

Open joint-stock company
The Agency for Housing Mortgage Lending

Condensed Consolidated Interim
Financial Statements
for the Six Months Ended 30 June 2007

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Independent Auditors' Report

To the Supervisory Board
Open joint-stock company "The Agency for Housing Mortgage Lending" (OJSC "AHML")

Report on Review of the Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Open joint-stock company "The Agency for Housing Mortgage Lending" (the "Agency") and its subsidiaries (the "Group") as at 30 June 2007, and the related condensed consolidated interim statements of income, changes in equity and cash flows for the six months then ended (the "consolidated interim financial information"). Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The consolidated interim financial information do not include corresponding figures for the six months ended 30 June 2006, which is required by International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Conclusion

Based on our review, except for any effects of the matter described in the Basis for Qualified Conclusion, nothing has come to our attention that causes us to believe that the consolidated interim financial information of the Group as at 30 June 2007 and for the six months then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG
7 September 2007

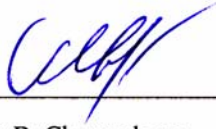
OJSC "AHML"
Condensed Consolidated Interim Income Statement for the Six Months Ended 30 June 2007

	Note	Six months ended 30 June 2007 RUR'000 (unaudited)
Interest income		2 942 352
Interest expense		(1 702 536)
Net interest income		1 239 816
Impairment losses	4	(97 309)
Net interest income after impairment losses		1 142 507
Commission expense		(352 109)
Net other income		11 669
		802 067
General administrative expenses		(308 749)
Profit before tax		493 318
Income tax expense		(105 949)
Net profit		387 369

The condensed consolidated interim financial statements as set out on pages 4 to 12 were approved for issue on 7 September 2007.



Alexandr N. Semenyaka
Chief Executive Officer



Lubov B. Chernyshova
Chief Accountant

	Notes	30 June 2007 RUR'000 (unaudited)	31 December 2006 RUR'000
ASSETS			
Cash and cash equivalents		1 425 637	333 370
Investments in promissory notes available for sale		496	651
Receivables from service agents		942 954	649 168
Mortgage loans	4		
- owned by the Agency		45 567 270	28 012 405
- sold but not derecognized		3 542 978	3 530 113
- pledged as collateral		2 990 590	3 363 515
Other assets		99 992	104 588
Property and equipment		81 321	64 778
Current income tax asset		4 800	4 422
Deferred tax asset		19 105	23 509
Total assets		54 675 143	36 086 519
LIABILITIES AND SHAREHOLDER'S EQUITY			
Bonds issued	5	27 790 574	19 741 397
Financing secured by mortgage loans		3 547 415	3 539 429
Bank loans		17 144 962	7 132 161
Other liabilities		271 934	140 643
Total liabilities		48 754 885	30 553 630
Shareholder's equity			
Share capital		5 359 543	5 359 543
Retained earnings		560 715	173 346
Total shareholder's equity		5 920 258	5 532 889
Total liabilities and shareholder's equity		54 675 143	36 086 519

OJSC "AHML"
Condensed Consolidated Interim Statement of Cash Flows
for the Six Months Ended 30 June 2007

	Six months ended 30 June 2007 RUR'000 (unaudited)
Cash flows used in operating activities	<u>(16 961 154)</u>
Cash flows used in investing activities	(16 543)
Cash flows from financing activities	<u>18 069 964</u>
Net increase in cash and cash equivalents	1 092 267
Cash and cash equivalents at the beginning of the period	<u>333 370</u>
Cash and cash equivalents at the end of the period	<u>1 425 637</u>

OJSC "AHML"
Condensed Consolidated Interim Statement of Changes in Shareholder's Equity
for the Six Months Ended 30 June 2007

	Share capital RUR'000	Retained earnings RUR'000	Total RUR'000
Balance at 31 December 2006	5 359 543	173 346	5 532 889
Net profit for the period (unaudited)	-	387 369	387 369
Balance at 30 June 2007 (unaudited)	5 359 543	560 715	5 920 258

1 Background

Principal activities

The principal activity of Open joint-stock company "The Agency for Housing Mortgage Lending" (OJSC "AHML" or the "Agency") is wholesale purchases of mortgage loans. The Agency purchases pools of mortgage loans from originators operating throughout the Russian Federation. The administration of mortgage loans is performed by authorized independent financial institutions ("the service agents").

