

URSA MORTGAGE FINANCE S.A.

(a securitisation undertaking (organisme de titrisation) incorporated as a public limited liability company (société anonyme) under the laws of the Grand-Duchy of Luxembourg, with registered office at 7 Val Ste Croix, 1371 Luxembourg, Grand-Duchy of Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B130.545)

RUB 4,712,000,000 Class A Notes due 2052

Issue Price of the Class A Notes: 100 per cent.

Application has been made to the Irish Stock Exchange for the Class A Notes (the "**Securities**") to be admitted to the Official List (the "**Official List**") and trading on its regulated market. The Class A Notes (as defined below – see "*Glossary of Defined Terms*") have been issued by URSA Mortgage Finance S.A., acting in respect of its compartment 1 (the "**Issuer**") on or about 28 December 2007 (the "**Issue Date**").

Notes	Principal Amount Outstanding	Interest Rate	Legal Maturity Date	Issue Price
Class A	RUB 4,712,000,000	10 per cent p.a.	15 December 2052	100%

The Class A Notes have been assigned the rating of BBB by Standard & Poor's Ratings Services.

The rating addresses the likelihood of timely payment of interest at the applicable rate of interest on each Interest Payment Date on the Class A Notes and the ultimate payment of the Principal Amount Outstanding of the Class A Notes at or by the Final Legal Maturity Date.

A credit 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.

The Class A Notes will be in bearer form and in the denomination of RUB2,000,000 each and integral multiples of RUB100,000 in excess thereof and will be governed by English law. The Class A Notes will be in the form of a permanent global note (the "**Permanent Global Note**" or "**Global Note**"), without interest coupons, which will be delivered on or around the Listing Date to a common depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**"), Deutsche Bank AG, London Branch (the "**Common Depository**"). The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Class A Notes in definitive form in the denomination of RUB2,000,000 and with interest coupons attached.

As of the Issue Date the denomination of the Class A Notes was more than EUR 50,000 using the EUR/RUB 1/35.6152 rate quoted on the Central Bank of Russia's website.

The Prospectus has been approved by the Irish Financial Services Regulatory Authority (the "**Financial Regulator**"), as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Financial Regulator only approves this prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Class A Notes (the Securities) to be admitted to the Official List and trading on its regulated market.

The Class A Notes will be subject to mandatory redemption, in part or in whole, and to optional redemption in whole, in both cases before the Final Legal Maturity Date, in the specific circumstances, and subject to the conditions, described in the terms and conditions of the Class A and the Class B Notes (the "**Conditions**") set out herein.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

If any withholding or deduction for or on account of tax is applicable to payments of interest on, and principal of, the Class A Notes, such payments will be made subject to such withholding or deduction without the Issuer or Paying Agent (as defined below) being obliged to pay any additional amounts as a consequence.

The Class A Notes will be obligations of the Issuer only and will not be guaranteed by, or be the responsibility of, any other person. It should be noted, in particular, that the Class A Notes will not be obligations or responsibilities of, and will not be guaranteed by, the Note Trustee, the Security Trustee, the Russian Enforcement Agent, the Paying Agent, the Cash Manager, the Purchaser Accounts Bank, the Corporate Services Provider, the Originator, the Seller, the Servicer, the Standby Servicer, the Custodian, the Standby Custodian, the Collection Account Bank, the Class B Notes Purchaser or the Class Z Notes Purchaser (each as defined herein).

For a discussion of certain risks and other factors which should be considered in connection with an investment in the Class A Notes, see the section herein entitled *Risk Factors*.

Responsibility Statement and Information

Except to the extent specified below, the Issuer accepts responsibility for the information contained in this Prospectus 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 Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer confirms that (a) this Prospectus contains all information regarding the Issuer and the Class A Notes which is to the best information, knowledge and belief of the Issuer (in the context of the issue of the Class A Notes) material, (b) such information is true and accurate in all material respects and not misleading in any material respect, (c) any opinions, predictions and intentions expressed in this Prospectus on the part of the Issuer are honestly held or made after due and careful consideration of all relevant circumstances and based on reasonable assumptions and are not misleading in any material respect, (d) this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect and (e) all proper enquiries have been made by or on behalf of the Issuer to ascertain and to verify the foregoing.

MDM Bank, Open Joint Stock Company (the "**Originator**" or "**MDM**"), formerly known as URSA Bank, Open Joint Stock Company which sold the Mortgage Portfolio to the Issuer on the First Closing Date and later went through the reorganization in the form of accession of MDM Bank (Open Joint Stock Company) to it, accepts responsibility for the information contained in this Prospectus relating to itself, the market in which it conducts its business and the Mortgage Portfolio including, without limitation, in the sections headed "*Residential Mortgage Market in the Russian Federation*", "*Description of the Mortgage Portfolio*" and "*MDM Bank and its Business*" as well as corresponding parts of the section headed "*Risk Factors*", and to the best of the knowledge and belief of the Originator (which has taken all reasonable care to ensure such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Originator confirms that: (a) this Prospectus contains all information regarding the Originator and its business, the Mortgage Portfolio, the Class A Notes and otherwise which is (in the context of the issue of the Class A Notes) material; (b) such information is true and accurate in all material respects and not misleading in any material respect; (c) any opinions, predictions and intentions expressed in this Prospectus are honestly held or made and are not misleading in any material respect; (d) any estimate, forecast or projection expressed in this Prospectus on the part of the Originator was prepared after due and careful enquiry and was supplied in good faith; (e) this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and (f) the Originator has made all proper enquiries to ascertain and to verify the foregoing.

The delivery of this Prospectus does not at any time imply that the information contained in it concerning the Issuer, the Originator or any other party is correct at any time subsequent to the date of this Prospectus or that any other information supplied in connection with the Class A Notes is correct as of any time subsequent to the date indicated in the document containing the same. Other than as expressly provided for in this Prospectus, including, but not limited to, in the section headed "*Overview of Transaction Documents – Servicing Agreement*", the Issuer or any other party do not intend to provide post-issuance transaction information regarding the Class A Notes or the Mortgage Portfolio.

The Class A Notes will be obligations solely of the Issuer and will not be obligations of, and will not be guaranteed by, and will not be the responsibility of, any other entity. In particular, the Class A Notes will not be the obligations of, and will not be guaranteed by, the Note Trustee, the Security Trustee, the Russian Enforcement Agent, the Paying Agent, the Cash Manager, the Purchaser Accounts Bank, the Corporate Services Provider, the Originator, the Seller, the Servicer, the Standby

Servicer, the Custodian, the Standby Custodian, the Collection Account Bank, the Class A Notes Purchaser, the Class B Notes Purchaser or the Class Z Notes Purchaser.

Representations about the Class A Notes

No person has been authorised to give any information or to make any representation, other than those contained in this Prospectus, in connection with the issue and sale of the Class A Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Originator or any other Transaction Party. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained in this Prospectus is correct as of any time subsequent to the date hereof.

None of the Note Trustee, the Security Trustee, the Russian Enforcement Agent, the Paying Agent, the Cash Manager, the Purchaser Accounts Bank, the Corporate Services Provider, the Originator, the Seller, the Servicer, the Standby Servicer, the Custodian, the Standby Custodian, the Collection Account Bank, the Class A Notes Purchaser, the Class B Notes Purchaser or the Class Z Notes Purchaser or any other party has separately verified the information contained in this Prospectus and, accordingly, none of the Note Trustee, the Security Trustee, the Russian Enforcement Agent, the Paying Agent, the Cash Manager, the Purchaser Accounts Bank, the Corporate Services Provider, the Originator, the Seller, the Servicer, the Standby Servicer, the Custodian, the Standby Custodian, the Collection Account Bank, the Class B Notes Purchaser or the Class Z Notes Purchaser or any other party (save for the Issuer, the Originator and the Servicer as specified above in relation to the acceptance of responsibility) makes any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained in this Prospectus or in any further notice or other document which may at any time be supplied in connection with the Class A Notes or their distribution or accepts any responsibility or liability therefore. None of the Note Trustee, the Security Trustee, the Russian Enforcement Agent, the Paying Agent, the Cash Manager, the Purchaser Accounts Bank, the Corporate Services Provider, the Originator, the Seller, the Servicer, the Standby Servicer, the Custodian, the Standby Custodian, the Collection Account Bank, the Class A Notes Purchaser, the Class B Notes Purchaser or the Class Z Notes Purchaser or any other party undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Class A Notes of any information coming to the attention of any of the aforementioned parties which is not included in this Prospectus.

No action has been taken by the Issuer other than as set out in this Prospectus that would permit a public offer of the Class A Notes in any country or jurisdiction where action for that purpose is required. Accordingly, no Class A Notes may be offered or sold, directly or indirectly, and neither this Prospectus (nor any part hereof) nor any preliminary prospectus, prospectus, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in circumstances that will result in compliance with applicable laws, orders, rules and regulations, and the Issuer has represented that all offers and sales by them have been made on such terms.

An investment in the Class A Notes 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 investments. Prospective investors may not construe the contents of this Prospectus 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 Class A Notes. Each investor contemplating subscribing for or purchasing the Class A Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer, the Originator and any other Transaction Party. Each person contemplating making an investment in any Class A Notes must make its own determination of the suitability of any such investment with particular reference to its own investment objectives.

The risk factors identified in this Prospectus are provided as general information only and MDM disclaims any responsibility to advise purchasers of Class A Notes of the risks and investment considerations associated therewith as they may exist at the date hereof or as they may from time to time alter.

If you are in any doubt as to the contents of this Prospectus you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. It should be remembered that the price of securities and income from them can go down as well as up.

The contents of this Prospectus should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Class A Notes.

Investor Compliance

Persons into whose hands this Prospectus comes are required by the Issuer to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Class A Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Class A Notes, in all cases at their own expense.

Financial Condition of the Issuer and the Originator

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Class A Notes will in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Originator since the date of this Prospectus.

Regulatory

The Issuer is not regulated by the Central Bank of Ireland. Neither the Class A Notes, nor any transaction in connection with the Class A Notes will have the status of a bank deposit under Irish Law and none is within the scope of the Deposit Protection Scheme operated by the Central Bank of Ireland. In the event that any withholding tax or deduction for tax is imposed on payments of interest on the Class A Notes, the Issuer will only be required to make payments net of such withholding or deduction. Accordingly, holders of the Class A Notes will not be entitled to receive grossed-up amounts to compensate for such withholding tax or deduction for tax.

Selling Restrictions Summary

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Note Trustee, the Security Trustee, the Russian Enforcement Agent, the Paying Agent, the Cash Manager, the Purchaser Accounts Bank, the Corporate Services Provider, the Originator, the Seller, the Servicer, the Standby Servicer, the Custodian, the Standby Custodian, the Collection Account Bank, the Class A Notes Purchaser, the Class B Notes Purchaser or the Class Z Notes Purchaser to subscribe for or purchase any Class A Notes and this document may not be used for or in connection with an offer to, or solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful.

The distribution of this Prospectus and the offering, sale and delivery of the Class A Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. See also "*Subscription and Sale*".

Neither the Issuer nor the Originator represents that this document may be lawfully distributed, or that the Class A Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, nor assume

any responsibility for facilitating any such distribution or offering. In particular, the Issuer has not taken any action which would permit a public offering of the Class A Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Class A Notes may be offered or sold, directly or indirectly, and neither this Prospectus 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 Class A Notes.

The Class A Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any State securities laws, and are subject to United States tax law requirements. The Class A Notes were offered outside the United States in accordance with Regulation S under the Securities Act (the "**Regulations 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.

The Class A Notes may not lawfully be offered for sale, sold, placed or underwritten to persons in Ireland (i) except in circumstances which do not require the publication of a prospectus pursuant to Article 3(2) of Directive 2003/71/EC; (ii) otherwise than in compliance with the provisions of the Irish Companies Acts 1963 to 2006; (iii) otherwise than in compliance with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended) of Ireland and in accordance with any rules or codes of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Financial Regulator; and (iv) otherwise than in compliance with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued by the Financial Regulator pursuant hereto.

Forward-looking Statements

This Prospectus 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 Originator and its officers with respect to, *inter alia*: (a) the financial condition of the Originator and the characteristics of its strategy, products or services; (b) the Originator'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 Offered Notes should not rely on such forward-looking statements. The information in this Prospectus, including the information set out in "*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 Originator's financial condition, a change in the value of the Rouble relative to the Euro or the Dollar 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 Prospectus and are not subject to the continuing obligations under the listing rules of the Irish Stock Exchange. Accordingly, the Originator and the Issuer do not undertake any obligation to update or revise any of them whether as a result of new information, future events or otherwise. The Originator and the Issuer 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 the 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 the Prospectus are indicative of future results or events.

Interpretation

In this Prospectus, unless otherwise specified, references to "**Roubles**" and "**RUB**" are to the lawful currency for the time being of the Russian Federation, references to "**Euro**" and "**EUR**" are to the lawful currency of the Member States of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on the European Union, and references to "**Dollar**" and "**U.S.\$**" are to the lawful currency for the time being of the United States. References to a "**Business Day**" are to a day (other than Saturday or Sunday) on which banks are open for business in Moscow, London, Frankfurt, Dublin and Luxembourg.

Unless otherwise indicated in this Prospectus or the context requires otherwise, capitalised terms used in this Prospectus have the meanings set out in the sections entitled "*Terms and Conditions of the Class A and the Class B Notes*" commencing on page 81. An index of definitions of the terms used in this Prospectus is set out in the section entitled "*Glossary of Defined Terms*" commencing on page 112.

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OVERVIEW OF THE TRANSACTION

The information in this section is a summary of the principal features of the Transaction. This summary constitutes an introduction and should be read in conjunction with and is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Prospectus. Liability for the contents of this summary may only arise if this summary (including any relevant translation), is misleading, inaccurate or inconsistent when read together with this Prospectus. Any decision by an investor to purchase the Class A Notes should be based on consideration of this Prospectus as a whole.

Sale of the Mortgage Certificates

On 7 December 2007 (the "**First Closing Date**" or the "**Purchase Date**"), the Originator sold to the Issuer an initial portfolio of Mortgage Certificates (the "**Initial Mortgage Portfolio**") pursuant to a framework mortgage portfolio purchase agreement dated 7 December 2007 (the "**Framework Mortgage Portfolio Purchase Agreement**" or "**FMPPA**") and pursuant to the mortgage certificates purchase agreement No.1 dated 7 December 2007, as amended on 7 February 2008 entered into in connection therewith ("**Mortgage Certificates Purchase Agreement No.1**"). See "*Overview of Transaction Documents*".

Until 14 November 2008 when the Sale Period came to its end, the Originator sold to the Issuer additional mortgage portfolios of Mortgage Certificates (each an "**Additional Mortgage Portfolio**" and together with the Initial Mortgage Portfolio the "**Mortgage Portfolio**") pursuant to additional mortgage certificates purchase agreements (each an "**Additional Mortgage Certificates Purchase Agreement**") entered into under the FMPPA. See "*Overview of Transaction Documents*".

The Mortgage Portfolio comprises Russian law governed mortgage certificates (*zakladnaya*) (the "**Mortgage Certificates**") which evidence the rights of their holders relating to fixed rate RUB denominated mortgage loans (the "**Mortgage Loans**") and the mortgages (the "**Mortgages**") in respect of residential real estate properties mortgaged as security for such Mortgage Loans (each, a "**Property**"). Mortgage Certificates has been either originated by the Originator from borrowers in the Russian Federation (the "**Borrowers**") in the ordinary course of its business or acquired by the Originator from the Third Party Lenders. Upon transfer of a Mortgage Certificate, all rights evidenced by such Mortgage Certificate are also transferred.

Each Mortgage Loan has been documented on the basis of standard documentation prescribed by the Seller's Criteria (each a "**Mortgage Loan Agreement**"). Principal and interest under each Mortgage Loan is payable on a scheduled monthly consolidated annuity basis during the periods and in the amounts set out in the relevant Mortgage Loan Agreement. See "*Description of the Mortgage Portfolio*".

Eligibility Criteria

Each Purchased Mortgage Certificate complies with certain Eligibility Criteria, a summary of which can be found in section "*Overview of Transaction Documents - The Framework Mortgage Portfolio Purchase Agreement*".

Servicing of the Mortgage Portfolio

Pursuant to the Servicing Agreement, the Originator, acting in its capacity as the Servicer provides administration services to the Issuer in relation to the Purchased Mortgage Certificates. Among other activities, the Servicer has undertaken routine servicing and administration of the Purchased Mortgage Certificates, has been monitoring all Purchased Mortgage Certificates for compliance with the Eligibility Criteria, has been providing various collection and transfer services (including but not limited to collection and transfer of payments from the Borrowers), record-keeping, reporting and

enforcement services in relation to Mortgage Loans which are in default. See "*Overview of Transaction Documents – Servicing Agreement*".

Under the Standby Servicing Agreement, it is intended that the Standby Servicer will be appointed as the Replacement Servicer following the occurrence of a Servicer Termination Event. See "*Overview of Transaction Documents – Standby Servicing Agreement*".

Issue of the Issuer Notes on the Issue Date

In order to fund the purchase of the Mortgage Portfolio, the Issuer acting in respect of its compartment 1, issued on the Issue Date:

RUB 6,522,000,000 Class A Notes due 2052;

RUB 1,544,000,000 Class B Notes due 2052; and

RUB 1,005,650,000 Class Z Notes due 2052 (together the "**Issuer Notes**").

On 7 February 2008, the Issuer issued further RUB 14,900,000 Class B Notes.

Each Class of the Issuer Notes issued on the Issue Date and on 7 February 2008 was in fully registered definitive form, registered with the Registrar in the name of the holder.

The Issuer agreed at all times to ensure that the Registrar maintains the register showing the amount of the Issuer Notes from time to time outstanding and the dates of issue and all subsequent transfers and changes of ownership thereof and the names and addresses of the holders of the Issuer Notes. Each Definitive Certificate was numbered serially with an identifying number which was recorded in the register.

Notwithstanding any references to Class B Notes and Class Z Notes herein, this Prospectus has been prepared only in respect of the application for listing of the Class A Notes.

Amortisation or Partial Repayment of the Issuer Notes

Since an occurrence of an Early Amortisation Event on 31 January 2009 pursuant to Schedule 6 (*Amortisation Events*) Part 1 (*Early Amortisation Events*) Sub-clause (h) of the Master Framework Agreement when the Outstanding Principal Balance of all Defaulted Mortgage Certificates exceeded 2 per cent. of the aggregate Outstanding Principal Balance of all Purchased Mortgage Certificates, the Class A Notes issued on the Issue Date have been subject to mandatory partial repayment on each Interest Payment Date and their current Principal Amount Outstanding equals RUB 4,712,000,000.

The Principal Amount Outstanding on the Class B Notes issued on or about the Issue Date has been reduced following their partial repayment and as of the date of this Prospectus is equal to RUB 1,544,000,000.

The Principal Amount Outstanding on the Class Z Notes issued on or about the Issue Date have also been reduced since the date of the issue of the Class Z Notes and as of the date of this Prospectus is equal to RUB 920,400,000.

Cancellation of Definitive Certificates and issue of Bearer Global Notes

By an extraordinary resolution of the holders of the Class A Notes, the holders of the Class B Notes and the holders of the Class Z Notes, respectively, a change in the form of the Issuer Notes from fully registered, Definitive Certificates to Permanent Global Notes in bearer form as of the Listing Date has been approved.

As a result, the Class A Notes Purchaser, the Class B Notes Purchaser and the Class Z Notes Purchaser will each surrender all Definitive Certificates to the Registrar on the Listing Date and instruct the Registrar to cancel and destroy the surrendered Definitive Certificates against the issue by the Issuer of the Permanent Global Notes on the Listing Date.

Class B Notes – General Information

The Issuer also issued RUB 1,544,000,000 Class B Notes pursuant to the Trust Deed and the Conditions. The Class B Notes are not and will not be offered under this Prospectus. The Class B Notes were constituted by the Trust Deed and the Conditions. The Class B Notes constitute direct, secured, limited recourse and unconditional obligations of the Issuer subject to the terms of the Trust Deed and the Conditions. The Class B Notes represent the right to receive interest and principal payments from the Issuer in accordance with the Conditions and the Trust Deed.

The Class A Notes and Class B Notes will at all times rank *pari passu* without preference or priority amongst themselves. Following a delivery of an Enforcement Notice by the Note Trustee, the Class A Notes will rank in priority to the Class B Notes.

Class Z Notes – General Information

The Issuer also issued RUB 1,005,650,000 Class Z Notes on the Issue Date in accordance with the terms of the Class Z Notes Issuance Facility Agreement. The Class Z Notes are not and will not be offered under this Prospectus.

Subject to the terms of the Class Z Notes Issuance Facility Agreement, the Issuer agreed to issue on any Purchase Date, and the Class Z Notes Purchaser agreed to subscribe and pay for, the Class Z Notes during the Sale Period.

In consideration for the issuance of the Class Z Notes, the Issuer paid the Premium for the Mortgage Certificates purchased from the Originator (the "**Class Z Notes Purchaser**") in accordance with the relevant Mortgage Certificates Purchase Agreement entered into on the respective Purchase Date. The obligations of the Class Z Notes Purchaser are conditional upon satisfaction of certain conditions precedent in respect of the purchase of the Mortgage Certificates set out in Clause 10 (*Conditions Precedent*) of the Framework Mortgage Portfolio Purchase Agreement and the conditions precedent set out in the Class Z Notes Issuance Facility Agreement.

Following the termination of the Sale Period which occurred on 14 November 2008 under this Transaction, the Issuer may not issue any further notes under the Transaction Documents.

PRINCIPAL FEATURES OF THE CLASS A NOTES

- Class A Notes:** RUB 4,712,000,000 Class A Notes due on 2052, issued and constituted in accordance with the terms of the Trust Deed and the Conditions.
- Issue Price:** The initial issue price of the Class A Notes was 100 per cent. of their principal amount.
- Form and Denomination:** With effect from the Listing Date, the Class A Notes will be in bearer form and in the minimum denomination of RUB 2,000,000 each and integral multiples of RUB 100,000 in excess thereof.
- The Class A Notes will be in the form of a Permanent Global Note in bearer form of such class without interest coupons, which will be delivered on the Listing Date to the Common Depository for Euroclear and Clearstream, Luxembourg.
- In certain limited circumstances Class A Notes in definitive form may be issued.
- Status of the Class A Notes:** The Class A Notes constitute direct, secured, limited recourse and unconditional obligations of the Issuer.
- The Class A Notes at all times rank *pari passu* without preference or priority amongst themselves.
- The Class A Notes represent the right to receive interest and principal payments from the Issuer in accordance with the Conditions (notably, the Payment Priorities) and the Trust Deed.
- Prior to service of an Enforcement Notice, all payments of principal due on the Class A Notes will be made in accordance with the Pre-Enforcement Principal Payments Priorities and all payments of principal due on the Class A Notes will be made in accordance with the Pre-Enforcement Revenue Payments Priorities.
- After the service of an Enforcement Notice all payments of interest and principal in respect of the Class A Notes will be made in accordance with the Post-Enforcement Payments Priorities.
- Limited Recourse of the Class A Notes:** Recourse against the Issuer to meet its obligations under the Class A Notes is limited to the assets of the compartment 1 of the Issuer. If, following complete distribution of all such assets, there remains a shortfall, the Note Trustee and the holders of Class A Notes of any class will have no further claim against the Issuer in respect of such shortfall and any unsatisfied claims shall be extinguished. None of the Note Trustee or the holders of Class A Notes will be able to petition for, or join any other person in instituting proceedings for, the bankruptcy, winding up or other similar proceedings of or in respect of the Issuer as a consequence of such shortfall or otherwise.

None of the Note Trustee, the Paying Agent or the Cash Manager shall have any obligations to any holder of Class A Notes or any other person to pay any amount owing (a) by the Issuer in respect of any Class A Notes, or (b) howsoever arising.

Use of Proceeds:

The Issuer applied the proceeds of the issue of the Class A Notes towards payment of the Purchase Price for the Mortgage Portfolio.

Security:

The Class A Notes are secured by the Security granted under the Deed of Charge pursuant to which, *inter alia*, the Issuer's rights, title, interest and all other benefits relating thereto in and to the monies from time to time standing to the credit of the Secured Accounts and all of its rights arising under the Transaction Documents are assigned or charged by way of first ranking security to the Security Trustee, as trustee for, *inter alia*, the holders of the Class A Notes and the other Secured Creditors.

The Security created by the Deed of Charge shall be in priority to all other Encumbrances whatsoever, whether fixed or floating.

In addition to the Security created under the Deed of Charge the Issuer granted to and in favour of the Russian Enforcement Agent acting on behalf of and for the account of the Secured Creditors a first ranking pledge under the Pledge Agreement over the Mortgage Certificates purchased by the Issuer under the Framework Mortgage Portfolio Purchase Agreement.

The terms on which the Security is held provide that upon enforcement, certain fees, expenses, costs, charges and liabilities due to be paid by the Issuer will rank in priority to amounts due to be paid by the Issuer under the Class A Notes.

Rate of Interest:

10.00 per cent. per annum

Interest Period:

Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

Interest Payment Date:

The 15th day of each calendar month in each year (or if such day is not a Business Day, the next succeeding Business Day, unless such day falls in the next calendar month, in which case it shall be the preceding Business Day).

Final Legal Maturity Date:

The Interest Payment Date falling in December 2052.

Redemption of the Class A Notes:

Unless previously redeemed as provided in the Condition, the Issuer shall redeem the Class A Notes at their Principal Amount Outstanding on the Final Legal Maturity Date.

The Conditions provide that, *inter alia*, the Class A Notes will be subject to full or partial redemption following redemption of the Class A Notes, as more particularly described in the sections "*Mandatory Redemption in Whole*", "*Mandatory Redemption in Part*" and "*Optional Redemption in Whole*" below.

Mandatory Redemption in Part:

On each Interest Payment Date following the occurrence of an Early Amortisation Event, other than an Interest Payment Date on which the Class A Notes are otherwise to be redeemed in whole under the Condition 8 (*Redemption of the Notes*), to the extent that the Issuer has money available to be applied for such purpose, the Class A Notes shall be subject to redemption in accordance with the Pre-Enforcement Principal Payments Priorities.

An Early Amortisation Event occurred on 31 January 2009 and the Class A Notes are now subject to mandatory partial redemption on each Interest Payment Date in accordance with Condition 8.3 (*Mandatory Redemption in Part following an Early Amortisation Event*).

Optional Redemption in Whole:

If the Issuer at any time satisfies the Note Trustee immediately before the giving of the notice referred to below that on the previous Interest Payment Date, the Principal Amount Outstanding of the Notes was equal to or less than 10 per cent. of the Principal Amount Outstanding of the Notes as of the Issue Date, then the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Note Trustee and the Noteholders in accordance with Condition 21 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, on any Interest Payment Date at their Principal Amount Outstanding, together with interest accrued to but excluding the date of redemption.

Prior to giving any such notice of redemption pursuant to this Condition 8.10 (*Optional Redemption in Whole*), the Issuer shall deliver to the Note Trustee a certificate signed by two directors of the Issuer stating that (i) it will have the funds, not subject to the interest of any other person, required to redeem all the relevant Notes as aforesaid and meet its payment obligations of a higher or equal priority under the Pre-Enforcement Payments Priorities; and (ii) the Principal Amount Outstanding of the Notes on the previous Interest Payment Date was equal to or less than 10 per cent. of the Principal Amount Outstanding of the Notes as of the Issue Date.

Any certificate given by or on behalf of the Issuer may be relied upon by the Note Trustee and shall be conclusive and binding on the Noteholders.

Withholding Taxes:

All payments in respect of the Class A Notes and Coupons shall be made free and clear of, and without withholding or deduction for, or on account of, any Taxes unless the Issuer, the Note Trustee, the Paying Agent or any other agent appointed by the Issuer (as the case may be) is required by applicable law to make any such payment in respect of the Class A Notes, subject to any such withholding or deduction, for or on account of any Taxes. In that event, the Issuer, the Note Trustee or the Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted.

Within thirty (30) calendar days after making such withholding or deduction, the Issuer or the Paying Agent, as applicable, shall deliver to each holder of the Class A Notes entitled to the payment evidence reasonably satisfactory to that holder that the withholding or deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

Neither the Note Trustee, the Issuer nor the Paying Agent will be obliged to pay any additional amounts to holders of Class A Notes or Coupons in respect of any Tax Deduction made in accordance with Condition 11.1 (*Taxation – Payments Free of Tax*)

Ratings:

The Class A Notes are currently assigned a rating of BBB by S&P.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by S&P (see "*Risk Factors – Risks relating to the Class A Notes – Ratings*").

Transfers of the Class A Notes:

Transfers of the Class A Notes will require appropriate entries in securities accounts. Transfers of the Class A Notes between Euroclear participants, between Clearstream, Luxembourg participants and between Euroclear participants on the one hand and Clearstream, Luxembourg participants on the other hand will be effected in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg respectively.

Paying Agent:

The Issuer has, pursuant to the Paying Agency Agreement, appointed the Paying Agent with respect to payments due under the Class A Notes and the Class B Notes. The Issuer will procure that, for so long as any Class A Notes are outstanding, there will always be a Paying Agent to perform the functions assigned to it. The Issuer may at any time, by giving not less than thirty (30) days notice, replace the Paying Agent by one or more banks or other financial institutions which will assume such functions. As consideration for the performance of the paying agency services, the Issuer will pay the Paying Agent a fee.

Pre-Enforcement Revenue Payments Priorities:

Prior to the delivery of an Enforcement Notice, all payments received by the Issuer as the Available Revenue Distribution Amount will be applied by the Cash Manager on such Interest Payment Date in making the following payments or provisions, but only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for on such Interest Payment Date have been made in full:

- (a) *first*, in or towards payment on *pari passu* on a *pro rata* basis of any Expenses;
- (b) *second*, in or towards payment on *pari passu* on a *pro rata* basis of remuneration, costs, charges, liabilities and expenses due to and incurred by the Note Trustee, the Security Trustee, the Russian Enforcement Agent (plus

VAT, if any);

- (c) *third*, in or towards payment on *pari passu* on a *pro rata* basis of remuneration, costs, charges, liabilities and expenses due to and incurred by the Rating Agencies, the Servicer, the Paying Agent, the Cash Manager, the Custodian, the Standby Servicer, the Standby Custodian, the Corporate Services Provider and any auditors of the Issuer;
- (d) *fourth*, in or towards payment of the Interest Amount due on the Class A Notes;
- (e) *fifth*, in or towards reduction of the debit balance on the Class A PDL until such balance is equal to zero;
- (f) *sixth*, on or after an Amortisation Event, and to the extent that there are any Class A Notes outstanding, in applying the remaining Available Revenue Distribution Amount, after items (a) (*first*) to (e) (*fifth*) above have been paid in full, in or towards crediting the Principal Ledger of the RUB Distribution Account and thereby making such amounts available for distribution in accordance with the Pre-Enforcement Principal Payments Priorities;
- (g) *seventh*, in or towards payment of the Interest Amount and the Deferred Interest Amount Arrears on the Class B Notes, but so that the Interest Amount on the Class B Notes will be paid prior to the Deferred Interest Amount Arrears on the Class B Notes;
- (h) *eighth*, in or towards reduction of the debit balance on the Class B PDL until such balance is equal to zero;
- (i) *ninth*, subject to Class Z Notes Condition 9.7 (*Rounding of Principal Payments due on the Class Z notes*) in or towards payment on *pari passu* and a *pro rata* basis of any Principal Amount Outstanding of the Class Z Notes until the Principal Amounts Outstanding of each Class Z Note is RUB 1,000; and
- (j) *tenth*, in or towards payment of the Class Z Distribution Amount in respect of the Class Z Notes.

Pre-Enforcement Principal Payments Priorities:

Prior to the delivery of an Enforcement Notice, all amounts received as the Available Principal Distribution Amount will be applied by the Cash Manager on such Interest Payment Date in making the following payments or provisions, but only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for on such Interest Payment Date have been made in full:

- (a) *first*, in crediting the Revenue Ledger with an amount to be drawn from the Principal Ledger to cover the Income Deficiency in accordance with Clause 5.1 (b) of the Cash

Management Agreement;

- (b) *second*, in crediting the Cash Reserve Account with the Principal Additional Amount, an amount necessary to reach the Cash Reserve Account Required Amount;
- (c) *third*, after occurrence of an Amortisation Event, subject to Condition 10.9 (*Rounding of Principal Payments due on the Class A and Class B Notes*), in or towards payment on *pari passu* and a *pro rata* basis of any Principal Amount Outstanding of the Class A Notes until all Class A Notes have been redeemed in full; and
- (d) *fourth*, after occurrence of an Amortisation Event, subject to Condition 10.9 (*Rounding of Principal Payments due on the Class A and Class B Notes*), in or towards payment on *pari passu* and a *pro rata* basis of any Principal Amount Outstanding of the Class B Notes until all Class B Notes have been redeemed in full.

**Post-Enforcement Payments
Priorities:**

Following the delivery of an Enforcement Notice, all amounts received or recovered by the Issuer and/or the Security Trustee and/or the Russian Enforcement Agent will be applied by the Cash Manager or the Security Trustee in making the following payments in the following order of priority, but in each case only to the extent that all payments of a higher priority have been made in full:

- (a) *first*, in or towards payment of any Luxembourg tax (if any) and in or towards payment on *pari passu* on a *pro rata* basis of (i) any remuneration then due and payable to any receiver of the Issuer and all costs, expenses and charges incurred by such receiver and (ii) in or towards payment of the fees, expenses and liabilities due to the Note Trustee, the Security Trustee and the Russian Enforcement Agent;
- (b) *second*, in or towards payment on *pari passu* on a *pro rata* basis of remuneration, costs, charges, liabilities and expenses due to and incurred by the Rating Agencies, the Servicer, the Paying Agent, the Cash Manager, the Custodian, the Standby Servicer, the Standby Custodian, the Corporate Services Provider and any auditors of the Issuer;
- (c) *third*, in or towards payment of the Interest Amount on the Class A Notes *pari passu* on a *pro rata* basis;
- (d) *fourth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Class A Notes until all the Class A Notes have been redeemed in full;
- (e) *fifth*, in or towards payment of the Interest Amount and the Deferred Interest Amount Arrears on the Class B Notes *pari passu* on a *pro rata* basis but so that the

Interest Amount on the Class B Notes will be paid prior to the Deferred Interest Amount Arrears on the Class B Notes;

- (f) *sixth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Class B Notes until all the Class B Notes have been redeemed in full;
- (g) *seventh*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Class Z Notes until all the Class Z Notes have been redeemed in full; and
- (h) *eighth*, in or towards payment of the Class Z Distribution Amount.

Non Petition:

The Transaction Parties (other than the Security Trustee or the Russian Enforcement Agent) agreed that, they shall not, until the expiry of two (2) years and one (1) day after the payment of all sums outstanding and owing in respect of the latest maturing Note:

- (a) take any corporate action or other steps or legal proceedings for the winding-up, dissolution or re-organisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of the Issuer or of any or all of the Issuer's revenues and assets; or
- (b) have any right to take any steps for the purpose of obtaining payment of any amounts payable to them under any Transaction Document by the Issuer and shall not until such time take any steps to recover any debts whatsoever owing to them by the Issuer.

Notwithstanding the above, the Security Trustee or the Russian Enforcement Agent shall be entitled to execute any right, power or remedy under the Deed of Charge, the Trust Deed, the Pledge Agreement or any other agreement entered into in connection with the Issuer Notes or the other Transaction Documents to which it is a party with respect to the Security and the Security Trustee or the Russian Enforcement Agent and shall apply the proceeds of realisation of the Security in accordance with the Post-Enforcement Payments Priorities.

Listing:

Application has been made to the Irish Stock Exchange for the Class A Notes to be admitted to the Official List and trading on its regulated market.

The Issuer paid € 4,500 to the Irish Stock Exchange in connection with its application for listing.

Governing Law:

The Class A Notes and the Transaction Documents to which the Issuer is a party (save for the Custodial Services Agreement, Standby Custodial Services Agreement, the Pledge Agreement,

the Collection Account Agreement and the Collection Account Addendum, certain clauses of the Framework Mortgage Portfolio Purchase Agreement, the Mortgage Certificates Purchase Agreements and the Corporate Services Agreement) are governed by English law. The Corporate Services Agreement is governed by the laws of the Grand Duchy of Luxembourg. The Custodial Services Agreement, the Pledge Agreement, the Collection Account Agreement and the Collection Account Addendum, the Mortgage Certificates Purchase Agreements and certain clauses of the Framework Mortgage Portfolio Purchase Agreement are governed by the laws of the Russian Federation.

TRANSACTION PARTIES

Issuer	URSA Mortgage Finance S.A., a securitisation undertaking (<i>organisme de titrisation</i>) in the form of <i>société anonyme</i> incorporated in Luxembourg, whose registered office is at L-1371 Luxembourg, 7, Val Ste Croix, Grand Duchy of Luxembourg, registered with the Register of Commerce and Companies of Luxembourg under number B – 130545, acting in respect of its compartment 1. The Issuer operates under the legislation of Luxembourg, and in particular the Luxembourg Securitisation Law.
Originator/Seller/MDM Bank	MDM Bank, Open Joint Stock Company (formerly known as URSA Bank, Open Joint Stock Company), a bank incorporated under the laws of the Russian Federation, having its registered office at 18 Lenina street, Novosibirsk, 630004, Russian Federation, acting under the General Licence No.323 issued by the Bank of Russia on August 06, 2009 in its capacity as the originator of the Mortgage Loans and the seller of the Mortgage Certificates.
Servicer	MDM Bank, Open Joint Stock Company (formerly known as URSA Bank, Open Joint Stock Company), a bank incorporated under the laws of the Russian Federation, having its registered office at 18 Lenina street, Novosibirsk, 630004, Russian Federation, acting under the General Licence No.323 issued by the Bank of Russia on August 06, 2009 in its capacity as the servicer of the Purchased Mortgage Certificates.
Standby Servicer/GPB-Mortgage	Joint-stock Bank "GPB-Mortgage" (Open Joint-Stock Company), a bank incorporated under the laws of the Russian Federation, having its registered office at 14, Kolomenskiy proezd, Moscow, 115446, Russian Federation, acting under the License No. 2403 issued by the Bank of Russia on March 20, 2009 in its capacity as the standby servicer of the Purchased Mortgage Certificates.
Class A Notes Purchaser/Class B Notes Purchaser/Class Z Notes Purchaser	MDM Bank, Open Joint Stock Company (formerly known as URSA Bank, Open Joint Stock Company), a bank incorporated under the laws of the Russian Federation, having its registered office at 18 Lenina street, Novosibirsk, 630004, Russian Federation, acting under the General Licence No.323 issued by the Bank of Russia on August 06, 2009 in its capacity as Class A Notes Purchaser, Class B Notes Purchaser and Class Z Notes Purchaser.
Custodian	MDM Bank, Open Joint Stock Company (formerly known as URSA Bank, Open Joint Stock Company), a bank incorporated under the laws of the Russian Federation, having its registered office at 18 Lenina street, Novosibirsk, 630004, Russian Federation, acting under the General Licence No.323 issued by the Bank of Russia on August 06, 2009 in its capacity as the originator of the Mortgage Loans, seller of the Mortgage Certificates, servicer of the Mortgage Certificates and custodian of the Mortgage certificates.

Standby Custodian/ GPB	Gazprombank (Open Joint-stock Company), a bank incorporated under the laws of the Russian Federation, having its registered office at 16, Bldg. 1, Nametkina St., Moscow, Russia, 117420 acting under the General License No. 354 issued by the Bank of Russia on September 28, 2007 in its capacity as the standby custodian of the Purchased Mortgage Certificates.
Collection Account Bank	MDM Bank, Open Joint Stock Company (formerly known as URSA Bank, Open Joint Stock Company), a bank incorporated under the laws of the Russian Federation, having its registered office at 18 Lenina street, Novosibirsk, 630004, Russian Federation, acting under the General Licence No.323 issued by the Bank of Russia on August 06, 2009 in its capacity as Collection Account Bank of the Purchased Mortgage Certificates.
Note Trustee/ Security Trustee	Deutsche Trustee Company Limited, a limited liability company organised under the laws of England and Wales, whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB in its capacity as the Note Trustee and the Security Trustee.
Russian Enforcement Agent	Closed Joint Stock Company Unicredit Bank (formerly known as International Moscow Bank), a bank incorporated under the laws of the Russian Federation, having its registered office at Prechistsenskaya nab. 9, Moscow 119034, Russian Federation in its capacity of the Russian Enforcement Agent.
Cash Manager	Deutsche Bank AG, London Branch, a corporation domiciled in Frankfurt am Main, Germany, operating in the United Kingdom under branch registration number BR000005, acting through its London branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom in its capacity as the Cash Manager.
Paying Agent	Deutsche Bank AG, London Branch, a corporation domiciled in Frankfurt am Main, Germany, operating in the United Kingdom under branch registration number BR000005, acting through its London branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom in its capacity as the Paying Agent.
Purchaser Accounts Bank	Deutsche Bank AG, London Branch, a corporation domiciled in Frankfurt am Main, Germany, operating in the United Kingdom under branch registration number BR000005, acting through its London branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom in its capacity as Purchaser Accounts Bank.
Corporate Services Provider	Structured Finance Management (Luxembourg) S.A., a <i>société anonyme</i> incorporated under the laws of Luxembourg and having its registered office at L-1371 Luxembourg, 7, Val Ste Croix, Grand Duchy of Luxembourg in its capacity as corporate services provider to the Issuer.

