OFFERING CIRCULAR
Dated 11th March, 1998

DM 100,000,000
RUSSIAN INVESTMENTS

(Incorporated with limited liability in the Cayman Islands)

Series 2
Secured Step-Down Notes due 2018

Secured by a charge over zero coupon bonds issued by an AAA or Aaa rated G7 sovereign or supranational and by an assignment of Russian Investments' rights under an exchange agreement with Banque Paribas

Issue Price: 101 per cent.

Application has been made to list the Notes on the Luxembourg Stock Exchange

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The DM 100,000,000 Series 2 Secured Step-Down Notes due 2018 (the "Notes") of Russian Investments (the "Issuer") will be obligations of the Issuer secured by (i) a first fixed charge over DM 100,000,000 principal amount of zero coupon bonds issued by an AAA/Aaa rated G7 sovereign or supranational (the "Zeroes") and (ii) an assignment of the rights of the Issuer under the Swap Agreement (as defined below) with Banque Paribas as counterparty (in such capacity, the "Counterparty") and the Agency Agreement (as defined in "Terms and Conditions of the Notes").

Subject as provided below, interest on the Notes will accrue at a rate of 11 per cent. per annum from and including 12th March, 1998 up to but excluding 12th March, 2000 and thereafter at 8 per cent. per annum, payable annually in arrear on 12th March in each year, commencing on 12th March, 1999 (each, an "Interest Payment Date"). Subject as provided below, the principal on the Notes will be repaid on 12th March, 2018.

If Vnesheconombank of the USSR defaults under, or there is a rescheduling, further restructuring or moratorium or announcement thereof in respect of, its Restructured Loans (as defined in "Terms and Conditions of the Notes"), interest will cease to be payable on the Notes as from the Interest Payment Date immediately preceding such default. If Vnesheconombank fully prepays its Restructured Loans, the rate of interest payable on the Notes will fall to 6.5 per cent. per annum as from the Interest Payment Date immediately preceding such prepayment.

If the Swap Agreement is terminated due to the occurrence of certain events of default or termination events thereunder, or if an event of default occurs under the Zeroes, the Issuer will redeem the Notes by delivering to each Noteholder a pro rata share of the Zeroes (calculated in accordance with Condition 6(b) after taking into account any termination payment due between the parties under the Swap Agreement).

The Issuer is not obliged to gross up any payments in respect of the Notes.

None of Vnesheconombank, the Investment Manager (as defined in "Terms and Conditions of the Notes"), the issuer of the Zeroes, the Counterparty, the Managers (as defined in "Subscription and sale"), the Trustee nor the Share Trustee (as defined in "Risk factors") has any obligation to any holder for the payment of any amount by the Issuer in respect of the Notes.

The Notes will initially be represented by a temporary global Note (the "Temporary Global Note") without interest coupons, which will be deposited with Deutsche Börse Clearing AG ("DBC") on or before 12th March, 1998. The Temporary Global Note will be exchangeable for a permanent global Note (the "Permanent Global Note" and, together with the Temporary Global Note, the "Global Notes") on or after a date which is expected to be 22nd April, 1998 upon certification as to non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable for definitive Notes ("Definitive Notes") in bearer form in the circumstances set out in the Permanent Global Note (see "Summary of provisions relating to the Notes while in global form").

The attention of prospective investors is drawn to "Risk factors" on page 4.

PARIBAS
BANQUE PARIBAS - ZWEIGNIEDERLASSUNG FRANKFURT AM MAIN

PARIBAS

The Issuer has taken all reasonable care to ensure that the facts stated herein in relation to the Issuer and in relation to the Notes are true and accurate in all material respects and that, in the context of the issue of the Notes, there are no other material facts the omission of which would make misleading any statement herein, whether of fact or opinion. Subject as provided below, the Issuer is responsible for the information contained in this document.

The information set out on herein regarding Banque Paribas, the Restructured Loans and the Zeroes has been extracted from publicly available information. Such information has not been independently verified by the Issuer. However, the Issuer accepts responsibility for the correct extraction and reproduction of such information.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers to subscribe for or purchase, any of the Notes. The distribution of this Offering Circular and the offering of the notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Circular, see "Subscription and sale" below. This Offering Circular does not constitute and may not be used for the purposes of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Notes or the distribution of this Offering Circular in any jurisdiction where such action is required.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to this date.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

No invitation may be made to the public in the Cayman Islands to subscribe for the Notes.

In connection with this issue, Banque Paribas-Zweigniederlassung Frankfurt am Main may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

References herein to "U.S.$" and "U.S. dollars" are to United States dollars, to "FF" are to French francs, to "DM" are to Deutschmarks and to "euro" are to the proposed single currency to be adopted by participating member states of the European Union.

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RISK FACTORS

Prospective purchasers of the Notes should carefully read this entire Offering Circular and should consider, among other things, investment considerations with respect to the Notes not normally associated with investments in other instruments, including those set forth below.

1 Investor suitability - investor's evaluation of risk

The purchase of the Notes involves certain risks. This Offering Circular is issued with the intention that it will be read only by corporations, partnerships, other entities or individuals having such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Notes, who are experienced in investing in derivative instruments and who are familiar with secondary market trading in instruments such as the Notes and the Restructured Loans. Investors should conduct such independent investigation and analysis regarding the Notes, the Restructured Loans and the assets on which the obligations of the Issuer under the Notes are secured as they deem appropriate.

2 Notes not the obligations of Vnesheconombank, the issuer of the Zeroes, the Investment Manager, the Counterparty, the Managers, the Trustee or the Share Trustee

None of Vnesheconombank, the Investment Manager, the issuer of the Zeroes, the Counterparty, the Managers, the Trustee or Queensgate Bank & Trust Company Ltd. (the "Share Trustee") has any obligation to any holder of Notes or Coupons for payment of any amount by the Issuer in respect of the Notes or Coupons.