The Agency also provides methodological and technical support to the participants of the Russian mortgage lending market. The Agency is wholly owned by the Federal Agency for Federal Property Management acting on behalf of the Federal Government of the Russian Federation.

These condensed consolidated interim financial statements of the Agency for the six months ended 30 June 2007 comprise financial statements of the Agency and Closed Joint Stock Company "First Mortgage Agent of AHML", a consolidated special purpose entity, (together referred to as the "Group").

The Group operates in industry where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

Russian business environment

The Russian Federation has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks, which do not typically exist in other markets. The accompanying condensed consolidated interim financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Agency and the Group. The future business environment may differ from management's assessment.

2 Basis of Preparation

Statement of compliance

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting", except that they do not include corresponding figures for the six months ended 30 June 2006. They do not include all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2006, as these condensed consolidated interim financial statements provide an update of previously reported financial information.

These condensed consolidated interim financial statements present the condensed consolidated interim balance sheet as at 30 June 2007, corresponding figures as at 31 December 2006, the condensed consolidated interim statements of income, changes in equity and cash flows for the six months ended 30 June 2007, and selected explanatory notes.

Basis of measurement

The condensed consolidated interim financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and financial instruments available for sale are stated at fair value.

Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"). Management have determined the Group's functional currency to be RUR as it reflects the economic substance of the underlying events and circumstances of the Group. RUR is also the Group's presentation currency for the purposes of these condensed consolidated interim financial statements. Financial information presented in RUR has been rounded to the nearest thousand.

Use of estimates and judgments

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these condensed consolidated interim financial statements in conformity with IFRS. Actual results could differ from those estimates.

In preparing these condensed consolidated interim financial statements the significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2006.

3 Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are consistent with those applied by the Group in the consolidated financial statements for the year ended 31 December 2006, except for changes resulting from the amendments to IFRSs.

IFRS 7 "Financial Instruments: Disclosures" and the amendment to International Financial Reporting Standard IAS 1 "Presentation of Financial Statements" - "Capital Disclosures" are effective since 1 January 2007. The Standard and the amendment require increased disclosure in respect of the Group's financial instruments and the nature and extent of risks arising from financial instruments and increased disclosure in respect of the Group's capital.

As these financial statements are condensed, additional disclosures resulting from the above amendments are not required in these condensed consolidated interim financial statements and will be provided in the annual financial statements for the year ended 31 December 2007.

4 Mortgage Loans**Mortgage loan impairment**

The Group has assessed its portfolio of mortgage loans for impairment on a collective basis as at 30 June 2007 and 31 December 2006 and recognized an impairment loss of RUR 189 411 thousand (31 December 2006: RUR 92 102 thousand). Mortgage loans in these condensed consolidated interim financial statements are shown net of impairment loss allowance.

	30 June 2007 RUR'000 (unaudited)	31 December 2006 RUR'000
Gross mortgage loans	52 290 249	34 998 135
Impairment allowance	(189 411)	(92 102)
Net mortgage loans	52 100 838	34 906 033

Analysis of movements in the mortgage loans impairment:

	Six months ended 30 June 2007 RUR'000 (unaudited)
Balance as at 1 January	92 102
Impairment loss	97 309
Balance as at 30 June	189 411

As at 30 June 2007, the Group has mortgage loans with a total gross amount of RUR 1 297 932 thousand (31 December 2006: RUR 261 000 thousand), for which one or more monthly installment payments were overdue.