Irish Listing Agent

A&L Listing Limited in its capacity as the Listing Agent of the Class A Notes.

Rating Agency

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. (the "**Rating Agency**").

Common Depositary

Deutsche Bank AG in its capacity as common depositary for Euroclear and Clearstream, Luxembourg.

TRANSACTION DOCUMENTS

The Transaction Documents

Master Framework Agreement	The master framework agreement, dated 7 December 2007 as amended and restated on 27 December 2007, on 7 February 2008 and on the Listing Date, entered into between the Transaction Parties.
Framework Mortgage Portfolio Purchase Agreement	The framework mortgage portfolio purchase agreement, dated 7 December 2007, between the Seller, the Issuer and the Security Trustee setting out terms and conditions of the sale of the Mortgage Portfolio.
Mortgage Certificates Purchase Agreement No.1	The mortgage certificates purchase agreement No.1, dated 7 December 2007 as amended on 7 February 2008, between the Seller and the Issuer under which the Issuer has purchased the Initial Mortgage Portfolio from the Seller on the Initial Purchase Date.
Servicing Agreement	The servicing agreement, dated 7 December 2007 as amended and restated on 27 December 2007, between the Issuer, the Seller, the Servicer, and the Security Trustee under which the Servicer has been appointed to carry out certain servicing functions in connection with the Purchased Mortgage Certificates.
Standby Servicing Agreement	The standby servicing agreement, dated 27 December 2007, between the Issuer, the Servicer, the Standby Servicer, the Seller, and the Security Trustee under which the Issuer has appointed the Standby Servicer to carry out certain standby servicing functions in connection with the Purchased Mortgage Certificates.
Custodial Services Agreement	The custodial services agreement, dated 7 December 2007 as amended and restated on 27 December 2007, between the Issuer, the Custodian, the Seller, the Security Trustee, the Servicer and the Russian Enforcement Agent under which the Custodian agreed to provide certain custodial services in connection with the Purchased Mortgage Certificates.
Standby Custodial Services Agreement	The custodial services agreement, dated 24 December 2007, between the Issuer, the Standby Custodian, the Custodian, the Seller, the Security Trustee, the Servicer and the Russian Enforcement Agent under which the Standby Custodian agreed to provide certain custodial services in connection with the Purchased Mortgage Certificates.
Cash Management Agreement	The cash management agreement, dated 27 December 2007, as amended and restated on 13 January 2009 and on the Listing Date, between the Cash Manager, the Issuer and the Security Trustee under which the Cash Manager provides the Issuer with certain cash management services.

Paying Agency Agreement	The paying agency agreement, dated 27 December 2007, as amended and restated on the Listing Date, between the Paying Agent, the Issuer, the Note Trustee and the Security Trustee in connection with the payments to holders of the Issuer Notes.
Deed of Charge	The deed of charge, dated 27 December 2007, as amended and restated on the Listing Date between the Issuer, the Security Trustee and the Russian Enforcement Agent under which the Issuer has granted certain security to the Security Trustee for the benefit of the Secured Creditors.
Trust Deed	The trust deed, dated 27 December 2007, as amended and restated on 7 February 2008, on 16 May 2008, on 13 January 2009 and on the Listing Date between the Issuer, the Note Trustee and the Security Trustee by which the Class A Notes and the Class B Notes were constituted on the Issue Date and the Note Trustee agreed to act as trustee for the holders of the Class A Notes and the Class B Notes.
Pledge Agreement	The pledge agreement, dated 27 December 2007 as amended on 7 February 2008, between the Issuer, the Security Trustee and the Russian Enforcement Agent under which the Issuer granted a pledge in favor of the Security Trustee (on its behalf and on behalf of the other Secured Creditors) over, among other things, the Purchased Mortgage Certificates as continuing security for its obligations under the Notes and its obligations to other Secured Creditors.
Purchaser Accounts Agreement	The purchaser accounts agreement, dated 27 December 2007, between the Issuer, the Cash Manager, the Security Trustee and the Purchaser Accounts Bank under which the Purchaser Accounts Bank acts as the bank at which the RUB Distribution Account and the Cash Reserve Account have been opened and are maintained.
Collection Account Agreement	The collection account agreement, dated 7 November 2007, between the Issuer and the Collection Account Bank under which the Collection Account Bank acts as the bank at which the Collection Account has been opened and maintained.
Collection Account Addendum	The collection account addendum, dated 27 December 2007, between the Issuer, the Servicer, the Cash Manager, the Security Trustee and the Collection Account Bank which has amended and supplemented the Collection Account Agreement.
Corporate Services Agreement	The corporate services agreement, dated 27 July 2007 (between the Corporate Services Provider and the Issuer under which the Corporate Services Provider provides certain administrative services to the Issuer.
Class A Notes Purchase Agreement	The Class A Notes purchase agreement, dated 27 December 2007, between the Issuer, the Originator, the Class A Notes Purchaser, the Registrar and the Security Trustee as regards the purchase and subscription of the Class A Notes.

Class B Notes Purchase Agreement

The Class B Notes purchase agreement, dated 27 December 2007, as amended and restated on 7 February 2008, between the Issuer, the Class B Notes Purchaser, the Registrar and the Security Trustee as regards the purchase and subscription of the Class B Notes.

Class Z Notes Issuance Facility Agreement

The Class Z Notes Issuance Facility Agreement, dated on 27 December 2007, as amended and restated on 13 January 2009 and on the Listing Date, between the Issuer, the Class Z Notes Purchaser and the Security Trustee, under which the Class Z Notes have been constituted, issued and subscribed for on the Issue Date and on any other Purchase Date during the Sale Period.

The Accounts

Collection Account

The bank account in the name of the Issuer, opened by the Issuer with the Collection Account Bank in RUB currency pursuant to the Collection Account Agreement for the purposes of collecting all Collections received by the Servicer from any Borrower pursuant to a Mortgage Loan.

RUB Distribution Account

The bank account in the name of the Issuer, opened by the Issuer in accordance with the Purchaser Accounts Agreement with the Purchaser Accounts Bank in RUB currency, for the purposes of distributing funds in accordance with the Payments Priorities.

Cash Reserve Account

The bank account in the name of the Issuer, opened by the Issuer with the Purchaser Accounts Bank in RUB currency for the purposes of crediting and maintaining the Cash Reserve Account Required Balance as of the Issue Date.

RISK FACTORS

Any investment in the Class A Notes involves a number of risks. Prospective investors in the Class A Notes should carefully consider the following information in conjunction with other information contained in this Prospectus prior to making any investment decision. This Risk Factors section, however, cannot disclose all of the significant aspects of the Class A Notes 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. If any of the following risks actually occur, the business, results of operations or financial condition of the Issuer could be materially adversely affected. In that event, the value of the Class A Notes could decline, and prospective investors might lose part or all of their investment. If you are in any doubt about the contents of this Prospectus you should consult with an appropriate professional adviser to make your own legal, tax, accounting and financial evaluation of the merits and risks of investment in such Class A Notes and that you consider the suitability of such Class A Notes as an investment in light of your own circumstances and financial condition.

RISKS RELATING TO THE CLASS A NOTES

Limited liability under the Class A Notes

The Class A Notes will be solely the obligations of the Issuer. The Class A Notes will not be obligations or responsibilities of, or guaranteed by, any other entity. In particular, the Class A Notes will not be obligations or responsibilities of, and will not be guaranteed by, any of the Transaction Parties, the Borrowers, or any of their respective affiliates or any affiliate or shareholder of the Issuer or any other third 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 Class A Notes.

Absence of a secondary market

Although the Prospectus has been approved by the Financial Regulator and application has been made to the Irish Stock Exchange for the Class A Notes to be admitted to the Official List of the Irish Stock Exchange, there can be no assurance that such a listing or admission to trading will be obtained or maintained. If a market for the Class A Notes develops, there can be no assurance as to its liquidity, to the ability of holders of Class A Notes to sell their Class A Notes or to the price at which the holders of the Class A Notes will be able to sell their Class A Notes. Furthermore, the market price of the Class A Notes could be subject to fluctuations due to the market for similar securities, prevailing interest rates, changes in regulation and general market and economic conditions. There can be no guarantee as to the price of the Class A Notes on a secondary market, if such a secondary market for the Class A Notes develops holders of Class A Notes, therefore, need to be able to hold their Class A Notes until the Final Legal Maturity Date and be able to bear any risks or losses for such period.

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 Class A Notes and may adversely affect the ability of holders of Class A Notes to sell the Class A Notes.

Restrictions on transfer

The Class A Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States of America. The offering of the Class A Notes will be made pursuant to exemptions from the registration provisions of

the Securities Act and from state securities laws. Accordingly, and pursuant to applicable legislation of other jurisdictions, offers and sales of the Class A Notes are subject to the restrictions described under "*Subscription and Sale*". These restrictions may hinder the holders' of the Class A Notes ability to transfer the Class A Notes.

Ratings of the Class A Notes

The ratings assigned to the Class A Notes by Standard & Poor's address ultimate repayment of principal and interest for the Class A Notes in accordance with the terms of the Transaction Documents. 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 Standard & Poor's as a result of, *inter alia*, changes in, or unavailability of, information or if, in Standard & Poor's judgment, circumstances so warrant. Rating agencies other than Standard & Poor's could seek to rate the Class A Notes and if such "unsolicited ratings" are lower than the equivalent rating assigned to the Class A Notes by Standard & Poor's, such ratings could have an adverse effect on the market value of the Class A Notes.

Credit ratings assigned to the Class A Notes do not mean that they are a suitable investment. 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. Similar ratings on different types of instruments or notes do not necessarily mean the same thing. Any change in the credit ratings of the Class A Notes could adversely affect the price that a subsequent purchaser will be willing to pay for the Class A Notes.

The significance of each rating should be analysed independently from any other rating.

Early redemption of the Class A Notes

The Issuer may redeem the Class A Notes for specified tax or legal reasons. See Condition 8 (*Redemption of the Notes*). These features are likely to limit potential increases in the market value of the Class A Notes during any period within which the Class A Notes are subject to redemption. During such period, the market value of the Class A Notes would generally not be expected to rise substantially above the price at which they can be redeemed. This may also be true prior to the commencement of any redemption period. An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Class A Notes and may only be able to do so at a significantly lower rate. Prospective investors should consider reinvestment risk in light of other investments available at that time.

Yield to maturity and prepayment considerations

The yield to maturity of the Class A Notes will depend on, *inter alia*, the amount and timing of payments of principal on the Class A Notes, which will in turn depend on the amount and timing of payments of principal under the Mortgage Loans relating to the Purchased Mortgage Certificates (including prepayments and sale proceeds arising on enforcement of such Mortgage Loans). The yield to maturity of the Class A Notes may be adversely affected by a higher or lower than anticipated rate of prepayments on such Mortgage Loans and, consequently, under the Class A Notes.

Under the terms of the Mortgage Loan Agreements, a Borrower can generally prepay a Mortgage Loan, in full or in part, upon the expiry of moratorium on prepayment (up to 12 (twelve) months following disbursement). Borrowers' defaults as well as, following an insurance event, the receipt of proceeds under any Insurance Policies (as defined below), damage or loss of the Mortgaged Property may also result in acceleration of the Mortgage Loans. The rate of prepayment of the Mortgage Loans, which is affected by a wide variety of social, economic and other factors, cannot be accurately predicted.

There is currently almost no market for the refinancing of residential mortgage loans in Russia. However, as the Russian residential mortgage loan market matures (and the Russian government undertakes certain measures to promote mortgage lending in Russia), it is likely that the practice of refinancing mortgage loans will increase significantly, which may increase prepayments under the Mortgage Portfolio and adversely affect the yield on the Class A Notes. Therefore, no assurance can be given as to the level of prepayments that the Mortgage Portfolio will experience, nor the consequent prepayment of the Class A Notes and ultimately the Class A Notes.

Enforcement of Security.

Upon enforcement of the Security, the Security Trustee (or, as the case may be, any enforcement agent appointed by the Security Trustee) will have recourse only to the Mortgage Portfolio and the other assets of the Issuer secured under the Security. The terms on which the Security will be held will provide that, upon enforcement, certain payments will be made in priority to payments in respect of interest on and principal of the Class A Notes, as set out in the Post-Enforcement Payments Priorities. The Post-Enforcement Payments Priorities may reduce the recovery of the holders of the Class A Notes upon an enforcement of the Security. For a description of the Post-Enforcement Payment Priorities, see "*Principal Features of the Class A Notes - Post-Enforcement Payments Priorities*".

Changes of law and force majeure

The structure of the transaction and, *inter alia*, the issue of the Class A Notes are based on the law, its judicial interpretation and administrative practice in effect as at the date of this Prospectus 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 of a change or impact of any change to such law, interpretation or practice on and after the date of this Prospectus. Should any such change occur during the life of the Class A Notes, it may adversely affect the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

Further, the occurrence of certain events beyond the reasonable control of the Issuer and the Originator 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 Borrowers or result in the suspension of the obligations of the parties under the Transaction Documents, which may adversely affect the receipt by the Issuer of payments of principal and interest on the Class A Notes.

RISKS RELATING TO THE ISSUER

Limited recourse obligations

The Class A Notes are direct, secured, limited recourse obligations of the Issuer payable solely out of the assets secured by the Issuer in favour of the Secured Creditors. The Issuer is obliged to make payments of interest and principal to the holders of the Class A Notes that are equal to the relevant sums actually received by it. Sums payable to each holder of the Class A Notes in respect of the Issuer's obligations to such holder of the Class A Notes will be limited to the lesser of (a) the aggregate amount of all sums due and payable to such holder of the Class A Notes, and (b) the aggregate amounts received, realised or otherwise recovered by or for the account of the Issuer in respect of the Secured Property whether pursuant to enforcement of the Security or otherwise, net of any sums which are payable by the Issuer in accordance with the Post-Enforcement Payments Priorities in priority to or *pari passu* with sums payable to such holder of the Class A Notes.

The holders of the Class A Notes will have no right to take title to, or possession of, the Secured Property. No assurance can be made that the proceeds available for and allocated to the repayment of the Class A Notes at any particular time will be sufficient to cover all amounts that would otherwise

be due and payable in respect of the Class A Notes. If the proceeds of the realisation of the Security received by the Security Trustee for the benefit of the holders of the Class A Notes prove insufficient to make payments on the Class A Notes, no other assets will be available for payment of the deficiency. Any deficiency will be borne in accordance with Condition 9 (*Limited Recourse*) and following the realisation of the Security, the Issuer will have no further obligation to pay any amounts in respect of any such deficiency.

Further, the Note Trustee and the holders of the Class A Notes will not be entitled at any time to petition or take any other step for the winding-up of, or the appointment of an examiner to, the Issuer, provided that the Note Trustee may prove or lodge a claim in the liquidation of the Issuer initiated by another party and provided further that the Note Trustee may take proceedings to obtain a declaration or similar judgment or order as to the obligations and liabilities of the Issuer.

The Issuer is a special purpose vehicle

The Issuer is a special purpose entity (a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg as a securitisation company (*société de titrisation*) within the meaning of, and governed by Luxembourg Securitisation Law, with no business operations other than the issue of the Notes, the financing and the purchase of the Mortgage Portfolios, the entry into the Transaction Documents and those ancillary to its incorporation. The Issuer's ability to meet its obligations in respect of the Class A Notes, its operating and administrative expenses and all other liabilities under the relevant Pre-Enforcement Revenue Payment Priorities and Pre-Enforcement Principal Payment Priorities is wholly dependent upon the receipt by it of amounts due and payable from time to time under:

- the Mortgage Portfolio (if any);
- the Cash Reserve Account; and
- interest from the RUB Distribution Account and the Cash Reserve Account.

The Issuer will have no other funds available to it to meet its obligations under the Class A Notes or any other payments ranking in priority to, or *pari passu* with, the Class A Notes. The transaction does not provide for a guaranteed investment contract nor does it contemplate any other investment of any funds deposited in the Collection Account (which account will not be interest bearing).

The Issuer has, and will have, no assets other than its issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of the Class A Notes, or entry into any other obligations from time to time, and the Mortgage Portfolio and any other assets on which the Class A Notes or other obligations are secured. There is no day-to-day management of the business of the Issuer.

Preferred creditors under Luxembourg law

Under Luxembourg law, upon the insolvency of a Luxembourg company such as the Issuer, when applying the proceeds of assets subject to fixed security which may have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority over the claims of creditors holding the relevant fixed security. These preferred claims include, but are not limited to, the claims of the Luxembourg tax authorities.

Insolvency of the Issuer

The Issuer is incorporated under and governed by the laws of the Grand Duchy of Luxembourg and, hence, is subject to Luxembourg insolvency laws.

Under Luxembourg insolvency laws, the ability of the Issuer to receive payment from the Issuer in respect of the Class A Notes may be subject to significant limitations. Under Luxembourg law, the following types of proceedings (together referred to as insolvency proceedings) may be opened against an entity having its registered office or centre of main interests (as defined in Article 3(1) of the Council Regulation (EC) no. 1346/2000 of 29 May 2000 on insolvency proceedings (the "EUIR")) in the Grand Duchy of Luxembourg:

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the Issuer's creditors which have not agreed to the non-petition clause or must be requested by the directors of the Issuer if (i) the Issuer's credit is shattered and (ii) the Issuer is in a state of cessation of payments.
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Issuer and not by its creditors; and
- composition proceedings (*concordat préventif de faillite*), which may be requested only by the Issuer (subject to obtaining the consent of the majority of its creditors) and not by its creditors. The court's decision to admit a company to composition proceedings triggers a provisional stay on enforcement of claims by creditors.

In addition to the proceedings described above, the ability of the Issuer to receive payment on the Class A Notes may be affected by a decision of a court to grant a stay on payments (*sursis de paiement*) or to put the Issuer into judicial liquidation (*liquidation judiciaire*).

Liabilities of the Issuer in respect of the Class A Notes will, in the event of a liquidation of the Issuer following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and such debts of the Issuer that are entitled to priority under Luxembourg law.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realised).

During insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings providing expressly that the rights of secured creditors are frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganisation order given by the court. Furthermore, declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an Event of Default (as defined in the Condition 12 (*Events of Default*))) may not be enforceable during controlled management proceedings.

Luxembourg insolvency law may affect transactions entered into or payments made by the Issuer during the period before liquidation or administration. If the liquidator or administrator (including, without limitation, in relation to the Issuer, any *commissaire*, *juge-commissaire*, *liquidateur* or *curateur* or similar official) can show that the Issuer has given "*preference*" to any person by defrauding the rights of creditors generally, regardless of when this fraud occurred, a Luxembourg court has the power to void the preferential transaction. If the liquidator or administrator can show that: (i) a payment in relation to a due debt was made during the so-called suspect period (which is a maximum of six months and ten days preceding the judgment declaring bankruptcy), that is disadvantageous to the general body of creditors; and/or (ii) the party receiving such payment is shown to have known that the bankrupt party had generally stopped making payments when such payment occurred, a Luxembourg court has the power, *inter alia*, to void the preferential transaction.

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the EUIR determining, *inter alia*, the place of main insolvency

proceedings, the law governing the main insolvency proceedings and the possibility to open secondary insolvency proceedings.

Issuer's ability to make full and timely payments on the Class A Notes

Since the beginning of the global "credit crunch", in August 2007 many financial institutions worldwide have experienced great difficulty in obtaining funding. The resulting lack of liquidity in the global financial markets has yet to be resolved on the date of this Prospectus and may have a significant adverse effect on financial institutions in general and the Issuer in particular. This may have negative consequences on the abilities of each of these entities to fulfill its obligations under the Transaction Documents. Any such negative consequences may impair the ability of the Issuer to make payments of interest or principal due under the Class A Notes and consequently the Issuer's ability to make payments of interest or principal due under the Class A Notes.

The Issuer's ability to make full and timely payments on the Class A Notes will also be dependent on (i) the Servicer properly performing its obligations under the Servicing Agreement to procure that amounts due and payable by the Borrowers are paid into the Collection Account and to ensure that amounts so collected are remitted to the RUB Distribution Account in accordance with the terms of the Collection Account Agreement, the Servicing Agreement and the Purchaser Account Agreement; and (ii) certain other Class A Notes Transaction Parties fulfilling their obligations under the Transaction Documents to which they are, respectively, a party.

Enforcement of the Security

Upon enforcement of the Security, the Security Trustee will have recourse only to the Purchased Mortgage Certificates and the other assets of the Issuer secured under the Security. The terms on which the Security will be held will provide that, upon enforcement, certain payments will be made in priority to payments in respect of interest on and principal of the Class A Notes, as set out in the Post-Enforcement Payment Priorities.

Given the nature of the Mortgage Certificates and other risk factors relating to the Mortgage Portfolio and Russia, it may be difficult for the Russian Enforcement Agent to take enforcement action in relation to the Security and it may not be possible to realise sufficient funds from the Security to make payments of principal and/or interest in respect of the Class A Notes.

In addition, while security has been created over the Collection Account (and funds standing to the credit of such an account), it is not clear whether such security would be valid and enforceable as a matter of Russian law. Russian courts on previous occasions have treated pledges over bank accounts to be invalid. Consequently, it may not be possible to realise sufficient monies to make payments in respect of the Class A Notes and consequently, payments in respect of the Class A Notes.

Reliance on Third Parties

The Issuer is a party to contracts with a number of other third parties who have agreed to perform services in relation to the Class A Notes. In particular, but without limitation, the Cash Manager has agreed to provide cash management services under the Cash Management Agreement and the Paying Agent has agreed to provide paying services with respect to the Class A Notes under the Paying Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, such failure may have an adverse effect on the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

RISKS RELATING TO THE ORIGINATOR AND THE MORTGAGE PORTFOLIO

No assurance of Borrowers' ability to make payments under Purchased Mortgage Certificates

There can be no assurance that the Borrowers will meet their payment obligations under the Mortgage Loans relating to the Purchased Mortgage Certificates. General economic conditions and other factors may have an impact on the ability of the Borrowers to meet their repayment obligations under the terms of Mortgage Loan Agreements. Loss of earnings or savings, depreciation of the Rouble against the U.S.\$, and/or Euro and/or other major foreign currencies, increased expenses in respect of non-discretionary items (such as food and fuel for heating), loss of economic confidence, illness, divorce and other similar personal factors, which cannot be foreseen at the time the loan is granted, may lead to an increase in non-payment by the Borrowers. In addition, in the event of enforcement against a Borrower, the ability of the Issuer to dispose of the 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 Property and property values in general at that time.

To the extent that Borrowers fail to meet their payment obligations under the Mortgage Loans relating to the Purchased Mortgage Certificates, the Issuer will not have sufficient funds available to make payments of interest or principal due under the Class A Notes.

Underwriting standards

The Originator has put in place a set of procedures for determining the credit quality of a prospective Borrower, including examination of his or her credit history, employment and monthly income details and property ownership. The Mortgage Loans have been originated by the Originator according to its standard criteria for the provision of Mortgage Loans to the Borrowers (the "**Originator's Operating Procedures**") and the Mortgage Certificates have been selected for inclusion in the Mortgage Portfolio according to predetermined Eligibility Criteria. The Eligibility Criteria are generally consistent with eligibility criteria given by other originators in rated securitisations of this kind in Europe. See "*MDM Bank and its Business - Underwriting procedures*" and "*Overview of Transaction Documents – Framework Mortgage Portfolio Purchase Agreement*" for more details on the Originator's Operating Procedures and the Eligibility Criteria.

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 bureaux which could help lenders assess the creditworthiness of potential Borrowers in the Russian Federation is relatively new and there is a substantial '*grey economy*' in the Russian Federation, which may lead to over- or under-reporting of actual salaries on loan applications. While the Originator has developed the Originator's Operating Procedures and put in place stringent policies of verification of its Borrowers' income, which it believes to be adequate and efficient to assess the prospective Borrowers' income, in the absence of more sophisticated credit tools, more defaults by Borrowers may occur than anticipated, which would adversely affect the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

Limited information about the Mortgage Certificates and residential mortgage lending market

Statistical and other data on residential mortgage loans available to the Originator may be less complete than that available in jurisdictions with more mature markets. None of the Issuer, the Security Trustee, the Note Trustee, the Paying Agent and the Corporate Services Provider has undertaken or will undertake any independent investigation or review of, or seek to verify such statistical information. In the absence of a meaningful track record of statistical data on residential mortgage loans in Russia, there can be no assurances as to the future performance of the Mortgage Loans. To date, the delinquency and default rates for the Mortgage Portfolio have been relatively low, although there can be no assurance that these rates will reflect the actual performance of the

Mortgage Portfolio in the future and therefore the ability of the Issuer to make payments of interest and/or principal on the Class A Notes.

Insolvency of MDM

The Class A Notes are solely obligations of the Issuer. However, in the event that the Originator becomes insolvent or pre-insolvency measures are instituted in respect of the Originator, this may have an adverse effect on the ability of the Issuer to make payments of principal and interest in respect of the Class A Notes on time and in full.

Insolvency proceedings in respect to the Originator under Russian law could include any of the following: (a) the Originator seeking or consenting to the introduction of proceedings for its liquidation or the appointment of a liquidation commission (*likvidatsionnaya komissiya*) or a similar officer in respect of the Originator, (b) the presentation or filing of a petition in respect of the Originator in any court or arbitration court or before any government agency alleging, or for, the bankruptcy, insolvency, dissolution, liquidation (or any analogous proceedings) of the Originator, (c) the institution at the request of the CBR of financial rehabilitation (*finansovoye ozdorovlenie*), temporary administration (*vremennaya administratsiya*) or reorganisation (*reorganizatsiya*) with respect to the Originator as such terms are defined in the Federal Law of the Russian Federation No. 40-FZ "On Insolvency (Bankruptcy) of Credit Organisations" dated 25 February 1999 (as amended or restated from time to time), (d) any judicial liquidation, dissolution, liquidation or winding up in respect of the Originator, and/or the withdrawal of the Originator's bank license and/or (e) the shareholders of the Originator approving any plan of liquidation or dissolution of the Originator.

Further, under Russian law, the CBR may in certain cases impose a moratorium on payments to creditors following the appointment of the temporary administrator but before revocation of the Originator's banking licence. The moratorium would cover monetary obligations that arose prior to the appointment of the temporary administrator and the term of such moratorium may not extend beyond three months. The moratorium would likely affect the performance by the Originator of its obligations under the Transaction Documents including the ability to transfer payments from the Borrowers under the Mortgage Loans to the Issuer.

Effect of Insolvency on Sale

An insolvency of MDM Bank may have an adverse effect on the servicing, value and collectability of the Mortgage Portfolio and therefore on the ability of the Issuer to meet its obligations in respect of the Class A Notes.

Also, a temporary administrator, liquidator and various creditors may seek to challenge the sale of the Mortgage Certificates to the Issuer on a number of grounds, for instance by arguing that the sale does not in fact involve a sale and purchase of the Mortgage Certificates but rather an arrangement for the Issuer to provide the Originator with a secured loan. If a Russian court were to determine that the transfer of the Mortgage Certificates to the Issuer was not a "true sale", the Issuer will be regarded as not having acquired ownership of any assets and may incur losses as a result.

In cases of bankruptcy, Russian courts may void any transactions of the bankrupt entity entered into during one year prior to the opening of the insolvency proceedings or thereafter if such transaction was entered into for "inadequate consideration". Further, consideration may be deemed inadequate when, *inter alia*, a materially lower price is paid and/or other conditions of the transaction are materially worse compared to analogous transactions concluded in similar circumstances. There is no exhaustive list of the "inadequate consideration" criteria and no clear guidance for the meaning of "analogous transactions" and "similar circumstances" is provided in the Russian insolvency legislation.

Also, transactions concluded within 3 years prior to or after the initiation of insolvency proceedings and which willfully resulted in violation of the creditor's rights may be invalidated by a Russian court

provided that a counterparty to such transaction was aware or should have been aware of the Originator's malicious intention at the time of such transaction. The concept of violation of creditor's rights is broadly defined in the Russian insolvency legislation and includes, *inter alia*, transactions entered by the debtor in a distressed financial position where either (a) the relevant transaction was entered into without consideration or with an interested party or (b) a debtor after transferring 10 per cent of its assets concealed its location, assets, distorted or destroyed its financial documents or continued using, possessing or controlling the disposed assets. The concept of violation of creditor's rights is new and in many respects unclear and untested in Russian courts.

If the Issuer's acquisition of the Mortgage Portfolio is unwound or invalidated, the Issuer would have to retransfer the Purchased Mortgage Certificates to the Originator each in exchange for the relevant Repurchase Price, the payment in respect of which it would be an unsecured creditor of the Originator. In a bankruptcy, there is inevitably significant risk that the Originator would not have sufficient funds to pay the purchase price in full, with a corresponding effect on the Issuer's ability to make payments of principal and interest in respect of the Class A Notes.

In addition, in insolvency, the bankruptcy administrator may also refuse to perform contracts which have not been performed in full or in part (executory contracts) to the extent such contracts may preclude the reinstatement of the Originator's solvency or would result in damages to the Originator when compared with analogous transactions concluded in similar circumstances. In such case the agreement will be deemed terminated from the moment when each party has received termination notice circulated by bankruptcy administrator. This may affect the Originator's ability to perform its obligations under the Transaction Documents including its obligations: (i) to repurchase Ineligible Mortgage Certificates from the Issuer (in its capacity as the Seller); and (ii) to collect payments under the Mortgage Portfolio on behalf of the Issuer and to transfer such payments on a daily basis from the Collection Account to the RUB Distribution Account in its capacity as the Servicer.

Effect of Insolvency on collections and commingling risk

Payments under the Mortgage Portfolio will be made by various means by the Borrowers to their current accounts held with the Originator, acting as the Servicer (each a "**Borrower's Accounts**"). The Borrower's Accounts will be debited by the Servicer to repay the Mortgage Loans comprising the Mortgage Portfolio in accordance with the individual repayment schedules and terms of the relevant Mortgage Loan Agreement. The debited amounts will be transferred to the Collection Account and swept on a daily basis to the RUB Distribution Account. Although the daily sweep to the RUB Distribution Account reduces the amount of funds subject to commingling risk, the Issuer will face a commingling risk in relation to such collection payments prior to such sweep as on the insolvency of the Servicer there is a risk that a Russian court would rule that all money in the Borrower's Accounts would form part of the insolvency estate of the Servicer so that the Issuer would rank as an unsecured creditor in respect of its claim to the collections relating to the Mortgage Portfolio which are still standing to the credit of those accounts (or otherwise in the possession of the Servicer in circumstances in which a corresponding amount of the Mortgage Loans has been discharged). This could result in the Issuer having insufficient funds to make payments of principal and interest in respect of the Class A Notes.

The amount of commingling risk that might arise in connection with the Mortgage Portfolio will depend upon a variety of factors, including (without limitation) the payment methods used by the Borrowers, the behaviour of the Borrowers (specifically including the amount of time in advance of due dates for payments under the Mortgage Loans comprising the Mortgage Portfolio that they may make such payments), whether or not servicing has been transferred to a replacement servicer upon the occurrence of a Servicer Termination Event, which may be the Standby Servicer pursuant to the Standby Servicing Agreement or any other replacement servicer, as the case may be (the "**Replacement Servicer**").

To the extent that Borrowers have not been notified or successfully argue that such notification has not been received, the Issuer will continue to be exposed to the risk that amounts collected by the Originator and credited to the Borrower's Accounts linked to the Mortgage Portfolio (or other accounts held by Borrowers with the Originator) could be lost in case the Originator became insolvent or in case of a default by the Servicer or any replacements in its obligation to procure that those amounts are transferred to the Issuer. Notification processes may not be fully effective as a result of the distribution of the Borrowers and the geographical remoteness of some Borrowers as well as due to ineffectiveness or failures of the postal system of the Russian Federation.

Moratorium on Payments

The CBR may in certain circumstances appoint a temporary administration (*vremennaya administratsiya*) for a credit institution such as the Originator prior to (and in an attempt to prevent) bankruptcy proceedings. In such case the CBR may, upon application by the temporary administrator of the Originator, impose a moratorium on payments to creditors following the imposition of the temporary administration but before revocation of the Originator's banking licence. The moratorium would cover monetary obligations that arose prior to the appointment of the temporary administration. Such a moratorium can last up to three months and, although the law is not entirely clear, it should apply to all payment obligations that arose prior to the appointment of the temporary administration, notwithstanding the due dates of performance of such obligations. A moratorium, if introduced in respect of the Originator, would be likely to affect the performance by the Originator of its obligations, including obligations to transfer funds received from the Borrower to the Issuer in its capacity as the Servicer. The Originator would not be liable for non-performance of contractual obligations during a moratorium. Contractual penalties or fines do not accrue during a moratorium (instead interest at 2/3 of the CBR prescribed refinancing rate would accrue until the expiry of the moratorium).

Issuer's rights as mortgagee will remain unregistered

While the Issuer is entitled (although not obliged under Russian law) to register itself as the mortgagee under the Purchased 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.

The risk of not attending to such registration is that if a Purchased Mortgage Certificate becomes unavailable (through loss, destruction or otherwise) the Issuer would need to establish its entitlement as a mortgagee in proceedings in a Russian court, which may cause delays in collection of payments under the relevant Mortgage Certificate. However, this risk is mitigated to a limited extent as the Custodian has agreed to attend to the safekeeping of the Purchased Mortgage Certificates. See "*Overview of Transaction Documents – Custodial Agreement*". Delays may also occur in the collection of payments due to the relevant Borrower's right to require the Issuer to present the relevant Purchased Mortgage Certificate prior to making any payment under the relevant Mortgage Loan Agreement (thus requiring the Issuer or the Servicer to obtain the relevant Purchased Mortgage Certificate from the Custodian), which may adversely affect the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

Enforcement procedures for Mortgage Loans

Each Mortgage Certificate evidences the mortgage over the Property which secures the obligations of the Borrower to perform its obligations under the Mortgage Loan in a timely manner. Under Russian law, a mortgage evidenced by a Mortgage Certificate is deemed to be an accessory obligation of a Borrower and, therefore, its validity depends on the validity of the relevant Mortgage Loan.

If a Borrower defaults under a Mortgage Loan relating to a Purchased Mortgage Certificate, the Issuer has the right to initiate foreclosure on the relevant Property through judicial proceedings. As an

alternative to foreclosure through judicial proceedings, the Issuer and the relevant Borrower may also enter into an agreement on satisfaction of the Issuer's claims in the presence of a Russian notary after a default under a Mortgage Loan has occurred. This extrajudicial procedure for effecting foreclosure therefore requires cooperation of the relevant Borrower, which may not always be forthcoming in a default situation. 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 Borrower's family).

Without the cooperation of the relevant Borrower there is a risk that the Issuer may be involved in lengthy judicial proceedings in a Russian court. As a general rule, a court case must be held within two months of the relevant enforcement claim being filed. However, as a matter of Russian law and practice, this timing can be extended by a court if the court proceeding was postponed or suspended on grounds provided by Russian law. A Borrower 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 instance or otherwise. In practice, a Borrower may also have a number of opportunities to delay an attempt to foreclose on the relevant 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 Property by the Issuer. A court has discretionary powers to reject an enforcement claim if a Borrower's default is minor and the value of the Issuer's claims is insignificant, compared to the value of the Property.

After the Issuer obtains a court decision ordering the levy of execution and if the relevant Borrower 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 Property at public auction. Although there can be no assurance that this will necessarily always be the case, the sale of 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 Borrower's application.

In practice, the system of public sales of Property may result in the proceeds of sale of a Property being lower than the market value of such Property.

If a Borrower and his family do not voluntarily vacate the relevant Property, the eviction of the Borrower and his family through court proceedings may be necessary. This may delay the conclusion of execution proceedings, for example, if the Borrower does not have alternative accommodation. The procedure for enforcement and eviction is more complicated when a member of the family of the Borrower has a limited legal capacity and is under the protection of the agency of guardianship and curatorship. The agency may hinder the disposal of such Property and/or eviction if the authorities believe it is contrary to the interests of the protected individual.

The Mortgage Portfolio may also, in respect of the minority of the portfolio where the Borrowers are located in more distant or less developed areas of the Russian Federation, exhibit a national distribution that may increase the amount of commingling risk, or that may cause difficulties in enforcement as a result of the geographical remoteness of Borrowers from the Servicer or its branches (or, as the case may be, a replacement servicer).

There is therefore a risk of delay in the recovery process relating to a defaulted Mortgage Loan, which, in turn, could adversely affect the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

Insurance

Although the terms of the Mortgage Loan Agreements prohibit the change of a beneficiary without the creditor's consent, under Russian law, a beneficiary under an insurance policy can be replaced at any time before it has performed any obligation under an insurance policy or has demanded an insurance payment. Under the terms of the Mortgage Loan Agreements and the Mortgage Certificates, prior to the disbursement of each Mortgage Loan, the Borrowers are required to obtain (i)

life and disability insurance, (ii) property loss and damage insurance pursuant to insurance policies and insurance agreements related thereto entered into with insurance companies (each an "**Insurance Policy**"). Pursuant to the Mortgage Loan Agreements and the Mortgage Certificates, in case of the transfer of rights under the Mortgage Certificates, the Borrowers are obliged to amend the relevant Insurance Policies and specify the new owner of the Mortgage Certificates as the first loss payee. Moreover, each of the Insurance Policies stipulates that upon the transfer of rights under the relevant Mortgage Certificate, the new owner of such Mortgage Certificate becomes the first loss payee thereunder. Also, under Russian law, the Issuer as mortgagee is entitled to the proceeds of insurance payments under the Insurance Policies relating to loss and damage to the Property in an amount not less than the amount due and payable by the Borrower under the Mortgage Loan, although this rule does not extend to the life and disability Insurance Policies.

If, contrary to the terms of the relevant Mortgage Loan Agreement, a Borrower unilaterally replaces the beneficiary under the Insurance Policies except for the cases as expressly provided by the Mortgage Loan Agreement, the receipt of proceeds from Insurance Policies by the Issuer may not be possible, which may adversely affect the Issuer's ability to make payments of principal and/or interest on the Class A Notes. Although any attempt by the Borrower to replace the beneficiary under the Insurance Policies taken out in connection with the Mortgage Loan constitutes an event of default under the Mortgage Loan Agreement and, therefore, the Issuer will have the right to accelerate the relevant Mortgage Loan, it may ultimately adversely affect the possibility of collection of insurance proceeds following an occurrence of an insured event, which, in turn, may adversely affect the Issuer's ability to make payments of interest and/or principal on the Class A Notes.

The Issuer has not granted security in favour of the Security Trustee in respect of its rights as a beneficiary under the Insurance Policies. If an Event of Default were to occur, the Security Trustee would not be able to recover under the Insurance Policies.

Bank Secrecy and Personal Information

Russian confidentiality and personal data protection rules may adversely impact the structure of this transaction and thus affect the ability to collect payments under the Mortgage Loans comprising the Mortgage Portfolio. This transaction requires information on the Borrowers and the Purchased Mortgage Certificates and the relevant Mortgage Loans to be or, potentially be, disclosed to various parties at different stages of the transaction. It is unclear under Russian law how bank secrecy and personal data protection rules interact with the general right of the Originator to sell the Mortgage Certificates. Furthermore, according to Federal Law No.152-F "On Personal Data" dated 27 July 2006 (the "**Law on Personal Data**"), which came into force on 26 January 2007, the disclosure and export of confidential information may be subject to certain restrictions. While the disclosure of such information should not affect the validity of any of the Mortgage Certificates Purchase Agreements, this issue is not entirely clear due to the lack of court decisions on this point.

Although the Originator believes that the disclosure of information about the Mortgage Loans in connection with the transaction should not breach bank secrecy and personal data protection laws, there can be no assurance that Russian courts would not take another view.

There may also be administrative liability imposed on the relevant party or its officers for the breach of the confidentiality, bank secrecy and data protection rules. Sanctions for failing to comply with bank secrecy and data protection laws, including the improper disclosure of restricted information may include, *inter alia*, compensation, fines and revocation of licences. If the CBR suspends or revokes the Originator's banking licence, this will preclude the Originator from performing its functions as the Servicer which may adversely affect the collection of payments from the Borrowers under the Mortgage Loans and ultimately the ability of the Issuer to make payments under the Class A Notes. In any case, it is unlikely that operations of the Issuer and other parties to the Transaction Documents which are non-Russian entities without any presence in Russia will be affected by the Law on Personal Data. If any sanctions for improper processing were applied to the Originator, such

sanctions may adversely affect the ability of the Issuer to recover its investment in the Mortgage Portfolio and consequently to make payments of principal and/or interest on the Class A Notes.