3 Swap Agreement and Counterparty risk

The Issuer's ability to pay interest under the Notes is dependent on the performance by the Counterparty of its obligations under the Swap Agreement (see "The Swap Agreement" and "The Counterparty"). Further, the Swap Agreement contains a number of grounds for early termination (see "The Swap Agreement"). These include failure by the Counterparty to make payments to the Issuer under the Swap Agreement. Early termination of the Swap Agreement in such circumstances will cause the Notes to become due and payable. In such event, the Noteholders will only be entitled to receive a pro rata share of the Zeroes after taking into account any termination payment due between the parties under the Swap Agreement.

4 Considerations relating to Vnesheconombank

If Vnesheconombank defaults on its obligations under the Restructured Loans, interest may cease to become payable on the Notes as from the Interest Payment Date immediately preceding such default. If Vnesheconombank fully prepays the Restructured Loans, the rate of interest payable on the Notes will be reduced as from the Interest Payment Date immediately preceding such prepayment.

5 Shortfall of security

In the event that the security constituted by the Trust Deed becomes enforceable either in whole or in part in accordance with the Conditions (as defined in "Terms and Conditions of the Notes") and the Trustee takes action as provided in Condition 3, the net sums realised could be insufficient to pay amounts due to the Trustee and the Principal Paying Agent and the Counterparty ranking prior to claims of the holders of the Notes and Coupons and the principal amount of the Notes together with accrued interest. In such event, any shortfall shall be borne in accordance with Conditions 3 and 6(b) and investors in the Notes and Coupons may receive less than the principal amount of the Notes and any accrued interest.

6 Limited recourse

Recourse of the holders of the Notes and Coupons is limited and they have no recourse against the Issuer beyond the assets over which the obligations of the Issuer under the Notes and Coupons have been secured. Once such assets are exhausted, the Issuer shall be under no further liability in respect of the Notes and Coupons to the holders thereof.

7 Market volatility

The value and market in the Restructured Loans is influenced by economic and market conditions in the Russian Federation and, to varying degrees, may be affected by market conditions in other countries and other emerging markets.

8 Considerations relating to the Zeroes

In the event that the issuer of the Zeroes fails to redeem them on the due date therefor or an event of default occurs thereunder, the Issuer will be unable to meet its obligations under the Notes, following which, subject to Conditions 6(b) and 10, the security for the Notes will become enforceable and the liability of the Issuer to redeem the Notes will depend on the net sums realised upon such enforcement.

Structured securities are sophisticated instruments, can involve a high degree of risk and are intended for sale only to those investors capable of understanding the risks entailed in such instruments. If in doubt potential investors are strongly recommended to consult their financial advisers before making any investment decision.

TERMS AND CONDITIONS OF THE NOTES

The following is the text, excepting sentences in italics, of the terms and conditions to be endorsed on the Notes.

The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 10th March, 1998. The Notes are constituted by a master trust deed dated 19th March, 1997 (the "Master Trust Deed") between the Issuer and The Law Debenture Trust Corporation p.l.c. as trustee for the holders of the Notes (the "Noteholders") (the "Trustee", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed referred to below) and a supplemental trust deed dated 12th March, 1998 (the "Supplemental Trust Deed") (together with the Master Trust Deed, the "Trust Deed") between the Issuer, Banque Paribas as counterparty (the "Counterparty") under the Swap Agreement (as defined below) and the Trustee. These terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes and the interest coupons relating to them (the "Coupons"). Copies of the Trust Deed, an agency agreement dated 12th March, 1998 (the "Agency Agreement") relating to the Notes between the Issuer, the Trustee, Banque Paribas Luxembourg as principal paying agent (the "Principal Paying Agent"), Banque Paribas as investment manager (the "Investment Manager") and as custodian (the "Custodian") and the other paying agent named therein, the Swap Agreement and the restructuring agreement dated 6th October, 1997 (the "Restructuring Agreement") between Vnesheconombank of the USSR ("Vnesheconombank"), the restructuring and closing agents named therein and the other parties thereto are available for inspection during usual business hours at the registered office of the Trustee (presently at 95 Gresham Street, London EC2V 7LY) and at the specified offices of the paying agents for the time being (the "Paying Agents") as set out below. The Noteholders and the holders of the Coupons (whether or not attached to the relevant Notes) (the "Couponholders") are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement, the Swap Agreement and the Restructuring Agreement applicable to them.

1. Form, denomination and title

(a) The Notes are serially numbered and in bearer form in the denominations of DM 10,000, numbered 00001 to 10000.

(b) Title to the Notes and Coupons passes by delivery. The holder of any Note or Coupon will (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 interest in it, any writing on it or its theft or loss) and no person will be liable for so treating the holder.

2. Status

The Notes and Coupons constitute secured, limited recourse obligations of the Issuer secured pursuant to the Trust Deed and shall at all times rank *pari passu* and without any preference among themselves.

3. Swap Agreement and security

(a) The Issuer has entered into an exchange agreement constituted by an International Swaps and Derivatives Association, Inc. 1992 Master Agreement (Multicurrency - Cross Border) and Schedule dated 19th March, 1997, a Credit Support Annex (the "Annex") dated 12th March, 1998 and a confirmation dated 12th March, 1998 (together, the "Swap Agreement", which expression shall, unless the context demands otherwise, include all replacement exchange agreements therefor) with Banque Paribas (the "Counterparty").

