor of its obligation to pay insurance premiums provided that such absence of Insurance Policies has continued for more than 179 calendar days;

"Enforcement Date" means the date on which (a) any of the Bondholders submits to the Issuer a request for early redemption of the Bonds in accordance with the Decisions, or (b) a competent court of the Russian Federation adopts a decision (i) to commence enforcement of the Mortgage Collateral, or (ii) on insolvency and commencement of liquidation (*konkursnoye proizvodstvo*) of the Issuer;

"Final Discharge Date" means the date on which all moneys and other liabilities due or owing by the Issuer have been paid or discharged in full;

"First Day of Placement of Class A Bonds" means 27 February 2008;

"First Day of Placement of Class B Bonds" means 27 February 2008;

"First Day of Placement of Class C Bonds" means 27 February 2008;

"Initial Expenses" means the expenses incurred or to be incurred by the Issuer before the first Monthly Payment Date in connection with:

- (a) establishment of the Issuer and maintenance of the Issuer as an operating entity;
- (b) payment of the amounts determined in accordance with items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities (their incurrence prior to the first Monthly Payment Date notwithstanding); and
- (c) state registration of the Decisions, issuance and placement of the Bonds;

"Insurance Policies" means the property insurance policies in respect of the Mortgaged Property and the life and health insurance policies taken out by the Obligors as required by the terms of the applicable Mortgage Loan Agreements, and any insurance policies in replacement, addition or substitution therefor which relate to the Mortgaged Property, the Obligors and/or performance by the Obligors of their obligations under the Mortgage Certificates;

"Insurance Proceeds" means any payments in respect of the Mortgage Certificates pursuant to any Insurance Policies;

"Issuer Account" means the Rouble account established by the Issuer at the Accounts Bank;

"Issuer Account Agreement" means the issuer account agreement constituted by the Issuer's customer activation form dated 5 September 2007 and the tariffs of the Accounts Bank;

"Joint Arrangers" means ZAO Citibank and LLC Renaissance Capital – Financial Consultant;

"Ledgers" means the Revenue Ledger, the Principal Ledger, the Principal Deficiency Ledger, the Reserve Ledger and the Class B Deferred Coupon Ledger and **"Ledger"** means any of them;

"Legal Expenses" means any amounts due and payable to legal advisors (but not in excess of the credit balance of the Legal Expenses Reserve Ledger) in connection with performance of the Issuer's obligations under the Bonds, including the enforcement of the Issuer's rights under the Mortgage Certificates, and/or maintenance of the Issuer as an operating entity;

"Legal Expenses Reserve" means the credit balance from time to time of the Legal Expenses Reserve Ledger;

"Legal Expenses Reserve Ledger" means the sub-ledger of such name created and maintained by the Calculation Agent as a sub-ledger of the Reserve Ledger;

"Legal Expenses Reserve Release Amount" means, on the last Bond Payment Date on which the Bonds are to be redeemed in full (including by way of Clean-up Call), the credit balance of the Legal Expenses Reserve Ledger;

"Legal Expenses Reserve Required Amount" means the amount determined by the Issuer prior to the First Day of Placement of Class C Bonds and disclosed in accordance with Russian law and the Decisions;

"Liabilities" means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including reasonable legal fees and any Taxes and penalties incurred by that person, together with any VAT charged or chargeable in respect of any of the sums referred to in this definition;

"London Business Day" means a day (other than Saturday, Sunday or a public holiday) on which banks are open for business in London;

"Management Organisation" means Limited Liability Company "TMF RUS" or any successor management organisation of the Issuer;

"Mandatory Ratio" means a mandatory ratio (as may be amended from time to time) set out in article 13 of the MBS Law and requiring the total amount of the Mortgage Collateral to be not less than the Principal Amount Outstanding of the Bonds;

"Maximum Class B Coupon" means, in relation to any Bond Payment Date, the sum of:

- (a) interest on the Principal Amount Outstanding of the Class B Bonds for the period from (and including) the last Bond Payment Date (provided that the first such period shall commence on (and include) the First Day of Placement of Class B Bonds) to (but excluding) the current Bond Payment Date, calculated at an annual rate determined on an auction on the First Day of Placement of Class B Bonds in accordance with the relevant Decision;
- (b) the credit balance of the Class B Deferred Coupon Ledger as of the last Bond Payment Date; and
- (c) interest on the credit balance of the Class B Deferred Coupon Ledger for the period from (and including) the last Bond Payment Date to (but excluding) the current Bond Payment Date, calculated at an annual rate equal to the annual rate referred to in item (a) of this definition;

"Maximum Principal Addition Amount" means, as at any Monthly Payment Date, the Principal Addition Amount which, if deducted from the amount of the Mortgage Collateral, does not lead to the Mortgage Collateral Deficit;

"MBS Law" means the Federal Law of the Russian Federation No. 152-FZ of 11 November 2003 "On Mortgage-Backed Securities" (as amended);

"MICEX" means Moscow Interbank Currency Exchange;

"Minimum Class B Coupon" means the amount, payable to the holders of Class B Bonds on a Bond Payment Date, being equal to:

- (i) nil, if any interest has been paid to the holders of Class B Bonds at item (i) of the Pre-Enforcement Revenue Payments Priorities on any of the 3 Bond Payment Dates immediately preceding that Bond Payment Date; or
- (ii) otherwise, an amount equal to RUB 0.01 in respect of each Class B Bond;

"Minimum Class C Coupon" means an amount, payable to the holders of Class C Bonds on a Bond Payment Date, being equal to:

- (i) nil, if any interest has been paid to the holders of Class C Bonds at item (m) of the Pre-Enforcement Revenue Payments Priorities on any of the 3 Bond Payment Dates immediately preceding that Bond Payment Date; or
- (ii) otherwise, an amount equal to RUB 0.01 in respect of each Class C Bond;

"Monthly Payment Date" means the 15th day of each calendar month (or if such day is not a Russian Business Day, the next succeeding Russian Business Day) commencing in the calendar month immediately following the calendar month in which the Placement Completion Date falls;

"Mortgage" means the mortgage agreement and mortgage rights created pursuant to such mortgage agreement or by operation of law, in each case securing performance of obligations under a Mortgage Loan Agreement;

"Mortgage Certificate" means a registered security (*imennaya tsennaya bumaga*), together with any additional sheets and attachments, conferring rights under the Mortgage Loan Agreement and related Mortgages and acquired by the Issuer from the Seller pursuant to the Mortgage Certificates Purchase Agreement;

"Mortgage Certificates Purchase Agreement" means an agreement on sale and purchase of the Mortgage Certificates between the Seller as seller and the Issuer as purchaser dated 21 September 2007;

"Mortgage Collateral" means property (including monetary funds) and proprietary interest owned by the Issuer and pledged in favour of the Bondholders as security for performance by the Issuer of its obligations to the Bondholders (all as described in the Decisions).

"Mortgage Collateral Deficit" means, on any Monthly Payment Date, any breach of the Mandatory Ratio, as disclosed by the Issuer or any other person in accordance with the Decisions and/or advised by the Issuer to the Calculation Agent;

"Mortgage Loan" means a fixed rate Rouble-denominated residential mortgage loan or credit made to an Obligor for the purpose of purchase of residential property;

"Mortgage Loan Agreement" means in relation to each Mortgage Loan, the written agreement that documents the Mortgage Loan conditions irrespective of whether it expressly creates residential property mortgage;

"Mortgaged Property" means property purchased by an Obligor pursuant to the Purchase Agreement and mortgaged to secure performance by the Obligor of its obligations under the relevant Mortgage Loan Agreement.