Consumer protection laws in Russia and contracts of adhesion

The Russian consumer protection legislation provides general protection for consumers, although it is not entirely clear how this law may be applied to the Mortgage Loans comprising the Mortgage Portfolio. Currently, the Russian Federation has no consumer protection laws specifically concerning mortgage loans or their collection. However, there is no guarantee that such laws will not be enacted in the future (including with retroactive effect), that certain regulatory agencies will not start to regulate such Mortgage Loans (in particular, the CBR and the Federal Antimonopoly Service of the Russian Federation are planning to introduce rules regarding consumer lending) or that a court of the Russian Federation will not apply the Russian Consumer Protection Law to Mortgage Loans in an unexpected manner. Such laws, regulations or interpretations 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/or interest in respect of the Class A Notes on time and in full and consequently the ability of the Issuer to make payments of principal and/or interest in respect of the Class A Notes.

In addition, the Mortgage Loan Agreements are so-called "contracts of adhesion" (that is, contracts that the Borrowers may execute only in accordance with the Originator's standard form and whose terms they may not negotiate). Under Russian law, a Borrower may demand termination or amendment of its Mortgage Loan Agreement if it contains terms that the Borrower would not have accepted had he had the opportunity to negotiate them. There is almost lack of court practice in regard to contracts of adhesion. To the extent that the benefit of any such (or other) provisions are intended to flow through to the Class A Notes, challenges by Borrowers of these provisions could adversely affect the ability of the Issuer to make payments of principal and/or interest in respect of the Class A Notes and consequently the ability of the Issuer to make payments of principal and/or interest in respect of the Class A Notes.

Geographic concentration of the Mortgage Portfolio

The major part of the Borrowers under the Mortgage Loans comprising the Mortgage Portfolio is concentrated in the most developed and prosperous areas in the Russian Federation. Any deterioration in the economic condition of these areas or any deterioration in the economic condition of other areas in the Russian Federation may adversely affect the ability of the Borrowers to repay the Mortgage Loans and could reduce the value of the relevant Property, which could increase the risk of losses on the Mortgage Loans. A concentration of Borrowers in such areas may therefore result in a greater risk of loss than would be the case if such concentration had not been present. Such losses, if they occurred, could have an adverse effect on the ability of the Issuer to recover its investment in the Mortgage Portfolio and consequently the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

Devaluation of mortgaged Property

The Mortgage Portfolio may be affected by, *inter alia*, a decline in the value of the Property. Since the beginning of the "credit crunch" in Russia in the beginning of 2009, the residential immovable property has significantly devaluated. No assurance can be given that the value of the Properties will not be further affected by deterioration of economical conditions in Russia or other factors. If the residential property market in the Russian cities and regions where the Properties are located were to experience an overall decline in property values, such a decline could in certain circumstances result in the value of the Mortgage Certificates being significantly reduced and, ultimately, may result in losses to the Issuer if its rights under the Mortgage Certificates are required to be enforced. Such losses, if they occur, could ultimately have an adverse effect on the ability of the Issuer to make payments of principal and/or interest due on the Class A Notes.

Limited secondary market for the Mortgage Certificates may limit the ability of the Issuer to redeem the Class A Notes in full

The ability of the Issuer to redeem the Class A Notes in full, including on an enforcement of the Security, while any amounts payable under the Mortgage Portfolio are still outstanding, may depend upon whether the Purchased Mortgage Certificates can be realised to obtain an amount sufficient to redeem the Class A Notes. Although there is a growing interest of various financial institutions to build up their mortgage portfolios, there is currently only a limited and relatively illiquid secondary market for loans secured by residential mortgages in the Russian Federation. As a result the Issuer or, following the delivery of a Enforcement Notice (as defined below) and enforcement of the Pledge Agreement, the Security Trustee may not be able to sell the Purchased Mortgage Certificates on payment terms sufficient to redeem the Class A Notes in full should it be required to do so. This may negatively impact the Issuer's ability to fully redeem the Class A Notes. In relation to an enforcement of the Security, the Security Trustee or any other party shall not be responsible or in any way liable for any failure to sell any Purchased Mortgage Certificate or for any sale of a Purchased Mortgage Certificate at a price below the par value of the relevant Mortgage Loan.

RISKS RELATING TO THE ADMINISTRATION OF THE MORTGAGE PORTFOLIO

Servicer substitution

In the event of the termination of the appointment of the Servicer following a Servicer Termination Event, it is envisaged that the Standby Servicer shall be appointed as the Replacement Servicer for purposes of the administration of the Mortgage Portfolio. Following such appointment, the Standby Servicer acting as the Replacement Servicer will, pursuant to the terms of the Standby Servicing Agreement, perform services in connection with the administration of the Mortgage Portfolio on materially the same terms as the Servicer under the Servicing Agreement. However, no assurance can be given that the Standby Servicer will be appointed as the Replacement Servicer or that any other Replacement Servicer could be found who would be willing or able to administer the Mortgage Portfolio on materially the same terms as the Servicer under the Servicing Agreement.

The Servicer relies on its trained staff, infrastructure and information processing systems to maintain its collection procedures and the Servicer is a dominant player with expertise in the Russian mortgage lending market. If the Servicer is substituted, the administration and the processing of payments on the Mortgage Loans may be interrupted causing a reduction and/or delays in collections as the Replacement Servicer assumes its responsibilities 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 (including in relation to collection and enforcing remedies) will depend on the information and records available to it and it is possible that there could be an interruption in the administration during the course of the Servicer's substitution. By reason of its lack of familiarity with the Mortgage Portfolio to be serviced by it and the need to divide its resources between servicing its own portfolios and the Mortgage Portfolio, a Replacement Servicer is likely to achieve a materially poorer level of collection of payments from the Borrowers under the Mortgage Loans relating to the Purchased Mortgage Certificates than the Servicer would have done in the absence of the circumstances leading to the termination of its appointment.

Any of the above factors may adversely affect the ability of the Issuer to make payments of principal and/or interest on Class A Notes.

In no circumstances will the Note Trustee and/or Security Trustee be required to perform the role of the Servicer, or the role of any Replacement Servicer.

Potential information technology disruptions

The Servicer's or, as the case may be, 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 and the information technology systems of their subcontractors. The Servicer has contingency procedures, which it believes to be appropriate to address this risk, but there can be no assurances that a disruption (even short term, and including disruption resulting from power outages) to any significant aspect of any information technology systems, or delays or increased costs associated with operating such systems, would not have an adverse effect on the Servicer's or, as the case may be, any replacement servicer's ability to service the Mortgage Loans relating to the Purchased Mortgage Certificates, thus adversely affecting the ability of the Issuer to recover its investment in the Mortgage Portfolio and its ability to pay interest and principal on the Class A Notes.

Direct debit mandates

Under the Mortgage Loan Agreements, repayment is generally effected by direct debit from an account each Borrower has opened with the Originator or another bank. After the transfer of the Mortgage Certificates to the Issuer, the Originator (in its capacity as Servicer) will continue debiting the Borrowers' Accounts for the purposes of discharging their obligations under the Mortgage Loans. Russian law and regulations relating to direct debit procedures are not entirely clear in respect of whether or not the Originator (in its capacity as Servicer) is properly authorised to use the direct debit when it ceases to be the creditor of the relevant Borrowers.

Therefore, no assurance can be given that the Servicer will be able to utilise the direct debit process established for payments between Borrowers and their account banks over the term of the Class A Notes. Additionally, a replacement servicer, appointed after a Servicer Termination Event for purposes of administering the Mortgage Portfolio, will not be able to benefit from the existing direct debit arrangements between the Borrowers and the Servicer, unless the Borrowers open accounts with such replacement servicer. Although the inability to effect the direct debit by the Servicer or any replacement servicer does not affect the validity of the transfer of the Mortgage Certificates and rights of the Issuer under the Mortgage Loans, it may cause delays in payments under the Mortgage Loans and may ultimately adversely affect the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

RISKS RELATING TO RUSSIA

Social risks

Social conditions in the Russian Federation are unstable. The failure of salaries and benefits to keep pace with the increasing cost of living and the discrepancy between levels of income and social stratification may lead to future social unrest. This may have political, social and economic consequences, such as 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 Borrowers' ability to meet their obligations under the Mortgage Loan Agreements and, consequently, which may adversely affect the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

Poor condition of Russian physical infrastructure

Russia's physical infrastructure largely dates back to the Soviet period and in certain respects has not been adequately funded and maintained. In some areas the rail and road networks, power generation and transmission, communication systems and building stock are particularly affected. Road conditions throughout areas of Russia are poor, with many roads not meeting minimum requirements for usability and safety. Breakdowns and failures of any part of Russia's physical infrastructure and technological catastrophes may affect the financial position of the Borrowers' and lead to a material decline in the value of the mortgaged Property. All this may have an adverse effect on the ability of the Issuer to make payments of principal and/or interest due on the Class A Notes or to enforce the Security.

Economic instability in Russia

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

- significant declines in gross domestic product;
- hyperinflation;
- an unstable currency;
- high levels of state debt relative to gross domestic product;
- a weak banking system providing limited liquidity to Russian enterprises;
- large numbers 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;
- tax evasion;
- growth of a black and grey market economy;
- pervasive capital outflows;
- high levels of corruption and the penetration of organised crime into the economy;
- significant increases in unemployment; and
- the impoverishment of a large portion of the Russian population.

The Russian economy has been subject to abrupt downturns. In particular, the Russian Government's decision temporarily to stop supporting the rouble in August 1998 caused the currency to collapse. At the same time, the state defaulted on much of its short-term domestic debt and imposed a 90-day moratorium on foreign debt and other payments by Russian companies. These actions resulted in an immediate and severe devaluation of the rouble, a near collapse of the Russian banking system, 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 to raise funds in the international capital markets.

Russian banks, and the Russian economy generally, have been adversely affected by the global financial turmoil beginning in the second half of 2008. The Russian economy has recently been characterized by extreme volatility in debt and equity markets, reductions in foreign investment and sharp decreases in gross domestic product. In light of these recent developments, international rating agencies have downgraded Russia's sovereign credit rating, which reflects an assessment by such agencies that there is an increased credit risk that the Government may default on its obligations. These assessments may lead to a further reduction in foreign investment and an increased cost of borrowing for the Government. In late 2008, the Government announced plans to institute more than U.S.\$200 billion in emergency financial assistance measures in order to ease taxes, refinance foreign debt and encourage lending. There can be no assurance that these or other measures will result in a short-term recovery of the Russian economy. In addition, a continuing decline in the price of crude oil, natural gas or other commodities could further disrupt the Russian economy and adversely affect Borrowers' financial position.

Moreover, the weakening of the rouble in real terms relative to the U.S.\$ or other factors, could also have an adverse effect on the Russian economy and, therefore, the ability of the Borrowers (in particular those whose income is linked to the rouble) 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 undercapitalisation

A systemic banking crisis and the Russian banking system's undercapitalisation (particularly amongst medium to small Russian banks) could adversely affect the operational activity of the Servicer. The liquidity crisis during May to June 2004 in the Russian banking market demonstrated the vulnerability of the Russian banking system and its dependence on access to liquidity. 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.

It is unclear how legal and regulatory developments (including developments in the interpretation of current laws and regulations) may affect the banking sector in Russia and whether it will significantly advantage or disadvantage certain banking activities and practices. No assurance can be given that the regulatory environment in which the Originator operates will not change in a manner that has a material adverse effect on the Originator's business, financial condition, results, operations and prospects. Such developments could take place, for example, in the framework and interpretation of the banking licence regime, the Civil Code of the Russian Federation (the "**Civil Code**"), CBR regulations and consumer protection legislation. If a bank were found to be in breach of such requirements, the possible sanctions which could be imposed include a wide range of measures such as fines and binding orders to amend the terms of its business with Borrowers and clients. It is possible that if such fines and orders were imposed on the Originator, such fines could adversely affect the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

Financial Tensions in the global or Russian economies

Russia's economy could be adversely affected by market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems outside the Russian Federation or an increase in the perceived risks associated with investing in emerging economies generally could dampen foreign investment in Russia and adversely affect the Russian economy. For example, Russian economy has been severely affected by the "credit crunch" which has begun in the world in 2007. Main indicators of the Russian economy including GDP (Gross Domestic Product) and industrial production index have been subject to a significant downgrade. Additionally, because the Russian Federation produces and exports large volumes of oil and gas, the Russian economy is particularly sensitive to the price of oil and gas on the world market, and a decline in the price of oil and gas could have a significant negative impact on the Russian economy. The Russian markets have been highly volatile during the global financial crisis. Such volatility has caused market regulators to temporarily suspend trading on the MICEX and RTS stock exchanges multiple times. The MICEX and RTS stock exchanges have experienced significant overall declines since the beginning of the financial crisis in 2008.

Terrorist activity inside and outside Russia and the armed conflicts in the Middle East have had a significant effect on the international and domestic financial and commodity markets and the recent conflict in Georgia has had a negative impact on the Russian stock markets. Any future acts of terrorism or armed conflicts in the Russian Federation or internationally could have an adverse effect on the financial and commodities markets and the global economy. As the Russian Federation produces and exports large amounts of crude oil and gas, any acts of terrorism or armed conflicts, including those causing disruptions of Russian oil and gas exports, may result in negative effect on the liquidity, stability and trading price of the Class A Notes and/or adversely affect the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

Deterioration of Russia's relations with other countries could have a material adverse effect on the Russian economy

On several occasions, Russia's involvement in economic, political and military conflicts with former members of the Soviet Union (for example, a military conflict in August 2008 between Russia and Georgia involving South Ossetia and Abkhazia) has resulted in a certain deterioration of Russia's relations with other members of the international community, including the United States and various countries in Europe. The Russian stock exchanges experienced heightened volatility and significant overall price declines following such events. In addition, the Russian rouble fell relative to a basket of foreign currencies. The emergence of new or escalated tensions between Russia and other countries, including any escalation of such conflicts, or the imposition of economic or other sanctions in response to the tensions, could negatively affect economies in the region, including the Russian economy. Worsening relations with western countries, particularly the United States and EU, could lead to lower volume of exports and a reduction in inbound investment and other transfers into Russia. This may have a material adverse effect on the ability of the Issuer to make payments of principal and/or interest on the Class A Notes and consequently the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

Legal and regulatory risks

The Russian legal framework applicable to a market economy is still under development. Since 1991, Soviet law has been largely, but not entirely, replaced by a new legal regime as established by the 1993 Federal Constitution, the Civil Code, by other federal laws and by decrees, orders and regulations issued by the President, the Russian government and federal ministries, which are, in turn, complemented by regional and local rules and regulations. These legal norms, at times, overlap or contradict one another. Several fundamental Russian laws (including those relating to the tax regime, corporations and licensing) have only recently become effective. The recent nature of much of Russian law and the rapid evolution of the Russian legal system places the enforceability and underlying constitutionality of laws in doubt and results in ambiguities, inconsistencies and anomalies.

Among the risks of the current Russian legal system are:

- inconsistencies among federal laws, decrees, orders and regulations issued by the President, the Russian government, federal ministries and regulatory authorities and regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpretations of Russian law;
- substantial gaps in the regulatory structure due to delay or absence of implementing legislation;
- the relative inexperience of certain judges in interpreting new principles of Russian law, particularly business and corporate law;
- the possibility that certain judges may be susceptible to economic, political or nationalistic influences;
- a high degree of discretion on the part of governmental authorities; and
- bankruptcy procedures that are still being developed.

All of these factors make judicial decisions in the Russian Federation difficult to predict and effective redress uncertain. Court claims are often used to further political aims. Additionally, court judgments are not always enforced or followed by law enforcement agencies. All of these weaknesses could affect the Issuer's ability to enforce its rights or to defend itself against claims by others. Further, no

assurance can be given that the development, implementation or application of legislation (including government resolutions or Presidential decrees) will not have an adverse effect on the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

Russian regulation of securitisation

At present Russia has no specific legislation concerning the securitisation of receivables apart from Federal Law No. 152-FZ "On Mortgage-Backed Securities" dated 11 November 2003 as amended, which regulates domestic securitisation of mortgage loans. Although certain concepts of this law may be helpful for purposes of explaining the transaction and some of the concepts used in the Transaction Documents, it would not apply directly to a cross-border securitisation. A number of draft laws intending to create a specific framework for the securitisation of assets in Russia are currently under discussion. It is unclear whether and when such draft laws may be adopted.

Although there have been a number of securitisations in the Russian market, securitisation structures are still relatively new in Russia and have not yet been directly tested in Russian courts. Further, some of the structures and concepts used in the Transaction Documents, as well as the concept of a "true sale", may be unfamiliar to, or inconsistently applied by, Russian courts and under Russian law. Although Russian law recognises the electronic exchange of documents and the usage of electronic signatures for the purpose of entering into transactions, the validity of the complicated document execution (exchange) procedure anticipated with respect to certain Transaction Documents may be unfamiliar to, or inconsistently applied by, Russian courts and under Russian law.

Russian court practice on the sale (assignment) of receivables is inconsistent. In a number of cases Russian courts have invalidated sale (assignment) agreements on the basis that they have, *inter alia*, purported to transfer bank loans to non-banking institutions, inadequately identified receivables, and sold (assigned) receivables to be created in the future. On 30 October 2007 the Russian Supreme Arbitration Court adopted Information Letter No. 120, summarising current court practice on various legal issues related to the sale (assignment) of receivables and the position of the Russian Supreme Arbitration Court on such issues. Although the information letter is not binding on lower courts, Russian courts generally follow the position expressed by the Russian Supreme Arbitration Court in such letters. Specifically, the Russian Supreme Arbitration Court confirmed in the information letter that it is possible to assign bank loans to non-banking institutions, that the sale of receivables which do not exist at the time a sale (assignment) is documented is valid and that partial assignment (i.e. an assignment of a receivable in part but not in full) is allowed.

However, due to inconsistency of court practice, the weakness of the Russian judicial system and the inexperience of the Russian judicial system with respect to securitisation transactions, there is no assurance as to the approach that the Russian courts may adopt to such sale (assignment) and to securitisation structures generally, which may adversely affect the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

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. Russia is a civil law jurisdiction and, as such, judicial precedents have no binding effect on subsequent decisions and most court decisions are not published. Given these factors, enforcement of court judgments can in practice be very difficult in Russia. All of these factors make judicial decisions 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. Further, court judgments are not always enforced or followed by law enforcement agencies. Finally, although the Russian Federation is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (as successor to the Soviet Union) and therefore an arbitral award obtained in another signatory 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 Russia. Finally, Russian laws are often vague, change rapidly and are therefore difficult to interpret. There can be no assurance that the 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/or interest on the Class A Notes.

Selective or arbitrary state action

State authorities have a high degree of discretion in the Russian Federation. Arbitrary state actions have included withdrawal of licenses, 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. Following the investigation of some of the major Russian companies and the prosecution of their beneficial owners, some commentators question the strength and progress of market and political reforms in Russia, which has caused significant fluctuations in the market prices of Russian securities and spurred capital flight. Similar events may continue to affect the Russian market negatively in the future and this may adversely affect the ability of the Issuer to make payments of principal and/or interest on the Class A Notes.

RISKS RELATING TO TAXATION

Risks relating to Russian taxation

Russian tax law is still developing and is subject to frequent changes, varying interpretation and inconsistent and selective enforcement. In some instances, although it may be viewed as contrary to Russian constitutional law, the Russian tax authorities have applied certain new taxes retroactively, issued tax claims for periods for which the statute of limitations had expired and reviewed the same tax period multiple times. Russian tax legislation, such as the Russian Tax Code, has been in force for a short period of time relative to tax legislation in more developed market economies, and the Russian government's implementation of such legislation is often unclear or inconsistent. Historically, the system of tax collection has been relatively ineffective, resulting in the continual change in interpretation of the existing laws.

Although the quality of the Russian tax legislation has generally improved since the introduction of the first and second parts of the Tax Code in 1999 and 2001, respectively, the possibility exists that Russia may impose arbitrary and/or onerous taxes and penalties in the future, which could adversely affect the tax position of the individual Borrowers or the Issuer. Russia's inefficient tax collection system and continuing revenue funding requirements increase the likelihood of such events.

Since Russian federal, regional and local tax law and regulations are subject to frequent changes and, in addition, some of the sections of the Tax Code are relatively new, interpretation of these regulations is often unclear or non-existent. Taxpayers and the tax authorities often interpret tax laws differently. Furthermore, in the absence of binding precedent court rulings on tax or other related matters by different courts relating to the same or similar circumstances may also be inconsistent or contradictory. Taxpayers often have to resort to court proceedings to defend their position against the tax authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments.

In addition, on 12 October 2006, the Plenum of the Supreme Arbitration Court of the Russian Federation issued Ruling No. 53 formulating a new concept of 'unjustified tax benefit', which is defined in the ruling by reference to specific circumstance such as absence of business purpose or

transactions where the form does not match the substance, and which may lead to the disallowance of tax benefits resulting the transaction or the re-characterisation of the transaction There has been very little further guidance on interpretation of this new concept by the tax authorities or courts, but it is likely that the tax authorities actively seek to apply this concept when challenging tax positions taken by taxpayers. Although the intention of Ruling No. 53 was to combat the abuse of tax law, in practice there is no assurance that the tax authorities will not seek to apply this concept in a broader sense. Furthermore, the Resolution of the Plenum of the Supreme Court No. 64 of 28 December 2006 "Concerning the Practical Application by Courts of Criminal Legislation Concerning Liability for Tax Crimes" is indicative of the trend to broaden the application of criminal liability for tax violations.

The Tax Code contains the concept of permanent establishment in Russia as a means for taxation of foreign legal entities which carry out entrepreneurial activities in Russia on a regular basis beyond preparatory and auxiliary activities. The practical application of the concept of permanent establishment under Russian domestic law is not well developed. Thus foreign companies having limited operations in Russia, which would not normally lead to creation of a permanent establishment under international norms, may run a risk of being treated as having a permanent establishment in Russia and hence being taxable and having obligations to withhold Russian taxes from payments to foreign individuals and legal entities as a tax agent. Although the Issuer intends to conduct its affairs in a way so not to be treated as having a permanent establishment in Russia, no assurance can be given that, due to legislative or regulatory changes (including changes or developments in the interpretation of existing laws and regulations), or the way in which the activities of the Issuer are carried out in practice, the Issuer will not be deemed to have a permanent establishment in Russia and therefore be subject to tax in Russia on profits attributable to the permanent establishment in Russia.

Russian tax legislation as in effect on the date of this Prospectus does not contain a concept of corporate tax residency. Russian companies are taxed at their worldwide income whilst foreign entities are taxed in Russia on income attributable to a permanent establishment and on Russian source income. The Russian Government in its "Main Directions of Russian Tax Policy for 2008-2010" has proposed the introduction of a concept of tax residency for foreign legal entities to the domestic tax law. According to the proposals, a company would be deemed a Russian tax resident based on the place of its effective management and control and/or based on the residence of its shareholders. It is not clear whether and when these amendments will be enacted, their exact nature, their potential interpretation by the tax authorities and the possible impact on the Issuer.

All of the factors described above create tax risks and uncertainties that are more significant than those typically found in countries with more developed tax systems. In addition, there can be no assurance that current tax rates will not be increased or that new taxes will not be introduced. The introduction of new taxes or tax provisions may adversely affect the tax position of individual Borrowers and thus their ability to service and repay the Mortgage Loans.

Payments under Mortgage Loans may be subject to Russian withholding tax

Repayment of loan principal by a Russian person to a non-resident entity should not be subject to Russian withholding tax.

In general, payments to a non-resident entity of interest, late payments or similar charges on borrowed funds should qualify as Russian-source income which is subject to Russian withholding tax at the rate of 20 per cent., unless the withholding tax is reduced or eliminated pursuant to the terms of an applicable double tax treaty. Based on professional advice the Servicer has received, it believes that payments of interest, late payments or similar charges on the Mortgage Loans to the Issuer should not be subject to withholding tax under the terms of the Convention between the Grand Duchy of Luxembourg and the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital signed on 28 June 1993 (the "**Convention**"). However, there can be no assurance that such double tax treaty relief will continue to be available throughout the life of the Class A Notes.

In this respect it should also be noted that the President of Russia in his budget message of May 25, 2009 expressed a goal of introducing legal mechanisms to restrict the use of international double tax treaties for the purpose of minimising taxes where the ultimate beneficiaries are not residents of the country being a party to the relevant double tax treaty. It is unclear what form such legal mechanisms may take, how they may be applied or when they may be introduced; however, we are aware of the fact that relevant amendments to the Russian Tax Code have already been drafted. Depending upon the form of amendment, if and when enacted, such amendments may impact on the tax treatment of payments to be made by the Borrowers under the considered securitisation transaction.

If any payments under the Mortgage Loans are subject to withholding tax in the Russian Federation, the Servicer will not be obliged to increase the amounts payable as may be necessary to ensure that the recipient receives a net amount equal to the amounts it would have received in the absence of such withholding taxes. Due to the limited recourse nature of the Class A Notes in the event of such withholding the amounts payable by the Issuer to the holders of the Class A Notes under the Class A Notes will be correspondingly reduced.

Pursuant to the Deed of Charge, the Issuer will create a charge, *inter alia*, over all principal, interest and other amounts payable by a Borrower under the Mortgage Loans in favour of the Security Trustee acting for itself and on behalf of the Secured Creditors. In turn the Issuer granted security over its rights to the Class A Notes and to the Security to the Security Trustee. The Security will become enforceable (following the delivery of an Enforcement Notice by the Security Trustee to the Issuer) in the event that the Secured Amounts are not paid and/or discharged by the Issuer. If, as a result of the Security Trustee's enforcement of the Security, payments under the Mortgage Portfolio become payable to the Secured Creditors pursuant to the Pledge Agreement and the Deed of Charge, the benefits of the Convention will cease and payments should be subject to Russian income tax withholding at a rate of 20 per cent., or such other rate as may be in force at the time of payment. In such cases, the Secured Creditors, as the case may be, may seek reduction of withholding tax under applicable double taxation treaties entered into between their respective countries of residence and Russia, where such treaties exist and to the extent they are applicable. However, there is no guarantee that treaty relief would be available. More over, it is not expected that the Security Trustee will, or will be able to, claim a withholding tax exemption under any double tax treaty.

If, during the life of the Class A Notes, the Issuer ceases to be resident for tax purposes in the Grand Duchy of Luxembourg and becomes resident for tax purposes in another jurisdiction:

- (a) any benefit of the Convention will cease to apply and payments under the Mortgage Loans may be subject to Russian withholding tax at a rate of 20 per cent. or such other rate as may be in force at the time of payment, subject to reduction under any appropriate double tax treaty; and
- (b) in the event that such jurisdiction requires the Issuer to effect deduction for or on account of any taxes (other than taxes of the Grand Duchy of Luxembourg) in respect of payments which the Issuer is obliged to make under or in respect of the Class A Notes, the Servicer will be under no obligation to increase payments to the Issuer under the Mortgage Loans in respect of such withholding or deduction for or on account of any taxes (other than taxes of the Grand Duchy of Luxembourg).

In such circumstances, the holders of the Class A Notes will receive payments under the Class A Notes net of such withholding or deduction and will have no right to require that their Class A Notes be repaid in full, see "*Taxation – Russian Federation*".

Tax may be withheld on disposals of the Class A Notes in the Russian Federation, reducing the proceeds from disposal

If a non-resident holder of the Class A Notes that is a legal entity or organisation, which in each case is not organised under Russian law and which holds and disposes of the Class A Notes other than

through a permanent establishment in the Russian Federation, sells any Class A Notes and receives proceeds from a source within the Russian Federation, there is a risk that part of the payment, if any, representing accrued interest may be subject to 20 per cent. Russian withholding tax (even if the disposal resulted in a loss), although such tax may be reduced or eliminated under an applicable double tax treaty, subject to compliance with the treaty clearance formalities.

Where proceeds from a disposal of the Class A Notes are received from a source within the Russian Federation by an individual non-resident holder of the Class A Notes, withholding tax would be charged at a rate of 30 per cent. on the gross proceeds from such disposal of the Class A Notes less any available documented cost deductions (including the original purchase price) unless relief is available under an applicable double tax treaty.

The imposition or possibility of imposition of this withholding tax could adversely affect the value of the Notes. See "*Taxation – The Russian Federation*".

Risks relating to Luxembourg taxation

Withholding tax under the Class A Notes

All payments of principal and interest in respect of the Class A Notes by or on behalf of the Issuer will be made in full without deduction or withholding for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Luxembourg or any authority thereof or therein having the power to tax, unless such deduction is required by law. In the event of any deduction or withholding on account of tax becoming required by law, the Issuer shall make the required deduction or withholding and shall make all payments to the Noteholders after withholding or deduction of any taxes or duty.

State Aid

The Issuer is a securitisation company organised under Luxembourg law. On 13 February, 2006, the European Commission wrote to the Luxembourg government requesting, in addition to other things, information from it in respect of the Luxembourg Securitisation Law, as regards the compatibility of this law with European legislation relating to the provision of state aid.

If the European Commission determines that a legislative regime is in breach of EU legislation relating to the provision of state aid, it could (as a worst case scenario) require that such legislation be repealed, depending upon the circumstances. In addition, the European Commission could require that such legislation be repealed with retrospective effect, which may result in beneficiaries being required to repay any state aid received (which may be any benefits obtained as a result of being a securitisation vehicle).

Given that the process remains at a very preliminary stage and that no official statement on the Luxembourg Securitisation Law has been issued by the European Commission, it is impossible to assess the impact, if any, of the European Commission's request for information made to the Luxembourg government. See "*Taxation – Luxembourg*".

USE OF PROCEEDS

The net proceeds from the issue of the Issuer Notes were RUB 9,072,550,000.

The net proceeds from the issue of the Class A Notes were on the Issue Date RUB 6,522,000,000.

The Issuer applied the proceeds of the Issuer Notes, solely for the purpose of (i) paying any up-front expenses of the Issuer, (ii) purchasing the Mortgage Portfolio and (iii) crediting the Cash Reserve Account.

RESIDENTIAL MORTGAGE MARKET IN THE RUSSIAN FEDERATION

Under the planned economy of the Soviet Union, housing was primarily administered by the state. 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. In the years preceding the "credit crunch" 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 CBR data, for the period from October 2004 till October 2008 total volume of outstanding mortgage loans in Russia increased by 70 times (i.e., from 13.9 billion Roubles in October 2004 to 974 billion Roubles in October 2008). In the second part of 2008 the market conditions for the development of the residential property market significantly deteriorated. The significant decrease in oil prices reinforced by the consequences the war in South Ossetia and Lehman Brothers bankruptcy provoked meltdown of the Russian capital markets. Deficit of financing and dramatic decrease in house prices made the most developers and banks to sell or suspend their projects in the field of immovable property. The absolute majority of Russian retail banks also suspended their mortgage lending programmes. As a result, the growth of their mortgage portfolios was suspended and the size of the residential mortgage lending market as a proportion of GDP even decreased by the year 2010. Since summer of 2009 an improvement of the economical situation in Russia has been observed and the majority of large Russian retail banks returned to mortgage lending markets. Moreover, Russian CBR's further steps to decrease CBR rate caused a downward trend of prevailing mortgage rates.

Currently, the Russian residential mortgage market is dominated by state-owned banks and subsidiaries of the major international banking groups. Sberbank is the largest player in the Russian residential mortgage market. According to *RosBusinessConsulting*, during the first half of 2008, Sberbank extended mortgage loans for a total value of 156.7 billion Roubles having expanded its market share up to 46 per cent. Another group of significant participants in the Russian mortgage lending market is represented by Russian subsidiaries of international banking groups. The Originator has also aggressively expanded its mortgage lending operations by significantly increasing its mortgage portfolio and share in the mortgage lending market.

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. 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 bureaux following the enactment of the Federal Law No. 218-FZ "On Credit Histories". In addition to this law, the regulatory framework of the Russian mortgaged market includes also Russian Civil Code, Federal Law No.102-FZ "On Mortgage (Pledge of Real Estate)", Federal Law No.152-FZ "On Mortgage-Backed Securities", Governmental Conception of Development of Residential Mortgage Lending in the Russian Federation, etc. Recently, there have been various legislative initiatives designed to improve the legal framework applicable to mortgage lending.

DESCRIPTION OF THE MORTGAGE PORTFOLIO

The Mortgage Portfolio, Related Security and Insurance

The Mortgage Portfolio consists of the Purchased Mortgage Certificates, which represent the rights of their lawful owner under the relevant Mortgage Loans and the Mortgages in respect of the Properties pledged as security for such Mortgage Loans. The Mortgage Loans were advanced to the Borrowers (and Co-Borrowers where applicable) either by the Originator itself or by the Third Party Lenders which transferred such Mortgage Loans to the Originator by way of sale of the relevant Mortgage Certificates. Each Mortgage Loan is secured by a first ranking Mortgage over the relevant Property. In accordance with the Mortgage Law, a mortgage arises under an agreement for the pledge of real estate (mortgage). Under conditions of each Mortgage Loan Agreement the Borrower (and Co-Borrowers where applicable) has insured in favour of the legal owner of the relevant Mortgage Certificate for the full term of the relevant Mortgage Loan (a) the relevant Property and (b) his/hers life and disability.

The Mortgage Portfolio is documented by the mortgage loan documents comprising of standard forms of the Mortgage Loan Agreement, the Mortgage Certificate, and also, as the case may be, forms of a Property purchase agreement, mortgage agreement. Each of the mortgage loan documents is documented in the simple written form and is governed by Russian law.

The Mortgage Certificates comprising the Mortgage Portfolio were purchased by the Issuer from the Originator under several Mortgage Certificates Purchase Agreements entered into beginning from 07 December 2007. Such Purchased Mortgage Certificates were selected by the Originator on the basis of characteristics that demonstrate the capacity to produce funds in order to service payments due on the Notes and meet the Eligibility Criteria. Following the each sale of the Mortgage Certificates from the Originator to the Issuer, each relevant Borrower (and Co-Borrowers where applicable), was notified of the sale by the delivery of written notices. For more detailed information please see "*Overview of Transaction Documents – Framework Mortgage Portfolio Purchase Agreement*".

Composition of the Mortgage Portfolio

The composition of the Mortgage Portfolio as of 30 November 2009, which complies with the Eligibility Criteria on such date, is 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). There is no assurance that the Mortgage Portfolio will be similar to the composition set forth in such tables after 30 November 2009.