Under the Swap Agreement, the Issuer will pay to the Counterparty amounts in U.S. dollars equal to scheduled amounts of interest and principal or any other sums to be paid by Vnesheconombank under US$55,000,000 initial principal amount outstanding of loans ("Restructured Loans") owed by Vnesheconombank pursuant to the Restructuring Agreement (the "Underlying Restructured Loans") and will deliver to the Counterparty all Interest Notes (as defined in the Restructuring Agreement) due to be delivered by Vnesheconombank in lieu of interest under the Underlying Restructured Loans and the Counterparty will pay to the Issuer amounts in Deutschmarks equal to scheduled payments of interest on the Notes.

A payment obligation of the Counterparty under the Swap Agreement may be satisfied by payment from the Counterparty of the sum due from it under the Swap Agreement to the Principal Paying Agent on behalf of the Issuer.

The Counterparty has the right to substitute for the U.S. dollar-denominated Underlying Restructured Loans to which payments under the Swap Agreement relate and which are the credit support under the Annex Deutschmark-denominated Restructured Loans in a principal amount equal to the principal amount of U.S. dollar-denominated Underlying Restructured Loans as at the date of such substitution, converted at the prevailing market exchange rate as determined by the Counterparty. Such right of substitution is subject to (i) the Swap Agreement being terminated and replaced with a new exchange agreement between the Issuer and the Counterparty on similar terms *mutatis mutandis* to the Swap Agreement, whereby the Issuer will pay to the Counterparty amounts in Deutschmarks equal to scheduled amounts of interest and principal or any other sums to be paid by Vnesheconombank under the substitute Underlying Restructured Loans and will deliver to the Counterparty all Interest Notes due to be delivered by Vnesheconombank in lieu of interest under the substitute Underlying Restructured Loans and the Counterparty will pay to the Issuer amounts in Deutschmarks equal to scheduled payments of interest on the Notes and (ii) the Counterparty paying to the Issuer its costs (if any) incurred upon such replacement; provided that no amount shall be payable by either party upon termination of the Swap Agreement and entry into of the replacement exchange agreement. The Trust Deed provides that the replacement exchange agreement, once entered into, shall be subject to the security created thereby.

The Swap Agreement may be terminated:

(i) if a Credit Event (as defined in Condition 5(c)) occurs;

(ii) if the Zeroes (as defined in Condition 3(b)) become capable of being declared due and repayable following an event of default thereunder;

(iii) if the Notes become due and repayable following an Event of Default under Condition 10;

(iv) in part, if Notes are purchased and cancelled pursuant to Condition 6(c);

(v) if the Counterparty elects to exercise its right to substitute Deutschmark-denominated Restructured Loans for the U.S. dollar-denominated Underlying Restructured Loans to which payments under the Swap Agreement relate; or

(vi) (a) upon the failure by a party to the Swap Agreement to make when due a payment under the Swap Agreement if such failure is not remedied on or before the third Local Business Day (as defined in the Swap Agreement) after notice of failure is given to such party;

(b) upon failure by a party to the Swap Agreement to comply with or perform certain other agreements or obligations thereunder if such failure is not remedied on or before the thirtieth day after notice of failure is given to such party;

(c) upon certain representations (not relating to taxation) made or repeated or deemed to have been made or repeated by a party to the Swap Agreement proving to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(d) upon the occurrence of certain insolvency events in relation to a party to the Swap Agreement;

(e) if a party to the Swap Agreement consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and (i) the resulting, surviving or transferee entity fails to assume all the obligations of such party thereunder, (ii) the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of the original party immediately prior to such action or (iii) as a result, any withholding or deduction is imposed in respect of payments under the Swap Agreement;

(f) if in certain circumstances it becomes unlawful for a party to the Swap Agreement to perform any absolute or contingent obligations to make or receive a payment under the Swap Agreement or to comply with any other material provision of the Swap Agreement; or

(g) if, due to any action taken by a taxing authority or brought in a court of competent jurisdiction or a change in tax law, any withholding tax or deduction is imposed in respect of payments under the Swap Agreement.

If the Swap Agreement terminates in the circumstances described in paragraph (v) above, the Issuer and the Counterparty will enter into a replacement exchange agreement on similar terms *mutatis mutandis* to the Swap Agreement, whereby the Issuer will pay to the Counterparty amounts in Deutschmarks equal to scheduled amounts of interest and principal or any other sums to be paid by Vnesheconombank under the substitute Underlying Restructured Loans and will deliver to the Counterparty all Interest Notes due to be delivered by Vnesheconombank in lieu of interest under the substitute Underlying Restructured Loans and the Counterparty will pay to the Issuer amounts in Deutschmarks equal to scheduled payments of interest on the Notes. In such event, no termination payment will be due between the parties.

If the Swap Agreement terminates in the circumstances described in paragraphs (i) or (iv) above, no termination payment will be due between the parties.

If the Swap Agreement terminates in the circumstances described in paragraphs (ii), (iii) or (vi) above, a termination payment may be due between the parties in accordance with the Swap Agreement.

If the Counterparty fails to make payments due to the Issuer or if an event of default occurs under the Zeroes, the Swap Agreement may be terminated, following which and subject to Conditions 6(b) and 10 the Notes will become repayable in accordance with these Conditions and the security therefor will become enforceable in accordance with these Conditions and the Trust Deed.