"Obligor" means each individual borrower or individual borrowers being the borrower/borrowers under a Mortgage Loan Agreement;

"Paying Agency Agreement" means the paying agency agreement between the Issuer and the Paying Agent;

"Paying Agent" means ZAO Citibank or any successor paying agent;

"Payments Priorities" means the Pre-Enforcement Payments Priorities and the Post-Enforcement Payments Priorities;

"Placement Agent" means ZAO Citibank;

"Placement Completion Date" means the date of completion or termination of placement of the last of the three Classes of Bonds;

"Post-Enforcement Payments Priorities" means the order of priority of payments following the Enforcement Date (if any) established by the MBS Law, the Bankruptcy Law and other applicable legislation;

"Pre-Enforcement Payments Priorities" means the Pre-Enforcement Principal Payments Priorities and the Pre-Enforcement Revenue Payments Priorities;

"Pre-Enforcement Principal Payments Priorities" means the order of priority of payments from the Principal Ledger set out in Condition 9 (*Pre-Enforcement Principal Payments Priorities*) (and a reference to an "item" of or in the Pre-Enforcement Principal Payments Priorities shall be to the relevant sub-paragraph of such Condition);

"Pre-Enforcement Revenue Payments Priorities" means the order of priority of payments from the Revenue Ledger set out in Condition 8 (*Pre-Enforcement Revenue Payments Priorities*) (and a reference to an "item" of or in the Pre-Enforcement Revenue Payments Priorities shall be to the relevant sub-paragraph of such Condition);

"Principal Addition Amount" means in relation to any Monthly Payment Date, the aggregate amount determined on the related Calculation Date, as the amount (if any) of Principal Receipts which are to be utilised to reduce or eliminate any Revenue Shortfall on such Monthly Payment Date before the making of any drawing from the Special Reserve on such Monthly Payment Date, subject to the restriction that the amount so utilised may not exceed the Maximum Principal Addition Amount as at such Monthly Payment Date;

"Principal Amount Outstanding" means, on any day:

- (a) in relation to a Bond, the principal amount of that Bond upon issue less the aggregate amount of any principal payments in respect of that Bond which have become due and payable (and been paid) on or prior to that day; and
- (b) in relation to a Class of Bonds, the aggregate of the amount in (a) in respect of all Bonds outstanding in such Class of Bonds; and
- (c) in relation to the Bonds outstanding at any time, the aggregate of the amount in (a) in respect of all Bonds outstanding, regardless of Class of Bonds;

"Principal Deficiency Ledger" means the Ledger in the operating books of the Issuer so named;

"Principal Ledger" means the Ledger in the operating books of the Issuer so named;

"Principal Loss" means, in relation to any Defaulted Mortgage Certificate on any day, the principal amount due in respect of such Defaulted Mortgage Certificate on the day on which it is declared by the Servicer to be a Defaulted Mortgage Certificate;

"Principal Receipts" means, in relation to a Calculation Period, all principal collections received in respect of the Mortgage Certificates that are not Defaulted Mortgage Certificates during such Calculation Period and credited to the relevant account of the Issuer (not including, for the avoidance of doubt, the Principal Recoveries and the amounts of the Insurance Proceeds allocated in accordance with Paragraphs 2.1.5 to 2.1.8 of Schedule 1 of the Calculation Agency Agreement);

"Principal Recoveries" means all principal payments received in respect of a Defaulted Mortgage Certificate from the day on which it is declared by the Servicer to be a Defaulted Mortgage Certificate (excluding this day);

"Purchase Agreement" means an agreement on sale and purchase of residential property based on which the Obligor acquired the Mortgaged Property.

"Purchase Price" means the purchase price of the Mortgage Certificates equal to the outstanding principal balance of the Mortgage Certificates plus accrued but unpaid interest in respect of the Mortgage Certificates, in each case as of the Transfer Date;

"Rating Agency" means Moody's Investors Service Limited or any successor rating agency;

"Regulatory Direction" means, in relation to any person, a direction or requirement of any governmental or regulatory authority with whose directions or requirements such person is accustomed to comply provided that such a direction or requirement does not contravene any Requirement of Law;

"Requirement of Law" in respect of any person shall mean a requirement by virtue of:

- (a) any law, treaty, rule, requirement or regulation;
- (b) a notice by or an order of any court having jurisdiction;
- (c) a mandatory requirement of any regulatory authority having jurisdiction; or
- (d) a determination of an arbitrator or any governmental or regulatory authority,

in each case applicable to or binding upon that person or to which that person is subject or with which it is customary for it to comply;

"Reserve Ledger" means the Ledger in the operating books of the Issuer so named;

"Reserve Ledger Required Amount" means the aggregate of the Special Reserve Required Amount, the Legal Expenses Reserve Required Amount and the Contingency Expenses Reserve Required Amount;

"Revenue Addition Amount" means any of the Class A Revenue Addition Amount, the Class B Revenue Addition Amount and the Class C Revenue Addition Amount;

"Revenue Ledger" means the Ledger in the operating books of the Issuer so named;

"Revenue Receipts" means all collections received in respect of the Mortgage Certificates other than Principal Receipts;

"Revenue Recoveries" means any revenue payment received in respect of a Mortgage Certificate from the day on which it is declared by the Servicer to be a Defaulted Mortgage Certificate (excluding this day);

"Revenue Shortfall" means:

- (i) as at any Monthly Payment Date, the difference between:
 - (a) the amount of the Revenue Receipts calculated in relation to the related Collection Period, but without taking into account the amount of any drawings from the Special Reserve and the Principal Addition Amount, to be recorded as a credit entry on the Revenue Ledger on such Monthly Payment Date; and
 - (b) the aggregate of the amounts required by the Issuer to pay or to provide in full on such Monthly Payment Date for the items (a) to (e) of the Pre-Enforcement Revenue Payments Priorities;
- (ii) as at any Bond Payment Date, the difference between:
 - (a) the amount of the Revenue Receipts calculated in relation to the related Calculation Period, but without taking into account the amount of any drawings from the Special Reserve and the Principal Addition Amount, to be recorded as a credit entry on the Revenue Ledger on such Bond Payment Date; and
 - (b) the aggregate of the amounts required by the Issuer to pay or to provide in full on such Bond Payment Date for the items (a) to (i) of the Pre-Enforcement Revenue Payments Priorities;

"Roubles" and **"RUB"** denote the lawful currency for time being of the Russian Federation;

"Russian Business Day" means a day (other than Saturday, Sunday or a public holiday) on which banks are open for business in the Russian Federation;

"Seller" means Open Joint Stock Company "Agency for Housing Mortgage Lending";

"Servicer" means Open Joint Stock Company "Agency for Housing Mortgage Lending" or any successor servicer;

"Servicer Report" means a report provided by the Servicer in accordance with the terms of the Servicing Agreement to the Calculation Agent and the Rating Agency on the Servicer Report Date;

"Servicer Report Date" means a day not later than 25th day of the calendar month immediately following the related Collection Period;

"Servicing Agreement" means an agreement between the Issuer and the Servicer dated 27 September 2007 so named;

"Special Depository" means Gazprombank (Open Joint-Stock Company) or any successor special depository of the Mortgage Collateral;

"Special Depository Agreement" means an agreement between the Issuer and the Special Depository dated 24 September 2007 so named;

"Special Reserve" means the credit balance from time to time of the Special Reserve Ledger;

"Special Reserve Ledger" means the sub-ledger of such name created and maintained by the Calculation Agent as a sub-ledger of the Reserve Ledger;

"Special Reserve Release Amount" means, on the last Bond Payment Date on which the Bonds are to be redeemed in full (including by way of Clean-up Call), the credit balance of the Special Reserve Ledger;

"Special Reserve Required Amount" means the amount determined by the Issuer prior to the First Day of Placement of Class C Bonds and disclosed in accordance with Russian law and the Decisions;