Summary Portfolio Statistics

Number of loans	6,716
Aggregated Portfolio Balance in RUR	6,355,409,355
Original Portfolio Balance in RUR	7,369,450,848

Table 1. Distribution of Mortgage Loans by Days in Arrears

<i>Arrears Duration, Days</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Outstanding Principal Balance</i>	<i>% of Total</i>
0 days	6,277	93.46%	5,687,075,218	89.48%
> 0 and <= 30 days	134	2.00%	182,640,701	2.87%
> 30 and <= 60 days	55	0.82%	68,325,171	1.08%
> 60 and <= 90 days	38	0.57%	56,246,744	0.89%
> 90 and <= 180 days	63	0.94%	91,235,150	1.44%
180+	149	2.22%	269,886,371	4.25%

	6,716	100.00%	6,355,409,355	100.00%
WA	Min	Max		
18.77	-	691.00		

Table 2. Distribution of Mortgage Loans by "Profit to Income" ("PTI")

PTI	Number of Loans	% of Total	Outstanding Principal Balance	% of Total
<= 10%	175	2.61%	204,729,396	3.22%
> 10% and <= 20%	667	9.93%	569,882,166	8.97%
> 20% and <= 30%	1,605	23.90%	1,336,446,878	21.03%
> 30% and <= 40%	2,487	37.03%	2,240,671,523	35.26%
> 40% and <= 50%	1,782	26.53%	2,003,679,393	31.53%
> 50%	-	0.00%	-	0.00%
	6,716	100.00%	6,355,409,355	100.00%

WA	Min	Max
33.97%	1.00%	50.00%

Table 3. Distribution of Mortgage Loans by Original "Loan-to-Value" ("LTV")

Original LTV	Number of Loans	% of Total	Original Principal Balance	% of Total
<= 40%	826	12.30%	444,500,915	6.03%
> 40% and <= 50%	627	9.34%	526,767,715	7.15%
> 50% and <= 60%	577	8.59%	501,336,722	6.80%
> 60% and <= 70%	982	14.62%	999,336,439	13.56%
> 70% and <= 80%	842	12.54%	1,072,944,809	14.56%
> 80% and <= 90%	2,601	38.73%	3,466,955,972	47.04%
> 90% and <= 95%	166	2.47%	219,709,977	2.98%
> 95% and <= 100%	95	1.41%	137,898,300	1.87%
> 100%	-	0.00%	-	0.00%
	6,716	100.00%	7,369,450,848	100.00%

WA	Min	Max
86.86%	6.78%	100.00%

Table 4. Distribution of Mortgage Loans by Current LTV

Current LTV	Number of Loans	% of Total	Outstanding Principal Balance	% of Total
<= 40%	1,458	21.71%	648,864,551	10.21%
> 40% and <= 50%	745	11.09%	576,033,995	9.06%
> 50% and <= 60%	777	11.57%	656,328,835	10.33%
> 60% and <= 70%	930	13.85%	929,896,832	14.63%
> 70% and <= 80%	1,205	17.94%	1,396,730,304	21.98%
> 80% and <= 90%	1,601	23.84%	2,147,554,837	33.79%

> 90% and <= 95%	-	0.00%	-	0.00%
> 95% and <= 100%	-	0.00%	-	0.00%
> 100%	-	0.00%	-	0.00%
	6,716	100.00%	6,355,409,355	100.00%

WA	Min	Max
67.36%	0.23%	89.88%

Table 5. Distribution of Mortgage Loans by Seasoning

<i>Seasoning, months</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Outstanding Principal Balance</i>	<i>% of Total</i>
<12 months	-	0.00%	-	0.00%
> 12 and <= 18 months	15	0.22%	22,381,326	0.35%
> 18 and <= 24 months	15	0.22%	17,751,263	0.28%
> 24 and <= 30 months	2,797	41.65%	2,942,859,185	46.30%
> 30 and <= 36 months	2,106	31.36%	1,980,730,300	31.17%
> 36 months	1,783	26.55%	1,391,687,281	21.90%
	6,716	100.00%	6,355,409,355	100.00%

WA	Min	Max
32	14	53

Table 6. Distribution of Mortgage Loans by Interest Rate

<i>Interest Rate</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Outstanding Principal Balance</i>	<i>% of Total</i>
<= 11%	226	3.37%	143,641,267	2.26%
> 11% and <= 12%	580	8.64%	453,768,332	7.14%
> 12% and <= 13%	1,302	19.39%	906,042,680	14.26%
> 13% and <= 14%	3,845	57.25%	4,074,416,083	64.11%
> 14% and <= 15%	581	8.65%	636,435,393	10.01%
> 15%	182	2.71%	141,105,599	2.22%
	6,716	100.00%	6,355,409,355	100.00%

WA	Min	Max
13.52%	10.40%	18.00%

Table 7. Distribution of Mortgage Loans by Original Principal Balance

<i>Original Principal Balance, RUR</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Original Principal Balance</i>	<i>% of Total</i>
<= 100,000	1	0.01%	100,000	0.00%
> 100,000 and <= 200,000	66	0.98%	11,992,279	0.16%
> 200,000 and <= 300,000	262	3.90%	71,355,371	0.97%
> 300,000 and <= 400,000	427	6.36%	157,129,403	2.13%
> 400,000 and <= 500,000	589	8.77%	276,505,732	3.75%
> 500,000 and <= 600,000	597	8.89%	338,247,935	4.59%
> 600,000 and <= 700,000	581	8.65%	385,439,435	5.23%

> 700,000 and <= 800,000	493	7.34%	377,389,597	5.12%
> 800,000 and <= 900,000	479	7.13%	413,646,621	5.61%
> 900,000 and <= 1,000,000	482	7.18%	469,538,070	6.37%
> 1,000,000 and <= 1,100,000	320	4.76%	341,097,416	4.63%
> 1,100,000 and <= 1,200,000	352	5.24%	410,790,591	5.57%
> 1,200,000 and <= 1,300,000	283	4.21%	357,948,601	4.86%
> 1,300,000 and <= 1,400,000	256	3.81%	348,367,492	4.73%
> 1,400,000 and <= 1,500,000	240	3.57%	352,936,354	4.79%
> 1,500,000 and <= 1,600,000	165	2.46%	257,765,945	3.50%
> 1,600,000 and <= 1,700,000	128	1.91%	212,569,780	2.88%
> 1,700,000 and <= 1,800,000	149	2.22%	263,458,864	3.58%
> 1,800,000 and <= 1,900,000	85	1.27%	158,557,338	2.15%
> 1,900,000 and <= 2,000,000	150	2.23%	296,987,421	4.03%
> 2,000,000 and <= 2,100,000	55	0.82%	113,001,862	1.53%
> 2,100,000 and <= 2,200,000	58	0.86%	125,711,738	1.71%
> 2,200,000 and <= 2,300,000	59	0.88%	133,628,665	1.81%
> 2,300,000 and <= 2,400,000	33	0.49%	77,805,648	1.06%
> 2,400,000 and <= 2,500,000	49	0.73%	121,034,913	1.64%
> 2,500,000	357	5.32%	1,296,443,775	17.59%
	6,716	100.00%	7,369,450,848	100.00%
WA	1,753,669	Min	Max	
		100,000	11,700,000	

Table 8. Distribution of Mortgage Loans by Current Principal Balance

<i>Current Principal Balance, RUR</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Outstanding Principal Balance</i>	<i>% of Total</i>
<= 100,000	85	1.27%	4,907,668	0.08%
> 100,000 and <= 200,000	236	3.51%	36,391,859	0.57%
> 200,000 and <= 300,000	420	6.25%	106,295,787	1.67%
> 300,000 and <= 400,000	537	8.00%	188,677,733	2.97%
> 400,000 and <= 500,000	617	9.19%	277,428,405	4.37%
> 500,000 and <= 600,000	611	9.10%	336,167,667	5.29%
> 600,000 and <= 700,000	551	8.20%	357,136,204	5.62%
> 700,000 and <= 800,000	493	7.34%	369,305,323	5.81%
> 800,000 and <= 900,000	423	6.30%	357,552,574	5.63%
> 900,000 and <= 1,000,000	428	6.37%	404,863,688	6.37%
> 1,000,000 and <= 1,100,000	336	5.00%	352,811,953	5.55%
> 1,100,000 and <= 1,200,000	315	4.69%	361,633,988	5.69%
> 1,200,000 and <= 1,300,000	241	3.59%	301,079,829	4.74%
> 1,300,000 and <= 1,400,000	216	3.22%	290,487,998	4.57%
> 1,400,000 and <= 1,500,000	185	2.75%	267,435,113	4.21%
> 1,500,000 and <= 1,600,000	134	2.00%	207,391,300	3.26%
> 1,600,000 and <= 1,700,000	138	2.05%	227,859,465	3.59%
> 1,700,000 and <= 1,800,000	103	1.53%	179,790,622	2.83%
> 1,800,000 and <= 1,900,000	94	1.40%	174,515,922	2.75%
> 1,900,000 and <= 2,000,000	82	1.22%	159,786,402	2.51%
> 2,000,000 and <= 2,100,000	44	0.66%	90,171,140	1.42%
> 2,100,000 and <= 2,200,000	48	0.71%	102,782,851	1.62%
> 2,200,000 and <= 2,300,000	47	0.70%	105,579,684	1.66%
> 2,300,000 and <= 2,400,000	37	0.55%	86,924,836	1.37%
> 2,400,000 and <= 2,500,000	31	0.46%	75,710,189	1.19%

> 2,500,000	264	3.93%	932,721,154	14.68%
	6,716	100.00%	6,355,409,355	100.00%

WA	Min	Max
1,577,492	4,408	11,037,024

Table 9. Distribution of Mortgage Loans by Original Term

<i>Original Term, Months</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Original Principal Balance</i>	<i>% of Total</i>
<= 12 months	-	0.00%	-	0.00%
> 12 and <= 24 months	-	0.00%	-	0.00%
> 24 and <= 36 months	21	0.31%	17,310,000	0.23%
> 36 and <= 48 months	27	0.40%	18,683,857	0.25%
> 48 and <= 60 months	167	2.49%	132,582,044	1.80%
> 60 and <= 72 months	63	0.94%	44,398,543	0.60%
> 72 and <= 84 months	124	1.85%	96,373,675	1.31%
> 84 and <= 96 months	108	1.61%	99,253,776	1.35%
> 96 and <= 108 months	96	1.43%	85,614,212	1.16%
> 108 and <= 120 months	1,460	21.74%	1,455,782,666	19.62%
> 120 and <= 132 months	66	0.98%	61,785,827	0.84%
> 132 and <= 144 months	116	1.73%	114,437,969	1.55%
> 144 and <= 156 months	124	1.85%	121,299,739	1.65%
> 156 and <= 168 months	170	2.53%	185,845,870	2.52%
> 168 and <= 180 months	2,628	39.13%	3,115,111,972	42.27%
> 180 and <= 192 months	45	0.67%	53,801,694	0.73%
> 192 and <= 204 months	57	0.85%	61,050,800	0.83%
> 204 and <= 216 months	58	0.86%	67,439,576	0.92%
> 216 and <= 228 months	46	0.68%	59,476,997	0.81%
> 228 and <= 240 months	1,110	16.53%	1,292,558,609	17.54%
> 240 months	230	3.42%	296,643,025	4.03%
	6,716	100.00%	7,369,450,848	100.00%

WA	Min	Max
181	35	360

Table 10. Distribution of Mortgage Loans by Remaining Term

<i>Remaining Term, Months</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Current Principal Balance</i>	<i>% of Total</i>
<= 12 months	82	1.22%	11,317,123	0.15%
> 12 and <= 24 months	154	2.29%	43,908,437	0.60%
> 24 and <= 36 months	219	3.26%	80,590,744	1.27%
> 36 and <= 48 months	166	2.47%	84,848,072	1.34%
> 48 and <= 60 months	200	2.98%	112,503,058	1.77%
> 60 and <= 72 months	181	2.70%	141,925,822	2.23%
> 72 and <= 84 months	661	9.84%	505,637,887	7.96%
> 84 and <= 96 months	799	11.90%	696,968,195	10.97%
> 96 and <= 108 months	158	2.35%	143,745,835	2.26%
> 108 and <= 120 months	157	2.34%	146,323,626	2.30%
> 120 and <= 132 months	153	2.28%	147,880,830	2.26%
> 132 and <= 144 months	782	11.64%	721,921,857	11.36%

> 144 and <= 156 months	1,645	24.49%	1,963,753,326	30.90%
> 156 and <= 168 months	64	0.95%	65,170,921	1.03%
> 168 and <= 180 months	55	0.82%	58,234,449	0.92%
> 180 and <= 192 months	67	1.00%	77,722,320	1.22%
> 192 and <= 204 months	433	6.45%	436,056,664	6.86%
> 204 and <= 216 months	543	8.09%	659,523,517	10.38%
> 216 and <= 228 months	11	0.16%	16,542,198	0.26%
> 228 and <= 240 months	7	0.10%	12,387,699	0.19%
> 240 months	179	2.67%	228,671,823	3.60%
	<u>6,716</u>	<u>100.00%</u>	<u>6,355,409,355</u>	<u>99.88%</u>
WA	143	Min	Max	
		1	463	

Table 11. Distribution of Mortgage Loans by Regions

<i>Regions</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Current Principal Balance</i>	<i>% of Total</i>
Kemerovskaya oblast	1,412	21.02%	1,019,392,380	16.04%
Novosibirskaya oblast	1,126	16.77%	1,251,921,219	19.70%
Irkutskaya oblast	692	10.30%	573,189,098	9.02%
Omskaya oblast	360	5.36%	357,916,916	5.63%
Krasnoyarsky kray	412	6.13%	381,347,536	6.00%
Tomskaya oblast	384	5.72%	308,199,531	4.85%
Samarskaya oblast	203	3.02%	236,761,610	3.73%
Chelyabinskaya oblast	274	4.08%	293,769,480	4.62%
Other	1,853	27.59%	1,932,911,584	30.41%
	<u>6,716</u>	<u>100.00%</u>	<u>6,355,409,355</u>	<u>100.00%</u>

Table 12. Distribution of Mortgage Loans by Employment Status of Borrowers

<i>Employment status</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Current Principal Balance</i>	<i>% of Total</i>
Private Sector	4,748	70.70%	4,489,093,400	70.63%
Public Sector	1,281	19.07%	855,644,830	13.46%
Self-employed	687	10.23%	1,010,671,125	15.90%
	<u>6,716</u>	<u>100.00%</u>	<u>6,355,409,355</u>	<u>100.00%</u>

Table 13. Distribution of Mortgage Loans by Ownership Structure

<i>Ownership structure</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Current Principal Balance</i>	<i>% of Total</i>
Owner-occupied	6,561	97.69%	6,149,107,785	96.75%
Buy-to-let	155	2.31%	206,301,570	3.25%
	<u>6,716</u>	<u>100.00%</u>	<u>6,355,409,355</u>	<u>100.00%</u>

Table 14. Third Party Loans

<i>Third party loans</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Current Principal Balance</i>	<i>% of Total</i>
Third party loans	588	8.76%	578,164,155	9.10%
URSA loans	6,128	91.24%	5,777,245,200	90.90%
	<u>6,716</u>	<u>100.00%</u>	<u>6,355,409,355</u>	<u>100.00%</u>

Table 15. Borrower's Age

<i>Borrower's age</i>	<i>Number of Loans</i>	<i>% of Total</i>	<i>Current Principal Balance</i>	<i>% of Total</i>
<=35 y.o.	3,293	49.03%	2,932,327,622	46.14%
>35 and <=55	3,352	49.91%	3,376,954,804	53.14%
>55 and <=65	71	1.06%	46,126,928	0.73%
>65	-	0.00%	-	0.00%
	<u>6,716</u>	<u>100.00%</u>	<u>6,355,409,355</u>	<u>100.00%</u>

MDM BANK AND ITS BUSINESS

Overview

The Originator is a full-service bank occupying a leading position in its regional banking markets. The Originator operates under banking licence No. 323 issued by the CBR on 06 August 2009. The Originator is organized as an open joint stock company with registration number 1025400001571 and has its registered and Head Office at 18 Lenina Street, Novosibirsk, 630004, Russian Federation. The Originator has been a member of the system of mandatory insurance of retail deposits in the Russian Federation since 21 September 2004. The principal owners of MDM Bank by reference to voting shares are Mr. Sergey Popov (54.1 percent beneficial interest) and Mr. Igor Kim (10.5 percent beneficial interest). Share in MDM's equity is held, among others, by the European Bank for Reconstruction and Development (5.2 percent) and the International Finance Corporation (3.6 percent).

The Originator was created as a result of reorganization in the form of the accession of MDM Bank (Open Joint Stock Company) to URSA Bank, Open Joint Stock Company. On 3 December 2008, the major shareholders of MDM Bank (Open Joint Stock Company) and URSA Bank, Open Joint Stock Company, announced their intention to merge the two banks and on 6 August 2009 the CBR made all necessary registrations, marking the final legal step in the procedure. The post-accession entity is based on the legal entity and general banking license of URSA Bank, and is operating under the brand name of MDM Bank. The transaction received broad-based support from shareholders, the CBR and the Russian government, as well as from investors and clients. The Mortgage Portfolio had been formed in accordance with the underwriting standards of former URSA Bank and was sold to the Issuer by URSA Bank prior to the accession.

The Originator is one of Russia's largest private universal banks, ranked 11th in the country by asset size as of H1 2009 according to RAS (Source: Trust Interactive: Russian Banks 2)¹. The Originator has a long-term counterparty credit rating of "B+" and a short-term counterparty credit rating of "B" (Stable outlook for both ratings) from Standard & Poor's, the long term senior unsecured rating of "Ba2", the long term/short term foreign currency deposit ratings of "Ba2/NP" and financial strength rating of "D" (Negative outlook) from Moody's and an issuer default rating of "BB-" (Stable outlook), and a support rating of "4" from Fitch Ratings Ltd.

The Originator offers both retail and corporate banking services. Retail clients are provided with a wide range of deposits, consumer lending and other financial products. Over the past few years, former URSA Bank and subsequently the Originator have been also actively developing its mortgage lending business. At the time of formation of the Mortgage Portfolio, the Originator's mortgage lending product line included existing apartments and home purchase loans; apartments and home construction loans; apartments and home equity loans; and refinancing loans. In addition, the Originator operated on the secondary mortgage market by acquiring mortgage loans from third parties, including regional banks and mortgage operators.

Underwriting Procedure

At the moment of underwriting of the Mortgage Portfolio URSA Bank applied mortgage loan underwriting procedure referred to as the Originator's Operating Procedures under which each loan application had undergone several consecutive stages, including:

- (a) initial screening;
- (b) initial underwriting upon submission of loan application and supporting documents setting out the particular loan programme, its desired amount, personal data of a borrower (and co-borrowers where applicable) and other terms of the mortgage loan;

¹ Based on MDM Bank and URSA Bank stand-alone assets and capital.

- (c) final underwriting, including preparation of the borrower's underwriting report based on the compliance of the relevant borrower (and co-borrowers where applicable) with "scoring model" or the "rating model" required by URSA Bank; and
- (d) check of the mortgaged immovable property and the relevant insurance company.

Repayment and Collection Procedure

Repayment of mortgage loans is made by the borrowers by making monthly consolidated payments of principal and interest on an annuity basis. The payment must be made to the Originator (either directly from a borrower's bank account opened with the Originator or via transfer from another bank) during a period each month as designated in the relevant mortgage loan agreement. All payments in respect of the mortgage loans are usually made by way of direct debit from the borrowers' bank accounts opened with the Originator.

In case a borrower does not pay duly, the Originator initiates collection procedure. Collections strategy applicable to loans with delinquency less than 30 days contemplates telephone calls and postal correspondence with a borrower. If payment under the mortgage loan is more than 31-90 days overdue, the mortgage loan is transferred to the Originator's problem loan department ("**PLD**"). PLD carries out negotiations with the borrower and co-borrowers (if any). If after such negotiation a borrower appears to be unable to repay the loan, PLD may offer the borrower to sell the property and to discharge the borrower's obligations out of the proceeds from such sale. Otherwise or in case the loan is more than 90 days overdue PLD enforces the mortgaged property and other security through court proceedings.

PRINCIPAL TRANSACTION PARTIES

The Originator/Seller/Service/Custodian

For more information on the Originator, Service, Collection Account Bank, Class A Notes Purchaser, Class B Notes Purchaser, Class Z Notes Purchaser and Custodian, see "*MDM Bank and its Business*".

The Issuer

Incorporation and Registered Office

URSA Mortgage Finance S.A., a securitisation undertaking (*organisme de titrisation*) in the form of *société anonyme* incorporated in Luxembourg, on 27 July 2007, whose registered office is at L-1371, Luxembourg, 7, Val Ste Croix, tel. no. +352 22 1190, Grand Duchy of Luxembourg, registered with the Register of Commerce and Companies of the Grand Duchy of Luxembourg under number B-130545.

The Issuer is acting for the purposes of this Transaction in respect of its Compartment 1. The Issuer has decided to create a compartment 1, in accordance with its Articles of Association and the Luxembourg Securitisation Law in order to ring-fence the underlying assets from other compartments that could be created in the future in case further issuances of notes other than Class A, Class B or Class Z Notes are to take place. However, since the Sale Period was terminated on 31 January 2009, the Issuer may no longer issue further Class A, Class B or Class Z Notes under the Transaction Documents.

Objects

The principal objects of the Issuer are set out in Article 3 of its Articles of Incorporation and include the following:

under the Luxembourg Securitisation Law, to grant loans or facilities to any other party, to invest, directly or indirectly in all kinds of mortgage backed loans and mortgage backed securities and in a portfolio of domestic or foreign securities or similar instruments, including but not limited to mortgage certificates, shares, warrants and equity securities, bonds, notes, rights or participations in senior or mezzanine obligations (including, but not limited to, senior and mezzanine loans) and in financial derivatives agreements and other debt instruments or securities, trade receivables or any other forms of claims or obligations (including but not limited to synthetic securities obligations) and to enter into any agreements relating to the investment into such domestic or foreign securities, receivables, claims or similar instruments. The Issuer may sell, assign, transfer or otherwise dispose by any means, whether directly or indirectly, of any part or the totality of its assets but only in accordance with the agreements concluded by the Issuer in the frame of a contemplated securitisation transaction. In accordance with and to the extent permitted by Article 61 of the Luxembourg Securitisation Law, the Issuer may grant to entities based in Luxembourg and elsewhere pledges, guarantees or any other security interests of any kind and governed by any law, whereby the terms and conditions of such pledges, guarantees or security interests will be set out in all transaction documents or agreements entered into by the Issuer in the scope of the contemplated securitisation transaction.

The Issuer may further issue securities of any kind the value or the yield of which is limited to specific compartments, assets or risks, or whose repayment is subject to the repayment of other instruments, certain receivables, claims or certain categories of shares.

The Issuer may also:

- (a) raise funds through, including, but not limited to, the issue of bonds, notes, subordinated notes and other debt instruments or debt securities, the use of financial derivatives or otherwise and obtain loans or any other form of credit facility;
- (b) enter into any kind of derivative agreements or credit derivative agreements such as, but not limited to, any type of swap agreements under which the Issuer may provide, amongst others, credit protection to the swap counterparty;

- (c) enter into all necessary agreements, including, but not limited to underwriting agreements, marketing agreements, management agreements, advisory agreements, administration agreements and other contracts for services, selling agreements, interest and/or currency exchange agreements and other financial derivative agreements, bank and cash administration agreements, liquidity facility agreements, credit insurance agreements and any agreements creating any kind of security interest.

In addition to the foregoing, the Issuer can perform all legal, commercial, technical and financial investments or operation and in general, all transactions which are necessary or useful to fulfill its objects as well as all operations connected directly or indirectly to facilitating the accomplishment of its purpose in all areas described above.

Directors

The Issuer is managed by a Board of Directors consisting of at least three members who need not be shareholders.

The following have been elected as Directors for a maximum period of six years, their mandate expiring on occasion of the annual general meeting of shareholders to be held in 2013:

- (a) Alexis Kamarowsky, with professional address at 7, Val Ste Croix, L-1371 Luxembourg, Grand Duchy of Luxembourg.
- (b) Federigo Cannizzaro di Belmontino, with professional address at 7, Val Ste Croix, L-1371 Luxembourg, Grand Duchy of Luxembourg.
- (c) Jean-Marc Debaty, with professional address at 7, Val Ste Croix, L-1371 Luxembourg, Grand Duchy of Luxembourg.

Share Capital

The subscribed capital is set at thirty one thousand EUR (EUR 31,000), divided into thirty one (31) registered shares with a par value of one thousand EUR (EUR 1,000) each, fully paid up.

Shareholder

Stichting Bonasus, a foundation (*stichting*) established under the laws of The Netherlands, registered with the Amsterdam Chamber of Commerce under number 34279053 and having its statutory office in The Netherlands at Amsteldijk 166, 1079LH Amsterdam, holds all of the Ordinary Shares as sole shareholder of the Issuer.

Employees

The Issuer has no employees. The directors are employees of the Corporate Services Provider. The Secretary of the Issuer is the Corporate Services Provider with offices at the same address as the Corporate Services Provider.

Corporate Services

On 27 July 2007 the Issuer appointed the Corporate Services Provider to provide corporate secretarial and administrative services pursuant to a corporate services agreement between the Issuer and the Corporate Services Provider. The register of members is maintained by the Corporate Services Provider at its office.

Auditors

Audited financial statements will be published on an annual basis. The independent auditor of the Issuer is KPMG Audit S.à.r.l. who is a chartered accountant and is a member of the Institut des Réviseurs d'Entreprises and is qualified to practice as auditors in Grand Duchy of Luxembourg.

Indebtedness

The Issuer has no indebtedness as at the date of this Prospectus other than that which the Issuer has incurred or shall incur in relation to the transactions contemplated herein.

Financial Information

The financial year end of the Issuer is 31 December.

The Issuer will not prepare interim financial statements. Each year, a copy of the audited profit and loss account and balance sheet of the Issuer together with the report of the directors and the auditors thereon is required to be filed with the Register of Commerce and Companies of Luxemburg within one month as from the approval and, at the later, seven months after the accounting closing date of the financial year of the Issuer of the annual return date of the Issuer and is available for inspection.

The Issuer has filed annual returns for the financial year from 27 July 2007 to 31 December 2007, the financial year ending 31 December 2008 with the Luxembourg Register of Commerce and Companies. The next annual return date of the Issuer is 30 June 2009. A copy of the Issuer's audited financial statements for the years ending 31 December 2007 and 31 December 2008 are attached to this Prospectus as ANNEX 1.

Material Contracts

Apart from the Transaction Documents to which it is a party, the Issuer has not entered into any material contracts other than in the ordinary course of its business.

No Material Adverse Change

Since the date of the last audited financial statement of the Issuer, there has been no material adverse change or any development reasonably likely to involve any material adverse change, in the condition (financial or otherwise) of the Issuer.

The Standby Servicer

The Standby Servicer is an open joint stock company organised under the laws of the Russian Federation. The Standby Servicer was formerly known as Joint-Stock Commercial Bank "SOVFINTRADE Ltd". The name change to GPB-Mortgage took effect in June 2007. The Standby Servicer was incorporated on 22 September 1994. It was registered in the Unified State Register of Legal Entities under number 1027739137843 on 2 September 2002. Currently, the bank is part of inter-regional banking group Gazprom. Its registered legal and principal address at 14, Kolomenskiy proezd, Moscow, 115446, Russian Federation. Its telephone number is +7 495 223 4040.

The Standby Servicer is a bank, holding the CBR licence No. 2403 issued on 20 March 2009. The Standby Servicer specialises in operations in connection with the secondary mortgage market in Russia, of which the purchasing of mortgage certificates is its principal activity. The Standby Servicer estimates, based on its market experience, that its current residential secondary mortgage market share is approximately 3 per cent. (as of 27 November 2009 the latest data).

The Standby Servicer is headquartered in Moscow and runs its business through a network of regional companies and local banks located in 51 regions of the Russian Federation. Among them are the Republic of Tatarstan, the Republic of Bashkortostan, the Novosibirsk Region, the Vologda Region, the Omsk Region, the Republic of Udmurtia and the Chelyabinsk Region.

The Standby Servicer's income is comprised principally of interest from mortgage loans, late payment fees and servicing fees from servicing loans which are sold to other parties of which the Standby Servicer has retained the servicing mandate. The Standby Servicer also receives revenue from short-term cash deposits with maturities of up to one week, which it places on local money markets.

The Standby Custodian

The Standby Custodian is the third largest bank in the Russian Federation in terms of total assets as at 30 September 2009, according to the Russian Interfax News Agency and The Banker magazine. As at 31 December 2008, based on IFRS, the Standby Custodian had total assets of RUB 1 852 167 million, net loans to customers of RUB 630 083 million, amounts owed to customers of RUB 642 566 million and total equity of RUB 127 880 million.

Gazprombank has operated since 1990 offering a wide range of services to companies and private clients. The Standby Custodian was granted a general banking licence, No. 354, by the CBR on 13 November 2001 and re-registered on 28 September 2007. The registered office of the Standby Custodian is located at 16 Block 1, Nametkina St., Moscow 117420, Russian Federation; the head office is located at 63, Novocheremushkinskaya St., Moscow 117418, Russian Federation.

The Standby Custodian's principal activities comprise corporate lending, investment banking, retail banking, trade finance, deposit taking, foreign exchange and securities trading. The Standby Custodian also generates income from plastic card services, depositary and custodian services, money transfer and clearing operations and settlement services. The Standby Custodian provides a broad array of commercial banking services to many of Russia's leading corporations, including, in particular, Gazprom and other members of the Gazprom Group.

As of 31 December 2008 the Standby Custodian operated 6 subsidiary and 1 affiliated bank in Russia, Belarus and Armenia, representative offices in China and Mongolia, and also 40 own branches across Russia from Kaliningrad in the west to Youzhno-Sakhalinsk in the east. The total number of offices delivering customer friendly high-quality banking and depositary services under the single brand name of Gazprombank exceeds 500.

Steady development and high reliability was rewarded with ratings assigned by international rating agencies: Moody's Investors Service, Standard & Poor's etc. The Standby Custodian was twice awarded by The Banker Magazine as "The Bank of the Year in Russia" in 2001 and 2005.

In addition, when the Standby Custodian was a wholly owned subsidiary of Gazprom, it acquired interests in a range of companies which operate in non-banking related industries, such as SIBUR Holding and the Gazprom Media Group companies. The Standby Custodian believes that it has successfully managed these companies and has realised considerable profits from them, however, it considers these companies to be short-to medium-term investments as well as non-core assets as the nature of their undertakings are substantially different from its banking operations.

OVERVIEW OF TRANSACTION DOCUMENTS

The description of certain of the Transaction Documents set out below is a summary of certain features of such documents and is qualified by reference to the detailed provisions thereof. Prospective holders of Notes may inspect a copy of the documents described below upon request at the specified office of each of the Note Trustee or the Paying Agent. Capitalised terms used in the description below shall have the meaning ascribed to them in the Master Framework (as defined above).

Framework Mortgage Portfolio Purchase Agreement

The Framework Mortgage Portfolio Purchase Agreement (the "FMPPA") establishes the common terms for the sale and purchase of the Initial Mortgage Portfolio and any Additional Mortgage Portfolios within the Sale Period.

Purchase of Mortgage Portfolios

On the First Closing Date, the Issuer entered into the Initial Mortgage Certificates Purchase Agreement with the Seller, pursuant to which the Seller sold and the Issuer purchased the Initial Portfolio of Mortgage Certificates.

The FMPPA provided for the Originator to sell to the Issuer Additional Mortgage Portfolios by entering into Additional Mortgage Certificates Purchase Agreements during the Sale Period. Additional Mortgage Portfolios were purchased by the Issuer by applying certain collections in respect of the principal portion of the Mortgage Loans relating to the Purchased Mortgage Certificates subject to certain conditions of the FMPPA, the Cash Management Agreement and other Transaction Documents.

Eligibility Criteria

Under the FMPPA, as part of the Originator's Representations and Warranties, the Originator represented and warranted to the Issuer that on the relevant Purchase Date each of the Mortgage Certificates (and the relevant Mortgage Loans and Borrowers) purchased by the Issuer pursuant to a Mortgage Certificates Purchase Agreement have complied with the Eligibility Criteria set forth below (each an "**Eligible Mortgage Certificate**", "**Eligible Mortgage Loan**" and "**Eligible Borrower**", respectively).

Eligible Mortgage Certificate

Eligible Mortgage Certificate is a Mortgage Certificate, which or in respect to which, as the case may be, at the relevant Purchase Date:

1. evidenced the Eligible Loan and the Mortgage of relevant residential property;
2. was not pledged and did not contain any restriction on sale, other than a requirement to notify the relevant Borrower within ten (10) calendar days following such sale;
3. was duly executed by and constitutes legally valid, binding and enforceable obligations of the relevant Borrower;
4. has been executed substantially in the form of standard documentation prescribed by the Seller's Criteria and duly authorised, completed and executed by the relevant parties and has not been amended, supplemented, replaced or waived in any material respect;
5. was not a copy or duplicate of the original Mortgage Certificate and does not contain the note "duplicate";

6. the Seller has not entered into any arrangement which would restrict the ability of the Issuer to enforce its terms
7. certified an obligation denominated and payable in Roubles without any deduction, set-off, rebate or any payment reduction;
8. in respect of which the relevant Mortgage Loan was fully drawn and the relevant Mortgage Loan Agreement does not permit further advances;

Eligible Mortgage Loan

Eligible Loan is a Mortgage Loan, which or in respect to which, as the case may be, at the relevant Purchase Date:

1. was acquired free and clear of any Encumbrance in favor of any third parties;
2. no lien or grounds for set-off or other right of deduction existed or has been created or arisen between the Seller or Third Party Lender and the respective Borrower which would entitle such Borrower to reduce the amount of any payment under such Mortgage Loan;
3. its Outstanding Principal Balance did not exceed 12,500,000 RUB;
4. its LTV did not exceed 90%;
5. its Payment-to-income (PTI) ratio did not exceed 50%;
6. with respect to Mortgage Loans relating to the Mortgage Certificates in the Initial Mortgage Portfolio, the interest rate under the relevant Mortgage Loan Agreement was equal to or exceeds 10.4%;
7. with respect to Mortgage Loans relating to the Mortgage Certificates in any Additional Mortgage Portfolio, the interest rate under the relevant Mortgage Loan Agreement was equal to or exceeded 11.5%;
8. was originated and fully disbursed by the Seller or a Third Party Lender and was fully drawn by the Borrower;
9. all Insurance Policies were in full force and effect;
10. complied with the Seller's Criteria;
11. certified an obligation denominated and payable in RUB, as the case may be, without any deduction, rebate or any payment reduction;
12. was secured by a first-ranking mortgage over the relevant residential property;
13. payments of interest shall be made at a fixed interest rate and are payable monthly;
14. no amount in respect of each Purchased Mortgage Certificate was as at the relevant Purchase Date in arrears;
15. in respect of which at least one monthly payment has been made when due prior to the Purchase Date;
16. no claim has been filed requesting that any relevant agreement including the Property Purchase Agreement, Mortgage Loan Agreement, Insurance Policies or Mortgage Certificate are void;

17. was entered into with an Eligible Borrower;
18. the relevant Mortgage Loan Agreement is duly executed and constitute valid, legal and binding obligations of the parties thereto and are governed by and is subject to the laws of the Russian Federation;
19. a Borrower performed all its obligations specified in the relevant Mortgage Loan Agreement;
20. the relevant Mortgage Loan Agreement was made in simple written form (i.e., in written form without notarization);
21. the origination and disbursement of a Mortgage Loan evidenced by a Mortgage Certificate was not the subject of fraud, duress, bribery or coercion by any person (including, without limitation, the Borrower or any professional or other third party employed or engaged on behalf of the Seller).
22. the relevant Mortgage Loan Agreement did not contain any restriction on sale (assignment) and disclosure of confidential information to a purchaser (assignee), other than a requirement to notify the relevant Borrower within ten (10) calendar days following such sale;
23. the relevant Mortgage Loan Agreement did not contain provisions permitting the deferral or capitalization of payment of interest thereunder, or restructuring of fees or interest into principal;
24. minimum original term is twelve (12) months and the minimum remaining term is twelve (12) months, and the maximum original term is three hundred sixty (360) months;
25. the Seller has not received notice of a full early repayment;
26. secured by a Mortgage of residential property, which or in respect to which, as the case may be:
 - (a) is located within the territory of a constituent subject of the Russian Federation, does not comprise land only or mobile or manufactured homes and is either a single family home or is located in an apartment building, in either case, that is completely constructed and habitable as confirmed in the corresponding property appraisal;
 - (b) is a separate residential property and compliant with all applicable Russian law requirements relating to residential property;
 - (c) has never been lost or suffered unavoidable complete or partial damages;
 - (d) no claim has been filed requesting to arrest or enforce;
 - (e) the relevant agreement including the Property Purchase Agreement has been duly executed and fully performed by all parties thereto;
 - (f) the respective Borrower's ownership right to the relevant property and the Mortgage have been duly registered in the Unified State Register of Rights to Immovable Property and Transactions therewith;
 - (g) the respective Borrower has good and marketable ownership title to each relevant Property free from any Encumbrance which would adversely affect such title;
 - (h) is free and clear of any Encumbrance other than the Mortgage;
 - (i) is residential and primarily for use and occupation by a Borrower;

- (j) at the time of origination thereof the property intended to secure the repayment of the Mortgage Certificate was in all material respects of the kind permitted under the Seller's Criteria;
- (k) is insured (and has been insured throughout the whole period of the Mortgage Certificate):
 - (i) against all risks specified in the Seller's Criteria;
 - (ii) to an amount not less than the Outstanding Principal Balance of the relevant Mortgage Certificate; and
 - (iii) as of the relevant Purchase Date, the Seller or Third Party Lender has been named as the first loss payee under the relevant Insurance Contracts; and
- (l) was appraised by an independent appraiser satisfactory to the Seller or the relevant Third Party Lender and the Seller or the relevant Third Party Lender has received a copy of the relevant appraisal report.

Eligible Borrower

Eligible Borrower is a Borrower who:

1. is an individual (i.e., not a partnership, company or other legal entity) who has entered into the respective Mortgage Loan Agreement acting as a borrower or co-borrower;
2. must have been at least 18 years of age and had full legal capacity at the time of entering into respective Mortgage Loan Agreement and property purchase agreement and not over 65 years of age upon the expiry of the remaining term of the Mortgage Loan;
3. is a Borrower whose credit and where applicable employment history has been assessed;
4. is a primary obligor under the Purchased Mortgage Certificate and the relevant Mortgage Loan Agreement;
5. who as far as the Seller is aware, is not dead or untraceable;
6. who, as far as the Seller is aware, is not bankrupt or insolvent and has not been recognised bankrupt and insolvent; and
7. is insured (and has been insured since the date of the relevant Mortgage Loan Agreement):
 - (a) against all risks specified in the Seller's Criteria (include life and disability insurance); and
 - (b) to an amount not less than the Outstanding Principal Balance of the relevant Purchased Mortgage Certificate.

Mechanics of Sale

With effect on the Purchase Date specified in the relevant Mortgage Certificates Purchase Agreement, the Originator sold and the Issuer purchased all Mortgage Certificates comprising the Mortgage Portfolio.

On or prior to the Purchase Date, the Seller made a Transfer Note on each Mortgage Certificate recording that all rights under, and evidenced by, such Mortgage Certificate have been transferred to the Issuer with effect on the relevant Purchase Date. Then the Issuer deposited the Mortgage

Certificates with the Custodian into safe custody and the Seller executed and delivered the Notifications to the Borrowers within ten (10) calendar days from the relevant Purchase Date.

Purchase Price

In respect of each Mortgage Portfolio the Issuer paid the Purchase Price indicated in the relevant Mortgage Certificates Purchase Agreement and equal to the aggregate of (a) the Outstanding Principal Balance and the Accrued Revenue of all the Mortgage Certificates in such a Mortgage Portfolio as at the relevant Purchase Date; and (b) the Premium.

Ineligible Mortgage Certificates

If, at any time, it has been determined by the Issuer, the Seller, the Servicer or the Security Trustee, that any Purchased Mortgage Certificate was an Ineligible Mortgage Certificate as of the relevant Purchase Date, the Seller shall, either (a) repurchase the relevant Ineligible Mortgage Certificate from the Purchaser, or (b) pay the compensation amount to the Issuer and transfer back to the Issuer the Class Z Note in the principal amount.

Seller's Representations and Warranties

The Seller's Representations and Warranties include, *inter alia*, representations and warranties on its corporate and regulatory matters (including, *inter alia*, its status, authority, solvency and tax residence), its business of originating Mortgage Loans, compliance of the Mortgage Portfolio with the Eligibility Criteria, the relevant Transaction Documents and such other matters generally consistent with the representations and warranties given by originators in rated securitisations originating from the Russian Federation.

Seller's Covenants

Under the FMPPA, the Seller entered into certain covenants in favour of the Issuer and the Security Trustee in relation to, *inter alia*, its corporate matters, the relevant Transaction Documents and the Mortgage Portfolio which are generally consistent with the covenants given by other originators in rated residential mortgage loan securitisations in the Russian Federation and Western European jurisdictions.

Applicable Law and Jurisdiction

The FMPPA is governed by English law except for the provisions relating to the actual sale (transfer) of the Mortgage Certificates, payment of the Purchase Price, liability for Ineligible Mortgage Certificates and each Mortgage Certificates Purchase Agreement which shall be governed by Russian law.

The London Court of International Arbitration (the "LCIA") has exclusive jurisdiction to hear any disputes that may arise in connection with the FMPPA, although the Security Trustee, may elect to refer any dispute out of or in connection with the FMPPA Agreement to the Courts of England and Wales. Any and all disputes and differences which may arise out of or in connection with each of the Mortgage Certificates Purchase Agreements shall be referred for resolution to the Moscow City Arbitrazh Court in accordance with applicable legislation of the Russian Federation.

Servicing Agreement

General

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

Appointment

The Issuer appointed the Servicer as its lawful agent to be the Servicer, in its name and on its behalf, to service the Purchased Mortgage Certificates, and the Servicer accepted such appointment on the terms and subject to the conditions of the Servicing Agreement. The Security Trustee acknowledged the appointment of the Servicer by Issuer.

Fees and costs

Subject to the Payments Priorities, the Issuer shall pay the Servicer for the Services performed under the Servicing Agreement in accordance with the Fee Letter which shall be deemed to be incorporated into the Servicing Agreement. The Servicer is not entitled to any remuneration or indemnity in respect of the performance of its duties under the Servicing Agreement save as expressly provided in the Servicing Agreement (excluding VAT). Payments to the Servicer shall be made by the Issuer provided that before such payment is made by the Issuer, the Servicer shall submit an invoice providing, in reasonable detail, the nature and calculation of the relevant payment.

The payment of these servicing fees is subject to the applicable Pre-enforcement Revenue Payment Priorities or Post-Enforcement Payments Priorities, as applicable. See "*Principal Features of the Class A Notes – Pre-Enforcement Revenue Payments Priorities*" and "*Principal Features of the Class A Notes – Post-Enforcement Payments Priorities*".

Services

The Servicer shall provide the following services (the "**Services**") as more specifically described in the Servicing Agreement:

- (a) administering services in respect of the Purchased Mortgage Certificates;
- (b) collecting and transferring services in respect of all payments;
- (c) record-keeping services in respect of Mortgage Loan Files;
- (d) reporting services (monthly Servicing reports, providing the information);
- (e) services relating to the enforcement of the Defaulted Mortgage Certificates;
- (f) other services, which the Issuer may reasonably require.

Servicer's Representations, Warranties and Covenants

The Servicer made certain representations, warranties and entered into covenants to the Issuer and the Security Trustee generally consistent with the representations, warranties and covenants given by other servicers in rated residential mortgage loan securitisations in Western European jurisdictions. The representations and warranties to be given by the Servicer were set out in the Servicing Agreement and included, without limitation, the valid incorporation, status and solvency of the Servicer, tax residency, litigation and other matters.

Servicer Termination

Upon or at any time after the occurrence of the following events specified in more details in the Servicing Agreement (each a "**Servicer Termination Event**"), namely, (a) non-payment under the Servicing Agreement; (b) breach of other obligations (default made by the Servicer); (c) rating downgrade; (d) failure to deliver a Servicing Report; (e) unlawfulness to perform the Services; (f) force majeure; (g) insolvency event; (h) capital adequacy ratio's falling, the Issuer or the Security Trustee may, without prejudice to its other rights, by notice in writing to the Servicer, terminate the appointment of the Servicer under the Servicing Agreement (and notify the Rating Agency in writing

upon such termination). Prior to such notice in writing being given to the Servicer, the Servicer shall continue to provide the Services and to comply with all reasonable instructions of the Issuer or the Security Trustee.

Actions upon Termination

Upon termination of the appointment of the Servicer, the Servicer shall deliver (release) to the Issuer, the Security Trustee or the Standby Servicer all Mortgage Loan Files relating to the Purchased Mortgage Certificates in its possession or under its control (free of lien or right of set off exercisable by the Servicer) and any moneys then held by the Servicer on behalf of the Issuer and shall take such further action as the Issuer may reasonably direct.

Applicable law and jurisdiction

The Servicing Agreement is governed by and construed in accordance with English law. The LCIA has exclusive jurisdiction to hear any disputes that may arise in connection with the Servicing Agreement, although the Security Trustee may elect to refer any dispute arising out of or in connection with the Servicing Agreement including any question regarding its existence, validity or termination, to the courts of England and Wales.

Standby Servicing Agreement

General

On the Second Closing Date, the Issuer, the Servicer, the Standby Servicer, the Seller and the Security Trustee entered into the Standby Servicing Agreement, under which the Issuer appointed the Standby Servicer (and the Security Trustee acknowledged such appointment of the Standby Servicer) to carry out certain standby servicing functions in connection with the Mortgage Portfolio.

Appointment

Prior to the termination of the appointment of the Servicer under the Servicing Agreement the Standby Servicer shall comply with any reasonable request of the Issuer or the Security Trustee relating to the Standby Servicer's appointment or potential appointment as Replacement Servicer or otherwise in connection with the Standby Servicer's ability to perform the Services.

Services

Following the appointment of the Standby Servicer as the Replacement Servicer by the Issuer, the Standby Servicer is obliged to perform the Services in relation to the Mortgage Portfolio, which are described in detail in "*Overview of Transaction Documents – Servicing Agreement – Services*" above.

Fees

Prior to the Standby Servicer's appointment as Replacement Servicer and subject to the Payment Priorities, on or about the Second Closing Date the Issuer shall pay to the Standby Servicer an upfront fee in the amount equal to USD 100,000.00 (one hundred thousand), before VAT. In addition to the upfront fee on each Interest Payment Date prior to the Standby Servicer's appointment as Replacement Servicer and subject to the Payments Priorities, the Issuer shall pay to the Standby Servicer a fee in the amount equal to 0.03 per cent. per annum of the Outstanding Principal Balance of the Purchased Mortgage Certificates, before VAT, calculated on a monthly basis.