Under the Annex, the Issuer has assigned the Underlying Restructured Loans to the Counterparty to provide credit support for its obligations under the Swap Agreement, subject to a right to receive payments of interest and principal or any other sums equal to those made by Vnesheconombank under the Underlying Restructured Loans. Upon (a) the redemption of the Notes on the Maturity Date (as defined in Condition 6(a)) or (b) the termination of the Swap Agreement in the circumstances set out in paragraph (i), paragraph (iii) or, where the Issuer is the Defaulting Party or the only or an Affected Party (each as defined in the Swap Agreements), paragraph (vi) above, the Issuer has agreed to renounce its right to payments under and has acknowledged that it will not be entitled to the return of the Underlying Restructured Loans and will have no further interest in the Underlying Restructured Loans. Upon the termination of the Swap Agreement in the circumstances set out in paragraph (iv) above, the Counterparty will deliver to the Issuer a principal amount outstanding of Underlying Restructured Loans bearing the same proportion to the total principal amount outstanding of Underlying Restructured Loans as the principal amount of the Notes outstanding being cancelled bears to the aggregate principal amount of the Notes immediately prior to such cancellation. Upon the termination of the Swap Agreement in the circumstances set out in paragraph (ii) or, where the Counterparty is the Defaulting Party or the only Affected Party, paragraph (vi) above, the value of the Underlying Restructured Loans will be taken into account when calculating the amount of any termination payment due under the Swap Agreement.

If the Issuer defaults under the Notes and, subject to Condition 10, this Note is accelerated or if an event of default or termination event occurs under the Swap Agreement in relation to the Issuer and, subject to Condition 6(b), the Notes are redeemed, the Underlying Restructured Loans will be retained by the Counterparty under the Annex and their value will not be taken into account when calculating the amount of any termination payment due under the Swap Agreement.

(b) Under the Agency Agreement, the Investment Manager has agreed to purchase on behalf of the Issuer DM 100,000,000 principal amount of zero coupon bonds due 8th November, 2016 (the "Zeroes", which expression shall, where the context permits, include any substitute or replacement therefor in accordance with the provisions of this Condition 3(b)) issued by the International Bank for Reconstruction and Development, with Common Code 7056028 and listed on the Frankfurt Stock Exchange.

Under the Agency Agreement, the Investment Manager may at its discretion at any time and from time to time substitute for the Zeroes zero coupon bonds in a principal amount equal to the principal amount outstanding on the Notes from time to time issued by any of the United States of America, the United Kingdom, Japan, the Republic of France, the Republic of Italy, the Federal Republic of Germany, Canada or any supranational body or authority, in each case rated at the time of such substitution "AAA" by Standard & Poor's Ratings Group (a division of McGraw-Hill Inc.) and/or Fitch Investors Services L.P. and/or "Aaa" by Moody's Investors Service Limited ("AAA or Aaa rated"), (each an "Eligible Issuer") provided such substitute zero coupon bonds mature on or before the Maturity Date and provided further it is not aware of the occurrence of any event of default or potential event of default thereunder. Any profit accrued, or loss incurred, as a result of any such substitution shall be for the account of the Investment Manager. The Investment Manager shall not be obliged to substitute any replacement zero coupon bonds for the Zeroes if the rating given to the Zeroes by any of the aforesaid rating agencies is downgraded.

Upon redemption of the Zeroes, the Custodian referred to in Condition 3(c) will pay the proceeds to the Investment Manager and the Investment Manager shall forthwith at its discretion purchase either replacement zero coupon bonds issued by an Eligible Issuer or other AAA or Aaa rated short-term liquid investments in a principal amount equal to the principal amount outstanding on the Notes from time to time (provided such replacement zero coupon bonds or other investments mature on or before the Maturity Date and provided further it is not aware of the occurrence of any event of default or potential event of default thereunder), any difference between the proceeds of the Zeroes and the purchase price of such replacement zero coupon bonds or other investments being an item of profit or loss for the account of the Investment Manager.

The Issuer, or the Investment Manager on its behalf, shall provide and the Trustee shall be entitled to rely upon a certificate that (i) the issuer of any substitute or replacement zero coupon bonds is an Eligible Issuer or that such other short-term liquid investments are AAA or Aaa rated, (ii) the principal amount of such substitute or replacement zero coupon bonds or other investments is equal to the principal amount outstanding of the Notes as at the date thereof, (iii) such substitute or replacement zero coupon bonds or other investments mature on or before the Maturity Date and (iv) the Investment Manager is not aware of the occurrence of any event of default or potential event of default under such substitute or replacement zero coupon bonds or other investments. In the case of substitution of the Zeroes, such certificate shall be copied to the Custodian. Upon receipt of such certificate, the Trustee shall release the Zeroes from the security interests created by the Trust Deed; the Trust Deed provides that the substitute or replacement zero coupon bonds or other investments, once purchased, will be subject to a first fixed charge.

(c) The obligations of the Issuer under the Trust Deed, the Notes, the Coupons and (except in relation to sub-paragraph (ii) below) the Swap Agreement are secured by:

(i) a first fixed charge over the Zeroes, all sums derived therefrom and all rights (whether direct or indirect) against any clearing system, nominee or depositary in respect thereof;

(ii) an assignment by way of security of the Issuer's rights, title and interest under the Swap Agreement and all sums paid by the Counterparty thereunder; and

(iii) an assignment by way of security of the Issuer's rights, title and interest under the Agency Agreement and to and in any sums held by the Principal Paying Agent to meet payments due in respect of the Notes and Coupons and by the Investment Manager in respect of the Zeroes.

The Zeroes will be held by the Custodian in an account with Cedel Bank, société anonyme ("Cedel Bank") pursuant to the Agency Agreement. The Trustee shall not have any liability for any loss or theft of any of the assets charged and rights assigned by way of security to the Trustee pursuant to the Trust Deed and all assets, property and sums derived from them (the "Secured Property") or arising from the Zeroes being held by the Custodian.