"Standby Special Depository" means CJSC "Depository Company "REGION" or any successor standby special depository of the Mortgage Collateral;

"Standby Calculation Agent" means Open Joint Stock Company "The Agency for Housing Mortgage Lending" or any successor standby calculation agent;

"Third Party Expenses" means any amounts due and payable by the Issuer to third parties including any Liabilities payable in connection with:

- (a) any Requirement of Law or any Regulatory Direction which the Issuer is accustomed to comply;
- (b) admission to trading or listing of the Bonds on any stock exchange;
- (c) any state duties related to the Mortgage Certificates or registration of the Issuer as the legal owner thereof; and
- (d) any standard fees and/or charges applicable to the operation of the bank accounts of the Issuer;

"**Submission Date**" means 22 October 2007, being the date of submission of the Decisions for state registration with the Federal Financial Markets Service of the Russian Federation;

"**Subscription Agreement**" means the placement agency agreement between the Issuer, the Placement Agent and the Joint Arrangers;

"**Transfer Date**" means 26 September 2007, being the date on which title to the Mortgage Certificates passed to the Issuer in accordance with the Mortgage Certificates Purchase Agreement;

"**VAT**" means value added tax and any other tax of a similar fiscal nature (instead of or in addition to value added tax) imposed in the Russian Federation, United Kingdom or elsewhere.

2. **FORM, DENOMINATION AND TITLE**

2.1 **Form:**

The Bonds are interest-bearing non-convertible residential mortgage-backed bearer bonds with mandatory centralised custody.

2.2 **Denomination:**

The Bonds are in the denomination of RUB 1,000, which corresponds to 100 per cent. of their nominal value.

2.3 **Accrued Coupon Yield on Class A Bonds:**

From (and including) the second day of placement of the Class A Bonds, each purchaser of the Class A Bonds shall, when acquiring the Class A Bonds, pay the accrued coupon yield on the Class A Bonds calculated according to the following formula:

$ACY = Nom \times C_1 \times (T - T_0) / 365$, where:

"*ACY*" means accrued coupon yield on each Class A Bond (in Roubles);

"*Nom*" means the Principal Amount Outstanding of each Class A Bond (in Roubles);

"*C₁*" means first coupon rate (in centesimal);

"*T₀*" means the First Day of Placement of Class A Bonds;

"*T*" means the day of actual placement (acquisition) of the relevant Class A Bonds.

2.4 **Accrued Coupon Yield on Class B Bonds:**

From (and including) the second day of placement of the Class B Bonds, each purchaser of the Class B Bonds shall, when acquiring the Class B Bonds, pay the accrued coupon yield on the Class B Bonds calculated according to the following formula:

$ACY = Nom \times C_1 \times (T - T_0) / 365$, where:

"*ACY*" means accrued coupon yield on each Class B Bond (in Roubles);

"*Nom*" means the Principal Amount Outstanding of each Class B Bond (in Roubles);

"*C₁*" means the Maximum Class B Coupon rate (in centesimal);

"T₀" means the First day of Placement of Class B Bonds;

"T" means the day of actual placement (acquisition) of the relevant Class B Bonds.

2.5 Recording and Certification of Rights:

Recording and certification of rights to the Bonds, including where the Bonds are encumbered, will be effected by the Custodian and the depositories that have nominee account arrangements with the Custodian (together with the Custodian, the "Depositories" and each, a "Depository").

Ownership rights to the Bonds will be confirmed by extracts from custody accounts issued by the Depositories to the Bondholders.

2.6 Recording and Certification of Transfer:

Recording and certification of transfer of the Bonds will be effected by the Depositories. Ownership rights to the Bonds will pass to a new Bondholder when a credit entry is made on the custody account that such new Bondholder holds with a Depository.

3. STATUS AND RANKING

3.1 Status:

The Bonds constitute direct and unconditional obligations of the Issuer secured by a pledge of the Mortgage Collateral. The Bonds are obligations solely of the Issuer and are not obligations of, or guaranteed by, any other person or entity.

3.2 Ranking:

The Bonds in each Class will at all times rank *pari passu* without preference or priority among themselves.

3.3 Priority of Interest Payments:

All payments of interest due on the Class A Bonds will rank in priority to payments of interest due on the Class B Bonds and the Class C Bonds. All payments of interest due on the Class B Bonds will rank in priority to payments of interest due on the Class C Bonds (save, in certain limited circumstances, for the Minimum Class C Coupon).

3.4 Priority of Principal Payments:

All payments of principal due on the Class A Bonds will rank in priority to payments of principal due on the Class B Bonds and the Class C Bonds. All payments of principal due on the Class B Bonds will rank in priority to payments of principal due on the Class C Bonds.

4. SECURITY

4.1 Security:

Issuer's obligations under the Bonds are secured by a pledge of the Mortgage Collateral.

4.2 **Secured Obligations:**

The pledge of the Mortgage Collateral secures performance by the Issuer of its obligations to pay the Principal Amount Outstanding of, and interest (coupon) yield on, the Bonds.

4.3 **Pledge Agreement:**

In accordance with the MBS Law, the agreement on pledge of the Mortgage Collateral is deemed entered into from the time the initial Bondholder (the first purchaser) acquires the Bonds. The transfer of the Bonds to a new Bondholder results in the transfer of all rights arising out of the pledge of the Mortgage Collateral.

4.4 **Claims of the Bondholders:**

The Bondholders are entitled, upon occurrence of an Event of Default, to satisfy their claims under the Bonds from the value of the property comprising the Mortgage Collateral subject to the priorities, and in compliance with the procedures, set out in the Decisions and summarised in Condition 10 (*Events of Default*).

5. **INTEREST**

5.1 **Determination of Interest:**

5.1.1 The Class A Bonds will bear fixed interest to be determined at an auction on the First Day of Placement of Class A Bonds on their Principal Amount Outstanding from and including the First Day of Placement of Class A Bonds to but excluding the date upon which the Class A Bonds are redeemed in full, which shall occur, unless redeemed in full earlier in accordance with the Class A Decision, on the Final Maturity Date.

5.1.2 The Class B Bonds will bear variable interest (the "**Class B Coupon**") determined as at the related Calculation Date in accordance with the provisions of the Calculation Agency Agreement and being the lesser of:

- (a) the Maximum Class B Coupon as at such Calculation Date, and
- (b) the amount of Revenue Receipts received during the related Calculation Period and available to the Issuer in the Revenue Ledger as at such Bond Payment Date after payment of the amounts determined in accordance with items (a) to (h) of the Pre-Enforcement Revenue Payments Priorities,

and taking into account the Principal Addition Amount and the amount of any drawings from the Special Reserve, **provided that** after the Enforcement Date and for the purpose of redemption of the Class B Bonds, the Class B Coupon shall be equal to the Maximum Class B Coupon.

The Maximum Class B Coupon rate will be determined at an auction on the First Day of Placement of Class B Bonds.

5.1.3 Interest rate on the Class A Bonds and the Maximum Class B Coupon rate will step-up by 1 per cent. from the Bond Payment Date on which the Issuer became

entitled to, but did not exercise the Clean-up Call, as described in Condition 6 (*Redemption*) below.

- 5.1.4 The Class C Bonds will bear variable interest (the "**Class C Coupon**") determined as at the related Calculation Date in accordance with the provisions of the Calculation Agency Agreement and being equal to the amount of Revenue Receipts received during the related Calculation Period and available to the Issuer in the Revenue Ledger as at such Bond Payment Date after payment of the amounts determined in accordance with items (a) to (l) of the Pre-Enforcement Revenue Payments Priorities.