Following the appointment of the Standby Servicer as the Replacement Servicer, subject to the Payment Priorities, the Issuer shall pay the Standby Servicer a fee in the amount equal to 1.6 per cent. per annum of the Outstanding Principal Balance of the Purchased Mortgage Certificates, before VAT, calculated on a monthly basis.

Applicable law and arbitration

The Standby Servicing Agreement is governed by and construed in accordance with English law. The LCIA has exclusive jurisdiction to hear any disputes that may arise in connection with the Standby Servicing Agreement, although the Security Trustee may elect to refer any dispute arising out of or in connection with the Servicing Agreement including any question regarding its existence, validity or termination, to the courts of England and Wales.

Custodial Services Agreement

General

On or about the First Closing Date, the Issuer, the Servicer, the Seller, the Custodian and the Security Trustee and the Russian Enforcement Agent entered into the Custodial Services Agreement as amended on the Second Closing Date, under which the Issuer appointed the Custodian (and the Security Trustee and the Russian Enforcement Agent acknowledged such appointment of the Custodian) to carry out certain custodial functions in connection with the Mortgage Portfolio.

Custodian's Services

Under the Custodial Services Agreement the Custodian provides, *inter alia*, the following services: (a) holding the Purchased Mortgage Certificates in safe custody in secure premises on behalf of the Issuer as the owner and the Russian Enforcement Agent as the pledgee; (b) accepting and releasing the Purchased Mortgage Certificates; (c) upon initial acceptance of each Purchased Mortgage Certificate verifying and confirming to the Issuer, the Russian Enforcement Agent and the Security Trustee certain data in respect of the Mortgage Certificates; (d) assisting the Issuer in completion of the Transfer Note in the name of the Seller on a face of the Purchased Mortgage; (e) granting to the Authorised Persons the access to the Purchased Mortgage Certificates; and other services specified in details in the Custodial Services Agreement.

Custodian's Fees

The Issuer pays to the Custodian a fee in an amount equal to RUB 350 per year for each Purchased Mortgage Certificate (inclusive of VAT, if any, payable in relation to such fee) pro rated in respect of the number of days in the month that such Purchased Mortgage Certificate is kept in safe custody, payable on each Interest Payment Date (or, if earlier, the Final Discharge Date) and calculated by reference to the number of the Purchased Mortgage Certificates kept by the Custodian during the month immediately prior to such Interest Payment Date.

Custodian Termination

Upon or at any time after the occurrence of a Custodian Termination Event, *inter alia* (a) breach of obligations (default made by the Custodian); (b) rating downgrade; (c) unlawfulness to perform the Services; (d) force majeure; (e) insolvency event; (f) capital adequacy ratio's falling as specified in more details in the custodial Services Agreement,

the Issuer may, without prejudice to its other rights, by notice in writing to the Custodian, terminate the appointment of the Custodian under the Custodial Services Agreement and the Security Trustee and the Russian Enforcement Agent shall acknowledge such termination of the appointment.

Applicable law and arbitration

The Custodial Services Agreement is governed by and construed in accordance with Russian law. The LCIA has exclusive jurisdiction to hear any disputes that may arise in connection with the Custodial Services Agreement, although the Security Trustee may elect to refer any dispute arising

out of or in connection with the Custodial Services Agreement including any question regarding its existence, validity or termination, to the courts of England and Wales.

Standby Custodial Services Agreement

General

The Issuer, the Servicer, the Seller, the Custodian, the Standby Custodian, the Security Trustee and the Russian Enforcement Agent entered into the Standby Custodial Services Agreement, under which the Issuer appointed the Standby Custodian (and the Security Trustee and the Russian Enforcement Agent acknowledged such appointment of the Custodian) to carry out certain custodial functions in connection with the Mortgage Portfolio.

Appointment

The Issuer appointed the Standby Custodian as the custodian of the Purchased Mortgage Certificates. The Standby Custodian agreed that, on or after the termination of the appointment of the Custodian pursuant to the Custodial Services Agreement, the Issuer may appoint the Standby Custodian as the Replacement Custodian of the Purchased Mortgage Certificates.

Services

Following the appointment of the Standby Custodian as the Replacement Custodian by the Issuer, the Standby Custodian shall be obliged to perform the Services in relation to the Mortgage Portfolio, which are described in detail in "*Overview of Transaction Documents – Custodial Services Agreement – Services*" above.

Standby Custodian's Fees

Prior to the Standby Custodian's appointment as the Replacement Custodian, the Issuer shall not be liable to pay any fees to the Standby Custodian.

Following the appointment of the Standby Custodian as the Replacement Custodian, the Issuer shall pay to the Standby Custodian a fee according to the tariffs of the Standby Custodian effective as of the date of such appointment. Fee shall be payable on each Interest Payment and shall be calculated by reference to the number of the Purchased Mortgage Certificates kept by the Standby Custodian during the month immediately prior to such Interest Payment Date.

Applicable law and arbitration

The Standby Custodial Services Agreement is governed by and construed in accordance with Russian law. The LCIA has exclusive jurisdiction to hear any disputes that may arise in connection with the Custodial Services Agreement, although the Security Trustee may elect to refer any dispute arising out of or in connection with the Custodial Services Agreement including any question regarding its existence, validity or termination, to the courts of England and Wales.

Cash Management Agreement

The Cash Manager, the Issuer and the Security Trustee entered into the Cash Management Agreement, under which the Cash Manager, amongst other things, on behalf of the Issuer, operates the RUB Distribution Account and the Cash Reserve Account in such a manner as to enable the Issuer to perform its obligations under the Transaction Documents, and to keep certain records.

Cash Management Services

The Cash Manager shall in accordance with the terms of the Cash Management Agreement (the following being the "**Cash Management Services**") perform, *inter alia*, the following services:

- (a) monitor and at all times maintain permanent records of all payments received into and withdrawals made from the RUB Distribution Account and the Cash Reserve Account separately with respect to each such account;
- (b) calculate and deliver at least two (2) Business Days prior to each Interest Payment Date a Cash Manager's report (in the form as agreed between the Issuer and the Cash Manager prior to the first Interest Payment Date) to the Issuer, the Servicer, the Security Trustee, the Rating Agencies, the Class A Notes Purchaser, the Class B Notes Purchaser and the Class Z Notes Purchaser;
- (c) make all calculations required to be made by the Cash Manager, including without limitation all calculations in respect of amounts payable by the Issuer, under or pursuant to the Transaction Documents;
- (d) create and maintain in the RUB Distribution Account: the Revenue Ledger, the Principal Ledger, the Income Deficiency Ledger, the Deferred Payments Ledger, the Principal Deficiency Ledger and two (2) sub-ledgers of the Principal Deficiency Ledger, namely the Class A PDL and the Class B PDL and perform debit and credit entries into these ledgers; and
- (e) make drawings from the Cash Reserve Account to cover any Income Deficiencies and credit the Cash Reserve Account with Principal Additional Amounts.

Termination of the Cash Manager's Appointment

Cash Manager Event

Upon or at any time after the occurrence of certain events specified in the Cash Management Agreement (each a "**Cash Manager Event**") the Issuer may, with the written consent of the Security Trustee, or the Security Trustee may itself, deliver a written notice to the Cash Manager (the "**Cash Manager Event Notice**").

The following shall constitute, *inter alia*, the Cash Manager Events:

- (a) the Insolvency Event of the Cash Manager; or
- (b) default is made by the Cash Manager in ensuring the payment on the due date of any payment required to be made under the Cash Management Agreement or any other Transaction Document and such default continues.

Cash Manager Termination

At any time after the delivery of a Cash Manager Event Notice, the Issuer may, with the written consent of the Security Trustee, or the Security Trustee may itself deliver a Cash Manager Termination Notice to the Cash Manager (with a copy to the Issuer or the Security Trustee (as applicable)) the effect of which shall be to terminate the Cash Manager's appointment (but without affecting any accrued rights and liabilities under the Cash Management Agreement) from the Cash Manager Termination Date referred to in such notice. A Cash Manager Termination Notice shall not become effective unless a replacement cash manager is in place after such termination.

The Cash Management Agreement may be terminated by consent between the parties to the Cash Management Agreement.

If a successor Cash Manager has not been appointed by the Cash Manager Termination Date referred to in the relevant notice delivered, the Cash Management Agreement will terminate on the date of the appointment of a successor Cash Manager.

Applicable law and arbitration

The Cash Management Agreement is governed by and construed in accordance with English law. The LCIA has exclusive jurisdiction to hear any disputes that may arise in connection therewith (whose decision shall be considered final and binding on the parties), although the Security Trustee may elect to refer any dispute arising out of or in connection with the Cash Management Agreement including any question regarding its existence, validity, interpretation, breach or termination, to the courts of England and Wales.

Paying Agency Agreement

The Issuer, the Paying Agent, the Security Trustee and the Note Trustee entered into the Paying Agency Agreement, pursuant to which the Issuer appointed the Paying Agent in respect of the Issuer Notes for the purpose of determining the interest payable and distributing payments on the Issuer Notes. Following the occurrence of an Event of Default, the Security Trustee may require the Paying Agent to act as agent of the Security Trustee.

Applicable law and arbitration

The Paying Agency Agreement is governed by and construed in accordance with English law. The LCIA has exclusive jurisdiction to hear any disputes that may arise in connection with the Paying Agency Agreement, although the Security Trustee may elect to refer any dispute arising out of or in connection with the Paying Agency Agreement including any question regarding its existence, validity, interpretation, breach or termination, to the courts of England and Wales.

Deed of Charge

The Security Trustee, the Issuer and the Russian Enforcement Agent entered into the Deed of Charge, pursuant to which the Issuer agreed to provide the Security (as defined in Condition 5 (*Security*)) over the Secured Property for the payment or discharge if the Secured Amounts, subject to the terms of the Deed of Charge and the Trust Deed and the Security Trustee agreed to hold the benefit of the Security granted by the Deed of Charge on trust for the benefit of the Secured Creditors (including the Noteholders).

Applicable law and arbitration

The Deed of Charge and all matters arising from or connected with them are governed by and construed in accordance with, the laws of England and Wales. The LCIA has exclusive jurisdiction to hear any disputes that may arise in connection with the Deed of Charge, although the Security Trustee may elect to refer any dispute arising out of or in connection with the Deed of Charge including any question regarding its existence, validity, interpretation, breach or termination, to the courts of England and Wales.

Pledge Agreement

Pledge of Purchased Mortgage Certificates

On the Second Closing Date, the Issuer, the Russian Enforcement Agent and the Security Trustee entered into the Pledge Agreement as amended on 7 February 2008 pursuant to which the Issuer agreed to pledge the purchased mortgage certificates as a security for the Issuer's Secured Liabilities to the Russian Enforcement Agent acting on behalf and for the account of the Secured Creditors and the Security Trustee has acknowledged the appointment of the Russian Enforcement Agent as the pledgee of the Purchased Mortgage Certificates acting on behalf and for the account of the Secured Creditors. The Russian Enforcement Agent has agreed, on behalf of and for the account of the Secured Creditors, to undertake legal and other actions for the purposes of holding and enforcing the pledge of the Purchased Mortgage Certificates in the name of the Secured Creditors.

Deposit of Purchased Mortgage Certificates

On the date of the Pledge Agreement the Issuer procured that the Purchased Mortgaged Certificates were deposited with the Custodian on behalf of the Russian Enforcement Agent in accordance with the Custodial Services Agreement.

Secured Liabilities

The liabilities secured hereunder shall include, without prejudice to any additional rights of the Secured Creditors under the applicable law, the aggregate of:

- (a) all present and future obligations and liabilities of the Issuer to the Russian Enforcement Agent and the Secured Creditors under the Transaction Documents; and
- (b) all costs and expenses incurred by any Secured Creditor in connection with the enforcement or preservation of its rights under the Transaction Documents (collectively, the "**Secured Liabilities**").

Governing Law and Arbitration

The Pledge Agreement and all matters arising from or connected with them is governed by and construed in accordance with the laws of the Russian Federation. The LCIA has exclusive jurisdiction to hear any disputes that may arise in connection with the Pledge Agreement, although the Security Trustee may elect to refer any dispute arising out of or in connection with the Pledge Agreement including any question regarding its existence, validity, interpretation, breach or termination, to the courts of England and Wales.

Trust Deed

The Issuer, the Note Trustee and the Security Trustee entered into the Trust Deed by which the Class A Notes and the Class B Notes have been constituted and the Conditions and the forms of the Notes have been set out. The Note Trustee has agreed to act as trustee for the holders of the Notes under the terms of the Trust Deed.

Applicable law

The Trust Deed and all matters arising from or connected with them is governed by and construed in accordance with the laws of England and Wales. The LCIA has exclusive jurisdiction to hear any disputes that may arise in connection with the Trust Deed, although the Note Trustee and the Issuer may elect to refer any dispute arising out of or in connection with the Trust Deed including any question regarding its existence, validity, interpretation, breach or termination, to the courts of England and Wales.

Purchaser Accounts Agreement

General

On the Second Closing Date, the Issuer, the Purchaser Accounts Bank and the Cash Manager the Security Trustee, entered into the Purchaser Accounts Agreement, pursuant to which the Purchaser Accounts Bank has agreed to open and maintain the RUB Distribution Account and the Cash Reserve Account which are to be held in the name of the Issuer, and shall provide the Issuer with certain services in connection with account handling and reporting requirements in relation to the monies from time to time standing to the credit of the RUB Distribution Account and the Cash Reserve Account, as applicable.

Fees and Expenses

The fees of the Purchaser Accounts Bank for the operation of the accounts *are* payable by the Issuer in accordance with the Payments Priorities.

The Purchaser Accounts Bank acknowledged that it has no recourse against any funds standing to the credit of the RUB Distribution Account or the Cash Reserve Account or against any other account or any party other than the Issuer in respect of its fees or expenses.

The fees charged by the Purchaser Accounts Bank to the Issuer are charged on the basis and at the rates as agreed from time to time between the Purchaser Accounts Bank and the Issuer.

Applicable law and arbitration

The Purchaser Accounts Agreement is governed by and construed in accordance with the laws of England and Wales. The LCIA has exclusive jurisdiction to hear any disputes that may arise in connection therewith (whose decision shall be considered final and binding on the parties), although the Security Trustee may elect to refer any dispute arising out of or in connection with the Purchaser Accounts Agreement including any question regarding its existence, validity or termination, to the courts of England and Wales.

Collection Account Agreement and Collection Account Addendum

General

The Collection Account Bank and the Issuer entered into the Collection Account Agreement, pursuant to which the Collection Account Bank has agreed to open and maintain the Collection Account for the Issuer. On the Second Closing Date the Issuer, the Collection Account Bank, the Cash Manager, the Servicer and the Security Trustee entered into the Collection Account Addendum to the Collection Account Agreement pursuant to which the Issuer authorised the Collection Account Bank to transfer daily the total balance standing to the credit of the Collection Account to the RUB Distribution Account without any further instructions and authorisations from the Issuer.

Applicable law and arbitration

The Collection Account Agreement is governed by and construed in accordance with the laws of the Russian Federation.

Corporate Services Agreement

General

The Issuer and the Corporate Services Provider entered for an indefinite period of time into the Corporate Services Agreement, pursuant to which the Corporate Services Provider has agreed to provide certain corporate book-keeping, taxation, secretarial and accounting services to the Issuer. In return for the services so provided, the Corporate Services Provider has received remuneration as specified in a fee letter payable by the Issuer in accordance with the Pre-Enforcement Revenue Payments Priorities.

Services

The Corporate Services Provider provides corporate administration and secretarial services to the Issuer which include: (a) provision of a registered office; treatment of incoming mail and faxes; and some company secretarial services; (b) opening and management of bank accounts; (c) accounts preparation services for management and audit purposes; (d) accounting, preparation and filing of annual financial statements; (e) holding and filing of annual general meetings; (f) preparation and filing of tax returns; (g) liaising with the Auditor and/or the legal firm; (h) preparation of, and

attendance at, two board meetings per annum and preparation of minutes of these meetings; (i) safe custody of the Minutes book and share register as well as the regular recording of minutes and transfers and pledges therein; (j) provision of up to 3 (three) directors of the Issuer; (k) provision of 1 (one) shareholder of the Issuer.

The Issuer may from time to time request the Corporate Services Provide to provide to the Issuer additional administrative, accounting and other services in order to ensure its efficient management.

Applicable law

The Corporate Services Agreement is governed by and construed in accordance with laws of Grand Duchy of Luxembourg and the parties submitted any litigation arising under or in connection with the Corporate Services Agreement to the exclusive jurisdiction of the courts of the District of Luxembourg.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM

The Class A Notes will be in the form of a Class A Permanent Global Note in bearer form without interest coupons which will be delivered on or around the Listing Date to and deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg.

The Class A Permanent Global Note will become exchangeable in whole, but not in part, for the Class A Notes in definitive form in the denomination of RUB 2,000,000 at the request of the bearer of the Class A Permanent Global Note against presentation and surrender of the Class A Permanent Global Note to the Paying Agent if any of the following events (each, an "**Exchange Event**") occurs:

- (a) an event of default (as set out in Condition 12 (*Events of Default*)) has occurred and is continuing; or
- (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Class A Notes in definitive form.

Whenever the Class A Permanent Global Note is to be exchanged for Class A Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Class A Definitive Notes, duly authenticated and with Receipts, Coupons and Talons attached (as applicable), in an aggregate principal amount equal to the principal amount of the Class A Permanent Global Note to the bearer of the Class A Permanent Global Note against the surrender of the Class A Permanent Global Note at the specified office of the Paying Agent within thirty (30) days of the occurrence of the relevant Exchange Event.

In addition, the Class A Permanent Global Note will contain provisions which modify the Terms and Conditions of the Class A Notes as they apply to the Class A Permanent Global Note. The following is a summary of certain of those provisions:

Nominal Amounts: The nominal amount of the Class A Notes represented by the Class A Permanent Global Note shall be the aggregate amount from time to time entered in the records of both Euroclear and Clearstream, Luxembourg (together, the "**relevant Clearing Systems**"). The records of the relevant Clearing Systems (which expression means the records that each relevant Clearing System holds for its customers which reflect the amount of such customer's interest in the Class A Notes) shall be conclusive evidence of the nominal amount of the Class A Notes and, for these purposes, a statement issued by a relevant Clearing System stating the nominal amount of the Class A Notes at any time (which statement shall be made available to the bearer upon request) shall be conclusive evidence of the records of the relevant Clearing System at that time.

Payments: Payments due in respect of Class A Notes for the time being represented by the Class A Permanent Global Note shall be made to the bearer of the Class A Permanent Global Note and each payment so made will discharge the Issuer's obligations in respect thereof.

Upon any payment of principal and/or interest on the Class A Notes due to be made under the Class A Permanent Global Note and cancellation of any of the Class A Notes details of such payment shall be endorsed by or on behalf of the Issuer on the schedule A of the Class A Note Permanent Global Note in accordance with the provisions of the Paying Agency Agreement and, in the case of payments of principal and cancellation of any of the Class A Notes, the Principal Amount Outstanding thereof shall be reduced for all purposes by the amounts so paid and endorsed.

Notices: Notwithstanding the Condition 21 (*Notices*), while any of the Class A Notes are represented by the Class A Permanent Global Note and the Class A Permanent Global Note is held on behalf of

the relevant Clearing Systems, notices to holders of the Class A Notes may be given by delivery of the copies of such notices to the relevant Clearing Systems for communication to the entitled holders and, in any case, such notices shall be deemed to have been given to the holders of the Class A Notes in accordance with the Condition 21 (*Notices*) on the date of delivery to the relevant Clearing Systems.

Transfers: For so long as the Class A Notes are represented by the Class A Permanent Global Note, the Class A Notes so represented by the Class A Permanent Global Note will be transferable in accordance with the rules and procedures for the time being of the relevant Clearing System, and the Issuer, the Paying Agent and the Note Trustee may treat each person who is for the time being shown in the records of the relevant Clearing System as the holder of a particular principal amount of Class A Notes (in which regard any certificate or other document issued by the relevant Clearing System as to the principal amount of the Class A Notes standing to the account of any person shall be conclusive and binding for all purposes) as the holder of such principal amount of such Class A Notes for all purposes, other than with respect to the payment of interest and repayment of principal on such Class A Notes, the right to which shall be vested solely in the bearer of the Class A Permanent Global Note and in accordance with its terms.

Meetings: The holder of the Class A Permanent Global Note will be treated as being two persons for the purposes of any quorum requirement of, or the right to demand a poll at, a meeting of holders of the Class A Note, and, at any such meeting, as having one vote in respect of each RUB 100,000 principal amount of the Class A Notes for which the Class A Permanent Global Note may be exchanged.

TERMS AND CONDITIONS OF THE CLASS A AND THE CLASS B NOTES

If the Class A Notes were to be issued in definitive form, the terms and conditions set out on the reverse of each of such Class A Note will be as stated below. While the Class A Notes are represented by Global Notes, they will be governed by the same terms and conditions except to the extent that such terms and conditions are appropriate only to securities in definitive form or are expressly varied by the terms of such Global Notes.

1 GENERAL

- 1.1 References herein to the "**Notes**" or the Notes of any class shall be to all the Class A Notes and all the Class B Notes, or all Notes of that class, as applicable, that are issued and outstanding from time to time.

In these Conditions, "**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Paying Agent.

References herein to the "**Class Z Notes Conditions**" shall be to the conditions of the Class Z Notes, as set out in the Class Z Notes Issuance Facility Agreement.

References herein to the "**Conditions**" shall be to these conditions.

- 1.2 The Notes are constituted by and issued pursuant to a trust deed (the "**Trust Deed**") entered into on the Second Closing Date, between the Issuer and Deutsche Trustee Company Limited (the "**Note Trustee**") as trustee for the holders for the time being of the Notes (the "**Noteholders**", which such term shall be construed in accordance with Condition 3 (*Form, Denomination and Title*) and shall, where the context so admits, include the holders of the Receipts (as defined in Condition 3) (the "**Receiptholders**") and the holders of the Coupons (as defined in Condition 3) (the "**Couponholders**").
- 1.3 The Notes are issued with the benefit of a paying agency agreement (the "**Paying Agency Agreement**") entered into on the Second Closing Date, between the Issuer, the Note Trustee and Deutsche Bank AG, London Branch (the "**Paying Agent**") to record certain arrangements in relation to the payment of interest and principal in respect of the Notes.
- 1.4 Certain provisions of these Conditions are summaries of the Trust Deed and the Paying Agency Agreement and are subject to their detailed provisions.
- 1.5 The holders of Notes, Coupons and Receipts are entitled to be beneficiaries of, are bound by and are deemed to have notice of all the provisions of the Transaction Documents which are relevant to them.
- 1.6 Copies of the Transaction Documents are available for inspection upon proof of satisfactory holding to the Note Trustee by holders of the Notes, Receipts and Coupons during normal business hours at the principal office for the time being of the Note Trustee and at the Specified Offices of the Paying Agent, the initial Specified Offices of which are set out below.

2 DEFINITIONS AND INTERPRETATION

- 2.1 These Conditions shall have expressly and specifically incorporated into it the Definitions set out in the Master Framework Agreement entered into between the Transaction Parties, and dated on or about the Second Closing Date (as it may have been amended, varied, novated, supplemented or superseded in accordance with its terms, the "**Master Framework Agreement**") as though the same were set out in full in these Conditions. If there is any conflict between these Conditions and the Definitions, these Conditions shall prevail.

2.2 These Conditions shall have expressly and specifically incorporated into it the Principles of Interpretation and Construction set out in the Master Framework Agreement as though they were set out in full in these Conditions. In the event of any conflict between the provisions of these Conditions and the Principles of Interpretation and Construction, these Conditions shall prevail.

2.3 These are the Conditions as referred to and defined in the Master Framework Agreement.

3 FORM, DENOMINATION AND TITLE

3.1 *Form and Title - The Permanent Global Notes:* Each Permanent Global Note shall be issued in bearer form without receipts for the payment of principal ("**Receipts**"), coupons for the payment of interest ("**Coupons**") or, if applicable, talons for further Receipts and Coupons ("**Talons**"). Each Permanent Global Note shall be signed by two directors of the Issuer.

Title to the Permanent Global Notes will pass by delivery. Notes represented by a Permanent Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate.

For so long as the Notes are represented by a Permanent Global Note, the Issuer and the Note Trustee may (to the fullest extent permitted by applicable laws) deem and treat each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of the Notes (each an "**Accountholder**") as the holder of such principal amount of the Notes, other than for the purposes of payment of principal and interest on such Permanent Global Notes, the right to which shall be vested, as against the Issuer and the Note Trustee, solely in the bearer of the relevant Permanent Global Note in accordance with and subject to the terms of the Trust Deed.

3.2 *Issue of Definitive Notes:* A Permanent Global Note will only be exchanged (in whole but not in part) for Notes in definitive bearer form ("**Definitive Notes**") if at any time after the Exchange Date any Exchange Event occurs.

3.3 *Form of Definitive Notes:* Each Definitive Note shall be issued in bearer form, with Receipts, Coupons and (if applicable) Talons attached. Each Definitive Note shall be signed by two directors of the Issuer.

3.4 *Title and Transfer of Title:* Except as otherwise provided by applicable law, the holder of any Note, Coupon (if applicable Talons) shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. Title to the Notes will pass by delivery.

3.5 *Denomination:* The Notes will be issued in bearer form and, whilst represented by a Permanent Global Note, will have a minimum denomination of RUB 2,000,000. For so long as the Notes are represented by a Permanent Global Note, and Euroclear and Clearstream Luxembourg so permit, the Notes shall be tradable in minimum nominal amounts of RUB 2,000,000 and in integral multiples of RUB 100,000 thereafter. Each Class of Notes will be exchangeable for Notes in definitive form in the limited circumstances specified in Condition 3.2 above. If the Notes are required to be issued in definitive form they will only be printed and issued in denominations of RUB 2,000,000. Accordingly, a Noteholder holding a nominal amount the whole of which cannot be represented by Definitive Notes in the denomination of RUB 2,000,000 will not be able to receive a definitive Note in respect of such portion of this holding as cannot be represented by a definitive Note in the denomination of RUB 2,000,000, and will not be able to receive interest or principal in respect of such portion. In addition, if

Definitive Notes are required to be issued, thereafter trading in the Notes may be limited to Notes actually represented by Definitive Notes of RUB 2,000,000 nominal amount.

4 STATUS, RANKING AND PRIORITIES

- 4.1 *Status:* The Notes, the Receipts, the Coupons and, if applicable Talons, of each Class constitute direct, secured (as set out in Condition 5 (*Security*) below), limited recourse (as set out in Condition 9 (*Limited Recourse*) below) and unconditional obligations of the Issuer.
- 4.2 *Ranking:* The Class A Notes and Class B Notes will at all times rank *pari passu* without preference or priority amongst themselves. Following a delivery of an Enforcement Notice by the Note Trustee, the Class A Notes will rank in priority to the Class B Notes.
- 4.3 *Sole Obligations:* The Notes, the Coupons and, if applicable Talons, are obligations solely of the Issuer and not the obligations of or guaranteed by any other party or entity.
- 4.4 *Priority of Interest Payments:* All payments of interest due on the Class A Notes will rank in priority to payments of interest due on the Class B Notes.
- 4.5 *Priority of Principal Payments:* All payments of principal due on the Class A Notes will rank in priority to payments of principal due on the Class B Notes.
- 4.6 *Pre-Enforcement Revenue Payments Priorities:* Prior to the delivery of an Enforcement Notice, all payments received by the Issuer as the Available Revenue Distribution Amount will be applied by the Cash Manager on such Interest Payment Date in making the following payments or provisions, but only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for on such Interest Payment Date have been made in full:
- (a) *first*, in or towards payment on *pari passu* on a *pro rata* basis of any Expenses;
 - (b) *second*, in or towards payment on *pari passu* on a *pro rata* basis of remuneration, costs, charges, liabilities and expenses due to and incurred by the Note Trustee, the Security Trustee, the Russian Enforcement Agent (plus VAT, if any);
 - (c) *third*, in or towards payment on *pari passu* on a *pro rata* basis of remuneration, costs, charges, liabilities and expenses due to and incurred by the Rating Agencies, the Servicer, the Paying Agent, the Cash Manager, the Custodian, the Standby Servicer, the Standby Custodian, the Corporate Services Provider and any auditors of the Purchaser;
 - (d) *fourth*, in or towards payment of the Interest Amount due on the Class A Notes;
 - (e) *fifth*, in or towards reduction of the debit balance on the Class A PDL until such balance is equal to zero;
 - (f) *sixth*, on or after an Amortisation Event, and to the extent that there are any Class A Notes outstanding, in applying the remaining Available Revenue Distribution Amount, after items (a) (*first*) to (e) (*fifth*) above have been paid in full, in or towards crediting the Principal Ledger of the RUB Distribution Account and thereby making such amounts available for distribution in accordance with the Pre-Enforcement Principal Payments Priorities;
 - (g) *seventh*, in or towards payment of the Interest Amount and the Deferred Interest Amount Arrears on the Class B Notes, but so that the Interest Amount on the Class B

Notes will be paid prior to the Deferred Interest Amount Arrears on the Class B Notes;

- (h) *eighth*, in or towards reduction of the debit balance on the Class B PDL until such balance is equal to zero;
- (i) *ninth*, subject to Class Z Notes Condition 9.9 (*Rounding of Principal Payments due on the Class Z Notes*) in or towards payment on *pari passu* and a *pro rata* basis of any Principal Amount Outstanding of the Class Z Notes until the Principal Amounts Outstanding of each Class Z Note is RUB 1,000; and
- (j) *tenth*, in or towards payment of the Class Z Distribution Amount in respect of the Class Z Notes.

4.7 *Pre-Enforcement Principal Payments Priorities*: Prior to the delivery of an Enforcement Notice, all amounts received as the Available Principal Distribution Amount will be applied by the Cash Manager on such Interest Payment Date in making the following payments or provisions, but only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for on such Interest Payment Date have been made in full:

- (a) *first*, in crediting the Revenue Ledger with an amount to be drawn from the Principal Ledger to cover the Income Deficiency in accordance with Clause 5.1 (b) of the Cash Management Agreement;
- (b) *second*, in crediting the Cash Reserve Account with the Principal Additional Amount, an amount necessary to reach the Cash Reserve Account Required Amount;
- (c) *third*, after occurrence of an Amortisation Event, subject to Condition 10.9 (*Rounding of Principal Payments due on the Class A and Class B Notes*), in or towards payment on *pari passu* and a *pro rata* basis of any Principal Amount Outstanding of the Class A Notes until all Class A Notes have been redeemed in full; and
- (d) *fourth*, after occurrence of an Amortisation Event, subject to Condition 10.9 (*Rounding of Principal Payments due on the Class A and Class B Notes*), in or towards payment on *pari passu* and a *pro rata* basis of any Principal Amount Outstanding of the Class B Notes until all Class B Notes have been redeemed in full.

5 SECURITY

5.1 As continuing security for the payment or discharge of the Secured Amounts and, subject always to the right of redemption of the Issuer, the Issuer will, in favour of the Note Trustee, for itself and on trust for the Secured Creditors, in accordance with the terms of the Deed of Charge entered into on, or about the Second Closing Date:

- (a) a first fixed charge over all of the Issuer's rights, title, interest and all other benefits relating thereto in and to the monies from time to time standing to the credit of the Secured Accounts and any bank or other account, including any interest accrued or accruing thereon, in which the Issuer has or may at any time have or acquire right, title, interest or benefit, which may take effect as a floating charge;
- (b) an assignment with full title guarantee and by way of security of all of the Issuer's rights, title, interest and all other benefits relating thereto in and to Secured Accounts, and any bank or other account, including any interest accrued or accruing thereon, in which the Issuer has or may at any time have or acquire right, title, interest or benefit, and all sums derived therefrom;

- (c) an assignment, by way of security, of all of the Issuer's rights, title, interest and all other benefits, existing now or in the future and to in respect of the Transaction Documents (other than the Trust Deed and the Pledge Agreement) and any other document, agreement, deed or instrument, present and future, entered into by the Issuer in connection with the Transaction Documents (other than the Trust Deed and the Pledge Agreement); and
- (d) a first ranking floating charge granted over the whole of the Issuer's undertaking and all its property, assets and rights whatsoever and wheresoever present and future that are not charged by way of any fixed charge; except to the extent otherwise charged or secured under the Trust Deed, this Deed or the Pledge Agreement (the "**Security**").

The Security created by the Deed of Charge shall be in priority to all other Encumbrances whatsoever, whether fixed or floating.

In addition to the Security created under the Deed of Charge the Issuer has granted to and in favour of the Russian Enforcement Agent a first ranking pledge under the Pledge Agreement over the Mortgage Certificates purchased by the Issuer under the Framework Mortgage Portfolio Purchase Agreement.

5.2 *No Security:* No assignment or charge, whether fixed or floating, shall be created under the Deed of Charge or the Trust Deed in respect of:

- (a) any assets, property or rights which are located in or deemed to be located in or governed by the laws of Luxembourg (which for the avoidance of doubt, shall not include any Transaction Document charged or assigned to the Note Trustee under this Deed); or
- (b) the Issuer's share capital; or
- (c) the Issuer's rights under the Corporate Services Agreement.

5.3 *Enforcement:* The Secured Property shall become enforceable upon the delivery by the Note Trustee of an Enforcement Notice in accordance with and subject to Condition 12 (*Events of Default*).

5.4 *Post-Enforcement Payments Priorities:* Following the delivery of an Enforcement Notice, all amounts received or recovered by the Issuer and/or the Security Trustee and/or the Russian Enforcement Agent will be applied by the Cash Manager or the Security Trustee in making the following payments in the following order of priority, but in each case only to the extent that all payments of a higher priority have been made in full:

- (a) *first*, in or towards payment of any Luxembourg tax (if any) and in or towards payment on *pari passu* on a *pro rata* basis of (i) any remuneration then due and payable to any receiver of the Issuer and all costs, expenses and charges incurred by such receiver and (ii) in or towards payment of the fees, expenses and liabilities due to the Note Trustee, the Security Trustee and the Russian Enforcement Agent;
- (b) *second*, in or towards payment on *pari passu* on a *pro rata* basis of remuneration, costs, charges, liabilities and expenses due to and incurred by the Rating Agencies, the Servicer, the Paying Agent, the Cash Manager, the Custodian, the Standby Servicer, the Standby Custodian, the Corporate Services Provider and any auditors of the Issuer;
- (c) *third*, in or towards payment of the Interest Amount on the Class A Notes;

- (d) *fourth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Class A Notes until all Class A Notes have been redeemed in full;
- (e) *fifth*, in or towards payment of the Interest Amount and the Deferred Interest Amount Arrears on the Class B Notes *pari passu* on a *pro rata* basis but so that the Interest Amount on the Class B Notes will be paid prior to the Deferred Interest Amount Arrears on the Class B Notes;
- (f) *sixth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Class B Notes until all the Class B Notes have been redeemed in full;
- (g) *seventh*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Class Z Notes until all the Class Z Notes have been redeemed in full; and
- (h) *eighth*, in or towards payment of the Class Z Distribution Amount.

6 COVENANTS OF THE ISSUER

6.1 So long as any Note, Coupon or Receipt remains outstanding, the Issuer, acting in respect of its compartment 1, shall not, *inter alia*:

- (a) create or permit to subsist any mortgage, charge, pledge, lien (unless arising by operation of law) or other security interest whatsoever upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking (other than the Security);
- (b) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;
- (c) open any account whatsoever with any bank or other financial institution, save where such account is held with a Qualifying Bank holding the Minimum Short-term Rating and is immediately charged in favour of the Security Trustee and to the satisfaction of the Note Trustee so as to form part of the Security referred to in Condition 5 (Security);
- (d) have any subsidiaries or employees or premises;
- (e) act as a director of any company;
- (f) operate without an Independent Director;
- (g) without the prior consent of the Note Trustee enter into any other limited recourse financing or asset backed transaction (whether a securitisation or otherwise);
- (h) to the fullest extent permitted by applicable law, pay any dividend or make any other distribution to its shareholders or issue any further shares except as permitted by the Transaction Documents;
- (i) incur any indebtedness in respect of borrowed money other than pursuant to the Transaction Documents, or give any guarantee in respect of any obligation of any person;
- (j) consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person (except in accordance with any Transaction Document);

- (k) become the legal owner of any of the Mortgaged Properties, or own any assets, other than the Mortgage Certificates (or any other assets permitted under the Transaction Documents) and the cash proceeds in relation thereto;
- (l) transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein, except as permitted by the Transaction Documents;
- (m) become a member of a group of companies for the purposes of VAT;
- (n) permit any of the Transaction Documents, any insurance contracts relating to the Mortgage Certificates owned by the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise any powers of consent or waiver in relation thereto (except in accordance with the terms of the Trust Deed and these Conditions), or permit any party to any of the Transaction Documents or any other person whose loan or obligations form part of the Security to be released from such obligations, or dispose of any loan save as envisaged in the Transaction Documents; and
- (o) as of the Listing Date, infringe the provisions of Directive 2004/109/EC of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuer whose securities are admitted to trading on a regulated market (the "**Transparency Directive**")

7 INTEREST

- 7.1 *Accrual:* Each Note bears interest on its Principal Amount Outstanding from the Issue Date.
- 7.2 *Cessation of Interest:* Each Note shall cease to bear interest from its due date for final redemption unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon in accordance with this Condition (both before and after judgment) until whichever is the earlier of:
- (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
 - (ii) the day which is seven days after notice is duly given by the Paying Agent or the Note Trustee to the Noteholder of such Class that it has received all sums due in respect of the Notes of such Class up to such seventh day (except to the extent that there is any subsequent default in payment).

Whenever it is necessary to compute an amount of interest in respect of any Note for any period (including any Interest Period), such interest shall be calculated in regards to the Class A Notes and the Class B Notes on the basis of actual days elapsed in a 365 day year.

- 7.3 *Interest Amounts Payments:* Interest on each Note is payable in arrear on each Interest Payment Date, subject to adjustment in accordance with the following Business Day Convention (i.e. if such day is not a Business Day, on the next succeeding Business Day). Interest will accrue from, and including, the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, the Issue Date) to, but excluding the next Interest Payment Date.

The Interest Amount in respect of each Class of Notes will be determined by the Cash Manager on each Class of Notes, for the relevant Interest Period, on the basis of the following provisions:

- (i) the Class A Notes will be an annual rate equal to a fixed rate 10.00 per cent. per annum;
- (ii) the Class B Notes will be an annual rate equal to a fixed rate of 11 per cent. per annum.

7.4 *Deferred Interest Amount Arrears:* To the extent that funds available to the Issuer to pay interest on the Class B Notes on an Interest Payment Date are insufficient to pay the full amount of such interest (an "**Interest Deferral Event**"), the amount that represents the difference between the amount of interest that would have been paid but for that Interest Deferral Event (the "**Deferred Interest Amount Arrears**") and the funds available will not fall due on the Interest Payment Date but (after making such payments as the Issuer is obligated to make in priority to payments in respect of the relevant Class of Notes), shall become due and payable in order of priority on the next Interest Payment Date upon which funds are available to the Issuer.

Such Deferred Interest Amount Arrears will accrue interest at the Note Rate applicable from time to time to the Class B Notes. Payment of any amount of Deferred Interest Amount Arrears shall not be deferred beyond the Final Legal Maturity Date or beyond any earlier date on which the Class B Notes, fall to be redeemed in full in accordance with the Condition 8 (*Redemption of the Notes*), and any such amount which has not then been paid in respect of the Class B Notes, shall thereupon become due and payable in full.

7.5 Reserved.

7.6 *Notification of Interest and Interest Payment Date:* The Cash Manager will cause:

- (a) the Interest Amount for each Class of Notes for the related Interest Period; and
- (b) the next Interest Payment Date following the related Interest Period;

to be notified to the Issuer, the Note Trustee, the Noteholders, the Rating Agencies and the Paying Agent.

7.7 *Determination or Calculation by Note Trustee:* If the Cash Manager does not at any time for any reason determine the Interest Amount for each Class of the Notes in accordance with the Conditions, the Note Trustee shall (but without any liability accruing to the Note Trustee as a result) determine the Interest Amount for each Class of Notes, having regard to the procedure described in these Conditions, and shall notify such determinations and calculations to the Issuer, the Cash Manager, the Rating Agencies, the Noteholders and the Paying Agent.