To the extent that an event of default occurs under the Zeroes or under the Swap Agreement in the circumstances set out in paragraph (vi) of Condition 3(a), the Issuer may be unable to meet its obligations under the Notes, following which and subject to Conditions 6(b) and 10, the Notes will become repayable in accordance with these Conditions and the security therefor will become enforceable in accordance with these Conditions and the Trust Deed.

(d) If the security over the Secured Property becomes enforceable as provided in Conditions 6(b) or 10, the Trustee may in its discretion and, if so requested in writing by the holders of at least one-fifth in aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders or by the Counterparty (provided that sums are due to the Counterparty under the Swap Agreement) shall, but in each case without any liability as to the consequences of such action and without having regard to the effect of such action on individual Noteholders, take possession of the Secured Property and may in its discretion realise the Secured Property and/or take such action as may be permitted under applicable laws against any obligor in respect of the Secured Property and/or take any other step contemplated by the Trust Deed to enforce the security over the Secured Property, provided that the Trustee shall not be required to take any such action unless indemnified to its satisfaction.

Under this Condition 3(d) and clause 5.6 of the Master Trust Deed, in realising the Secured Property the Trustee is obliged to act in accordance with the directions of the Counterparty (provided that sums are due to the Counterparty under the Swap Agreement). The Trustee shall have no responsibility for any loss, liability, cost, claim, action, demand or expense incurred by any Noteholder or Couponholder by reason of so acting.

(e) The Trust Deed provides that the net proceeds of realisation of, or enforcement with respect to, the security constituted by the Trust Deed (following payment of all amounts due to the Trustee in accordance with the Trust Deed, including any costs, expenses and taxes incurred in connection with such enforcement or realisation) shall be applied first in meeting claims (if any) of the Principal Paying Agent for reimbursement in respect of payments of principal and interest made to Noteholders and Couponholders, secondly in meeting claims of the Counterparty under the Swap Agreement and thirdly in meeting claims of the Noteholders and Couponholders under the Notes and Coupons.

(f) If the net proceeds of realisation of, or enforcement with respect to, the security constituted by the Trust Deed are not sufficient to make all payments due in respect of the Notes and Coupons and the Swap Agreement, the Issuer shall be under no obligation to pay, and the other assets (if any) of the Issuer will not be available for payment of, any shortfall arising therefrom. Accordingly, all claims in respect of any such shortfall shall be extinguished and the Trustee, the Noteholders, the Couponholders and the Counterparty shall have no further claim against the Issuer in respect of such unpaid amounts. Neither the Trustee, the Noteholders, the Couponholders nor the Counterparty shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings or other proceedings under any applicable bankruptcy or similar law in connection with any obligations relating to the Notes, the Coupons, the Swap Agreement or the Trust Deed.

4. **Restrictions**

So long as any Note remains outstanding (as defined in the Trust Deed) the Issuer shall not, without the prior consent in writing of the Trustee (1) engage in any activity or do any thing whatsoever, except (a) issue the Notes and Coupons and other notes or other securities as provided below, (b) perform its obligations or enforce any of its rights under the Notes, the Agency Agreement, the Trust Deed, the Underlying Restructured Loans, the Zeroes, the Swap Agreement and agreements incidental to the issue and constitution of, or the granting of security for, other issues of notes or other securities permitted by these Conditions and (c) perform any act incidental to or necessary in connection with any of the above, (2) have any subsidiaries, (3) subject to (1) above, dispose of any of its assets or any part or interest in them or (4) pay any dividend or make any other distribution to its members. The Issuer may from time to time (without the consent of the Noteholders or Couponholders but provided that the Trustee is satisfied that the restrictions of this Condition will be complied with) issue further notes (which may or may not form a single series with the Notes) and enter into related transactions provided that such further obligations are secured on assets of the Issuer other than the Secured Property (but, in the case of Notes which are to form a single series with the Notes, subject to Condition 15) or its share capital and on terms which provide for the extinction of all claims in respect of such further obligations after application of the proceeds of the assets on which such further obligations are secured.

5. **Interest**

(a) Subject as provided in this Condition 5, the Notes bear interest at a rate of 11 per cent. per annum from and including 12th March, 1998 up to but excluding 12th March, 2000 and thereafter at 8 per cent. per annum, payable annually in arrear on 12th March in each year (each an "Interest Payment Date"). Each Note will cease to bear interest from and including the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at the rate referred to in this Condition 5 (both before and after judgment) from the due date for redemption 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 holder and (ii) the day seven days after the Trustee or the Principal Paying Agent has notified Noteholders in accordance with Condition 14 of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). Interest will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

(b) **If the Underlying Restructured Loans are prepaid in whole (but not in part) the Notes will bear interest at 6.5 per cent. per annum as from (and including) the Interest Payment Date immediately preceding the date of such prepayment.** In such event, the Issuer will forthwith give notice of such to the Trustee, the Principal Paying Agent, the Noteholders (in accordance with Condition 14) and (for information only) the Luxembourg Stock Exchange.

(c) **If a Credit Event occurs, the Notes will cease to bear interest as from (and including) the Interest Payment Date immediately prior to the occurrence of such Credit Event.** In such event, the Issuer will forthwith give notice of such to the Trustee, the Principal Paying Agent, the Noteholders (in accordance with Condition 14) and (for information only) the Luxembourg Stock Exchange.