5.2 **Payment of Interest:**

- 5.2.1 Interest on the Class A Bonds is payable in arrears quarterly on each Bond Payment Date commencing on 15 June 2008. Interest on each Class A Bond is calculated according to the following formula:

$K_i = C_i * Nom * (T_i - T_{(i-1)}) / 365$, where:

"*i*" means the sequential number of the coupon period;

"*K_i*" means the amount of interest payable in respect of each Class A Bond (in Roubles);

"*Nom*" means the Principal Amount Outstanding of each Class A Bond (in Roubles);

"*C_i*" means the coupon rate for the coupon period "*i*" (in centesimal);

"*T_{i-1}*" means the first day of the coupon period "*i*";

"*T_i*" means the last day of the coupon period "*i*".

The amount of interest on each Class A Bond is determined pursuant to the Class A Decision rounding the resulting figure to RUB 0.01 in accordance with the mathematical rounding rules, downwards for decimals thereof between 0.0 and 0.4 and upwards for decimals thereof between 0.5 and 0.9.

- 5.2.2 Interest on the Class B Bonds may be paid in arrears on any quarterly Bond Payment Date commencing on 15 June 2008 subject to payment of interest due on the Class A Bonds and otherwise in accordance with the Pre-Enforcement Revenue Payments Priorities set out in the Class B Decision and summarised in Condition 8 (*Pre-Enforcement Revenue Payments Priorities*) below.

The amount of interest on each Class B Bond is determined pursuant to the Class B Decision rounding the resulting figure downwards to RUB 0.01.

If no interest has been paid to the holders of Class B Bonds at item (i) of the Pre-Enforcement Revenue Payments Priorities on any of the three (3) Bond Payment Dates immediately preceding a Bond Payment Date, the Minimum Class B Coupon will be payable to the holders of the Class B Bonds on such Bond Payment Date.

- 5.2.3 Interest on the Class C Bonds may be paid in arrears on any quarterly Bond Payment Date commencing on 15 June 2008 subject to payment of interest due

on the Class A Bonds and the Class B Bonds and otherwise in accordance with the Pre-Enforcement Revenue Payments Priorities set out in the Class C Decision and summarised in Condition 8 (*Pre-Enforcement Revenue Payments Priorities*) below.

The amount of interest on each Class C Bond is determined pursuant to the Class C Decision rounding the resulting figure downwards to RUB 0.01.

If no interest has been paid to the holders of Class C Bonds at item (m) of the Pre-Enforcement Revenue Payments Priorities on any of the three (3) Bond Payment Dates immediately preceding a Bond Payment Date, the Minimum Class C Coupon will be payable to the holders of the Class C Bonds on such Bond Payment Date.

5.3 Bond Payment Dates:

Interest on the Bonds will be paid on the 15th day of June, September, December and March each year or, if such day is not a Russian Business Day, on the immediately following Russian Business Day.

6. REDEMPTION

6.1 Final Redemption:

Unless previously redeemed, the Issuer shall redeem the Bonds at their Principal Amount Outstanding on the Final Maturity Date.

6.2 Partial Redemption

6.2.1 The Bonds will be redeemed in part on each Bond Payment Date in accordance with the Pre-Enforcement Principal Payments Priorities set out in the Decisions and summarised in Condition 9 (*Pre-Enforcement Principal Payments Priorities*) below.

6.2.2 The Class B Bonds may be redeemed in part only after redemption in full of the Class A Bonds. The Class C Bonds may be redeemed in part only after redemption in full of the Class A Bonds and the Class B Bonds.

6.2.3 The amount of partial redemption of the Bonds is determined pursuant to the relevant Decision rounding the resulting figure downwards to RUB 0.01.

6.3 Early Redemption at the Request of the Bondholders:

6.3.1 The Bondholders may request early redemption of the Bonds at their Principal Amount Outstanding plus accrued but unpaid interest in the event of:

- (a) breach of the MBS Law requirements as to the amount of the Mortgage Collateral;
- (b) breach of the MBS Law procedures for replacement of the Mortgage Collateral;

- (c) breach of the MBS Law terms and conditions securing the proper performance of obligations under the relevant Class of Bonds;
- (d) engagement by the Issuer in business activities or entry into transactions which are out of the scope of the Issuer's capacity or violate the restrictions set out in the MBS Law and the Issuer's charter;
- (e) adoption by the shareholders of the Issuer or a court of a decision to liquidate the Issuer;
- (f) filing by the Issuer of a voluntary bankruptcy petition or acceptance by a court of a third party petition for the bankruptcy of the Issuer; or
- (g) non-compliance by the Issuer for three consecutive months with the MBS Law requirement that not less than 80 per cent. of the Principal Amount Outstanding of the Bonds must be represented by claims secured by mortgage.

6.3.2 Claims of the holders of the Class A Bonds for early redemption of the Class A Bonds have priority over, and must be satisfied prior to satisfaction of, claims of the holders of the Class B Bonds and/or the Class C Bonds for early redemption of the Class B Bonds and/or the Class C Bonds, respectively.

6.3.3 Claims of the holders of the Class B Bonds for early redemption of the Class B Bonds have priority over, and must be satisfied prior to satisfaction of, claims of the holders of the Class C Bonds for early redemption of the Class C Bonds.

6.4 Early Redemption at the Request of the Issuer (Clean-up Call):

6.4.1 The Issuer is entitled to exercise its right to fully repay the Principal Amount Outstanding of the relevant Class of Bonds at the earlier of:

- (a) the Bond Payment Date related to the twenty eighth Calculation Period; and
- (b) the Bond Payment Date immediately following the Bond Payment Date on which the Principal Amount Outstanding of the Bonds becomes less than 13 per cent. of the Principal Amount Outstanding of the Bonds as at the Placement Completion Date.

6.4.2 The Clean-up Call with respect to Class A Bonds and Class B Bonds shall be exercised on the same Bond Payment Date.

6.4.3 The Clean-up Call with respect to Class C Bonds may or may not be exercised on the same Bond Payment Date as the Clean-up Call with respect to Class A Bonds and Class B Bonds.

6.4.4 The Issuer may not adopt a decision on the exercise of the Clean-up Call with respect to Class C Bonds prior to the adoption of decisions on the exercise of the Clean-up Call with respect to outstanding Class A Bonds and Class B Bonds

(if any). The Issuer may not exercise the Clean-up Call with respect to Class C Bonds prior to the redemption in full of Class A Bonds and Class B Bonds.

6.4.5 On the relevant Bond Payment Date on which the Bonds will be redeemed in full by way of Clean-up, payment from monies recorded in the Revenue Ledger and the Principal Ledger will be effected in accordance with the Pre-Enforcement Revenue Payments Priorities and the Pre-Enforcement Principal Payments Priorities.

6.5 **Early Redemption**

The Bonds of a Class may be redeemed early pursuant to Conditions 6.3 or 6.4 only after registration by the FFMS of the report on the results of issuance of the Bonds of the relevant Class and after the Bonds of the relevant Class have been paid up in full.

7. **PAYMENTS**

7.1 **Method of Payments:**

Payments of principal and interest in respect of the Bonds will be made in Roubles via bank transfer to the account of a Bondholder or a nominee holder included in the list of bondholders and/or nominee holders maintained by the Custodian and furnished by the Custodian to the Issuer and the Paying Agent.

7.2 **Payments Subject to Fiscal Laws:**

All payments in respect of the Bonds are subject to applicable fiscal or other similar laws and regulations.