7.8 *Default Interest:* Any Deferred Interest Amount Arrears shall bear interest during the period from (and including) the Interest Payment Date upon which such Deferred Interest Amount is deferred to (and excluding) the date upon which the obligations of the Issuer to pay any Deferred Interest Amount Arrears is discharged. Interest on such Deferred Interest Amount Arrears shall accrue from day to day at the Note Rate from time to time applicable to the relevant Class of the Notes and shall be due and payable in accordance with Condition 7.4 (*Deferred Interest Amount Arrears*) or on such other date or dates as the Note Trustee may specify by written notice to the Issuer.

7.9 *Priority of Payment of Interest and Deferred Interest:* The Issuer shall pay the Interest Amount due and payable on any Interest Payment Date prior to any Deferred Interest Amount

Arrears payable on such Interest Payment Date which shall, in turn, be paid prior to any default interest on any such Deferred Interest Amount Arrears arising under Condition 7.8 (*Default Interest*) which is payable on such Interest Payment Date.

- 7.10 *Notifications to be final*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Interest*), whether by the Cash Manager, the Paying Agent or the Note Trustee shall (in the absence of any gross negligence, wilful default, bad faith, fraud or manifest error) be binding on the Issuer, the Servicer, the Standby Servicer, the Cash Manager, the Paying Agent, the Note Trustee and all Noteholders, and in (such absence as aforesaid) no liability to the Note Trustee or the Noteholders shall attach to the Issuer, the Cash Manager, the Paying Agent or the Note Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions under this Condition 7 (*Interest*).

8 REDEMPTION OF THE NOTES

- 8.1 *Final Redemption*: Unless previously redeemed as provided in this Condition, the Issuer shall redeem the Notes in each Class at their Principal Amount Outstanding on the Final Legal Maturity Date.

- 8.2 *Optional Redemption in Whole for Taxation Reasons*: If the Issuer at any time satisfies the Note Trustee immediately before the giving of the notice referred to below that:

- (a) on the next Interest Payment Date, the Issuer would be required as a result of any change in, or amendment to, the laws, regulations, published practice relating thereto, or any change in the application or official interpretation of the laws or regulations thereof to deduct or withhold from any payment of principal or interest on the Notes (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Grand Duchy of Luxembourg or any political sub-division thereof or any authority thereof or therein; or
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it; or
- (c) that the total amount payable in respect of interest in relation to any of the Mortgage Loans during an Interest Period ceases to be receivable (whether by reason of any Borrower or the Servicer being obliged to deduct or withhold any amount in respect of tax therefrom imposed, levied, collected, withheld or assessed by the Russian Federation or any political sub-division thereof or otherwise, and whether or not actually received) by the Issuer during such Interest Period;

then the Issuer may at its option, having given not less than thirty (30) nor more than sixty (60) days' notice to the Note Trustee and the Noteholders in accordance with Condition 21 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, on the next Interest Payment Date at their Principal Amount Outstanding, together with interest accrued to but excluding the date of redemption.

Prior to giving any such notice of redemption pursuant to this Condition 8.2 (*Optional Redemption in Whole for Taxation Reasons*), the Issuer shall deliver to the Note Trustee:

- (A) a certificate signed by two directors of the Issuer stating that (i) it will have the funds, not subject to the interest of any other person, required to redeem all the relevant Notes as aforesaid and, as the case may be, (ii) the requirement referred to in (a) or (b) above will apply on the next Interest

Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it; and

- (B) if appropriate legal opinion (in form and substance satisfactory to the Note Trustee) from a firm of lawyers in the Grand Duchy of Luxembourg (approved in writing by the Note Trustee) opining on the relevant change in tax law (or interpretation or administration or practice thereof).

Any certificate or legal given by or on behalf of the Issuer may be relied on by the Note Trustee and shall be conclusive and binding on the Noteholders.

- 8.3 *Mandatory Redemption in Part following an Early Amortisation Event.* On each Interest Payment Date following the occurrence of an Early Amortisation Event, other than an Interest Payment Date on which the Notes are otherwise to be redeemed in whole under this Condition 8 (*Redemption of the Notes*), to the extent that the Issuer has money available to be applied for such purpose, the Notes shall be subject to redemption in accordance with the Pre-Enforcement Principal Payments Priorities.
- 8.4 Reserved.
- 8.5 *Mandatory Redemption in Whole following a Final Amortisation Event.* Upon the occurrence of a Final Amortisation Event, the Notes shall be subject to an early redemption in whole at their Principal Amount Outstanding together with accrued interest, upon notice in writing to the Issuer and the holders of the Class A Notes of the occurrence of a Final Amortisation Event from the Note Trustee, provided that such early redemption has been sanctioned by an Extraordinary Resolution of the holders of the Class A Notes and such early redemption will take place on the Interest Payment Date immediately succeeding the receipt of the proceeds of the sale of the Purchased Mortgage Certificates.
- 8.6 Reserved.
- 8.7 *Notice of Calculation:* The Cash Manager will cause each calculation of all amounts received under this Condition in relation to each Class of Notes to be notified immediately after calculation to the Note Trustee, the Paying Agent and will immediately cause details of such amount to be published in accordance with the terms of the Cash Management Agreement.
- 8.8 *Notice irrevocable:* Any such notice as is referred to in Condition 8.7 (*Notice of Calculation*) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes to which such notice relates at their Principal Amount Outstanding if effected pursuant to this Condition 8 (*Redemption of the Notes*).
- 8.9 *No Purchase:* The Issuer shall not purchase any Notes, Receipts, Coupons or Talons, at any time.
- 8.10 *Optional Redemption in Whole:* If the Issuer at any time satisfies the Note Trustee immediately before the giving of the notice referred to below that on the previous Interest Payment Date, the Principal Amount Outstanding of the Notes was equal to or less than 10 per cent. of the Principal Amount Outstanding of the Notes as of the Issue Date, then the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Note Trustee and the Noteholders in accordance with Condition 21 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, on any Interest Payment Date at their Principal Amount Outstanding, together with interest accrued to but excluding the date of redemption.

Prior to giving any such notice of redemption pursuant to this Condition 8.10 (*Optional Redemption in Whole*), the Issuer shall deliver to the Note Trustee a certificate signed by two

directors of the Issuer stating that (i) it will have the funds, not subject to the interest of any other person, required to redeem all the relevant Notes as aforesaid and meet its payment obligations of a higher or equal priority under the Pre-Enforcement Payments Priorities; and (ii) the Principal Amount Outstanding of the Notes on the previous Interest Payment Date was equal to or less than 10 per cent. of the Principal Amount Outstanding of the Notes as of the Listing Date.

Any certificate given by or on behalf of the Issuer may be relied upon by the Note Trustee and shall be conclusive and binding on all the Noteholders, the Couponholders and the Receiptholders.

- 8.11 *Cancellation.* All Notes redeemed pursuant to this Condition 8 will be cancelled upon redemption, together with any unmatured Coupons or unexchanged Talons appertaining thereto and attached thereto or surrendered therewith, and may not be resold or re-issued.

9 LIMITED RECOURSE

- 9.1 *Limited Recourse:* Recourse against the Issuer to meet its obligations under the Notes is limited to the assets of the compartment 1 of the Issuer. If, following complete distribution of all such assets, there remains a shortfall, the Note Trustee and the Noteholders of any class will have no further claim against the Issuer in respect of such shortfall and any unsatisfied claims shall be extinguished. None of the Note Trustee or the Noteholders will be able to petition for, or join any other person in instituting proceedings for, the bankruptcy, winding up or other similar proceedings of or in respect of the Issuer as a consequence of such shortfall or otherwise.

None of the Note Trustee, the Paying Agent or the Cash Manager shall have any obligations to any Noteholder or any other person to pay any amount owing (a) by the Issuer in respect of any Notes, or (b) howsoever arising.

- 9.2 *Limitation on action by holders of Notes:* Each of the holders of Notes agrees with the Issuer that, notwithstanding any other provision of the Transaction Documents, all obligations of the Issuer to the holders of Notes are limited in recourse as set out below:

- (a) it will have a claim only in respect of the Security and will not have any claim, by operation of law or otherwise, against, or recourse to any of the Issuer's other assets or its contributed capital; and
- (b) sums payable to each holder of Notes in respect of the Issuer's obligations to such holder of Notes shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such holder of Notes and (b) the aggregate amounts received, realised or otherwise recovered by or for the account of the Issuer in respect of the Security, whether pursuant to enforcement of the Security or otherwise, net of any sums which are payable by the Issuer in accordance with the Payments Priorities in priority to or pari passu with sums payable to such holder of Notes; and
- (c) upon the Note Trustee giving written notice to the holders of Notes that it has determined in its sole reasonable opinion, and the Cash Manager having certified to the Note Trustee, that there is no reasonable likelihood of there being any further realisations in respect of the Security (whether arising from an enforcement of the Security or otherwise) which would be available to pay amounts outstanding under the Transaction Documents and the Notes, the holders of Notes shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

10 PAYMENTS

- 10.1 *Principal:* Payments of principal shall be made against presentation and (provided that payment is made in full) surrender of the Notes at the specified office of the Paying Agent outside the United States by payments in RUB by credit or transfer to a RUB account (or any other account to which RUB may be credited or transferred) specified by the payee, or at the option of the payee, by a cheque drawn on a bank in the European Union. The Cash Manager will cause each amount of principal payment to be notified to the Paying Agent, the Note Trustee, and the holders of the Notes, Receipts and Coupons in accordance with Condition 11 (*Taxation*) and to each stock exchange (if any) on which the Notes are then listed as soon as practicable after the determination of such amount.
- 10.2 *Interest:* Payments of interest shall, subject to Condition 10.6 (*Payments other than in respect of matured Coupons*), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the specified office of the Paying Agent outside the United States in the manner described in paragraph 10.1 above.
- 10.3 *Payments subject to fiscal laws:* All payments in respect of the Notes, Coupons and Receipts are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 11 (*Taxation*), no commissions or expenses shall be charged to the holders of Notes in respect of such payments.
- 10.4 *Unmatured Coupons void:* On the due date for final redemption of any Notes or early redemption in full of such Notes pursuant to Condition 8 (*Redemption of the Notes*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- 10.5 *Payments on Business Days:* If the due date for payment of any amount in respect of any Notes or Coupon is not a Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Business Day on which banks are open for business in such place of presentation and shall not be entitled to any further interest or other payment in respect of any such delay.
- 10.6 *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of the Paying Agent outside the United States.
- 10.7 *Endorsement of payments:* If the Paying Agent makes a payment in respect of any Notes (otherwise than against presentation and surrender of a Coupon) or a partial payment in respect of any Coupon presented to it for payment, the Paying Agent shall endorse on the relevant Note a statement indicating the amount and date of such payment.
- 10.8 *Notifications to be final:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 10 (*Payments*), whether by the Cash Manager, the Paying Agent or the Note Trustee shall (in the absence of any gross negligence, wilful default, fraud or manifest error) be binding on the Issuer, the Servicer, the Standby Servicer, the Cash Manager, the Paying Agent, the Note Trustee and all holders of Notes and (in the absence of any gross negligence, wilful default, fraud or manifest error) no liability to the Note Trustee or the holders of Notes shall attach to the Paying Agent, the Cash Manager or the Note Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Condition 10 (*Payments*).
- 10.9 *Rounding of Principal Payments due on the Class A Notes and Class B Notes:* The payment of the Principal Amount Outstanding of the Class A Notes and the Class B Notes, respectively, due on any Interest Payment Date after the Listing Date shall be subject to rounding (either up or down) to the nearest RUB 100,000. As a result,

- (a) the amounts equal to or exceeding RUB 99,999 shall be rounded up to RUB 100,000; and
- (b) the amounts less than RUB 99,999 shall be rounded down to zero, and shall not be distributed for the purposes of any other payments and will remain in the Available Principal Distribution Amount, to be added to the amount of the respective principal amount due on the Class A Notes and Class B Notes on the next Interest Payment Date.

The above rounding provisions shall not apply to a payment due on the final Interest Payment Date and in the event of redemption pursuant to Condition 8.1 (*Final Redemption*) and Condition 8.2 (*Optional Redemption in Whole for Taxation Reasons*) and Condition 8.10 (*Optional Redemption in Whole*).

- 10.10 *Opposition to Payments:* The Luxembourg Act dated 3 September 1996 on the involuntary dispossession of bearer securities, as amended, requires that any amount that is payable under the Notes, Receipts and Coupons (if any) before opposition to such payment under the Notes, Receipts and Coupons (if any) has been filed (by the relevant holder) but has not yet been paid to the holder of these Notes, Receipts and Coupons (if any) is paid to the Caisse de Consignations in Luxembourg until the opposition to such payment under the Notes, Receipts and Coupons (if any) has been withdrawn or elapsed.

11 TAXATION

- 11.1 *Payments free of Tax:* All payments in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, or on account of, any Taxes unless the Issuer, the Note Trustee, the Paying Agent or any agent appointed by the Issuer (as the case may be) is required by applicable law to make any such payment in respect of the Notes, subject to any such withholding or deduction, for or on account of any Taxes. In that event, the Issuer, the Note Trustee or the Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Within thirty (30) calendar days after making such withholding or deduction, the Issuer or the Paying Agent, as applicable, shall deliver to each Noteholder entitled to the payment evidence reasonably satisfactory to that Noteholder that the withholding or deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.
- 11.2 *No payment of additional amounts:* Neither the Note Trustee, the Issuer nor the Paying Agent will be obliged to pay any additional amounts to holders of Notes or the Coupons in respect of any Tax Deduction made in accordance with Condition 11.1 (*Taxation - Payments Free of Tax*) above.
- 11.3 *Tax Deduction not Event of Default:* Notwithstanding that the Note Trustee, the Issuer or the Paying Agent is required to make a Tax Deduction in accordance with Condition 11.1 (*Taxation - Payments Free of Tax*) above, this shall not constitute an Event of Default.

12 EVENTS OF DEFAULT

- 12.1 *Events of Default:* The following shall be Events of Default in respect of the Notes:
- (a) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes within five (5) Business Days of the due date for payment of such principal or fails to pay any amount of interest in respect of the Class A Notes, or, if there are no Class A Notes outstanding, the Class B Notes, within ten (10) Business Days of the due date for payment of such interest; or

- (b) *Breach of representation*: the breach by the Issuer of any representation or warranty made or repeated by it in these Conditions, the Trust Deed or any of the Transaction Documents to which it is a party and in any such case, such breach continues for a period of thirty (30) days following the service by the Note Trustee on the Issuer of notice in writing requiring the same to be remedied (except where the Note Trustee certifies that, in its opinion, such breach is incapable of remedy, when no notice will be required); or
 - (c) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Documents and such default remains unremedied for thirty (30) days or such longer period as the Note Trustee may agree after the Note Trustee has given written notice thereof to the Issuer; or
 - (d) *Issuer Insolvency*: an Issuer's Insolvency Event occurs; or
 - (e) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Documents.
- 12.2 *Delivery of Enforcement Notice*: If an Event of Default occurs and is continuing, the Note Trustee may at its discretion and shall if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of outstanding Notes or if so directed by an Extraordinary Resolution of the Most Senior Class of outstanding Notes, deliver an Enforcement Notice to the Issuer.
- 12.3 *Conditions to delivery of Enforcement Notice*: Notwithstanding Conditions 12.1 and 12.2 above, the Note Trustee shall not be obliged to deliver an Enforcement Notice unless:
- (a) in the case of the occurrence of any of the events mentioned in Condition 12.1(b) and (c) above, the Note Trustee shall have certified in writing that the happening of such event is in its reasonable opinion materially prejudicial to the interests of the holders of the Most Senior Class of Notes; and
 - (b) it shall have been indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

13 ENFORCEMENT

- 13.1 *Consequences of delivery of Enforcement Notice*: Upon the delivery of an Enforcement Notice, the Notes of each Class shall become immediately due and payable without further action or formality at their Principal Amount Outstanding together with any accrued interest and any Deferred Interest Amount Arrears.
- 13.2 *Proceedings*: The Note Trustee or the Security Trustee may at its discretion and without further notice, institute such proceedings against the Issuer as it thinks fit to enforce payment of the Notes together with accrued interest under these Conditions and the Trust Deed in respect of the Notes of each Class and under the other Transaction Documents, but only if it shall have been indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.
- 13.3 *Restrictions on disposal of Security*: If an Enforcement Notice has been delivered by the Note Trustee otherwise than by reason of non-payment of any amount due in respect of the Notes, the Security Trustee will not be entitled to dispose of the Security or any part thereof unless either:

- (a) a sufficient amount would be realised to allow payment in full of all amounts owing to the holders of the Class A Notes and the holders of the Class A Coupons after payment of all other claims ranking in priority to the above Notes in accordance with the Post-Enforcement Payments Priorities; or
- (b) the Security Trustee is of the reasonable opinion, which shall be binding on the holders of Notes and the other Secured Creditors, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Security Trustee, (and if the Security Trustee is unable to obtain such advice having made reasonable efforts to do so this Condition shall not apply) that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the holders of the Class A Notes and the holders of the Class A Coupons after payment of all other claims ranking in priority to the above Notes in accordance with the Post-Enforcement Payments Priorities; and
- (c) the Security Trustee shall not be bound to make the determination contained in Condition 13.3(b) above unless the Security Trustee shall have been indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

14 NO ACTION BY NOTEHOLDERS, COUPONHOLDERS OR RECEIPHOLDERS

- 14.1 None of Noteholders, Couponholders and Receiptholders or any other Secured Creditor (other than the Note Trustee and the Security Trustee) (nor any person on its or their behalf) are entitled until the expiry of two (2) years and one (1) day after the payment of all sums outstanding and owing in respect of the latest maturing Note:
- (a) otherwise than as permitted by these Conditions, to direct the Security Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security; or
 - (b) to take any corporate action or other steps or legal proceedings for the bankruptcy, suspension of payments, winding-up, dissolution or re-organisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of the Issuer or of any or all of the Issuer's revenues and assets; or
 - (c) have any right to take any steps for the purpose of obtaining payment of any amounts payable to them by the Issuer and shall not until such time take any steps to recover any debts whatsoever owing to them by the Issuer; or
 - (d) to initiate or join any person in initiating any Issuer's Insolvency Event; or
 - (e) to take any steps or join in the taking of steps which would result in the Payments Priorities not being observed.
- 14.2 If the Note Trustee, having become bound to do so, fails:
- (a) to deliver an Enforcement Notice; and/or
 - (b) the Security Trustee fails to take any steps to enforce the Security in accordance with the Trust Deed or the Deed of Charge,

within a reasonable time and such failure is continuing, any Noteholder, Couponholder, Receiptholder or other Secured Creditor shall be entitled to take any such steps as the Note Trustee or the Security Trustee would be entitled to take if such holder of Notes, Coupons or Receipts or other Secured Creditor considers such action necessary or desirable (but not including, initiating or joining in the initiating of Insolvency Proceedings).

15 MEETINGS OF HOLDERS OF NOTES

15.1 *Meetings of holders of Notes:* The Trust Deed contains provisions for convening meetings of holders of Notes of any Class to consider matters relating to the Notes, including, among other things, the sanctioning by an Extraordinary Resolution of such holders of Notes of the relevant Class of the modification of any provision of these Conditions or the Trust Deed (subject to Condition 15.4). Any such modification may be made if sanctioned by an Extraordinary Resolution (subject to Condition 15.4) provided that where the modification of these Conditions or the Trust Deed would be materially prejudicial to the interests of a Secured Creditor, such Secured Creditor shall be given written notice of the proposed Extraordinary Resolution.

15.2 *Request of holders of Notes:* A meeting of holders of Notes of any Class may be convened by the Note Trustee or the Issuer at any time and must be convened by the Note Trustee (subject to its being indemnified to its satisfaction) upon request in writing of holders of Notes of any Class holding not less than ten per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of the relevant Class or Classes.

15.3 *Quorum:* The quorum at any meeting of holders of Notes of any Class convened to vote on:

- (a) an Extraordinary Resolution other than regarding a Basic Terms Modification will be one or more persons holding or representing one half of the aggregate Principal Amount Outstanding of the relevant Class of Notes or, at any adjourned meeting, two or more persons being or representing holders of Notes of the relevant Class whatever the Principal Amount Outstanding of the Notes of that Class held or represented;
- (b) an Extraordinary Resolution in relation to a Basic Terms Modification (which must be proposed separately to each Class of holders of Notes) will be one or more persons holding or representing not less than in the aggregate 75 per cent. or, at any adjourned meeting, 50 per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of the relevant Class.

Subject to Condition 15.4 (*Effectiveness of Extraordinary Resolutions*) any Extraordinary Resolution duly passed at any such meeting shall be binding on all the holders of Notes of such Class whether present or not.

15.4 *Effectiveness of Extraordinary Resolutions:* An Extraordinary Resolution passed at any meeting of any Class of holders of Notes shall be binding on all holders of Notes, whether or not they are present at the meeting, subject to:

- (a) An Extraordinary Resolution of the holders of the Class B Notes shall not be effective for any purpose unless either the Note Trustee is of the reasonable opinion that it will not be materially prejudicial to the interests of the holders of the Class A Notes or it is sanctioned by an Extraordinary Resolution of the holders of the Class A Notes.
- (b) An Extraordinary Resolution passed at any meeting of the holders of the Class A Notes will be binding on all other holders of Notes, irrespective of the effect upon them.

- 15.5 *Equal treatment of the Noteholders:* In all circumstances, the Issuer shall ensure the equal treatment of the Noteholders of the same Class of Notes in compliance with the Transparency Directive.
- 15.6 *Exclusion of Luxembourg law provision:* For the avoidance of doubt, the provisions of Articles 86 to 97 of the Luxembourg law of 10 August 1915 on Commercial Companies, as amended, are hereby excluded.

16 MODIFICATION AND WAIVER

- 16.1 *Modification:* The Note Trustee may, at any time and from time to time, without the consent or sanction of the holders of Notes or any other Secured Creditors concur with the Issuer and any other relevant parties in making:

- (a) any modification to these Conditions, the Trust Documents, the Notes or the other Transaction Documents (other than in respect of a Basic Terms Modification or any provisions of the Trust Documents, Conditions, Notes or other Transaction Documents referred to in the definition of a Basic Terms Modification in relation to which its consent is required) which, in the reasonable opinion of the Note Trustee, will not be materially prejudicial to the interests of holders of the Notes or any other Secured Creditor; or
- (b) any modification to these Conditions, the Trust Documents and the other Transaction Documents in relation to which its consent is required if, in the reasonable opinion of the Note Trustee, such modification is of a formal, minor or technical nature, is made to correct a manifest error or is necessary or desirable for the purposes of clarification,

provided that any modification pursuant to Condition 16.1(a) is notified to the Rating Agencies.

- 16.2 *Waiver:* In addition, the Note Trustee may, without the consent of the holders of Notes or any other Secured Creditor, waive any proposed breach or breach of the covenants or provisions contained in the Trust Documents, the Notes, the other Transaction Documents (including an Event of Default or Potential Event of Default) if, in the reasonable opinion of the Note Trustee, the holders of Notes or any other Secured Creditor then outstanding will not be materially prejudiced by such waiver, provided that such authorisation or waiver is notified to the Rating Agencies.
- 16.3 *Restriction on power to waive:* The Note Trustee shall not exercise any powers conferred upon it by Condition 16.2 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent. in the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, but so that no such direction or request (a) shall affect any authorisation, waiver or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Basic Terms Modification unless the holders of each Class of Notes outstanding has, by Extraordinary Resolution, so authorised its exercise.
- 16.4 *Notification:* Unless the Note Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the holders of Notes, the other Secured Creditors and the Rating Agencies in accordance with Condition 21 (*Notices*) and the relevant Transaction Documents, as soon as practicable after it has been made.

- 16.5 *Binding Nature:* Any authorisation, waiver, determination or modification referred to in Condition 16.1 (*Modification*) or Condition 16.2 (*Waiver*) shall be binding on the holders of Notes and the other Secured Creditors.
- 16.6 *Class Z Notes:* The Note Trustee shall not be required to have any regard to the interests of the holders of the Class Z Notes in relation to any authorisation, waiver, modification or determination to be given or made pursuant to this Condition 16.

17 **PRESCRIPTION**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten (10) years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five (5) years of the appropriate Relevant Date. "**Relevant Date**" means, in respect of any Notes, the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven (7) days after the date on which notice is duly given to the Noteholders in accordance with Condition 21 (*Notices*) that, upon further presentation of the Notes being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

18 **REPLACEMENT OF NOTES AND COUPONS**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

19 **NOTE TRUSTEE AND AGENTS**

- 19.1 *Note Trustee's right to indemnity:* Under certain Transaction Documents, the Note Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the holders of Notes or Coupons. In addition, the Note Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.
- 19.2 *Note Trustee and Security Trustee not responsible for loss or for monitoring:* The Note Trustee and the Security Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of the Security or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Cash Manager or by any person on behalf of the Note Trustee or the Security Trustee. The Note Trustee and the Security Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents.
- 19.3 *Regard to classes of holders of Notes:* In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Note Trustee will:
- (a) have regard to the interests of each class of holders of Notes as a class and will not be responsible for any consequence for individual holders of Notes as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and
 - (b) have regard only to the holders of the Most Senior Class of outstanding Notes and will not have regard to any lower ranking Class of Notes nor to the interests of the

other Secured Creditors, except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Payments Priorities.

- 19.4 *Paying Agent, Cash Manager and other agents solely agents of Issuer:* In acting under the Paying Agency Agreement and under the Cash Management Agreement in connection with the Notes and Coupons, the Paying Agent, the Cash Manager and any other agent appointed by the Issuer each acts solely as agent of the Issuer and (to the extent provided therein) the Note Trustee and does not assume any obligations towards or relationship of agency or trust for or with any of the holders of Notes or Coupons.
- 19.5 *Initial Paying Agent and Cash Manager:* The initial Paying Agent, the Cash Manager and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Note Trustee) to vary or terminate the appointment of the Paying Agent and the Cash Manager and to appoint a successor paying agent, a successor cash manager and additional or successor paying agents or cash managers at any time, if necessary, having given not less than thirty (30) days notice to the Paying Agent, the Cash Manager and/or any other agent appointed by the Issuer, as relevant.
- 19.6 *Maintenance of Paying Agent and the Cash Manager:* The Issuer will at all times maintain a paying agent and a cash manager with its specified office in any city where a stock exchange on which the Class A Notes are listed requires there to be a paying agent, (or other agent performing a function of the cash manager as stated in the Conditions) and will ensure that it maintains a paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any change in the Paying Agent and/or the Cash Manager or in their Specified Offices shall promptly be given to the holders of the Notes in accordance with Condition 21 (*Notices*).

20 SUBSTITUTION OF ISSUER

- 20.1 *Substitution of Issuer:* The substitution of the Issuer may only occur following an unanimous resolution of the holders of the Class A Notes subject to:
- (a) the consent of the Issuer;
 - (b) such further conditions as are specified in the Trust Deed,
- to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Trust Documents, the Notes and the other Secured Amounts.
- 20.2 *Notice of Substitution of Issuer:* Not later than fourteen days after any substitution of the Issuer in accordance with this Condition, the Substituted Obligor shall cause notice of such substitution to be given to the holders of Notes and the other Secured Creditors in accordance with Condition 21 (*Notices*).
- 20.3 *Change of Law:* In the case of a substitution pursuant to this Condition, the Note Trustee may in its absolute discretion agree, without the consent of the holders of Notes or the other Secured Creditors, to a change of the law governing the Notes and/or any of the Transaction Documents provided that such change would not, in the reasonable opinion of the Note Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class of outstanding Notes, provided that the Rating Agencies are notified.

- 20.4 *No indemnity*: No holder of Notes shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual holders of Notes.

21 NOTICES

For so long as the Class A Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange require publication of such notices, notices to the holders of the Notes shall be valid if published in a leading daily newspaper published in Ireland (which is expected to be the Irish Times) or, if such publication is not practicable, on web site of the Irish Stock Exchange. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

Notwithstanding this Condition 21 (*Notices*), while any Class of the Notes is represented by the respective Permanent Global Note and such Permanent Global Note is held on behalf of the relevant Clearing Systems, notices to holders of such Class of the Notes may be given by delivery of the copies of such notices to the relevant Clearing Systems for communication to the entitled holders and, in any case, such notices shall be deemed to have been given to the holders of such Class of the Notes in accordance with this Condition 21 (*Notices*) on the date of delivery to the relevant Clearing Systems.

22 THIRD PARTY RIGHTS

No person shall have any right to enforce any Condition or provision of the Trust Documents under the Contract (Rights of Third Parties) Act 1999.

23 GOVERNING LAW AND JURISDICTION

- 23.1 *Governing Law*: These Conditions, Notes, Coupons and Receipts and any non-contractual rights or obligations arising out of or in connection with these Conditions, Notes, Coupons or Receipts, shall be governed by and construed in accordance with English law.
- 23.2 *Jurisdiction*: Any dispute, controversy or claim arising out of or in connection with these Conditions, Notes, Coupons and Receipts, including any question as to their existence, validity, interpretation, breach or termination, or any non-contractual rights or obligations arising out of or in connection with them shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration as at present in force, which Rules shall be deemed incorporated hereof.

TAXATION

The following is a general description of certain tax considerations in the Russian Federation, the Grand Duchy of Luxembourg and the Republic of Ireland in relation to the Class A Notes and the Mortgage Loans as well as a general outline of certain provisions of the Directive of the Council of the European Union on taxation of savings income in the form of interest payments. This summary is a general guide only and should be treated with appropriate caution. It does not purport to be a comprehensive analysis of all tax considerations relating to the Class A Notes and the Mortgage Loans, whether in those countries or elsewhere, and does not deal with the tax aspects of acquiring, holding and disposing of the Class A Notes (other than in the paragraphs below under the sub-heading "Republic of Ireland"). Prospective purchasers of the Class A Notes should consult their tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Class A Notes and receiving payments of interest, principal and/or other amounts under the Class A Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law which may take effect after such date (possibly with retroactive effect). The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to), the legality of transactions involving any of the Class A Notes.

Russian Federation

General

Many aspects of Russian tax law are subject to significant uncertainty and lack interpretive guidance. Further, 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 financial markets or more developed taxation systems. In particular, the interpretation and application of such provisions will, in practice, rest substantially with local tax inspectorates.

For the purposes of this summary, a "Non-Resident Borrower" and/or a "Non-Resident holder of the Class A Notes" means:

- an individual Borrower or an individual holder of the Class A Notes who is present in the Russian Federation in aggregate of less than 183 days (including days of arrival to Russia and including days of departure from Russia) in any period comprising 12 consecutive months. Presence in the Russian Federation for tax residency purposes is not considered interrupted if an individual departs for short periods (less than six months) for medical treatment or education purposes; or
- a legal entity or an organisation, in each case not organised under a Russian law, that purchases, holds and disposes of the Class A Notes otherwise than through permanent establishment in Russia (as defined by Russian tax law).

A Resident Borrower means any Borrower (including any individual and any legal entity or organization) who does not qualify as a Non-Resident Borrower. A Resident holder of the Class A Notes means any holder of the Class A Notes (including any individual and any legal entity or organization) who does not qualify as a Non-Resident holder of the Class A Notes. Russian tax residency rules may be affected by an applicable double tax treaty. Based on published comments by the Russian authorities, it is anticipated that the Russian tax residency rules applicable to legal entities may change in the future.

Taxation of the Class A Notes

Non-Resident holders

A Non-Resident holder of the Class A Notes should not be subject to any Russian taxes on receipt from the Issuer of amounts payable in respect of principal or interest on the Class A Notes subject to what is said in "*Taxation – Russian Federation—Taxation of payments under the Mortgage Loans*" below.

A Non-Resident holder of the Class A Notes generally should not be subject to any Russian taxes in respect of any gain or other income realised on redemption, sale or other disposition of the Class A Notes outside of the Russian Federation provided that the proceeds from such sale, redemption or other disposition are not received from a source within the Russian Federation.

In the event that proceeds from a sale, redemption or other disposition of the Class A Notes are received from a source within Russia, a Non-Resident holder of the Class A Notes which is a legal entity or organisation generally should not be subject to withholding tax in Russia in respect of the proceeds, although there is some residual uncertainty regarding the treatment of the portion of the proceeds, if any, from the sale or other disposal of the Class A Notes which is attributable to accrued interest on the Class A Notes. If the payment upon sale or other disposal of the Class A Notes is received from within Russia, accrued interest may be distinguished from the total gain and be subject to Russian withholding tax at 20%. The separate taxation of the interest accrued may create a tax liability in relation to interest even in a situation of a capital loss on the disposal of Class A Notes. The withholding tax on any part of the payment relating to interest may potentially be reduced or eliminated under the terms of an applicable double taxation treaty depending on the tax residence of the Non-Resident holder of Class A Notes.

If proceeds from a disposal of the Class A Notes are received from a source within Russia, a Non-Resident holder of the Class A Notes that is an individual will generally be subject to personal income tax at a rate of 30% on the gain from such disposal (the gain generally being calculated as the gross proceeds from such disposal less any available cost deduction which includes the purchase price of the Class A Notes), subject to any available double tax treaty relief. In this regard, if the Class A Notes are disposed of to a resident of Russia or to a non-resident of Russia with a tax registered presence in Russia, and proceeds from such disposal are received from a source within Russia, the gains on such disposal are likely to be treated as Russian source income for Russian personal income tax purposes. Amendments to legislation that may reduce or eliminate personal income tax on gains received from the sale of securities owned by individuals for extended periods of time are currently expected. These amendments may affect the taxation of gains received by a Non-Resident holder of the Class A Notes that is an individual, if such gains are treated as Russian source income for personal income tax purposes.

There is some uncertainty regarding the treatment of the portion of the proceeds, if any, from disposition of the Class A Notes that is attributable to accrued interest on the Class A Notes. Subject to reduction or elimination under provisions of an applicable double tax treaty that are related to interest income, proceeds attributable to accrued interest may be taxed at the rate of 30 per cent., irrespective of any capital gain or loss on the disposal of the Class A Notes. In addition, there is a risk that the taxable base may be affected by changes in the exchange rates between the currency of acquisition of Class A Notes, the currency of sale of Class A Notes and rubles. The tax may be withheld at source of payment or, if the tax is not withheld, then the Non-resident Noteholder may be liable to file a tax return and pay the tax.

Tax Treaty Relief

The Russian Federation has concluded double tax treaties with a number of countries and honours some double tax treaties concluded by the former Union of Soviet Socialist Republics. These tax treaties may contain provisions that reduce or eliminate Russian tax due with respect to income

received from a source within Russia by a Non-Resident holders of the Class A Notes on sale or other disposition of the Class A Notes.

To obtain the benefit of such double tax treaty provisions, the holder of the Class A Notes must comply with the certification, information, and reporting requirements in force in Russia. Currently a Non-Resident holder of the Class A Notes that is a legal entity would need to provide the payer of income with a certificate of tax residence issued by the competent tax authority of the relevant treaty country. This certificate should be apostilled or legalised by a respective competent authority. A notarised Russian translation of the certificate would be required. The tax residency confirmation needs to be renewed on an annual basis, and provided to the payer of income before the first payment of income in each calendar year is made. A non-Resident holder who is an individual must provide to the tax authorities, together with the tax residency certificate appropriate documentary proof of income received and the tax payment made outside the Russian Federation 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 treaty benefits on receipt of proceeds from a source within Russia and obtaining a refund can be extremely difficult. .

Non-Resident holders of the Class A Notes who are individuals and Non-Resident holders of the Class A Notes that are legal entities or organisations should consult their own tax advisors with respect to the tax consequences on the disposal of the Class A Notes and on the tax consequences of the receipt of proceeds from a source within Russia in respect of a disposal of the Class A Notes.

Refund of Tax Withheld

Where double tax treaty relief is available but Russian income tax has nevertheless been withheld at source by the payer of the proceeds, an application for the refund of the taxes withheld may be filed within three years from the end of the tax period in which the tax was withheld for Non-Resident holders of the Class A Notes which are legal entities or organisations, and within one year after the year to which the treaty benefit relates for Non-Resident holders of the Class A Notes who are individuals. To process a claim for a refund, a Non-Resident holder of the Class A Notes that is a legal organisation should provide to the Russian tax authorities: (1) an apostilled or legalised confirmation of the foreign tax residency of the non-resident holder at the time the income was paid, as required by an applicable tax treaty; (2) an application for a refund of the tax withheld; and (3) copies of the relevant contracts or other documents based on which the income was paid, as well as payment documents confirming the payment of the tax that was withheld to the appropriate Russian authorities (Form 1012DT for dividends and interest and 1011DT for other income are intended to combine (1) and (2) for foreign legal entities and organisations). Non-Resident holders of the Class A Notes who are individuals should present to the tax authorities a tax residency certificate issued by the competent authorities in their country of residence for tax purposes and a document issued or approved by the tax authorities in the country in which they are resident for tax purposes, confirming the amount of income received and taxed in that country. The Russian tax authorities may require a Russian translation of some documents. Procedures for processing such claims have not been clearly established and there is significant uncertainty regarding the availability and timing of such refunds.

Non-Resident holders of the Class A Notes whether individuals or legal entities or organizations should consult their own tax advisers should they need to obtain treaty relief on any payments from the Notes.

Resident holders

A Resident holder of the Class A Notes will be subject to all applicable Russian taxes in respect of gains from disposal or other disposition of the Class A Notes, and interest received on the Class A Notes. Resident holders of the Class A Notes should consult their own tax advisers with respect to their tax position regarding the Class A Notes.

Taxation of payments under the Mortgage Loans

Taxation of principal

In general, repayment of principal on borrowed funds should not be subject to Russian withholding tax. However, if the payment is made by a Russian legal entity or a foreign legal entity with a tax registered presence in Russia, there is residual uncertainty regarding the tax treatment of any part of such payment which is attributable to a discount if a receivable were purchased at a discount. Based on the professional advice it has received, the Servicer believes that, based on laws in effect as of the date hereof, payments in connection with the principal of the Mortgage Loans made to the Loan Notes Issuer should not be subject to withholding tax under the terms of the Double Tax Treaty. However, there can be no assurance that such double tax relief will be obtained in practice or continue to be available.

Taxation of interest and late payments and similar charges

In general, Russian source interest, late payments or similar charges payable to a non-resident person (whether an individual or a legal entity or organisation) should be subject to Russian withholding tax at certain tax rates unless reduced or eliminated under an applicable double tax treaty. If the funds are transferred to a non-resident legal person by a Russian legal entity or a foreign legal entity with a tax registered presence in Russia, the tax should be withheld at a rate of 20 per cent. unless an applicable double tax treaty provides otherwise. Based on the professional advice it has received, the Servicer believes that, based on the laws in effect as of the date hereof, transfers of the above payments in connection with the Mortgage Loans made to the Loan Notes Issuer should not be subject to withholding under the terms of the Double Tax Treaty. However, there can be no assurance that such double tax relief will be obtained in practice or continue to be available.

If, as a result of the Loan Note Trustee's enforcement of the Loan Notes Security, payments under the Mortgage Loans become payable to the Loan Notes Secured Creditors pursuant to the Pledge Agreement and the Deed of Charge, any benefit of the Convention will cease to apply and such payments may be subject to Russian withholding tax at a rate of 20 per cent. or such other rate as may be in force at the time of payment. In such cases, the Loan Notes Secured Creditors and the Secured Creditors, as the case may be, may seek reduction or a refund of any withholding tax under double tax treaties entered into between their countries of residence and Russia, where such treaties exist and to the extent they are applicable. However there is no guarantee that treaty relief would be available.

It should also be noted that the President of Russia in his budget message of May 25, 2009 expressed a goal of introducing legal mechanisms to restrict the use of international double tax treaties for the purpose of minimising taxes where the ultimate beneficiaries are not residents of the country being a party to the relevant double tax treaty. It is unclear what form such legal mechanisms may take, how they may be applied or when they may be introduced; however, we are aware of the fact that relevant amendments to the Russian Tax Code have already been drafted. Depending upon the form of amendments, if and when enacted, such amendments may impact on the tax treatment of payments to be made by the Borrowers under the considered securitisation transaction.

It should be noted that if the payments under the Mortgage Loans are subject to any withholding taxes the Loan Notes Issuer would reduce payments under the Loan Notes by the amount of such withholding taxes and consequently payments by the Issuer under the Class A Notes will be correspondingly reduced, since none of the Issuer, the Loan Notes Issuer, the Originator, the Servicer, the Purchaser Accounts Bank or the Cash Manager will be required to gross up payments in respect of any withholding or deduction.

Value added tax (VAT)

No VAT should be payable in Russia on any payment of interest, late payments or similar charges or principal in respect of any Mortgage Loan.

Luxembourg

General tax treatment of a securitisation company

The Loan Notes Issuer is set up as a securitisation vehicle under the Luxembourg Securitisation Law. A securitisation vehicle set up in the form of a limited liability company is, in principle, fully subject to municipal business tax and corporate income tax in the Grand Duchy of Luxembourg. Based on the understanding that the Loan Notes Issuer will keep its registered office in Luxembourg City, it will be subject to an overall rate of 28.59 per cent. (the current 2009 rate).