"Credit Event" means the occurrence at any time after 12th March, 1998 of:

(i) any of the following:

(aa) Vnesheconombank fails to pay any sum due from it under the Restructuring Agreement in the currency and in the manner and within fifteen business days of the time specified therein;

(bb) Vnesheconombank fails to issue any Interest Note in accordance with the provisions of the Restructuring Agreement within fifteen business days of the applicable interest payment date referred to therein;

(cc) Vnesheconombank fails duly to perform or otherwise breaches any other undertaking, covenant or agreement expressed to be assumed by it in the Restructuring Agreement and such default or breach continues unremedied for more than sixty days after the restructuring agent has given written notice thereof to Vnesheconombank;

(dd) Vnesheconombank ceases (i) to act as the debt manager with respect to any eligible debt or any indebtedness arising under the Restructuring Agreement or the Interest Note or (ii) to be a bank or a specialised state bank which in either case is under the control of the Russian Federation;

(ee) any New External Indebtedness of Vnesheconombank, being in an aggregate amount in excess of U.S.$50,000,000 (or its equivalent in other currencies), is accelerated for any reason whatsoever and such acceleration is not rescinded within thirty days;

(ff) any indebtedness in respect of the Interest Notes is not paid on its due date and remains unpaid at the expiry of any contractual grace period applicable thereto;

(gg) a moratorium is declared on the payment of any New External Indebtedness of Vnesheconombank;

(hh) any decree or order by any court of competent jurisdiction is entered which:

(i) adjudges Vnesheconombank to be bankrupt or insolvent;

(ii) approves as properly filed a petition seeking reorganisation, adjustment, composition or similar relief in respect of Vnesheconombank under any applicable law; or

(iii) appoints a receiver, liquidator, administrator (or other similar official) of Vnesheconombank or of any substantial part of its property,

and such decree or order is not dismissed or stayed within sixty days, or the taking of any steps by Vnesheconombank or the consent by it to the institution of any proceedings in pursuance of any of paragraphs (i), (ii) or (iii) above;

(ii) a distress, execution or other process is levied or enforced against any material portion of the assets or property of Vnesheconombank in connection with any judgment in an amount exceeding U.S.$50,000,000 (or its equivalent in other currencies) in respect of the payment of New External Indebtedness of Vnesheconombank which remains unsatisfied, undischarged and in effect for a period of sixty consecutive days without a stay of execution, unless the same is adequately bonded or is being contested by appropriate proceedings;

(jj) any act, condition or thing required to be done, fulfilled or performed in order (i) to enable Vnesheconombank to enter into, exercise its rights under and perform the obligations expressed to be assumed by it in the Restructuring Agreement or (ii) to ensure that the obligations expressed to be assumed by Vnesheconombank in the Restructuring Agreement are legal, valid and binding is not done, fulfilled or performed;

(kk) at any time any obligations expressed to be assumed by Vnesheconombank in the Restructuring Agreement are not or cease to be binding on or enforceable against it in accordance with the terms hereof; or

(ll) any representation made by Vnesheconombank in the Restructuring Agreement or in any other documents, certificates or statements delivered pursuant hereto is or proves to have been incorrect or misleading to a material extent when made; or

(ii) any rescheduling, further restructuring or moratorium or announcement thereof in respect of the Restructured Loans.

"business day" means a day on which (a) banks are open for domestic and foreign exchange business in London, Zurich, Frankfurt and Tokyo, (b) banks are not required or authorised to close in New York City and (c) the ECU Clearing and Settlement System is open for business.

"External Indebtedness" means all debt or indebtedness which is payable (or, at the option of the payee, may be payable) in a currency other than the lawful currency of the Russian Federation under an agreement or instrument originally made with or issued to a person resident or having its head office or chief place of business outside the territories of the former Soviet Union.

"New External Indebtedness of Vnesheconombank" means External Indebtedness which is contracted, assumed or guaranteed by Vnesheconombank on or after 1st January, 1992 and is guaranteed by the Government of the Russian Federation, other than any such External Indebtedness which was originally contracted by the Government of the former Soviet Union, Vnesheconombank or any other entity legally authorised to borrow on behalf of the Government of the former Soviet Union before 1st January, 1992.

6. **Redemption**

(a) Subject as provided in this Condition 6, the Notes will be redeemed at their principal amount on 12th March, 2018 (the "Maturity Date").

(b) The Issuer will forthwith redeem the Notes at their Early Redemption Amount if the Swap Agreement is terminated for any of the reasons set out in paragraphs (ii) or (vi) of Condition 3(a). The Issuer will forthwith give notice to the Trustee, the Principal Paying Agent, the Noteholders (in accordance with Condition 14) and (for information only) the Luxembourg Stock Exchange of such termination of the Swap Agreement, of the reason therefor and of the date on which it intends to redeem the Notes, which will be the first day on which commercial banks and foreign exchange markets settle payments in Frankfurt am Main and upon which Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and Cedel Bank are open for business immediately following the Early Termination Date (as defined in the Swap Agreement).

If any such redemption becomes due to be made by the Issuer in accordance with this Condition 6(b), the security constituted by the Trust Deed shall become enforceable and the Trustee may take such action as is provided in Condition 3 and the Trust Deed.

The "Early Redemption Amount" of each Note shall be such Note's pro rata share of the Zeroes remaining after the Issuer has sold sufficient Zeroes to pay any amount due to the Counterparty under the Swap Agreement upon termination thereof and after rounding down such entitlement to the largest amount of Zeroes which is transferable.

The Issuer will arrange that the Zeroes to be delivered pursuant to this Condition 6(b) are delivered to the relevant Noteholder by transfer to such account with Euroclear or Cedel Bank as shall have been notified to the Issuer against surrender of Notes by such Noteholder to the Principal Paying Agent.

The holder of each Note shall also be entitled to a pro rata share of any amount paid by the Counterparty to the Issuer upon termination of the Swap Agreement and of the proceeds of sale of any Zeroes remaining after allocation of Zeroes to Noteholders in accordance with this Condition 6(b). Payment to any Noteholder in respect of such amount shall be made in the manner set out in Condition 7 as if such amount were an amount of principal.