The ageing analysis of overdue mortgage loans as at 30 June 2007 is presented below:

	30 June 2007 RUR'000 (unaudited)	31 December 2006 RUR'000
Overdue less than 90 days	759 022	117 571
Overdue for 90-180 days	373 404	112 166
Overdue for more than 180 days	165 506	31 263
Net mortgage loans	1 297 932	261 000

Management used its judgment to estimate the amount of impairment losses incurred as at 30 June 2007. Management estimated the amount of impairment losses incurred as at 30 June 2007 as the difference between the present value of estimated future cash flows expected from foreclosure of collateral discounted at the mortgage loan's original effective interest rate and the carrying amount of the mortgage loan based on the probability that loan with overdue payments will not be brought current and will be collected through foreclosure. The following key assumptions were used in assessing the impairment losses:

- Management have assumed a delay of 12 months in obtaining proceeds from the foreclosure of collateral, which is not compensated by related interest income.
- Management has assumed a discount of 25% to the originally appraised value if the property pledged is sold through the court procedure.

As mortgage lending is relatively new to Russia, the Group and the industry have limited historical experience in this type of lending on which to base the assessment of impairment. Changes in these estimates could effect the loan impairment allowance.

Loans transferred to third parties or pledged

Mortgage loans transferred but not derecognized

Included in mortgage loans, as at 30 June 2007, are loans of RUR 3 547 415 thousand (31 December 2006: RUR 3 539 429 thousand) which were transferred by the Group to third parties, against which impairment allowance of RUR 4 437 thousand (31 December 2006: RUR 9 316 thousand) was recognized. According to the terms of the transfer, the Agency continues to service the mortgage loans transferred and it has an obligation to re-purchase back the mortgage loans in case of default and in certain other cases. Management estimated that the Group has not transferred the majority of risks associated with mortgage loans transferred and that the transfer therefore does not qualify for derecognition. A corresponding liability of RUR 3 547 415 thousand (31 December 2006: RUR 3 539 429 thousand) to the purchasers in respect of the transfer has been recognized in these condensed consolidated interim financial statements as financing secured by mortgage loans.

Interest income of RUR 278 005 thousand received for mortgage loans transferred is included within interest income for the six months ended 30 June 2007. Interest expense of RUR 248 200 thousand paid to a transferee is included within interest expense for the six months ended 30 June 2007.

Mortgage loans sold and derecognized

As at 30 June 2007, the outstanding balance of mortgage loans sold and which qualify for derecognition under IFRS, for which the Agency has an obligation to repurchase defaulted mortgage loans, is RUR 291 782 thousand (31 December 2006: RUR 331 540 thousand).

Loans pledged as collateral

Included in mortgage loans, as at 30 June 2007, are loans of RUR 2 990 590 thousand (31 December 2006: RUR 3 363 515 thousand) which were transferred by the Agency to Closed Joint Stock Company "First Mortgage Agent of AHML", a consolidated special purpose entity. These mortgage loans are included in the Group's condensed consolidated interim balance sheet. The mortgage loans transferred by the Agency to Closed Joint Stock Company "First Mortgage Agent of AHML" are pledged as collateral for the mortgage-backed securities which were issued by the Closed Joint Stock Company "First Mortgage Agent of AHML".

5 Bonds Issued

Bonds issued by the Group as at 30 June 2007 comprise:

Issue number	Maturity	Coupon rate and period	Effective interest rate	Nominal RUR'000	Carrying value RUR'000 (unaudited)
A1	1 December 2008	11.00%, paid semi-annually	9.87%	1 070 000	1 098 122
A2	1 February 2010	11.00%, paid semi-annually	11.53%	1 500 000	1 559 830
A3	15 October 2010	9.40%, paid quarterly	9.93%	2 250 000	2 282 866
A4	1 February 2012	8.70%, paid quarterly	9.14%	900 000	907 389
A5	15 July 2011 - 40% of the issue 15 October 2012 - 60% of the issue	7.35%, paid quarterly	7.66%	2 200 000	2 222 598
A6	15 July 2011 - 20% of the issue 15 July 2013 - 40% of the issue 15 July 2014 - 40% of the issue	7.40%, paid quarterly	7.70%	2 500 000	2 528 314
A7	15 October 2013 - 50% of the issue 15 July 2015 - 25% of the issue 15 July 2016 - 25% of the issue	7.68%, paid quarterly	7.95%	4 000 000	4 053 386
A8	15 June 2012 - 40% of the issue 15 March 2014 - 30% of the issue 15 June 2017 - 15% of the issue 15 June 2018 - 15% of the issue The Group has a right for early redemption of the bonds on 15 March 2014	7.63%, paid quarterly	7.91%	5 000 000	5 001 799
A9	15 February 2013 - 40% of the issue 15 February 2015 - 20% of the issue 15 February 2016 - 20% of the issue 15 February 2017 - 20% of the issue The Group has a right for early redemption of the bonds on 15 February 2015	7.49%, paid quarterly	7.76%	5 000 000	5 031 574
MBS tranche "A"	15 February 2039 - 100% of the issue	6.94%, paid quarterly	7.23%	2 900 000	2 844 999
MBS tranche "B"	15 February 2039 - 100% of the issue	9.50%, paid quarterly	10.07%	264 000	259 697
				27 584 000	27 790 574

All of the bonds issued carry a fixed coupon rate.

The bonds of A1, A2, A3 issues are fully guaranteed by the Federal Government of the Russian Federation. The bonds of A4, A5, A6, A7, A8, A9 issues are guaranteed by the Federal Government of the Russian Federation up to their principal amounts.

In May 2007, the Group issued mortgage-backed securities secured by a pool of mortgage loans with a total nominal value of RUR 3 294 794 thousand. The mortgage-backed securities were issued by Closed Joint Stock Company "First Mortgage Agent of AHML", a consolidated specific purpose entity. Two tranches of these securities were sold to third parties, and the third (subordinated) tranche with a total nominal value of RUR 130 794 thousand was purchased by the Agency. The mortgage-backed securities may be repaid before contractual repayment dates in the case of early repayment of the underlying mortgage loans. As at 30 June 2007, the carrying value of mortgage loans pledged as collateral under mortgage-backed securities is RUR 2 990 590 thousand.

Bonds issued by the Group as at 31 December 2006 comprise:

Issue number	Maturity	Coupon rate and period	Effective interest rate	Nominal RUR'000	Carrying value RUR'000
A1	1 December 2008	11.00%, paid semi-annually	9.87%	1 070 000	1 104 470
A2	1 February 2010	11.00%, paid semi-annually	11.53%	1 500 000	1 560 036
A3	15 October 2010	9.40%, paid quarterly	9.93%	2 250 000	2 282 067
A4	1 February 2012	8.70%, paid quarterly	9.14%	900 000	907 007
A5	15 July 2011 - 40% of the issue 15 October 2012 - 60% of the issue	7.35%, paid quarterly	7.66%	2 200 000	2 222 112
A6	15 July 2011 - 20% of the issue 15 July 2013 - 40% of the issue 15 July 2014 - 40% of the issue	7.40%, paid quarterly	7.70%	2 500 000	2 528 153
A7	15 October 2013 - 50% of the issue 15 July 2015 - 25% of the issue 15 July 2016 - 25% of issue	7.68%, paid quarterly	7.95%	4 000 000	4 061 337
A8	15 June 2012 - 40% of the issue 15 March 2014 - 30% of the issue 15 June 2017 - 15% of the issue 15 June 2018 - 15% of the issue. The Group has a right for early redemption of the bonds on 15 March 2014	7.63%, paid quarterly	7.91%	5 000 000	5 076 215
				19 420 000	19 741 397

6 Ratio of Total Shareholder's Equity to Total Assets

The following table shows the ratio of the Group's total shareholder's equity to the Group's total assets as at 30 June 2007:

	30 June 2007 (unaudited)	31 December 2006
Share capital, RUR'000	5 359 543	5 359 543
Retained earnings, RUR'000	560 715	173 346
Total shareholder's equity	5 920 258	5 532 889
Total assets, RUR'000	54 675 143	36 086 519
Total shareholder's equity expressed as percentage of assets, %	10.8%	15.3%