The Loan Notes Issuer, being a securitisation company governed by the Luxembourg Securitisation Law, benefits from a special tax regime whereby any commitments due to the Issuer as holder of the Loan Notes or to any other creditors are considered as interest expenses deductible from the company's tax base.

Withholding tax

All payments of principal and interest by the Loan Notes Issuer under the Loan Notes can be made free and clear of any withholding or deduction for, or on account of, any taxes of whatsoever nature imposed, levied, withheld, or assessed by the Grand Duchy of Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with applicable Luxembourg law and administrative practice, subject however to the application of the Luxembourg law of 21 June 2005 implementing the EU Savings Directive (the "**Savings Directive**"). According to the Luxembourg law of 21 June 2005 and certain bilateral agreements entered into by the Grand Duchy of Luxembourg, during the transitional period, a Luxembourg paying agent may be required to withhold taxes on interest payments to Residual Entities or to Actual Owners who reside in any other EU Member State or relevant dependant and associated territories at a rate of currently 20 per cent. (rate shall be increased up to 35 per cent. on 1 July 2011), unless the Actual Owner has opted for the alternative procedure proposed by the Luxembourg paying agent (exchange of information or a tax certificate). For the purposes of this section, the terms "Beneficial Owners" and "Residual Entities" shall have the meanings given to them in the Law of 21 June 2005.

In addition, as regards to Luxembourg resident individuals, the Luxembourg law of 23 December 2005 has introduced a 10 per cent. withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of 21 June 2005 implementing the Savings Directive), to the extent such income is paid or allocated by a Luxembourg paying agent within the meaning of that law to a Luxembourg-resident individual beneficial owner. The Luxembourg law of 23 December 2005 applies to savings income accrued as from 1 July 2005 and paid as from 1 January 2006.

Taxes on income and capital gains

If the Issuer derives income from the Issuer Purchased Loan Notes or realizes a gain on the disposal or redemption thereof it will not be subject to Luxembourg taxation on such income or capital gains, subject to the application of the Savings Directive, and unless:

- (a) it is, or is deemed to be, resident in the Grand-Duchy of Luxembourg for Luxembourg tax purposes (or for the purposes of the relevant provisions), and capital gains are realized within six months of the acquisition of the Loan Notes; or
- (b) such Loan Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed base of business in the Grand Duchy of Luxembourg.

Value added tax

There is no Luxembourg value-added tax payable in respect of payments in consideration for the issue of the Loan Notes or in respect of the payment of interest or principal under the Loan Notes or the transfer of a Loan Note provided that Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Loan Notes Issuer, if for Luxembourg value added tax purposes such services are rendered, or are deemed to be rendered, in the Grand Duchy of Luxembourg and an exemption from value added tax does not apply with respect to such services.

Other taxes and duties

Luxembourg net wealth tax will not be levied on Issuer as holder of the Issuer Purchased Loan Notes unless:

- (a) it is, or is deemed to be, resident in the Grand-Duchy of Luxembourg for the purpose of the relevant provisions; or
- (b) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed base of business in the Grand-Duchy of Luxembourg.

It is not compulsory that the Loan Notes be filed, recorded or enrolled with any court or other authority in the Grand-Duchy of Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including, without limitation, any foreign judgment in the courts of the Grand-Duchy of Luxembourg) of the Loan Notes.

The Issuer as holder of the Issuer Purchased Loan Notes will not become resident, or deemed to be resident, in the Grand-Duchy of Luxembourg by reason only of the holding of the Loan Notes or the execution, performance, delivery and/or enforcement of any of the Loan Notes.

EU Savings Directive

On June 3, 2003, the EU Council of Economics and Finance Ministers adopted Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "**EU Savings Directive**"). Under the EU Savings Directive, Member States of the EU are required to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within its jurisdiction to individuals or certain types of entities called "residual entities", within the meaning of EU Savings Directive (i.e. an entity without legal status and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as a UCITS recognised in accordance with Council Directive 85/611/EEC), established in such other Member State. However, for a transitional period, Belgium, Luxembourg and Austria (unless during such transitional period they elect otherwise) maintain a withholding system in relation to such payments (with the ending of such transitional period dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

MDM Bank (the "**Class A Notes Purchaser**") subscribed for and purchased the Class A Notes upon the terms and subject to the conditions contained in the Class A Notes Purchase Agreement, at a price of 100 per cent. of their aggregate principal amount.

The Class A Notes Purchaser intends to hold the Class A Notes following its purchase on 27 December 2007.

Under the terms of the Class A Notes Purchase Agreement on 27 December 2007, the Class A Notes Purchaser represented, warranted, acknowledged and agreed that:

United States

- (a) The Class A Notes have not been and will not be registered under the Securities Act or any state securities laws. The Class A Notes may not be offered, sold or delivered directly or indirectly within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.
- (b) The Class A Notes 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 meaning given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.
- (c) Except as permitted by the Class A Notes Purchase Agreement, it has not offered, sold or delivered the Class A Notes, (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the date of commencement of the offering and the Issue Date (the "**Distribution Compliance Period**"), within the United States or to, or for the account or benefit of a U.S. person (except in accordance with Rule 903 of Regulation S), and it will have sent to each distributor, dealer or other person to which it sells the Class A Notes, during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Class A Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.
- (d) In addition, until the expiration of the Distribution Compliance Period, an offer or sale of the Class A Notes within the United States by any dealer not participating in the offering of the Class A Notes may violate the requirements of the Securities Act.

United Kingdom

- (e) It had complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Class A Notes, in, from or otherwise involving the United Kingdom.
- (f) It had 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 FSMA) received by it in connection with the issue or sale of any Class A Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

European Economic Area

- (g) In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it had not made and will not make an offer of Class A Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Class A Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, made an offer of Class A Notes to the public in that Relevant Member State at any time:
- (i) 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;
 - (ii) 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; or
 - (iii) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of the Class A Notes to the public" in relation to any Class A Notes 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 Class A Notes to be offered so as to enable an investor to decide to purchase or subscribe the Class A Notes as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

Russian Federation

- (h) It had not offered or sold or transferred or otherwise disposed of, and will not offer or sell or transfer or otherwise dispose of, any Class A Notes (as part of their initial distribution or at any time thereafter) to, or for the benefit of, any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation, or to any person located within the territory of the Russian Federation, unless and to the extent otherwise permitted by Russian law.

Ukraine

- (i) The Class A Notes have not be offered for circulation, distribution, placement, sale, purchase or other transfer in the territory of Ukraine. Accordingly, nothing in the Class A Notes Purchase Agreement or in any document, information or communication related to the Class A Notes have been or shall be interpreted as containing any offer or invitation to, or solicitation of, any such circulation, distribution, placement, sale, purchase or other transfer in the territory of Ukraine.

General

Investors in the Class A Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price of the Class A Notes (or beneficial interests therein) so purchased. The Class A Notes Purchaser is not obliged to

facilitate trading in the Class A Notes, (or beneficial interests therein) and any such activities, if commenced, may be discontinued at any time, for any reason, without notice. If the Class A Notes Purchaser does not facilitate trading in the Class A Notes (or beneficial interests therein) for any reason, there can be no assurance that another firm or person will do so.

GENERAL INFORMATION

1. The issue of the Class A Notes has been authorised by a resolution of the board of directors of the Issuer passed on 7 December 2007.
2. It is expected that admission of the Class A Notes to the Official List of the Irish Stock Exchange will be granted on the Listing Date subject only to the issue of the Permanent Global Notes.
3. The Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for the Class A Notes is XS0410997984 and the Common Code is 041099798.
4. Transactions will normally be effected for settlement in RUB.
5. Save as disclosed in this Prospectus, the Issuer is not involved in any governmental, legal or arbitration proceedings which may have, or have had, since the date of its incorporation, a significant effect on its financial position nor is the Issuer aware that any such proceedings are pending or threatened.
6. Save as disclosed in this Prospectus, since 27 July 2007 (being the date of incorporation the Issuer), the Issuer has not entered into any material contracts other than the Transaction Documents, being contracts entered into other than in its ordinary course of business.
7. Save as disclosed in this Prospectus, since 27 July 2007 (being the date of incorporation of the Issuer), there has been (1) no material adverse change in the financial position or prospects of the Issuer, and (2) no significant change in the trading or financial position of the Issuer.
8. Save as disclosed in this document, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer created any mortgages, charges or given any guarantees.
9. The Issuer does not intend to provide post-issuance information in relation to the mortgage portfolio, and all information in regards to the Class A Notes will be provided in the Cash Manager's report.
10. The Issuer will not publish interim accounts. The Issuer will produce non-consolidated audited financial statements in respect of each financial year but will not produce consolidated audited financial statements. The Issuer published its first financial statement in respect of the period from incorporation to 31 December 2007 and its year 2008 financial statement for the period from 1 January 2008 until 31 December 2008 in the *Mémorial C. Journal Controle du Grand-Duché de Luxembourg*. Copies of the accounts for 2007 and 2008 and most recently published annual accounts from time to time will, so long as the Class A Notes are admitted to the Official List of the Irish Stock Exchange, be available for inspection in electronic/physical form for the life of this Prospectus at the specified office of the Paying Agent within nine months of the related year end.
11. The Trust Deed and the Deed of Charge will provide that the Note Trustee may rely on reports and act on any advice, or other information from professional advisors or other experts in accordance with the Trust Deed or, as the case may be, the Deed of Charge, whether or not such advice, report or other information, engagement letter or other document entered into by the Trustee and the relevant professional advisor or expert in connection therewith contains any limit on the liability of that relevant professional advisor or expert.
12. Final copies (when available) of the following documents may be inspected in electronic/physical form during usual business hours on any weekday (excluding Saturdays

and public holidays) at the Specified Offices of the Paying Agent and the registered office of the Issuer for the life of the Prospectus:

- a. The Articles of Association of the Issuer;
 - b. The Master Framework Agreement;
 - c. The Trust Deed;
 - d. The Paying Agency Agreement;
 - e. The Cash Management Agreement;
 - f. The Deed of Charge;
 - g. The Framework Mortgage Portfolio Purchase Agreement;
 - h. The Initial Mortgage Certificates Purchase Agreement;
 - i. The Servicing Agreement;
 - j. The Standby Servicing Agreement;
 - k. The Purchaser Accounts Agreement;
 - l. The Class A Notes Purchase Agreement;
 - m. The Class B Notes Purchase Agreement;
 - n. The Class Z Notes Issuance Facility Agreement;
 - o. The Custodial Services Agreement;
 - p. The Standby Custodial Services Agreement;
 - q. The Pledge Agreement;
 - r. The Corporate Services Agreement;
 - s. The Collection Account Agreement; and
 - t. The Collection Account Addendum.
13. The total expenses related to the admission of the Class A Notes to trading is estimated at €4,500. A&L Listing Limited, in its capacity as Irish Listing Agent of the Issuer will pay such expenses on behalf of the Issuer.

GLOSSARY OF DEFINED TERMS

"**Accrued Interest**" means at any given date, in relation to a Mortgage Certificate, the amount of interest accrued but not paid in relation to that Mortgage Certificate, including any arrears of interest outstanding in respect of that Mortgage Certificate;

"**Accrued Penalties**" means at any given date, in relation to a Mortgage Certificate, the total amount of default interest and any other penalties accrued but not paid in relation to that Mortgage Certificate;

"**Accrued Revenue**" means at any given date, in relation to a Mortgage Certificate, the sum of the Accrued Interest and Accrued Penalties;

"**Additional Mortgage Certificates Purchase Agreement**" means an agreement between the Seller and the Purchaser in respect of the relevant Additional Mortgage Portfolio entered into on the Additional Purchase Date in the form of Schedule 1 (*Mortgage Certificates Purchase Agreement*) to the Framework Mortgage Portfolio Purchase Agreement;

"**Additional Mortgage Portfolio**" means all of the Mortgage Certificates that have been purchased under the relevant Additional Mortgage Certificates Purchase Agreement;

"**Additional Purchase Date**" means, except and after the Initial Purchase Date, any Interest Payment Date during the Sale Period on which the Mortgage Certificates comprising the Additional Mortgage Portfolio are being offered for sale or have been sold in accordance with the relevant Additional Mortgage Certificates Purchase Agreement;

"**Amortisation Event**" means any Early Amortisation Event or any Final Amortisation Event;

"**Articles of Association**" means a constitutional document of a company, as amended from time to time;

"**Audit Fees**" means the fees payable by the Purchaser to its auditors;

"**Authorised Person**" means, in relation to the Custodial Services Agreement and the Standby Custodial Services Agreement, each of the Purchaser, the Security Trustee, the Standby Custodian, the Russian Enforcement Agent and the Servicer and any legal entity or individual who is authorised to act on behalf of the Purchaser, the Standby Custodian, the Security Trustee or the Servicer on the basis of its constitutional documents, a power of attorney or a power attorney issued by way of sub-delegation, and who are authorised to deposit into or to release from safe custody the Purchased Mortgage Certificates;

"**Available Principal Distribution Amount**" means, in respect of any Collection Period, an amount equal to the sum of all amounts standing to the credit of the Principal Ledger, which consists of:

- (a) the Principal Receipts received by the Issuer up to the end of the relevant Collection Period;
- (b) any Outstanding Principal Balance of the Repurchase Price paid by the Seller to the Purchaser for repurchased Ineligible Mortgage Certificates in accordance with Clause 4 (*Liability for Ineligible Mortgage Certificates*) of the Framework Mortgage Portfolio Purchase Agreement;
- (c) such amount of the Available Revenue Distribution Amount as is credited to the RUB Distribution Account and which is applied (but, for the avoidance of doubt, not amounts that are deemed to be applied) by the Cash Manager on the relevant Interest

Payment Date in reducing the debit balance on the Class A PDL and the Class B PDL;

- (d) such amount from the Available Revenue Distribution Amount required to clear or reduce any debit balance on the Income Deficiency Ledger from the preceding Interest Payment Date; and
- (e) the amount credited from the Revenue Ledger of the RUB Distribution Account to the Principal Ledger of the RUB Distribution Account under item (f) (*sixth*) of the Pre-Enforcement Revenue Payments Priorities;

"Available Revenue Distribution Amount" means in respect of any Collection Period, an amount equal to the sum of all amounts standing to the credit of the Revenue Ledger (to be disbursed in accordance with the Pre-Enforcement Revenue Payment Priorities, which consists of:

- (a) the Revenue Receipts received by the Issuer up to the end of the relevant Collection Period;
- (b) any interest accrued since the Determination Date immediately preceding the relevant Determination Date on the Collection Account, the RUB Distribution Account and the Cash Reserve Account; and
- (c) such amount of Income Deficiency to reach a zero balance on the Income Deficiency Ledger; and
- (d) any Accrued Revenue part of the Repurchase Price paid by the Seller to the Purchaser for repurchased Ineligible Mortgage Certificates in accordance with Clause 4 (*Liability for Ineligible Mortgage Certificates*) of the Framework Mortgage Portfolio Purchase Agreement;
- (e) less an amount equal to any debit balance on the Income Deficiency Ledger from the preceding Interest Payment Date;

"Basic Terms Modification" means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes;
- (b) to reduce the amount of principal or interest payable on any date in respect of the Notes;
- (c) to alter the interest rate applicable to the Notes;
- (d) to effect any exchange, conversion or substitution contemplated by paragraph 14(b) of Schedule 4 of the Trust Deed;
- (e) to change the currency of any of the Notes;
- (f) to alter the redemption priority (Condition8) of the Notes or the Payments Priorities;
- (g) to adversely vary or modify the Security or Secured Property constituted by or for the Notes;
- (h) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution of the holders of the Class A Notes and/or the holders of the Class B Notes; or
- (i) to amend this definition;

"Borrower" means a borrower under the respective Mortgage Loan Agreement or any other party that is obligated to discharge the obligations of the Borrower under the respective Mortgage Loan Agreement;

"Borrower's Accounts" means the bank accounts of the Borrowers established and maintained with the Servicer that are used by the Borrowers for repayment of the Mortgage Loans;

"Business Day" means a day (other than Saturday or Sunday) on which banks are open for business in Moscow, London, Frankfurt, Dublin and Luxembourg;

"Cash Management Agreement" means a cash management agreement dated on or about the Second Closing Date as amended and restated on 13 January 2009 and on the Listing Date entered into between the Purchaser, the Cash Manager and the Security Trustee;

"Cash Management Services" means the services provided by the Cash Manager as set out in Clause 3 (*Cash Management Services*) of the Cash Management Agreement;

"Cash Manager" means Deutsche Bank AG, London Branch, acting through its registered office at Winchester House, 1 Great Winchester Street, London EC2N 2DB;

"Cash Manager Event" means any of the events specified in Clause 15 (*Cash Manager Event Notice*) of the Cash Management Agreement;

"Cash Manager Event Notice" means a notice to the Cash Manager from the Purchaser or the Note Trustee advising the Cash Manager of the occurrence of a Cash Manager Event;

"Cash Manager Termination Date" means the date specified in a Cash Manager Termination Notice (or such later date as may be notified by the Purchaser or the Security Trustee (as applicable) prior to the expiry of such date) or in a notice delivered pursuant to Clause 17 (*Termination on Delivery of Cash Manager Termination Notice*) of the Cash Management Agreement or determined in accordance with Clause 18 (*Termination of Appointment by Consent*) of the Cash Management Agreement;

"Cash Manager Termination Notice" means a notice to the Cash Manager from the Purchaser or the Note Trustee delivered in accordance with the terms of Clause 17 (*Termination on Delivery of Cash Manager Termination Notice*) of the Cash Management Agreement;

"Cash Reserve Account" means the account, in the name of the Purchaser, established in RUB currency details (receiving bank correspondent: Deutsche Bank Ltd, Moscow, Swift Code: DEUTRUMM, BIK Code: 044525101, Bank name: Deutsche Bank AG, London, Swift Code: DEUTGB2L, account number: 3023181000000000000, REF: TSS/ABS/URSA Mortgage Finance – cash reserve account), opened with the Purchaser Accounts Bank in EUR currency; with the Purchaser Accounts Bank or such bank to which the Cash Reserve Account may be transferred into which, on the Second Closing Date, an amount equal to the Cash Reserve Account Required Balance from the proceeds of the issue of the Notes will be transferred;

"Cash Reserve Account Required Balance" means at each Determination Date, the aggregate of (A+B) multiplied by three, where:

"A" is 0.2 % of the Outstanding Principal Balance of all Purchased Mortgage Certificates; and

"B" equals the product of 10.0 % p.a. multiplied by the Outstanding Principal Balance of the Class A Notes divided by 12;

"CBR" means the Central Bank of Russia;

"Class A Coupons" means the interest coupons related to the Class A Definitive Notes in or substantially in the form set out in Part II of Schedule 2 to the Trust Deed and for the time being outstanding or, as the context may require, a specific number of such coupons;

"Class A Definitive Notes" means any Class A Notes issued in definitive bearer form following the occurrence of the Exchange Event;

"Class A Notes" means the RUB 6,522,000,000 Class A Notes due 2052 issued on the Issue Date under the terms of the Class A Notes Purchase Agreement, in a fully registered definitive form and converted to a bearer global form on or about the Listing Date, which on the Listing Date, following their amortization means RUB 4,712,000,000;

"Class A Notes Purchase Agreement" means agreement for the issue and purchase of the Class A Notes dated on or about the Second Closing Date between the Purchaser, the Originator, the Security Trustee and the Class A Notes Purchaser;

"Class A Notes Purchaser" means MDM Bank, Open Joint Stock Company (formerly known as URSA Bank, Open Joint Stock Company);

"Class A PDL" means the sub-ledger of the Principal Deficiency Ledger created and maintained by the Cash Manager in accordance with the Cash Management Agreement, so that the debit balance on such sub-ledger of the Principal Deficiency Ledger is not greater than the aggregate Principal Amount Outstanding of the Class A Notes;

"Class A Permanent Global Note" means the RUB 4,712,000,000 in a bearer permanent global form;

"Class B Notes" means the aggregate of the RUB 1,530,000,000 Class B Notes due 2052 issued on the Issue Date and the RUB 14,900,000 Class B Notes due 2052 issued on 7 February 2008 under the terms of the Class B Notes Purchase Agreement (as amended and restated on 7 February 2008) in a fully registered definitive form and converted into a bearer global form on or about the Listing Date, which on the Listing Date, following their partial repayment on 15 December 2009 means RUB 1,544,000,000;

"Class B Coupons" means the interest coupons related to the Class B Definitive Notes in or substantially in the form set out in Part II of Schedule 2 to the Trust Deed and for the time being outstanding or, as the context may require, a specific number of such coupons;

"Class B Definitive Notes" means any Class B Notes issued in definitive bearer form following the occurrence of the Exchange Event;

"Class B Notes Purchase Agreement" means the agreement for the issue, purchase and subscription of the Class B Notes dated on or about the Second Closing Date, as amended and restated on 7 February 2008, between the Issuer and the Class B Notes Purchaser;

"Class B Notes Purchaser" means MDM Bank, Open Joint Stock Company (formerly known as URSA Bank, Open Joint Stock Company);

"Class B PDL" means the sub-ledger of the Principal Deficiency Ledger created and maintained by the Cash Manager in accordance with the Cash Management Agreement, so that the debit balance on such sub-ledger of the Principal Deficiency Ledger is not greater than the aggregate Principal Amount Outstanding of the Class B Notes;

"Class Z Coupons" means the interest coupons related to the Class Z Definitive Notes in or substantially in the form set out in Part II of Schedule 6 to the Class Z Notes Issuance Facility

Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

"Class Z Distribution Amount" means an amount in relation to each Class Z Note calculated as follows:

- (a) an Interest Payment Date, other than the final Interest Payment Date: the Available Revenue Distribution Amount as at the related Determination Date less the aggregate of the amounts to be paid by the Cash Manager in respect of items (1) (first) to (9) (ninth) in the Pre-Enforcement Revenue Payment Priorities on such Interest Payment Date; and
- (b) the final Interest Payment Date or, following the delivery of an Enforcement Notice or upon optional redemption in whole of the Class Z Notes in accordance with Condition 7.3 of the Class Z Notes (*Optional Redemption in Whole*), such other date on which the last Class Z Distribution Amount is to be paid in respect of the Class Z Notes: (i) the Available Revenue Distribution Amount as at the related Determination Date less (I) the aggregate of the amounts to be paid by the Issuer in respect of items (1) (first) to (9) (ninth) in the Pre-Enforcement Revenue Payment Priorities, or the aggregate of the amounts to be paid by the Issuer in respect of items (1) (first) to (7) (seventh) in the Post-Enforcement Payments Priorities, as applicable, and (II) the Principal Amount Outstanding of the Class Z Notes as at such Interest Payment Date or such other date as applicable; plus (ii) the Principal Amount Outstanding of the Class Z Notes as at such Interest Payment Date or such other date as applicable;

"Class Z Definitive Notes" means any Class Z Notes issued in definitive bearer form following the occurrence of the Exchange Event;

"Class Z Notes" means the RUB 1,005,650,000 Class Z Notes due 2052 issued on the Issue Date and any further Class Z Notes issued from time to time under the terms of the Class Z Notes Issuance Facility Agreement on any Purchase Date, each in a fully registered definitive form and converted into a bearer global form on or about the Listing Date, which on the Listing Date, following their amortisation and partial repayment means RUB 920,400,000;

"Class Z Notes Issuance Facility Agreement" means the agreement for the issue, purchase and subscription of the Class Z Notes on the Issue Date and any Additional Purchase Date during the Sale Period, dated on or about the Second Closing Date between the Issuer and the Class Z Notes Purchaser as amended and restated on 13 January 2009 and on the Listing Date;

"Class Z Notes Purchaser" means MDM Bank, Open Joint Stock Company (formerly known as URSA Bank, Open Joint Stock Company);

"Collection Account" means the bank account in the name of the Issuer, opened by the Issuer with the Collection Account Bank in RUB currency account number 40807810209120000007 pursuant to the Collection Bank Account Agreement;

"Collection Account Addendum" means the amendment agreement to the Collection Account Agreement dated on or about the Second Closing Date between the Collection Account Bank, the Issuer, the Cash Manager and the Security Trustee;

"Collection Account Agreement" means the Russian-language bank account agreement dated 7 November 2007 entered into between the Issuer and the Collection Account Bank in relation to the Collection Account;

"Collection Account Bank" means MDM Bank, Open Joint Stock Company (formerly known as URSA Bank, Open Joint Stock Company) in its capacity as the bank at which the Collection Account is maintained;

"Collection Period" means the period from (and including) the first calendar day of a month to (and including) the last calendar day of that month, provided that the first Collection Period shall commence on the First Closing Date until the last day of the month immediately following the month in which the First Closing Date occurred;

"Common Depository" means Deutsche Bank AG, London Branch, acting through its registered office at Winchester House, 1 Great Winchester Street, London EC2N 2DB;

"Compensation Amount" shall have the meaning ascribed to it in Clause 4.1 (*Ineligible Mortgage Certificates*) of the Framework Mortgage Portfolio Purchase Agreement;

"Conditions" means in relation to the Class A Notes and the Class B Notes, the terms and conditions set forth in the Trust Deed, which will be endorsed on the Class A Notes and the Class B Notes if issued in definitive form, as any of the same may from time to time be modified in accordance with the Trust Deed, and any reference to a particular numbered Condition shall be construed in relation to the Class A and the Class B Notes accordingly;

"Corporate Services Agreement" means the agreement dated 27 July 2007 between the Corporate Services Provider and the Purchaser;

"Corporate Services Provider" means Structured Finance Management (Luxembourg) S.A., in its capacity as corporate services provider to the Purchaser under the Corporate Services Agreement;

"Coupons" means the Class A Coupons, the Class B Coupons and the Class Z Coupons;

"Couponholders" mean the holders for the time being of the Coupons appertaining to the relevant Class of the Issuer Notes;

"Custodial Services Agreement" means a custodial services agreement dated on or about the First Closing Date entered into between the Purchaser, the Custodian, the Servicer and the Russian Enforcement Agent (as amended and restated on the Second Closing Date);

"Custodian" means MDM Bank, Open Joint Stock Company (formerly known as URSA Bank, Open Joint Stock Company), in its capacity as custodian of the Mortgage Certificates under the Custodial Services Agreement;

"Custodian Termination Event" means any of the events listed in Schedule 4 (Custodian Termination Events) to the Custodial Services Agreement;

"Deed of Charge" means the deed of charge entered into on or about the Second Closing Date between the Purchaser, the Security Trustee and the Russian Enforcement Agent as amended and restated on the Listing Date;

"Deferred Payments Ledger" means a ledger so named, established under the Principal Ledger by the Cash Manager in accordance with the terms of the Cash Management Agreement;

"Defaulted Mortgage Certificate" means a Mortgage Certificate in respect of which any principal, interest or any other amount due from the Borrower has not been paid within 90 days of the due date thereof;

"Deferred Interest Amount Arrears" means the amount that represents the difference between the amount of interest that would have been paid but for the Available Revenue Distribution Amount being insufficient to pay the interest accrued on the Class B Notes on an Interest Payment Date

(including any interest which accrued prior to the beginning of the Interest Period ending on that Interest Payment Date) and the amount which is actually paid;

"**Definitions**" means the definitions set out in Schedule 1 (*Master Definitions Schedule*) of the Master Framework Agreement;

"**Definitive Notes**" and/or "**Definitive Certificates**" means collectively the Class A Definitive Notes, the Class B Definitive Notes and the Class Z Definitive Notes;

"**Determination Date**" means, in respect of each Collection Period, the fifth (5th) Business Day of the immediately following Collection Period;

"**Early Amortisation Event**" means any of the events listed in Part 1 of Schedule 6 (*Early Amortisation Events*) to the Master Framework Agreement;

"**Eligibility Criteria**" means the eligibility criteria specified in Schedule 2 (*Eligibility Criteria*) to the Framework Mortgage Portfolio Purchase Agreement;

"**Eligible Borrower**" means a Borrower meeting the eligibility criteria specified in Schedule 2 (*Eligibility Criteria*) to the Framework Mortgage Portfolio Purchase Agreement;

"**Eligible Mortgage Certificate**" means a Mortgage Certificate satisfying the Eligibility Criteria as at the relevant Purchase Date;

"**Eligible Mortgage Loan**" means a Mortgage Loan satisfying the Eligibility Criteria as at the relevant Purchase Date and as set out in the Framework Mortgage Portfolio Purchase Agreement;

"**Encumbrance**" means (a) a mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person, (b) any arrangement under which money or claims to, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person or (c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect;

"**Enforcement Notice**" means a notice of enforcement of the Security delivered by the Note Trustee in accordance with the Clause 8.1 (*Enforcement of Payments*) of Trust Deed and as set out in Schedule 3 of the Deed of Charge;

"**EU Savings Directive**" means Directive 2003/48/EC on the taxation of savings income in the form of interest payments;

"**Event of Default**" means an event as set forth in Condition 12 (*Events of Default*);

"**Exchange Event**" means an event as defined on page 79 of this Prospectus;

"**Expenses**" means any fees or liabilities of the Purchaser incurred in the normal course of its business insofar as such business comprises the ownership of the Mortgage Certificates and is consistent with the activity of a special purpose vehicle in a structured debt transaction of the nature contemplated by the Transaction Documents, including, without limitation:

- (a) any taxation due from the Purchaser to any taxation authority (other than any Luxembourg corporate income tax (if any), which shall be paid from the Purchaser's account);
- (b) any fees payable together with VAT thereon to the Corporate Services Provider;
- (c) any fees together with VAT thereon due on the Audit Fees;

- (d) any fees payable together with VAT thereon to the Purchaser Accounts Bank;
- (e) any fees associated with filing or registration of any Transaction Documents;
- (f) any amounts payable due to any law or any regulatory direction with whose directions the Purchaser is accustomed to comply;
- (g) any fees together with VAT thereon due from the Purchaser to a professional advisors or services provider of the Purchaser; and
- (h) all out of pocket costs and expenses associated with maintaining the licences and registrations necessary for the purposes of the Purchaser's business, which are not paid by the Corporate Services Provider,

but excluding those other costs and expenses otherwise specified in the Payments Priorities;

"**Extraordinary Resolution**" has the meaning given to it in relation to the Class A Notes and the Class B Notes in Schedule 4 of the Trust Deed and in relation to the Class Z Notes in Schedule 5 of the Class Z Notes Issuance Facility Agreement, as applicable;

"**Fee Letter**" means any fee letter or letters executed by the Purchaser and containing the terms and amounts of fees or remuneration payable to the Servicer, the Custodian, the Standby Custodian, the Russian Enforcement Agent or any other party to the Transaction Documents (as the case may be);

"**Final Amortisation Event**" means any of the events listed in Part 2 of Schedule 6 (*Final Amortisation Events*) to the Master Framework Agreement;

"**Final Discharge Date**" means the date on which the Note Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Amounts and/or all other moneys and other liabilities due or owing by the Purchaser have been paid or discharged in full;

"**Final Legal Maturity Date**" means the Interest Payment Date falling in December 2052;

"**First Closing Date**" means 7 December 2007;

"**Framework Mortgage Portfolio Purchase Agreement**" or "**FMPPA**" means the framework mortgage portfolio purchase agreement entered into between the Seller, the Purchaser and the Security Trustee on or about the First Closing Date;

"**FSMA**" means the Financial Services and Markets Act 2000 of the United Kingdom;

"**Gazprombank**" means Gazprombank (Open Joint-stock Company) with its registered address at 16 Nametkina St., Moscow, 117420, Russia;

"**GPB – Mortgage**" means Joint-stock Bank "GPB – Mortgage" (Open Joint-Stock Company) with its registered address at 14 Kolomenskiy Proezd, Moscow, 115446, Russia;

"**Income Deficiency**" means on each Determination Date, the Cash Manager (on behalf of the Issuer) will determine whether the credit balance of the Revenue Ledger is sufficient to pay or provide for payment of items (1) (*first*) to (5) (*fifth*) inclusive of the Pre-Enforcement Revenue Payment Priorities. To the extent that the credit balance is insufficient (the amount of any deficiency being an "**Income Deficiency**") the Cash Manager will, first, draw on the Reserve Fund to satisfy such deficiency, and second, if the amount available on the Reserve Fund is not enough, it may use Principal Receipts. Where payment is made from the Reserve Fund or Principal Receipts a corresponding debit shall be made to the Income Deficiency Ledger;

"Income Deficiency Ledger" means a ledger so named, established under the Revenue Ledger by the Cash Manager in accordance with the terms of the Cash Management Agreement;

"Independent Director" means a duly appointed member of the board of directors of the Purchaser who should not have been at the time of such appointment, or at any time in the preceding five (5) years, (i) a direct or indirect legal or beneficial owner in the Purchaser, or any of its affiliates (excluding *de minimus* ownership interests), (ii) a creditor, supplier, employee, officer, director, family member, manager, or contractor of the Purchaser or its affiliates, or (iii) a person who controls (whether directly, indirectly, or otherwise) the Purchaser or its affiliates or any creditor, supplier, employee, officer, director, manager, or contractor of the Purchaser affiliates;

"Ineligible Mortgage Certificate" means a Mortgage Certificate that does not meet the Eligibility Criteria as of the relevant Purchase Date;

"Initial Mortgage Certificates Purchase Agreement" means an agreement between the Seller and the Purchaser in respect of the Initial Mortgage Portfolio entered into on or about the First Closing Date in the form specified in Schedule 1 (*Mortgage Certificates Purchase Agreement*) to the Framework Mortgage Portfolio Purchase Agreement;

"Initial Mortgage Portfolio" means all the Mortgage Certificates purchased under the Initial Mortgage Certificates Purchase Agreement;

"Initial Purchase Date" means the date of the Initial Mortgage Certificates Purchase Agreement;

"Insolvency Act" means the Insolvency Act 1986;

"Insolvency Event" means:

- (a) with respect to the Seller or (so long as the Seller is the Servicer) the Servicer, the occurrence of any of the following events:
 - (i) the Seller or the Servicer (as the case may be) seeking or consenting to the introduction of proceedings for its liquidation or the appointment of a liquidation commission (*likvidatsionnaya komissiya*) or a similar officer of the Seller or the Servicer (as the case may be);
 - (ii) the presentation or filing of a petition in respect of the Seller or the Servicer (as the case may be) in any court, arbitration court or before any government agency alleging, or for, the bankruptcy, insolvency, dissolution, liquidation (or any analogous proceedings) of the Seller or the Servicer (as the case may be), unless such petition is demonstrated to the satisfaction of the Security Trustee, acting reasonably, to be vexatious or frivolous;
 - (iii) the institution of supervision (*nablyudeniye*), financial rehabilitation (*finansovoye ozdorovlenie*), external management (*vneshneye upravleniye*) or bankruptcy management (*konkursnoye proizvodstvo*) over the Seller or the Servicer (as the case may be),
 - (iv) the entry by the Seller or the Servicer into, or the agreeing by the Seller or the Servicer (as the case may be) to enter into, an amicable settlement (*mirovoye soglashenie*) with its creditors, as such term is defined in the Federal Law of Russia No. 127-FZ "On Insolvency (Bankruptcy) " dated 26 October 2002 (as amended or replaced from time to time);
 - (v) the institution at the request of the CBR of financial rehabilitation (*finansovoye ozdorovlenie*), temporary administration (*vremennoye*

- upravleniye*) or reorganisation (*reorganizatsiya*) with respect to the Seller or the Servicer as such terms are defined in the Law on Insolvency of Credit Organisations;
- (vi) any judicial liquidation, dissolution, liquidation or winding up in respect of the Seller or the Servicer (as the case may be);
 - (vii) the shareholders of the Seller or the Servicer (as the case may be) approving any plan of liquidation or dissolution of the Seller or the Servicer (as the case may be); and/or
 - (viii) any other event analogous to those described in (b) below;
- (b) in relation to the Purchaser, the occurrence of any of the following events:
- (i) the Purchaser is subject to a court ordered liquidation (*liquidation judiciaire*) or reorganisation;
 - (ii) the Purchaser has been declared in a state of bankruptcy (*en faillite*), insolvency, moratorium, controlled management (*gestion controlee*) or suspension of payments (*sursis de paiement*); or
 - (iii) it has entered into a composition with creditors (*concordat préventif de faillite*); and
- (c) in relation to any other company, the occurrence of any of the following events:
- (i) such company is unable or admits its inability to pay its debts as they fall due (after taking into account any grace period or permitted deferral), or suspends making payments on any of its debts;
 - (ii) a moratorium is declared in respect of any indebtedness of such company;
 - (iii) the commencement of negotiations with one or more creditors of such company with a view to rescheduling any indebtedness of such company other than in connection with any refinancing in the ordinary course of business;
 - (iv) any corporate action, legal proceedings or other procedure or step is taken in relation to the appointment of an Insolvency Official in relation to such company or in relation to the whole or any part of the undertaking or assets of such company;
 - (v) an encumbrancer (excluding, in relation to the Purchaser, the Security Trustee or any Receiver) taking possession of the whole or any part of the undertaking or assets of such company;
 - (vi) the making of an arrangement, composition, or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such company, a reorganisation of such company, a conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally other than in connection with any refinancing in the ordinary course of business;
 - (vii) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets

of such company (excluding, in relation to the Purchaser, by the Security Trustee or any Receiver); or

- (viii) any procedure or step is taken, or any event occurs, analogous to those set out in (i) to (vii) above, in any jurisdiction;

"Insolvency Official" means a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager, bankruptcy receiver, curateur, compulsory or interim manager, nominee, supervisor, trustee, conservator, guardian or other similar officer in respect of such company or in respect of any arrangement, compromise or composition with any creditors or any equivalent or analogous officer under the law of any jurisdiction;

"Insolvency Proceedings" means, in respect of a company or entity, the winding-up, liquidation, rehabilitation, sanation, dissolution or examinership of such company or entity or any equivalent or analogous proceedings under the law of the jurisdiction in which such company or entity is incorporated or of any jurisdiction in which such company or entity carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, examinership, arrangement, adjustment, protection or relief of the Debtor;

"Interest Amount" means:

- (a) in respect of each Class A Note or each Class B Note for any Interest Period, the amount of interest calculated by multiplying the Principal Amount Outstanding of such Note on the relevant Interest Payment Date by the note rate applicable to such class and multiplying the product by the relevant Day Count Fraction and rounding the resultant figure to the nearest RUB 0.01; and
- (b) in relation to a class of Class A Notes or Class B Notes, for any Interest Period, the aggregate amount in paragraph (a) above, of all the Notes in such class of Notes for such Interest Period;

"Interest Deferral Event" means an event so defined in the Conditions;

"Interest Payment Date" means the 15th day of each calendar month in each year (or if such day is not a Business Day, the next succeeding Business Day, unless such day falls in the next calendar month, in which case it shall be the preceding Business Day);

"Interest Period" means each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"Irish Listing Agent" means A&L Listing Limited in its capacity as the Listing Agent of the Class A Notes;

"Irish Stock Exchange" means the Irish Stock Exchange Limited;

"Issue Date" means 27 December 2007 or the next succeeding business day on which the banks are opened for business in Moscow and Luxembourg;

"Issuer" or **"Purchaser"** means URSA Mortgage Finance S.A., a securitisation undertaking (*organisme de titrisation*) in the form of a *société anonyme* incorporated in Luxembourg, whose registered office is at L-1371 Luxembourg, 7, Val Ste Croix, Grand Duchy of Luxembourg, registered with the Register of Commerce and Companies of Luxembourg under number B-130545, acting in respect of its compartment 1;

"Issuer Notes" means together the Class A Notes, the Class B Notes and the Class Z Notes;

"**Law on Insolvency of Credit Organisations**" means the Federal Law of the Russian Federation No-40-FZ "On Insolvency (Bankruptcy) of Credit Organisations" dated 25 February, 1999 (as amended or restated from time to time);

"**LCIA**" means the London Court of International Arbitration;

"**Liabilities**" means in respect of any Transaction Party, any losses, liabilities, damages, costs, awards, expenses (including properly incurred legal fees) and penalties incurred by that Transaction Party together with any interest that has accrued and any VAT thereon;

"**Listing Date**" means 17 December 2009;

"**LTV**" as at any given date means in respect of a Purchased Mortgage Certificate, a loan-to-value ratio calculated as Outstanding Principal Balance of such Mortgage Certificate as at such date divided by the value of the relevant Property as at its initial valuation;

"**Luxembourg Securitisation Law**" means the Luxembourg law of 22 March 2004 on securitisation as amended from time to time;

"**Master Definitions Schedule**" means Schedule 1 (*Master Definitions Schedule*) to the Master Framework Agreement;

"**Master Framework Agreement**" means an agreement dated 7 December 2007 as amended and restated on 27 December 2007, 7 February 2008 and the Listing Date entered into between the Transaction Parties;

"**Meeting**" means a meeting of holders of Notes of any class or classes (whether originally convened or resumed following an adjournment);

"**Minimum Short-term Rating**" means, in respect of any person, such person's short term unsecured, unsubordinated, unguaranteed debt obligations being rated, in the case of S & P, "**A-1**" and in the case of Moody's, "**P-1**";

"**Moody's**" means Moody's Investors Service, Inc. and any successor or successors thereto;

"**Mortgage**" means a mortgage (security interest) over the Property securing a Mortgage Loan and which is created by operation of law (*ipoteka v silu zakona*) or by virtue of a mortgage agreement (*ipoteka v silu dogovora*);

"**Mortgage Certificate**" means a registered security (*zakladnaya*) conferring the following rights into its lawful owner: (a) the right to receive all payments due under the Mortgage Loan Agreement, and (b) the right of Mortgage in respect of the Property securing the Mortgage Loan Agreement;

"**Mortgage Certificates Purchase Agreement**" means the Initial Mortgage Certificates Purchase Agreement or any of the Additional Mortgage Certificates Purchase Agreement;

"**Mortgage Law**" means Federal Law No. 102-FZ, *On Mortgage (Pledge of Immovable Property)*, dated 16 July 1998 (as amended);

"**Mortgage Loan**" means a loan made by the Seller or a Third Party Lender to a Borrower pursuant to a Mortgage Loan Agreement which is secured by a Mortgage and evidenced by a Mortgage Certificate;

"**Mortgage Loan Agreement**" means a loan agreement between the Seller or a Third Party Lender and a Borrower in respect of a Mortgage Loan.