(c) The Issuer may (provided that sufficient funds are available to the Issuer to do so and to pay such expenses and taxes as are referred to in this Condition 6(c)) at any time purchase Notes in the open market or otherwise, provided that the Issuer may not purchase any Notes unless it purchases all unmatured Coupons in respect of such Notes at the same time.

If the Issuer purchases any Notes, (i) the Notes and any unmatured Coupons attached or surrendered with them will be cancelled and may not be reissued or resold, (ii) the notional amount of the Swap Agreement and the payment obligations thereunder shall be reduced rateably, (iii) (aa) Zeroes in a principal amount (the "Relevant Amount") equal to the principal amount of the Notes being cancelled and (bb) Underlying Restructured Loans bearing the same proportion (the "Relevant Proportion") to the total principal amount outstanding of Underlying Restructured Loans as the principal amount of the Notes being cancelled bears to the aggregate principal amount of the Notes immediately prior to such cancellation will be released from the security created pursuant to the Trust Deed and sold pursuant to the provisions of this Condition 6(c).

If the Issuer should resolve to purchase any Notes pursuant to this Condition 6(c), it shall appoint the Counterparty as agent to sell the Relevant Amount and the Relevant Proportion at that price which the Counterparty has taken reasonable care to ascertain is the best available for the sale of the Relevant Amount and the Relevant Proportion at the time of sale for transactions of the kind and scale concerned. The Counterparty shall, after deduction of any costs and expenses incurred in connection with such sale, including, but not limited to, any commission consistent with its normal rates, any stamp duty, stamp duty reserve tax, transfer tax, stock exchange tax and/or other tax or duty payable in connection with such sale (where the Underlying Restructured Loans are denominated in U.S. dollars, retaining the net proceeds of such sale of the Relevant Proportion and paying to the Issuer an amount in Deutschmarks calculated by converting such net proceeds of sale into Deutschmarks at the Counterparty's bid rate at or about 11 a.m. (London time) on the date that such sale proceeds are received by the Counterparty (quoted in accordance with prevailing market practice and rounded if necessary to the nearest four decimal places, 0.00005 being rounded upwards) for the purchase of Deutschmarks with U.S. dollars (as determined by the Counterparty in its absolute discretion, adjusting the amount produced by such conversion by the deduction of any expenses incurred by the Counterparty in connection with such conversion).

The Issuer, or the Counterparty on behalf of the Issuer, shall provide and the Trustee shall be entitled to rely upon a certificate as to (i) the principal amount of any Notes to be purchased by the Issuer pursuant to this Condition 6(c), (ii) the Relevant Amount and the Relevant Proportion to be sold pursuant to this Condition 6(c) and (iii) the amount in Deutschmarks payable to the Issuer as a result of the sale of the Relevant Amount and the Relevant Proportion.

The Trustee shall release the Relevant Amount and the Relevant Proportion to be sold pursuant to this Condition 6(c) from the security interests created by the Trust Deed upon arrangements satisfactory to the Trustee having been made for the payment of (i) any expenses and liabilities of the Trustee in connection therewith, (ii) the other costs and expenses in connection with such purchase and/or release referred to in this Condition 6(c) and (iii) the purchase price for such Notes.

The Counterparty, in its capacity as holder of Notes, may sell Notes to the Issuer pursuant to this Condition 6(c) and may be the purchaser of any Relevant Amount and the Relevant Proportion pursuant to this Condition 6(c). The Trustee is not required to investigate or verify the sale of any Relevant Amount and the Relevant Proportion other than to request the certificate referred to in this Condition 6(c).

7. **Payments**

(a) Payments will be made against presentation and surrender of the Notes or the Coupons (or, in the case of a partial payment, endorsement) at the specified office of any Paying Agent by Deutschmark cheque drawn on, or by transfer to, a Deutschmark account in Frankfurt am Main. Payments of interest due in respect of any Note other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note.

(b) All payments are subject in all cases to any applicable fiscal or other laws and regulations, and the risk of any deduction or withholding for or on account of taxation shall be borne by the Noteholders. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(c) A note or Coupon may only be presented for payment on a day which is a business day in Frankfurt am Main and the place of presentation. If the due date for payment is not a business day in Frankfurt am Main and the place of presentation, no Note or Coupon may be presented until the next day which is such a business day. No further interest or other payment will be made as a consequence of the day on which presentation for payment may be made under this Condition falling after the due date. In these Conditions "business day" means a day on which commercial banks and foreign exchange markets are open in the relevant place.

(d) The initial Paying Agents and their initial specified offices are:

Principal Paying Agent	**Paying Agent**
Banque Paribas Luxembourg	Banque Paribas-Zweigniederlassung Frankfurt am Main
10A Boulevard Royal	Grüneburgweg-14
L-2093 Luxembourg	60322 Frankfurt am Main

The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent and appoint other Paying Agents, provided that it will maintain a Paying Agent having a specified office in a major European city approved by the Trustee and, for so long as the Notes are listed on the Luxembourg Stock Exchange, it shall maintain a paying agent having a specified office in Luxembourg. Notice of any change in the Paying Agents or their respective specified offices will promptly be given to the Noteholders.

(e) Upon the due date for redemption of any Note, all Coupons relating to such Notes becoming due after such due date shall become void and no payments shall be made in respect of them.

(f) References to "DM" and "Deutschmarks" in these Conditions are to the lawful currency for the time being of the Federal Republic of Germany.

(g) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), all figures will be rounded to seven significant figures (with halves being rounded up) and all Deutschmark amounts which fall due and payable will be rounded to the nearest pfennig (with halves being rounded up).