8. **PRE-ENFORCEMENT REVENUE PAYMENTS PRIORITIES**

On each Monthly Payment Date prior to the Enforcement Date (if any), payment from monies recorded in the Revenue Ledger of the amounts due and payable by the Issuer on such Monthly Payment Date shall be effected in relation to the following matters in the amounts required in the following order of priority:

- (a) to pay *pari passu*, in no order of priority among them, any Taxes due and payable by the Issuer or expected to become due and payable by the Issuer after that Monthly Payment Date and prior to the following Monthly Payment Date;
- (b) to pay *pari passu*, in no order of priority among them any Third Party Expenses;
- (c) to pay *pari passu* and *pro rata* any amounts due and payable by the Issuer to:
 - (i) the Management Organisation pursuant to the Agreement on Transfer of Powers of the Sole Executive Body; and
 - (ii) the Accounting Organisation pursuant to the Bookkeeping Services Agreement;
- (d) to pay *pari passu* and *pro rata* any amounts due and payable by the Issuer to:

- (i) the Calculation Agent pursuant to the Calculation Agency Agreement;
 - (ii) the Paying Agent pursuant to the Paying Agency Agreement;
 - (iii) the Placement Agent and the Joint Arrangers pursuant to the Subscription Agreement;
 - (iv) the Custodian pursuant to the Custody Agreement;
 - (v) the Special Depository pursuant to the Special Depository Agreement;
 - (vi) the Auditor pursuant to the Audit Services Agreement; and
 - (vii) the Rating Agency pursuant to the Agreement on Annual Monitoring;
- (e) to pay any amounts due and payable to the Servicer pursuant to the Servicing Agreement;

and, if the Monthly Payment Date is a Bond Payment Date, items (f) to (m);

- (f) to pay *pari passu* and *pro rata* interest due and payable in respect of the Class A Bonds;
- (g) to pay *pari passu* and *pro rata* any amounts due and payable by the Issuer to:
 - (i) the Minimum Class B Coupon;
 - (ii) the Minimum Class C Coupon;
- (h) to record a credit entry of an amount equal to the Class A Revenue Addition Amount (if any) determined as at the related Calculation Date, in the Class A Principal Deficiency Ledger and to record a credit entry of such amount in the Principal Ledger;
- (i) to pay *pari passu* and *pro rata* the Class B Coupon due and payable in respect of the Class B Bonds;
- (j) to record a credit entry of an amount equal to the Class B Revenue Addition Amount (if any) determined as at the related Calculation Date, in the Class B Principal Deficiency Ledger and to record a credit entry of such amount in the Principal Ledger;
- (k) to record a credit entry of an amount equal to the Class C Revenue Addition Amount (if any) determined as at the related Calculation Date, in the Class C Principal Deficiency Ledger and to record a credit entry of such amount in the Principal Ledger;
- (l) to record a credit entry in the Reserve Ledger of an amount in replenishment of any sub-Ledger of the Reserve Ledger up to the required amount of such sub-Ledger;
- (m) to pay any remaining balance as coupon in respect of the Class C Bonds.

9. **PRE-ENFORCEMENT PRINCIPAL PAYMENTS PRIORITIES**

On each Monthly Payment Date prior to the Enforcement Date (if any), payment from monies recorded in the Principal Ledger of the amounts due and payable by the Issuer on such Monthly Payment Date shall be effected in relation to the following matters in the amounts required in the following order of priority:

- (a) to pay an amount equal to the Principal Addition Amount (if any) determined as at the related Calculation Date, such amount to be recorded as a credit entry in the Revenue Ledger;

and, if the Monthly Payment Date is a Bond Payment Date items (b) to (d);

- (b) to pay *pari passu* and *pro rata* to the holders of the Class A Bonds until the Principal Amount Outstanding of Class A Bonds is reduced to zero;
- (c) to pay *pari passu* and *pro rata* to the holders of the Class B Bonds until the Principal Amount Outstanding of Class B Bonds is reduced to zero;
- (d) to pay *pari passu* and *pro rata* to the holders of the Class C Bonds.

10. **EVENTS OF DEFAULT**

10.1 **Definition of Event of Default**

Event of default means a failure by the Issuer to perform its obligations under the Bonds or undue performance of such obligations.

Failure by the Issuer to perform its obligations constitutes an event of default if:

- (a) the Issuer fails or refuses to pay any interest on the Bonds within more than 7 days of the due date;
- (b) the Issuer fails or refuses to pay any principal on the Bonds within more than 30 days of the due date.

In the event that the Issuer delays the performance of its payment obligations in respect of the principal or interest of the Bonds but performs such obligations within 7 days of the due date in respect of the interest or within 30 days of the due date in respect of the principal, such delay constitutes a technical event of default.

In case of a technical event of default, interest accrues on the amount due from the Issuer in accordance with Article 395 of the Civil Code and the Issuer shall pay such interest concurrently with the discharge of its obligations in respect of principal or interest.

10.2 **Rights of the Bondholders in the Event of Default**

In a case of an event of default as described above in Condition 10.1 each of the Bondholders will be entitled to send a written notice to the Issuer demanding redemption in full of their Bonds. The demands shall be settled by the Issuer in compliance with the subordination provisions set out in the Decisions by payment of the total of the Principal Amount Outstanding and the accrued but unpaid interest thereon in respect of both (i) the

previous Interest Payment Period and (ii) the number of days from the end of the previous Interest Payment Period until the actual redemption date of the Bonds.

11. **PROVISION OF INFORMATION AND TAXATION**

- 11.1 Bondholders and their authorised representatives shall provide the Custodian with the requisite information on time and shall ensure that the bank account details and other information that they have provided to the Custodian are complete, accurate and up to date.
- 11.2 If the information required for the performance by the Issuer of its obligations under the Bonds is not provided to the Custodian or is provided late, such obligations shall be performed to the person who has demanded performance and who was the Bondholder as on the date the demand was made.
- 11.3 Should the Bondholders and their authorised representatives fail to provide the requisite information on the tax status of a non-resident Bondholder or a person authorised to take receipt of the redemption (partial redemption) value of the Bonds and/or interest (coupon) yield on the Bonds, the Issuer shall withhold the tax in question at the highest rate envisaged by the Russian tax laws.

12. **NOTICES**

- 12.1 In accordance with the information disclosure regulation provided by the Russian legislation the Issuer is obliged to disclose information in the form of notices on material facts which requires that:
 - 12.1.1 such notices be signed by the Management Organisation exercising the powers of the sole executive body of the Issuer;
 - 12.1.2 a separate notice be prepared and disclosed in respect of each material fact;
 - 12.1.3 such notice be disclosed by publishing (i) in the news wires, within 1 day from the occurrence of the relevant material fact and (ii) on the Internet, within 2 days from the occurrence of the relevant material fact.

The "news wires" for the purpose of information disclosure regulation means an information resource updated on a real time basis and provided by an information agency authorised by the FFMS to circulate information that is subject to disclosure on the securities market.
 - 12.1.4 such notice be sent to the FFMS being the regulatory body within 5 days from the occurrence of such event.
- 12.2 The Issuer must disclose, *inter alia*, the following events through publication of notices on material facts:
 - 12.2.1 reorganisation of the Issuer;
 - 12.2.2 events that resulted in a one-off increase or decrease of the value of the Issuer's assets by more than 10 per cent.;

- 12.2.3 events that resulted in a one-off increase or decrease of the Issuer's net profit or net loss by more than 10 per cent.;
- 12.2.4 transactions of the Issuer the value of which, or the value of the property subject to which, is equal to or exceeds 10 per cent. of the balance sheet value of the Issuer's assets as of the transaction date;
- 12.2.5 decisions adopted by the general meetings of shareholders of the Issuer;
- 12.2.6 stages of the Bonds' issuance;
- 12.2.7 performance by the Issuer of its obligations under the Bonds; and
- 12.2.8 accrued and/or paid interest on the Bonds.

13. **GOVERNING LAW**

The issue of the Bonds is governed by the laws of the Russian Federation. The Transaction Documents are governed by the laws of the Russian Federation, save for the Calculation Agency Agreement which is governed by English law.