"Mortgage Loan Files" means all documentary items relating to the Mortgage Certificates, including, but not limited to, the Mortgage Loan Agreements, Property Purchase Agreements, evidences of disbursement, title certificates, insurance contracts but excluding the Mortgage Certificates;

"Mortgage Portfolio" means the Initial Mortgage Portfolio or any of the Additional Mortgage Portfolios;

"Most Senior Class" means, the Class A Notes whilst they remain outstanding and thereafter the Class B Notes whilst they remain outstanding and thereafter the Class Z Notes whilst they remain outstanding;

"Note Rate" means in respect of the Class A Notes 10.0% p.a. and in respect of the Class B Notes 11.0 % p.a.;

"Note Trustee" and **"Security Trustee"** means Deutsche Trustee Company Limited, in its respective capacities as note trustee under the Trust Deed and security trustee under the Deed of Charge;

"Noteholders" means the persons who for the time being are the holders of the Notes;

"Notes" means the Class A Notes and the Class B Notes, and **"Note"** means any one of them;

"Notification" means a written notice of sale to be sent by the Seller to each Borrower in the Russian language substantially in the form set forth in Schedule 3 (*Form of Notification to the Borrowers*) to the Framework Mortgage Portfolio Purchase Agreement;

"Official List" means the Official List of the Irish Stock Exchange;

"Originator's Operating Procedures" means the Originator's standard criteria for the provision of Mortgage Loans to the Borrowers;

"Outstanding Principal Balance" means at any given date, in relation to a Mortgage Certificate, the amount of principal outstanding in respect of advances to a Borrower under the relevant Mortgage Loan Agreement as at such date including any principal in arrears but excluding any Accrued Revenue;

"Paying Agency Agreement" means a paying agency agreement entered into on or about the Second Closing Date as amended and restated on the Listing Date between the Paying Agent, the Issuer and the Note Trustee;

"Paying Agent" means Deutsche Bank AG, London Branch;

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

"Payment-to-income (PTI) ratio" means in respect of any Mortgage Certificate, a payment-to-income ratio calculated as the aggregate monthly expenses of a Borrower with regard to the related Mortgage Loan, including any insurance payments, divided by the amount of monthly aggregate income of such Borrower, excluding any tax and other deductions;

"Pledge Agreement" means the pledge agreement entered into between the Purchaser and the Russian Enforcement Agent on the Second Closing Date;

"Post-Enforcement Payments Priorities" means the provisions relating to the order of Payments Priority set out in Clause 12 of the Deed of Charge;

"Potential Event of Default" means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default;

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

"Pre-Enforcement Principal Payments Priorities" means the provisions relating to the order of Payments Priority set out in Clause 7 of the Cash Management Agreement;

"Pre-Enforcement Revenue Payments Priorities" means the provisions relating to the order of Payments Priority set out in Clause 6 of the Cash Management Agreement;

"Premium" means, in respect of a Mortgage Certificate, a Compensation Amount or a Mortgage Portfolio, an amount expressed in RUB and equal to 12.8 per cent. of the aggregate Outstanding Principal Balance of such Mortgage Certificate, such Compensation Amount or all of the Mortgage Certificates comprising such Mortgage Portfolio, respectively, in each case rounded to the nearest multiple of RUB 50,000;

"Principal Additional Amount" means, on each Interest Payment Date, the amount transferred from the Available Principal Distribution Amount that is equal to the amount of Income Deficiency;

"Principal Amount Outstanding" means, on any day:

- (a) in relation to an Issuer Note, the principal amount of that Issuer Note upon issue less the aggregate amount of any principal payments in respect of that Issuer Note which have been paid; or
- (b) in relation to a Class of Notes, the aggregate of the amount in (a) in respect of all Notes outstanding in such Class; or
- (c) in relation to the Issuer Notes outstanding at any time, the aggregate of the amount in (a) in respect of all Issuer Notes outstanding, regardless of Class;

"Principal Amount Outstanding of the Class A Notes" means the Principal Amount Outstanding in respect of the Class A Notes only;

"Principal Amount Outstanding of the Class B Notes" means the Principal Amount Outstanding in respect of the Class B Notes only;

"Principal Amount Outstanding of the Class Z Notes" means the Principal Amount Outstanding in respect of the Class Z Notes only;

"Principal Ledger" means the principal ledger so named, created and maintained by the Cash Manager in accordance with Schedule 2 Paragraph 3 of the Cash Management Agreement;

"Principal Receipts" means all payments of principal received from the Borrowers (including by way of enforcement and/or prepayment of a Mortgage Loan) under the Mortgage Portfolio, including such portion of the sale of proceeds of the purchased Mortgage Portfolio which relates to the principal component of the Mortgage Loans following the sale of the portfolio under Condition 8 (*Redemption of the Notes*);

"Principles of Interpretation and Construction" means the principles of interpretation and construction as set out in Schedule 2 (*Principles of Interpretation and Construction*) of the Master Framework Agreement;

"Property" means a residential property which is mortgaged to the owner of the Mortgage Certificate to secure the relevant Mortgage Loan;

"Property Purchase Agreement" means in respect of any Property, a purchase and sale agreement pursuant to which such Property was purchased from the proceeds of the relevant Mortgage Loan;

"Purchase Date" means any of the Initial Purchase Date or the Additional Purchase Dates on which the relevant Mortgage Certificates Purchase Agreement is entered into;

"Purchase Price" means, in respect of any Purchased Mortgage Certificate, the price paid or to be paid by the Purchaser to the Seller for such Purchased Mortgage Certificate in accordance with the Framework Mortgage Portfolio Purchase Agreement and the relevant Mortgage Certificates Purchase Agreement;

"Purchased Mortgage Certificate" means any Mortgage Certificate sold to the Purchaser pursuant to the relevant Mortgage Certificates Purchase Agreement but excluding any such Mortgage Certificate subsequently repurchased, or required to be repurchased, by the Seller;

"Purchaser Accounts Agreement" means the purchaser accounts agreement dated on or about the Second Closing Date between the Purchaser, the Cash Manager, the Purchaser Accounts Bank and the Security Trustee in respect of the RUB Distribution Account and the Cash Reserve Account;

"Purchaser Accounts Bank" means Deutsche Bank AG, London Branch;

"Rating Agencies" means S&P and/or another rating agency rating any of the Notes;

"Rating" means a rating of the Class A Notes provided by S&P;

"Receiver" or **"receiver"** means any receiver or administrative receiver who (in the case of an administrative receiver) is a qualified person and who is appointed by the Security Trustee or the Note Trustee under the Trust Documents in respect of the Security and includes more than one such receiver and any substituted receiver;

"Registrar" means Deutsche Bank Luxembourg S.A., appointment of which has been terminated in accordance with the termination letter between the Issuer and Deutsche Bank Luxembourg S.A. on the Listing Date.

"Registration Authority" means the Federal Registration Service (*Rosregistratsiya*), a Russian federal authority responsible, *inter alia*, for maintenance of a unified state register of rights to immovable property and transactions therewith, or any successor thereof;

"Relevant Implementation Date" means the date on which the Prospectus Directive is implemented in that Relevant Member State;

"Relevant Date" means, in respect of any of the Class A Notes or Class B Notes, the date on which payment in respect thereof becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after the date on which notice is duly given to the holders of the Class A Notes or Class B Notes in accordance with Condition 14 that, upon further presentation of the Class A Notes or Class B Notes being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation;

"Relevant Member State" a member state of the European Economic Area which has implemented the Prospectus Directive;

"Replacement Custodian" means the Standby Custodian or any other custodian which is appointed by the Purchaser and the Russian Enforcement Agent to keep safe custody of the Purchased Mortgage Certificates;

"Repurchase Price" shall have the meaning ascribed to it in Clause 4.1 (*Ineligible Mortgage Certificates*) of the Framework Mortgage Portfolio Purchase Agreement.

"Revenue Receipts" means all interest, fees, commissions and other revenue proceeds received from the Borrowers (including by way of enforcement and sale of a Mortgage Certificate to the Originator or any third party) under the Mortgage Portfolio, as well as any revenue proceeds under any Insurance Policy, including such portion of the sale of proceeds of the purchased Mortgage Portfolio which relates to the revenue component of the Mortgage Loans following the sale of the portfolio under Condition 8 (*Redemption of the Notes*);

"Revenue Ledger" means the revenue ledger created and maintained by the Cash Manager in accordance with Schedule 2 Paragraph 2 of the Cash Management Agreement;

"Rouble", "RUB", "roubles" or "RUR" means the lawful currency for the time being of the Russian Federation;

"RUB Distribution Account" means a bank account opened with the Purchaser Accounts Bank in RUB currency (receiving bank correspondent: Deutsche Bank Ltd, Moscow, Swift Code: DEUTRUMM, BIK Code: 044525101, Bank name: Deutsche Bank AG, London, Swift Code: DEUTGB2L, account number: 3023181000000000000, REF: TSS/ABS/URSA Mortgage Finance – distribution account), for the purposes of distributing funds in accordance with the Payments Priorities;

"Russian Enforcement Agent" means Closed Joint Stock Company Unicredit Bank (formerly known Closed Joint Stock Company International Moscow Bank), a bank incorporated under the laws of the Russian Federation having its registered office at 119034, Moscow, Prechistenskaya Embankment 9 or such other person which may be appointed as the Russian Enforcement Agent in accordance with the Transaction Documents;

"S&P" or "Standard and Poor's" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc.;

"Sale Period" means the period beginning on the next Business Day immediately following the Initial Purchase Date and ending (and including) on the date which is the earlier of the following: (a) 14 November 2008; or (b) the date on which an Amortisation Event occurs;

"Savings Directive" means the EU Saving Directive;

"Second Closing Date" means 27 December 2007;

"Secured Accounts" means the RUB Distribution Account and the Cash Reserve Account;

"Secured Amounts" means:

- (a) all monies, obligations and Liabilities of any kind which from time to time become due, owing or payable by the Purchaser:
 - (i) to the order of the Note Trustee, the Security Trustee and/or the receiver under the Deed of Charge, the Trust Deed or the Conditions at the times and in the manner provided herein or therein;
 - (ii) to the order of the Russian Enforcement Agent under the Pledge Agreement;
 - (iii) under or in respect of the Notes; and
 - (iv) to the Note Trustee on any account whatsoever, whether as principal or surety and whether or not directly with another; and
- (b) all monies, obligations and Liabilities of any kind which from time to time become due, owing or payable by the Purchaser to each of the other Secured Creditors in

accordance respectively with each of the other Transaction Documents to which the Purchaser is a party, or any of them, in any currency or currencies whether present or future, actual or contingent, whether incurred solely or jointly with any other person, whether as principal or surety and whether on account of principal, interest, fees, expenses, indemnity payments, losses, damages or otherwise;

"Secured Creditors" means the Noteholders, the Corporate Services Provider, the Cash Manager, the Security Trustee, the Note Trustee, the Standby Servicer, the Servicer, the Russian Enforcement Agent, the Paying Agent, the Custodian, the Standby Custodian, the Purchaser Accounts Bank and the Collection Account Bank, and **"Secured Creditor"** means any of them;

"Secured Liabilities" means all costs and expenses incurred by any Secured Creditor in connection with the enforcement or preservation of its rights under the Transaction Documents;

"Secured Property" means all or any part of the credit balances of the Secured Accounts and/or any other assets, present and future properties, revenues and rights of every description in respect of which Security has been created pursuant to Clause 5 (*Charge and Assignment*) of the Deed of Charge and to the Pledge Agreement;

"Security" shall have the meaning described in Clause 5 of the Deed of Charge and the rights of the pledge in relation to the Mortgage Certificates pursuant to the Pledge Agreement;

"Security Trustee" means Deutsche Trustee Company Limited, in its capacity as security trustee under the Deed of Charge;

"Seller" or **"Originator"** or **"MDM"** means MDM Bank, Open Joint Stock Company (formerly known as URSA Bank, Open Joint Stock Company);

"Seller's Criteria" means

- (a) in respect of the Mortgage Loans originated by the Seller, the standard criteria of the Seller for the provision of Mortgage Loans to the Borrowers, including credit and collection policies and practices from time to time applied by the Seller and notified in writing to the Purchaser; and
- (b) in respect of the Mortgage Loans originated by the Third Party Lenders, the standard criteria of the Seller for the purchase of Mortgage Certificates from Third Party Lenders;

"Servicer Termination Event" means any of the events listed in Schedule 2 (*Servicer Termination Events*) to the Servicing Agreement;

"Servicer" means the Seller, in its capacity as servicer of the Mortgage Portfolio under the Servicing Agreement or any Replacement Servicer appointed to service the Purchased Mortgage Certificates;

"Services" means the services to be provided by the Servicer to the Purchaser and/or the Security Trustee pursuant to the terms of the Servicing Agreement;

"Servicing Agreement" means the servicing agreement dated the First Closing Date between the Purchaser, the Servicer and the Security Trustee (as amended and restated on the Second Closing Date);

"Servicing Report" means a monthly report to be prepared by the Servicer in the form of Schedule 4 to the Servicing Agreement;

"Specified Office" or **"Specified Offices"** means the office of the Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom;

"Standby Custodial Services Agreement" means the standby custodial services agreement entered into between the Purchaser, Standby Custodian, the Russian Enforcement Agent and the Custodian on or about the Second Closing Date;

"Standby Custodian" means Gazprombank in its capacity as the standby custodian under the Standby Custodial Servicing Agreement;

"Standby Servicer" means GPB-Mortgage acting in its capacity as the standby servicer under the Standby Servicing Agreement;

"Standby Servicing Agreement" means the standby servicing agreement entered into between the Purchaser, the Standby Servicer, the Security Trustee and the Servicer on or about the Second Closing Date;

"Tax Deduction" means a deduction or withholding for or on account of tax from a payment under a Transaction Document;

"Third Party Lender" means any of the initial mortgage lenders or the intermediary sellers of a Mortgage Certificate which originated the relevant Mortgage Loan and from which the Seller has purchased such Mortgage Certificate;

"Transaction" means the transaction under the Transaction Documents pursuant to which the Purchaser issues the Notes by which to fund the purchase of the Mortgage Portfolio;

"Transaction Documents" means any of the Master Framework Agreement, the Framework Mortgage Portfolio Purchase Agreement, the Initial Mortgage Certificates Purchase Agreement, the Servicing Agreement, the Custodial Services Agreement, the Standby Servicing Agreement, the Standby Custodial Services Agreement, the Cash Management Agreement, the Collection Account Addendum, the Trust Documents, the Class A Notes Purchase Agreement, the Class B Notes Purchase Agreement, the Class Z Notes Issuance Facility Agreement, the Purchaser Accounts Agreement, the Paying Agency Agreement and any other agreement or document entered into from time to time by the Transaction Parties pursuant thereto;

"Transaction Parties" means the parties to the Transaction Documents and **"Transaction Party"** means any one of them;

"Trust Deed" means the trust deed and the schedules thereto entered into on or about the Second Closing Date as amended and restated on 7 February 2008, 16 May 2008, on 13 January 2009 and the Listing Date between the Purchaser and the Note Trustee;

"Trust Documents" means the Trust Deed, the Deed of Charge and the Pledge Agreement and (unless the context otherwise requires) includes any deed or other document executed in accordance with the provisions of the Trust Deed, the Deed of Charge or (as applicable) the Pledge Agreement and expressed to be supplemental to the Trust Deed, the Deed of Charge or (as applicable) the Pledge Agreement; and

"WAFF Notice" means the Notice regarding the occurrence of the WAFF Trigger to be delivered by the Servicer to the Cash Manager and the Security Trustee, with a copy to the Seller and the Purchaser in accordance with the Servicing Agreement.

ANNEX 1

**Issuer's Audited Financial Statements for the Years Ending 31 December 2007
and 31 December 2008**

URSA Mortgage Finance S.A.
Société Anonyme

Annual Accounts
for the period from July 27, 2007
(date of incorporation) to
December 31, 2007
(with the report of the Réviseur
d'Entreprises thereon)



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To the Shareholders of
URSA Mortgage Finance S.A.
7, Val Sainte Croix
L-1371 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES

Following our appointment by the Board of Directors dated December 7, 2007, we have audited the accompanying annual accounts of URSA Mortgage Finance S.A., which comprise the balance sheet as at December 31, 2007 and the profit and loss account for the period from July 27, 2007 to December 31, 2007, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of URSA Mortgage Finance S.A. as of December 31, 2007, and of the results of its operations for the period from July 27, 2007 to December 31, 2007 in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Luxembourg, July 25, 2008

KPMG Audit S.à r.l.
Réviseurs d'Entreprises


T. Feld


D. Wallace

URSA Mortgage Finance S.A.

Balance sheet
As at December 31, 2007
(expressed in EUR)

	Notes	2007
ASSETS		
Formation expenses and issue fees paid	3	
Formation expenses		8,958
Issue fees paid		<u>1,180,920</u>
		<u>1,189,878</u>
Fixed assets		
Financial assets		
Investments held as fixed assets	4	217,011,701
Current assets		
Other debtors becoming due and payable within one year		1,324,163
Cash at bank		<u>7,231,750</u>
		<u>8,555,913</u>
Prepayments and accrued income	5	27,803,606
Total Assets		<u><u>254,561,098</u></u>
 LIABILITIES		
Capital and reserves		
Subscribed capital	6	31,000
Creditors		
Notes issued becoming due and payable after more than one year	8	251,699,272
Other creditors becoming due and payable within one year	9	<u>2,830,826</u>
		<u>254,530,098</u>
Total Liabilities		<u><u>254,561,098</u></u>

The accompanying notes form an integral part of these annual accounts.

URSA Mortgage Finance S.A.

Profit and loss account
For the period from July 27, 2007 (date of incorporation) to December 31, 2007
(expressed in EUR)

	Notes	From July 27, 2007 to December 31, 2007
CHARGES		
Other external charges		35,737
Value adjustments in respect of formation expenses and issue fees paid	3	1,064
Interest payable and similar charges		463,950
<i>Concerning affiliated undertakings</i>	8	294,460
<i>Other interest payable and charges</i>		169,490
Contribution to noteholders	2.7	1,282,533
Total Charges		1,783,284
INCOME		
Income from other investments forming part of the fixed assets	4	1,765,529
Other interest receivable and similar income		66
Foreign exchange gain (net)	10	17,689
Total Income		1,783,284

The accompanying notes form an integral part of these annual accounts.

URSA Mortgage Finance S.A.

Notes to the annual accounts
As at December 31, 2007

1. General

URSA Mortgage Finance S.A. (“the Company”) was incorporated as a société anonyme in Luxembourg on July 27, 2007. Its registered office is located at 7, Val Sainte Croix, L-1371 Luxembourg and the Company has been registered in the Luxembourg Register of Commerce under the section B, number B 130545.

The Company has been established for the purpose of the securitisation (within the meaning of the law of March 22, 2004 on securitisations) of assets of any type or nature.

The Company may issue securities of any nature and in any currency and borrow and raise funds in any form for the acquisition, the management and disposal of assets described above.

2. Summary of significant accounting policies

2.1 Accounts preparation

The annual accounts have been prepared in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg.

2.2 Foreign exchange translation

The Company maintains its accounts in EURO and the annual accounts are expressed in this currency. Amounts in foreign currencies are translated into the base currency on the following basis:

- Formation expenses and issue fees paid denominated in a currency other than the EURO are translated at historical exchange rates;
- Financial fixed assets, current assets and liabilities denominated in a currency other than the EURO are translated at rate of exchange prevailing on the balance sheet date;
- Realised exchange gains and losses and unrealised exchange losses are reflected in the profit and loss account. Unrealised exchange gains are not recognised.
- Revenue and expenses denominated in a currency other than the EURO are translated into the base currency at the exchange rates prevailing at the transaction date.

2.3 Formation expenses and issue fees paid

Costs related to the incorporation of the Company are capitalised and are amortised on a straight-line basis over a period of five years.

Issue fees incurred with the issuance of the notes are amortised on a straight line basis over the life of the notes.

URSA Mortgage Finance S.A.

Notes to the annual accounts

As at December 31, 2007

(continued)

2.4 Financial assets

Receivables included in financial assets are recorded at their acquisition cost less any impairment in value, which, in the opinion of the Directors, can be considered as permanent.

2.5 Notes issued

The notes issued by the Company are recorded at par value.

2.6 Interest income and expenses

Interest income and expenses are recorded on an accrual basis.

2.7 Contribution to noteholders

Contribution to noteholders represent the current estimated remuneration due to the holders of Class Z Notes which is based on the excess spread remaining after all other payments due on the interest payment date in accordance with the “Pre-Enforcement Revenue Payment Priorities”. These amounts will be calculated and paid at the defined payment dates associated with the underlying Class Z Notes.

3. Formation expenses and issue fees paid

The evolution of formation expenses and issue fees paid for the period ended December 31, 2007 is as follows:

	Formation expenses EUR	Issue fees paid EUR
Opening balance	-	-
Additions during the period	<u>9,801</u>	<u>1,181,141</u>
Ending balance	<u>9,801</u>	<u>1,181,141</u>
 (Value adjustments)		
Accumulated amortisation – opening balance	-	-
Amortisation of the period	<u>(843)</u>	<u>(221)</u>
Accumulated amortisation – ending balance	<u>(843)</u>	<u>(221)</u>
Net book value at the end of the period	<u><u>8,958</u></u>	<u><u>1,180,920</u></u>

URSA Mortgage Finance S.A.

Notes to the annual accounts

As at December 31, 2007

(continued)

4. Financial assets

Financial assets constitute an investment in Russian Roubles in a portfolio of mortgage certificates pertaining to residential mortgage loans made to borrowers in the Russian Federation.

The mortgage certificates have been purchased on December 7, 2007 from URSA Bank, Open Joint Stock Company, at a price of 112.80%. The premium of RUR 1,005,650,000 is equal to 12.80% of the aggregate outstanding principal balance of the mortgage certificates. The purchase of the mortgage certificates has been funded by the issue of Class A Notes and Class B Notes.

The mortgage certificates generate a fixed rate of interest.

The evolution of the investments held as fixed assets for the period ending December 31, 2007 is as follows:

	2007	
	RUR	EUR
Opening balance	-	-
Purchased receivables	7,856,636,077	218,324,795
Collections of receivables	(47,252,998)	(1,313,094)
Closing balance	<u>7,809,383,079</u>	<u>217,011,701</u>

The Company has entered into an agreement with the seller which ensures that the seller will continue to service the underlying mortgage loans. The Company takes the credit risk associated with the portfolio.

5. Prepayments and accrued income

As at December 31, 2007 prepayments and accrued income are comprised as follows:

	2007
	EUR
Prepaid expenses	26,090
Premium paid on mortgage certificates (net of amortisation)	27,777,516
	<u>27,803,606</u>

URSA Mortgage Finance S.A.

Notes to the annual accounts

As at December 31, 2007

(continued)

The evolution of the premium of RUR 1,005,650,000 paid on the mortgage certificates is as follows:

	2007	
	RUR	EUR
Premium – opening balance	-	-
Premium paid during the period	1,005,650,000	27,945,590
Premium amortised during the period	<u>(6,048,313)</u>	<u>(168,074)</u>
Premium - closing balance	<u>999,601,687</u>	<u>27,777,516</u>

The amount of the premium is equal to 12.80% of the aggregate outstanding principal balance of the mortgage certificates. The premium is amortised based on the prorata of the collections of the mortgage certificates during the period.

6. Subscribed capital

As at December 31, 2007 the Company has issued and fully paid up capital of EUR 31,000, represented by 31 ordinary shares of a par value of EUR 1,000 each.

7. Legal reserve

According to Luxembourg law, 5% of the annual net profit must be allocated to a legal reserve until such reserve equals 10% of the subscribed capital. This reserve is not available for dividend distribution.

8. Notes issued

On December 27, 2007 the Company issued 3 classes of Notes due December 15, 2052:

Class notes	Interest rate	Issued and fully paid	
		2007	
		RUR	EUR
Class A notes	9%	6,522,000,000	181,237,148
Class B notes	11%	1,530,000,000	42,516,534
Class Z notes		<u>1,005,650,000</u>	<u>27,945,590</u>
		<u>9,057,650,000</u>	<u>251,699,272</u>

As at December 31, 2007, the notes are held by URSA Bank.

URSA Mortgage Finance S.A.

Notes to the annual accounts

As at December 31, 2007

(continued)

The Class A notes generate interest at a rate of 9% for the period from December 27, 2007 to December 15, 2008, when the Class A Step Up fixed rate of 10% per annum becomes effective. The Class B notes generate interest at a rate of 11% per annum. The remuneration of the Class Z notes corresponds to the available revenue distribution amount as at the determination date less the aggregate of all amounts due in accordance with the terms determined in the “Pre-enforcement Revenue Payment Priorities”.

9. Other creditors

At December 31, 2007 the other creditors are composed of the following:

	2007
Suppliers payable	93,954
Purchased accrued interest on mortgage certificates not yet paid	1,166,842
Accrued interest payable on notes issued	<u>1,570,030</u>
	<u><u>2,830,826</u></u>

10. Foreign exchange gain (net)

The foreign exchange gain is reported net of foreign exchange loss as follows:

	2007
Foreign exchange loss	(232)
Foreign exchange gain	<u>17,921</u>
Net foreign exchange loss	<u><u>17,689</u></u>

11. Tax status

The Company is subject to all taxes applicable to commercial companies in Luxembourg incorporated under the Securitisation law of March 22, 2004.

12. Others

On December 27, 2007 the Company entered into a Pledge Agreement as security for the due and timely performance of the notes issued. The Company pledged the Purchased Mortgage Certificates to the Russian Enforcement Agent acting on behalf and for the account of the noteholders.

The Company has engaged third party agents who provide daily management of the Company activities and as such it does not employ any personnel.

The Company's accounts are consolidated into the accounts of URSA Bank, Open Joint Stock Company, with registered office at 18 Lenina Street, Novosibirsk, Russia 630004.

URSA MORTGAGE FINANCE S.A.

ANNUAL ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2008

(with report of the Réviseur d'Entreprises thereon)

7, Val Sainte Croix
L-1371 Luxembourg
R.C.S no. B130545

URSA Mortgage Finance S.A.
Annual Accounts
As at December 31, 2008

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To the Board of Directors of
URSA Mortgage Finance S.A.
7, Val Sainte Croix
L-1371 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES

We have audited the accompanying annual accounts of URSA Mortgage Finance S.A. which comprise the balance sheet as at December 31, 2008, the profit and loss account for the year ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

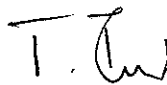
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of URSA Mortgage Finance S.A. as of December 31, 2008, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Luxembourg, December 7, 2009

KPMG Audit S.à r.l.
Réviseurs d'Entreprises



T. Feld



C. Brüne

URSA Mortgage Finance S.A.
BALANCE SHEET
As at December 31, 2008
(expressed in EUR)

ASSETS	Notes	2008	2007
Formation expenses	3	6,992	8,958
Fixed assets			
Financial assets			
Securities held as fixed assets	4	180,640,726	217,011,701
Current assets			
Debtors			
Other debtors			
-becoming due and payable within one year		1,298,893	1,324,163
Cash at bank		8,753,809	7,231,750
		<u>10,052,702</u>	<u>8,555,913</u>
Regularisation accounts/prepayments and accrued income	5	26,733,708	28,984,526
TOTAL ASSETS		<u><u>217,434,128</u></u>	<u><u>254,561,098</u></u>
 LIABILITIES			
Capital and reserves			
Subscribed capital	6	31,000	31,000
Creditors			
Non-convertible bonds			
- becoming due and payable after more than one year	8	214,204,187	251,699,272
Other Creditors			
- becoming due and payable within one year	9	3,198,941	2,830,826
		<u>217,403,128</u>	<u>254,530,098</u>
TOTAL LIABILITIES		<u><u>217,434,128</u></u>	<u><u>254,561,098</u></u>

The accompanying notes form an integral part of these annual accounts.

URSA Mortgage Finance S.A.
PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2008
(expressed in EUR)

CHARGES	Notes	January 1 to December 31, 2008	July 27 to December 31, 2007
Other operating charges		1,665,372	35,958
Value adjustments in respect of formation expenses	3	1,966	843
Value adjustments in respect of financial assets	4	1,958,406	-
Interest payable and similar charges	8		
Concerning affiliated undertakings		21,592,304	294,460
Other interest payable and charges		3,498,590	169,490
		<u>25,090,894</u>	<u>463,950</u>
Foreign exchange loss (net)	10	80,922	-
Contribution to note holders	2.8	1,807,714	1,282,533
TOTAL CHARGES		<u><u>30,605,274</u></u>	<u><u>1,783,284</u></u>
 INCOME			
Income from loans forming part of the fixed assets			
-Derived from affiliated undertakings	4	28,178,667	1,765,529
Other interest receivable and similar income			
-Other interest receivable and similar income		468,201	66
Value adjustments in respect of non-convertible bonds issued		1,958,406	-
Foreign exchange gain (net)	10	-	17,689
TOTAL INCOME		<u><u>30,605,274</u></u>	<u><u>1,783,284</u></u>

The accompanying notes form an integral part of these annual accounts.

URSA Mortgage Finance S.A.
NOTES TO THE ANNUAL ACCOUNTS

As at December 31, 2008

1. General

URSA Mortgage Finance S.A., (the Company) was incorporated as a société anonyme in Luxembourg on July 27, 2007. Its registered office is located at 7, Val Sainte Croix, L-1371 Luxembourg and the Company has been registered in the Luxembourg Register of Commerce under the section B, number B 130545.

The Company has been established for an unlimited period of time for the purpose of the securitisation (within the meaning of the law of March 22, 2004 on securitisations) of assets of any type or nature.

The Company may issue securities of any nature and in any currency and borrow and raise funds in any form for the acquisition, the management and disposal of assets described above.

The accounting year shall begin on January 1 and shall terminate on December 31 each year, with the exception of the first accounting year, which began on July 27, 2007 and terminated on December 31, 2007.

The Company's accounts are consolidated into the accounts of MDM Bank (Open Joint Stock Company) (formerly URSA Bank, (Open Joint Stock Company)) with registered office 18 Lenina Street, Novosibirsk, Russia 630004.

2. Summary of significant accounting policies

2.1 Accounts preparation

The annual accounts have been prepared in accordance with the laws and regulatory requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg.

2.2 Foreign exchange translation

The Company maintains its accounts in EUR and the annual accounts are expressed in this currency. Amounts in foreign currencies are translated into the base currency on the following basis:

- Formation expenses and the issue fees paid denominated in a currency other than the EUR are translated at historical exchange rates;
- Monetary assets and liabilities denominated in a currency other than EUR are translated into EUR at the exchange rate prevailing at the balance sheet date, any gains and losses arising from translation are reported in the profit and loss account;
- Revenue and expenses denominated in a currency other than the EUR are translated into the base currency at the exchange rates prevailing at the transaction date.

URSA Mortgage Finance S.A.
NOTES TO THE ANNUAL ACCOUNTS
(continued)

As at December 31, 2008

2. Summary of significant accounting policies (continued)

2.3 Formation expenses

Costs related to the incorporation of the Company are capitalised and are amortised on a straight-line basis over a period of five years.

2.4 Financial assets

Receivables included in financial assets are recorded at their nominal value less any provision for estimated loans which can be reasonably considered to be non-recoverable. The Company applies a percentage to delinquent loans, which is based on the experience of the originator, to determine the appropriate provision.

Premiums arising at the time of purchase of the financial assets are amortised over the estimated average life of the underlying portfolio.

2.5 Regularisation accounts / prepayments and accrued income

Premiums arising at the time of purchase of the financial assets are amortised over the estimated average life of the underlying portfolio.

2.6 Interest income and expenses

Interest income and expenses are recorded on an accrual basis.

2.7 Non-convertible bonds

The notes issued by the Company are recorded at par value and subsequently adjusted based on the valuation of the related financial assets of the Company; the notes issued being economically linked to the performance of the underlying assets.

Issue fees incurred with the issuance of the notes are amortised on a straight line basis over the life of the notes.

2.8 Contribution to note holders

Contribution to note holders represent the current estimated remuneration due to the holders of Class Z Notes which is based on the excess spread remaining after all other payments due on the interest payment date in accordance with the "Pre-Enforcement Revenue Payment Priorities". These amounts will be calculated and paid at the defined payment dates associated with the underlying Class Z Notes.

URSA Mortgage Finance S.A.
NOTES TO THE ANNUAL ACCOUNTS
(continued)
As at December 31, 2008

3. Formation expenses

The evolution of formation expenses and issue fees for the year ended December 31, 2008 is as follows:

	2008	2007
	EUR	EUR
Opening balance	9,801	-
Additions/removals during the period	<u>-</u>	<u>9,801</u>
Ending balance	<u>9,801</u>	<u>9,801</u>
(Value adjustments)		
Accumulated amortisation – opening balance	(843)	-
Amortisation of the period	<u>(1,966)</u>	<u>(843)</u>
Accumulated amortisation – ending balance	<u>(2,809)</u>	<u>(843)</u>
Net book value at the end of the period	<u>6,992</u>	<u>8,958</u>

4. Financial assets

Financial assets constitute an investment in Russian Roubles (RUB) in a portfolio of mortgage certificates pertaining to residential mortgage loans made to borrowers in the Russian Federation.

The mortgage certificates have been purchased on December 7, 2007 from URSA Bank, Open Joint Stock Company, at a price of 112.80%. The premium of RUB 1,005,650,000 is equal to 12.80% of the aggregate outstanding principal balance of the mortgage certificates. The purchase of the mortgage certificates has been funded by the issue of Class A Notes, Class B Notes and Class Z notes.

The mortgage certificates generate a fixed rate of interest.

URSA Mortgage Finance S.A.
NOTES TO THE ANNUAL ACCOUNTS
(continued)
As at December 31, 2008

4. Financial assets (continued)

The evolution of the investment held as fixed assets for the period ending December 31, 2008 is as follows:

	2008		2007	
	RUB	EUR	RUB	EUR
Opening Balance	7,809,383,079	217,011,701		
Purchased receivables	1,160,037,855	31,856,349	7,856,636,077	218,324,795
Collections of receivables	(1,286,098,842)	(66,268,918)	(47,252,998)	(1,313,094)
Gross Book Value	7,683,322,092	182,599,132	7,809,383,079	217,011,701
Value adjustment	(80,848,856)	(1,958,406)	-	-
Net Book Value	7,602,473,236	180,640,726	7,809,383,079	217,011,701

The Company has entered into an agreement with the seller which ensures that the seller will continue to service the underlying mortgage loans. The Company assumes the credit risk associated with the portfolio.

At year end the Company performs a valuation based on the estimated recoverability of the loans once the loans have become delinquent. The percentage applied is based on the experience of the originator of the underlying loans. In the current year a provision has been established in the amount of EUR 1,958,406 (RUB 80,848,856).

5. Regularisation accounts/prepayments and accrued income

As at December 31, 2008 prepayments and accrued income are comprised as follows:

	2008	2007
	EUR	EUR
Prepaid expenses	11,089	26,090
Issue fees paid (net of amortisation)	1,155,165	1,180,920
Premium paid on mortgage certificate (net of amortisation)	25,567,454	27,777,516
	<u>26,733,708</u>	<u>28,984,526</u>

URSA Mortgage Finance S.A.
NOTES TO THE ANNUAL ACCOUNTS
(continued)
As at December 31, 2008

5. Regularisation accounts/prepayments and accrued income (continued)

The evolution of the premium paid on the mortgage certificates is as follows:

	2008		2007	
	RUB	EUR	RUB	EUR
Premium – opening balance	999,601,687	27,777,516	-	-
Premium paid during the period	148,200,000	4,067,451	1,005,650,000	27,945,590
Premium amortised during the period	(164,627,043)	(6,277,513)	(6,048,313)	(168,074)
Premium – closing balance	983,174,644	25,567,454	999,601,687	27,777,516

The amount of the premium is equal to 12.80% of the aggregate outstanding principal balance of the mortgage certificates. The premium is amortised based on the prorata of the collections of the mortgage certificates during the period.

6 Share capital

As at December 31, 2008 the Company has issued and fully paid up capital of EUR 31,000, represented by 31 ordinary shares of a par value of EUR 1,000 each.

7. Legal reserve

According to Luxembourg law, 5% of the annual net profit must be allocated to a legal reserve until such reserve equals 10% of the share capital. This reserve is not available for dividend distribution.

8. Non-convertible bonds

In 2007 the Company issued 3 classes of ‘Consumer Loan Receivables Backed Floating Rate Notes’ due December 15, 2052.

The evolution of these notes for the year ended December 31, 2008 is as follows:

Class Notes	Interest Rate	Issued and fully paid		Issued and fully paid	
		2008		2007	
		RUB	EUR	RUB	EUR
Class A notes	10%	6,386,556,112	154,701,841	6,522,000,000	181,237,148
Class B notes	11%	1,544,900,000	37,422,183	1,530,000,000	42,516,534
Class Z notes		992,384,205	24,038,569	1,005,650,000	27,945,590
Gross book value		8,923,840,317	216,162,593	9,057,650,000	251,699,272
Value adjustment		(80,848,856)	(1,958,406)	-	-
		8,842,991,461	214,204,187	9,057,650,000	251,699,272

URSA Mortgage Finance S.A.
NOTES TO THE ANNUAL ACCOUNTS

(continued)

As at December 31, 2008

8. Notes issued (continued)

As at December 31, 2008, the notes are held by URSA Bank.

The Class A notes generated interest at a rate of 10% as of December 15, 2008.

The Class B notes generate interest at a rate of 11% per annum. The remuneration of the Class Z notes corresponds to the available revenue distribution amount as at the determination date less the aggregate of all amounts due in accordance with the terms determined in the "Pre-enforcement Revenue Payment Priorities".

In recognition of the economic link between the notes issued and the underlying financial assets a provision has been made to the notes issued of the same value adjustment made to the financial assets (note 4)

By extraordinary resolution dated December 11, 2008, it was decided that URSA Bank as Class A note holder to have the Class A Notes redeemed in whole at their principal amount outstanding together with the accrued interest. The first repayment occurred on December 15, 2008.

9. Other creditors

At December 31, 2008 the amount for other creditors is composed of the following:

	2008	2007
	EUR	EUR
Suppliers payable	131,904	93,954
Purchased accrued interest on mortgage certificates not yet paid	-	1,166,842
Accrued interest payable on notes issued	3,067,037	1,570,030
	<u>3,198,941</u>	<u>2,830,826</u>

10. Foreign exchange loss (net)

The foreign exchange loss is reported net of foreign exchange gains as follows:

	2008	2007
	EUR	EUR
Foreign exchange loss	(32,631,444)	(232)
Foreign exchange gain	32,550,522	17,921
Net foreign exchange (loss)/gain	<u>(80,922)</u>	<u>17,689</u>

URSA Mortgage Finance S.A.
NOTES TO THE ANNUAL ACCOUNTS
(continued)
As at December 31, 2008

11. Tax status

The Company is subject to all taxes applicable to commercial companies in Luxembourg incorporated under the Securitization law of March 22, 2004.

12. Other

On December 27, 2007 the Company entered into a Pledge Agreement as security for the due and timely performance of the notes issued. The Company pledged the Purchased Mortgage Certificates to the Russian Enforcement Agent acting on behalf and for the account of the note holders.

The Company has engaged third party agents who provide daily management of the Company activities and as such it does not employ any personnel.

ISSUER

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