THE OFFER

On 14 May 2008 Open Joint Stock Company "The Agency for Housing Mortgage Lending" (the "**Offeror**") executed an irrevocable offer (the "**Offer**") to buy on 30 July 2009 (the "**Offer Purchase Date**") Class A Bonds from the respective Bondholders in the amount requested by such Bondholders. The Offer was published in the daily newspaper Kommersant on 16 May 2008. For the purpose of the Offer, ZAO Citibank will act as the Offeror's agent (the "**Offeror's Agent**").

In order to accept the Offer, a holder of Class A Bonds must deliver to the Offeror's Agent notification in the form envisaged in the Offer. Such notification is to be delivered from 9 am Moscow time on 10 July 2009 until 6 pm Moscow time on 23 July 2009 (the "**Offer Period**").

From 11 am to 1 pm Moscow time on the Offer Purchase Date the holders of Class A Bonds that had delivered the notification (pursuant to the terms of, and in the form set out in, the Offer) must submit the request for sale addressed to the Offeror's Agent in accordance with the MICEX trading regulations. Such request for sale must *inter alia* specify the number of Class A Bonds to be sold to the Offeror as well as the purchase price calculated in accordance with the formula specified in the Offer (provided below). The number of Class A Bonds specified in such request for sale may not exceed the number indicated in the notification delivered during the Offer Period.

The purchase will be made by way of delivery by the Offeror's Agent of requests for purchase corresponding to the requests for sale made by the Bondholders. The purchase will be made from 4 pm to 6 pm on the Offer Purchase Date in accordance with the MICEX trading regulations.

According to the Offer, the purchase price (the "**OPP**") will be calculated under the formula set out below:

$OPP = Nom + UACY + ACY$, where

"*Nom*" means the Principal Amount Outstanding of a Class A Bond;

"*UACY*" means the unpaid accrued coupon yield for a Class A Bond for the coupon periods prior to the coupon period in which the Offer Purchase Date occurs;

"*ACY*" means the accrued coupon yield for a Class A Bond, with

$ACY = C_i * Nom * (T - T_{i-1})/365$, where

"*Nom*" means the Principal Amount Outstanding of a Class A Bond;

"*C_i*" means the coupon rate for the coupon period in which the Offer Purchase Date occurs (in centesimal);

"*T_{i-1}*" means the first day of the coupon period in which the Offer Purchase Date occurs;

"*T*" means the Offer Purchase Date.

The Offer as well as any and all agreements entered into on the basis of the Offer are governed by Russian law.

TAX CONSIDERATIONS

The following is a general summary of Russian federal tax consequences of acquisition, ownership and disposition of the Bonds by beneficial owners, including consequences relating to redemption of the Bonds and interest payments on the Bonds to the Bondholders, both Russian residents and non-residents. This summary is a general guide only and should be treated with appropriate caution. This summary is based on the Russian federal tax law in effect on the date of this Information Memorandum. The said legislation may be revised and its new provisions may have a retroactive effect. This summary does not seek to address the applicability of, and procedures in relation to, taxes levied by the regions, municipalities or other non-federal level authorities of the Russian Federation. Nor does this summary seek to address the availability of double tax treaty relief. This summary does not address any tax consequences arising under the laws of any other jurisdiction. Potential investors should consult their own tax and other professional advisers prior to any investment as to the consequences of the acquisition, ownership and disposition of the Bonds in their particular circumstances including, but not limited to, the consequences of receiving interest and selling or redeeming the Bonds. No representations with respect to the Russian tax consequences to any particular holder are made hereby.

General

Many aspects of Russian tax are subject to significant uncertainty. Furthermore, the substantive provisions of Russian tax law applicable to financial instruments may be subject to more rapid and unpredictable change and inconsistency than in jurisdictions with more developed capital markets and tax systems.

For the purposes of this summary, a "non-resident Bondholder" means (i) an individual, actually present in the Russian Federation for less than 183 days in 12 consecutive months or (ii) a legal person or organisation, in each case not organised under Russian law, that holds and disposes of the Bonds otherwise than through a permanent establishment in Russia. An applicable double tax treaty may affect tax residency.

Taxation of individuals

Taxation of the acquisition of the Bonds

No Russian tax implications arise for purchasers of the Bonds upon purchase of the Bonds.

Taxation of interest

Taxation of resident Bondholders

Interest income paid to Russian resident Bondholders is subject to Russian personal income tax that should be withheld by a tax agent (the Issuer) at a source of payment at the rate of 13%.

Taxation of non-resident Bondholders

Interest income paid to non-resident Bondholders is subject to Russian personal income tax that should be withheld by a tax agent (the Issuer) at a rate of 30%.

The rate of withholding tax on income may potentially be decreased (up to 0%) on the basis of a double tax treaty between the Russian Federation and the country of residence of a non-resident Bondholder (see sub-section "*Tax clearance procedures*" below).

Taxation of income from sale (redemption) of the Bonds

Taxation of resident Bondholders

Capital gains received by Russian resident Bondholders upon the sale or any other disposal of the Bonds is subject to personal income tax at the rate of 13%.

Taxable income in respect of sale of the Bonds is calculated as sale proceeds less documentary confirmed expenses related to purchase, sale and keeping of these Bonds (including fees paid to a professional securities market participant, stock exchange commissions, etc.).

Where the Bonds are sold by the individual Bondholder through a professional Russian broker, a trustee or any other organisation acting in the interests of the Bondholder under a commission agreement, an agency agreement or any other similar agreement, this organisation would be considered a tax agent and would have to calculate, withhold and remit tax upon paying income to the individual at the end of the tax period or when making payments before the end of the tax period. If a tax agent did not withhold personal income tax / tax was not withheld in full, the taxpayer shall pay the tax personally.

If the Bondholder sells the Bonds to an individual or an organisation, which is not recognised as tax agent, the tax should be calculated and paid by the taxpayer personally based on his/her personal income tax return.

Taxation of non-resident Bondholders

A non-resident individual Bondholder is generally subject to Russian tax in respect of capital gains received on sale, exchange or other disposal of the Bonds provided that income from such sale, exchange or disposal of the Bonds is received from a source within Russia. In the absence of a clear definition of what constitutes income "from sources within Russia" when the Bonds are sold there is a risk that the income received from disposal of Russian securities may be considered in any way as income from a source in the Russian Federation irrespective of the location where the Bonds were disposed of. Thus, capital gains from the sale, exchange or disposal of the Bonds received by non-resident individual Bondholders from a source within the Russian Federation may be subject to tax in Russia at the rate of 30%.

The methods of calculation of taxable income from the sale, exchange or other disposal of the Bonds and procedure of withholding and/or payment of personal income tax to the State budget is similar to those applicable for resident Bondholders (see sub-section "*Taxation of resident Bondholders*" above).

The rate of withholding tax on income may potentially be decreased on the basis of a double tax treaty between the Russian Federation and the country of non-resident Bondholder's tax residency (see sub-section "*Tax clearance procedures*" below).

Taxation of income from a (partial) redemption of the Bonds

The Tax Code does not contain direct provisions regarding taxation of income received from (partial) redemption of the Bonds. The Issuer is aware of some private clarifications of the authorities, which state that partial redemption of the face value of the Bonds should not be considered as income of the Bondholders, as, in substance, it represents a repayment of the principal amount of a loan. However income from (partial) redemption of the Bonds may arise for the Bondholders if the Bonds have been purchased at a discount (on the secondary market).

In general such income should be subject to personal income tax. When an individual Bondholder (either resident or non-resident) purchases the Bonds through a Russian professional broker, a trustee or any other organisation acting in the interests of the Bondholder under a commission agreement, an agency agreement or any other similar agreement, this organisation would be considered a tax agent and would have to calculate, withhold and remit tax upon paying income to the individual at the end of the tax period or when making payments before the end of the tax period. If a tax agent did not withhold personal income tax / tax was not withheld in full, the taxpayer shall pay the tax personally.

It should be noted that there is ambiguity regarding the moment when taxable income crystallises and respective obligations to withhold tax arise for a tax agent if the face value of the Bonds is partially redeemed and the Bonds were purchased at a discount (on the secondary market). In the Issuer's view and based on the comments provided by tax advisers, the most conservative approach in this case would be to calculate taxable income upon each partial redemption of the Bonds. The taxable income for the Bondholder (either resident or non-resident) may be calculated as difference between the redeemed part of the face value and purchase costs of the Bonds pro-rated in accordance with the redeeming face value of the Bonds. In this case when transactions with the Bonds are executed through a broker, a trustee or any other organisation acting in the interests of the Bondholder under a commission agreement, an agency agreement or any other similar agreement, this organisation would have to withhold tax upon paying income to the individual.

Potential investors should consult their own advisers regarding the taxation of income from (partial) redemption of the Bonds.

Taxation of resident Bondholders

The resident Bondholders' income from (partial) redemption of the Bonds purchased at a discount (on the secondary market) should be subject to personal income tax at the rate of 13%.

Unless the partial redemption of the Bonds is made through the tax agent, the tax should be paid by the taxpayer personally based on his/her personal income tax return.

Taxation of non-resident Bondholders

The non-resident Bondholders' income from (partial) redemption of the Bonds purchased at a discount (on the secondary market) should be subject to personal income tax at a rate of 30%.

The personal income tax rate may potentially be decreased on the basis of the double tax treaty between the Russian Federation and the country of the tax residence of a non-resident Bondholder (see sub-section "*Tax clearance procedures*" below).

Taxation of legal entities

Taxation of the acquisition of the Bonds

No Russian tax implications arise for purchasers of the Bonds upon purchase of the Bonds.

Taxation of interest

Taxation of resident Bondholders

Interest income on the Bonds paid to resident Bondholders should be subject to corporate profits tax at the rate of 15%. Corporate resident Bondholders are liable for Russian taxes on a self-declaration basis, i.e. the taxes should be declared and paid to the Russian tax authorities by corporate holders of the Bonds.

Interest income should be included in the taxable base on the last day of a particular reporting (tax) period or on the date of the disposal of the Bonds regardless of the actual date of interest income payment by the Issuer.

Taxation of non-resident Bondholders

Interest income on the Bonds paid to non-resident Bondholders should be subject to Russian withholding tax. There is no clarity regarding the applicable withholding tax rate. Article 310 of the Tax Code does not contain any special provisions in respect of taxation of interest on the Bonds which are held by corporate non-resident recipients. Thus, it may be assumed that interest on the Bonds should be subject to the withholding tax at a general rate applicable to interest payable to the non-residents i.e. 20%. However, at the same time Article 284 of the Tax Code explicitly provides that 20% tax rate is not applicable to the interest payable on the mortgage-backed bonds.

Nevertheless, this uncertainty should be eliminated if a double tax treaty between the Russian Federation and the country of the residence of non-resident Bondholder applies, whereby the withholding tax rate on interest may be decreased (in the majority of cases to zero) (see sub-section "*Tax clearance procedures*" below).

Potential investors should consult their own advisers regarding the application of a tax rate applicable to the interest income on the Bonds and regarding the application of respective double tax treaty.

Taxation of income from sale (redemption) of the Bonds

Taxation of resident Bondholders

Income from the disposal of the Bonds by Russian resident Bondholders (legal entities or organisations) is subject to corporate profits tax at a rate of 24%. Taxable profits from the disposal of the Bonds (including their redemption) should be determined as the difference between the sales (redemption) price of the Bonds including the accumulated interest and the purchase price of the Bonds, expenses relating to purchase and sale of the Bonds and the accumulated amount of interest income paid upon the purchase of the Bonds. The purchase and selling price of the Bonds, provided that the Bonds are considered as securities traded on organised securities market, must be within the range of the minimal and the maximum price of

the deals with the Bonds, registered at stock exchange on the date of the trades. Taxable profit shall be defined in accordance with one of the established methods of writing off the cost of securities (FIFO, LIFO or unit cost).

Russian tax legislation contains the requirement that profit arising from operations with securities quoted on a stock exchange must be calculated and accounted for separately from profit from operations with securities that are not quoted on a stock exchange and from operating profit. Therefore, Russian resident Bondholders that are legal entities or organisations may be able to apply losses arising in respect of the Bonds only to offset capital gains, or as a carry forward to offset future capital gains, from the sale, exchange or other disposition of securities of a relevant category (quoted on a stock exchange or unquoted). Special tax rules apply to Russian legal entities being licensed professional participants of securities market (including banks), which may vary for legal entities that hold a dealer licence and legal entities that do not hold a dealer license.

Taxation of non-resident Bondholders

In accordance with the current tax legislation capital gains from sale (or any other disposal) of the Bonds by non-resident Bondholders are not subject to Russian withholding tax. However, there is a risk that the interest income accrued but not paid as of the date of sale of the Bonds may be subject to withholding tax in Russia (see sub-section "*Taxation of interest – Taxation of non-resident Bondholders*" above).

Taxation of income in the form of a discount received upon purchase of the Bonds on a secondary market

Based on the definition of the interest income provided by the Tax Code income arising upon acquisition of the Bonds on a secondary market at discount to the par value (if any) should not be qualified as interest income for tax purposes as it is not declared (established) by the Issuer in advance (i.e. established in the Decisions). Rather than interest income such discount should comprise a part of the capital gains from disposal of the Bonds (see "*Taxation of income from sale (redemption) of Bonds*").

Taxation of income from a partial redemption of Bonds

Taxation of resident Bondholders

The Tax Code does not contain direct provisions regarding partial redemption of the Bonds. However, according to clarifications of the tax authorities, amounts paid upon a partial redemption of the Bonds to taxpayers that calculate profits tax base in accordance with the accrual method should be regarded as an advance payment for goods (works, services). Therefore, payments received as a result of a partial redemption of the face value of the Bonds by resident Bondholders that are legal entities or organisations calculating taxable base based on the accrual method shall be included in the profits tax base of the resident Bondholder on the date of the disposal (i.e., sale or full redemption) of the Bonds (see "*Taxation of income from sale (redemption) of Bonds*" above).

Taxation of non-resident Bondholders

In accordance with the Tax Code, partial repayment of the face value of the Bonds as a result of a partial redemption should not be subject to Russian withholding tax.

Tax clearance procedures

Advance tax clearance

Where income is received by the non-resident Bondholder, whether an individual or a legal entity or organisation, or by a Russian permanent establishment of a foreign company from a Russian source, in order to use the benefits of an applicable double tax treaty, documentary evidence is required to confirm the applicability of the double tax treaty for which benefits are claimed.

Currently, a non-resident Bondholder that is a legal entity (organisation) would need to provide to the payer of income a certificate of tax residence issued by the competent authority of the relevant treaty country. The tax residence certificate should be provided with respect to each calendar year when the income is paid.

Before receiving income a non-resident individual Bondholder would need to provide the Russian tax authorities with a certificate of tax residence for the tax period when the income is paid issued by the competent tax authority of the relevant treaty country. In addition, an individual Bondholder should provide appropriate documentary proof of paying foreign country's tax on income with respect to which treaty benefits are claimed. Because of uncertainties regarding the form and procedures for providing such documentary proof, individuals in practice may not be able to obtain advance treaty relief on income received from sources within Russia.

If the tax has not been withheld by the tax agent and the taxpayer is entitled to treaty benefits, the individual should apply to the tax authorities to receive their permission to use the tax benefits by submitting a tax return / an application together with the documents confirming that the taxpayer is entitled to treaty benefits. The documents should be provided by the end of the year, following the year in respect of which the treaty benefits are claimed.

Refund of withheld tax

For a Bondholder that is not an individual and for which double tax treaty relief is available, advance treaty relief may be available, subject to the requirements and conditions of the laws of the Russian Federation. If double tax treaty relief is available, and Russian withholding tax on income was nevertheless withheld at the source of payment, a claim for refund of such tax can be filed within three years from the end of the tax period in which the tax was withheld.

If Russian tax was withheld at the source of payment and an individual Bondholder is entitled to treaty relief, an individual should submit to the tax authorities a tax return / an application requesting exemption from Russian tax or application of a decreased tax rate together with documents substantiating the taxpayer's entitlement to treaty benefits. The documentation should be submitted by the end of the year following the year in respect of which the treaty benefits are claimed. An application for the refund of tax withheld should be submitted within three years from the end of the tax period in which the tax was withheld. In practice, the tax is refunded via the tax agent that performed the withholding.

The Russian tax authorities may, in practice, require a wide variety of documentation confirming the right to benefits under a double tax treaty. Such documentation, in practice, may not be explicitly required by the Tax Code.

Obtaining a refund of Russian tax withheld may be a time consuming process and can involve considerable practicable difficulties.

Potential investors should consult their own advisers regarding the application of a respective double tax treaty and refund of withheld tax.

SUBSCRIPTION AND SALE

General

Persons into whose hands this Information Memorandum comes are required by the Issuer, the Seller and the Joint Arrangers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or possess, distribute or publish this Information Memorandum or any other offering material relating to the Bonds, in all cases at their own expense.

United States of America

The Bonds have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each of the Joint Arrangers and the Seller has agreed that it will not offer, sell or deliver the Bonds, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Bonds, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each of the Joint Arrangers and the Seller has represented, warranted and undertaken that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by the Information Memorandum to the public in that Relevant Member State other than:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3)

an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Bonds shall require the Issuer or either Joint Arranger to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Bonds to the public**" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each of the Joint Arrangers and the Seller has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Russian Federation

The Bonds will be sold to Russian and international investors in the Russian Federation only. The Bonds will not be registered in any way except as specifically provided by the legislation of the Russian Federation regulating the placement and trading of securities of appropriate type. The following are prohibited: (i) placement of Bonds of any Class less than two weeks after notice of state registration of that Class of Bonds is published, and (ii) secondary trading of Bonds of any Class before the report on the results of issue of that Class of Bonds has undergone state registration with the FFMS. The statutory term for registration of such report with the FFMS is two weeks, although in practice such registration may take longer.

GENERAL INFORMATION

1. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of each issue of the Bonds. Each issue of the Bonds has been authorised by resolution of the general meeting of shareholders of the Issuer passed on 19 October 2007.
2. The Bonds have been registered by the FFMS with the following registration numbers:
Class A Bonds: № 4-01-65388-H;
Class B Bonds: № 4-02-65388-H;
Class C Bonds: № 4-03-65388-H.
3. The auditor of the Issuer is ZAO "BKR-Intercom-Audit" qualified to act as auditor in the Russian Federation.
4. The Issuer is not, nor has it been, involved in any legal, arbitration or administrative proceedings which may have or have had since the date of its incorporation a significant effect on its financial position and, so far as the Issuer is aware, no such proceedings are pending or threatened.
5. There has been no material adverse change in the financial position or prospects of the Issuer since the date of its incorporation.
6. From the Placement Completion Date and for so long as any Bonds are outstanding, hard copies of the following documents may be inspected by the Bondholders during usual business hours on any Russian Business Day at the offices of the Issuer provided that in some cases the documents shall be requested in advance:
 - (a) the agreement on incorporation of the Issuer, the charter of the Issuer and all amendments and addenda thereto;
 - (b) documents confirming the Issuer's rights to the assets on its balance sheet;
 - (c) the Issuer's register of shareholders;
 - (d) the Issuer's annual reports;
 - (e) the Issuer's quarterly reports;
 - (f) the Issuer's accounting documents;
 - (g) the Decisions, the Russian Prospectus, the Information Memorandum and other issuance documents;
 - (h) the Investor Reports;
 - (i) the Mortgage Certificates Purchase Agreement;
 - (j) the Servicing Agreement;
 - (k) the Collateral Account Agreement;

- (l) the Issuer Account Agreement;
 - (m) the Special Depository Agreement;
 - (n) the Standby Special Depository Agreement;
 - (o) the Custody Agreement; and
 - (p) the Offer.
7. The Calculation Agent will, on behalf of the Issuer, provide post issuance transaction information regarding the Bonds and the performance of the Mortgage Portfolio in the form of an Investor Report. The Calculation Agent will deliver the Investor Report to the Issuer, the Servicer and Moody's on each Bond Payment Date. Each Investor Report will be placed on specialised Internet sites (as of the date of this Information Memorandum, <https://sf.citidirect.com/> and <http://www.ahml.ru>) and may also be inspected by the Bondholders in physical or electronic form during usual business hours on any Russian Business Day at the offices of the Issuer located at 3 Smolenskaya Square, office 645, 121099 Moscow, Russian Federation until the Bonds have been redeemed in full in accordance with the Decisions.
8. The Offeror on 14 May 2008 executed the Offer to buy Class A Bonds in the amount requested by the respective Bondholders pursuant to the terms specified in the Offer.

GLOSSARY OF DEFINED TERMS

For ease of reference, below is an index of certain capitalised terms used in this Information Memorandum and, in each case, the page numbers, at which the relevant definition appears.

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ISSUER

Closed Joint Stock Company
"Second Mortgage Agent of AHML"
3 Smolenskaya Square, office 645
121099 Moscow, Russian Federation

SELLER

Open Joint Stock Company
"The Agency for Housing Mortgage Lending"
69B Novocheremushkinskaya Street
117418 Moscow, Russian Federation

JOINT ARRANGERS

ZAO Citibank
8-10 Gasheka Street
125047 Moscow, Russian Federation

Renaissance Capital - Financial Consultant Limited
22 Voznesensky Pereulok
125009 Moscow, Russian Federation

SERVICER

Open Joint Stock Company
"The Agency for Housing Mortgage Lending"
69B Novocheremushkinskaya Street
117418 Moscow, Russian Federation

SPECIAL DEPOSITORY

Gazprombank (Open Joint-Stock Company)
16/1 Namjotkina Street
115420 Moscow, Russian Federation

CALCULATION AGENT

Citibank, N.A., London Branch
Citigroup Centre, Canada Square, Canary Wharf,
London E14 5LB, United Kingdom

PAYING AGENT

ZAO Citibank
8-10 Gasheka Street
125047 Moscow, Russian Federation

PLACEMENT AGENT

ZAO Citibank
8-10 Gasheka Street
125047 Moscow, Russian Federation

OFFEROR'S AGENT

ZAO Citibank
8-10 Gasheka Street
125047 Moscow, Russian Federation

TRANSACTION LEGAL ADVISERS

As to Russian and English law
Clifford Chance CIS Limited
6 Gasheka Street
125047 Moscow, Russian Federation

LEGAL ADVISERS TO THE SELLER

As to Russian law
Liniya Prava
15a Leninskiy Prospekt
119071 Moscow, Russian Federation

**LEGAL ADVISERS TO THE JOINT
ARRANGERS**

As to Russian law
Linklaters CIS
2/2 Paveletskaya Square
115054 Moscow, Russian Federation

TRANSACTION AUDITORS

ZAO Deloitte & Touche CIS
4/7 Vozdvizhenka Street
Building 2
125009 Moscow, Russian Federation