8. Prescription

Claims in respect of principal and interest will become void unless presentation of Notes or Coupons (as appropriate) for payment is made as required by Condition 7 within a period of ten years in the case of principal and five years in the case of interest from whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders.

9. 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 Principal Paying Agent in Luxembourg, 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 require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

10. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution of such Noteholders shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that such Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest thereon as provided in the Trust Deed (and the security constituted by the Trust Deed shall become enforceable and the Trustee may take such action as is provided in Condition 3 and the Trust Deed) in any of the following events (each an "Event of Default"):

(a) default is made for a period of 14 days or more in the payment of any sum due in respect of the Notes or any of them; or

(b) the Issuer fails to perform or observe any of its other obligations under the Notes or the Trust Deed (provided that the Trustee shall have certified that the failure to perform or observe such obligations is in its opinion materially prejudicial to the interests of the Noteholders) and, unless such failure is, in the opinion of the Trustee, incapable of remedy (in which case no such notice as is referred to in this paragraph shall be required), such failure continues for a period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(c) any order shall be made by any competent court or any resolution passed for the winding-up or dissolution of the Issuer save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms approved by the Trustee.

11. Meetings of Noteholders, modification, waiver and substitution

(a) The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. A meeting may be convened by the Issuer, the Counterparty or the Trustee and shall be convened by the Trustee if it receives a written request from Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia,* (i) to change the maturity of the Notes, (ii) to reduce or cancel the principal amount of, the Early Redemption Amount of or interest on the Notes, (iii) to change the currency of payment of the Notes or the Coupons or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

(b) The Trustee may, without the consent of the Noteholders or the Couponholders, (i) agree to any modification of any of the provisions of the Trust Deed, the Agency

Agreement or the Swap Agreement which is of a formal, minor or technical nature or is made to correct a manifest error, (ii) agree to any other modification (except as mentioned in the Trust Deed), (iii) waive or authorise any breach of proposed breach of any of the provisions of the Trust Deed or the Conditions and (iv) determine that an Event of Default or Potential Event of Default (as defined in the Trust Deed) will not be treated as such, provided that, for the purposes of (ii), (iii) and (iv) above, such modification, waiver or determination is in the opinion of thc Trustee not materially prejudicial to the interests of the Noteholders and Couponholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and Couponholders and, if the Trustee so requires, shall be notified to the Noteholders as soon as practicable in accordance with Condition 14.

(c) The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as are set out in clause 13.2 of the Master Trust Deed but without the consent of the Noteholders or Couponholders, to the substitution of any other company in place of the Issuer or of any previous substituted company as principal obligor under the Trust Deed and all of the Notes and Coupons then outstanding. No such substitution shall be effective without the consent of the Counterparty. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes and Coupons and/or the Trust Deed provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders or Couponholders. Under the Trust Deed, the Trustee may require the Issuer to use its best endeavours to procure the substitution as principal obligor under the Trust Deed of a company incorporated in some other jurisdiction in the event of the Issuer becoming subject to any form of tax on its income or payments in respect of the Notes.

(d) In connection with the exercise of its functions (including but not limited to those referred to in this Condition), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12. Enforcement

At any time after the Notes become due and payable, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer and/or take such steps as it may think fit to enforce the terms of the Trust Deed, but it need not take any such proceedings and/or steps unless (i) it shall have been so directed by an Extraordinary Resolution or by the Counterparty or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding and (ii) it shall have been indemnified to its satisfaction.

Only the Trustee may pursue the remedies available under the Trust Deed to enforce the rights of the Noteholders and Couponholders and the Counterparty and neither the Noteholders, the Couponholders nor the Counterparty are entitled to proceed directly against the Issuer unless the Trustee, having become bound to proceed, fails or neglects to do so within a reasonable time and such failure is continuing. Having realised the security and distributed the net proceeds in accordance with Condition 3(e) and the provisions of the Trust Deed, none of the Trustee, the Noteholders, the Couponholders nor the Counterparty may take any further steps against the Issuer to recover any sum still unpaid and any such liability shall be extinguished.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any other person without accounting for any profit. The result of any such indemnification may be that the remaining available assets of the Issuer are insufficient to pay all amounts due to the Counterparty, the Noteholders and the Couponholders. The Trustee has no responsibility for the validity, sufficiency or value of the security created by the Trust Deed nor for monitoring whether all obligations to the Issuer are being properly performed. The Trustee shall not be obliged to take any action under the Trust Deed unless indemnified to its satisfaction.

14. Notices

Notices to Noteholders will be valid if published in a leading daily English language newspaper having general circulation in London (which is expected to be the *Financial Times* or, if in the opinion of the Trustee such publication shall not be practicable, such other English language newspaper of general circulation in Europe as may be approved by the Trustee) and, so long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require, in at least one newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

15. Further issues

Subject to Condition 4, the Issuer may from time to time without the consent of the Noteholders or the Couponholders create and issue further bonds and notes either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest thereon) and that are consolidated and form a single series with the Notes or upon such terms as the Issuer may determine; provided that, in the case of the issue of notes which are consolidated and form a single series with the Notes (unless otherwise approved by an Extraordinary Resolution of the Noteholders), (i) the Issuer enters into an additional or supplemental swap transaction varying the terms of the Swap Agreement to take account of the new notes on terms no less favourable than the Swap Agreement, the Swap Agreement so varied forming part of the security for the Notes and such further notes and (ii) the principal amount of the Zeroes is increased by the aggregate principal amount of such new notes, such additional principal amount of Zeroes forming part of the security for the Notes and such further notes and for the Swap Agreement. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition and forming a single series with the Notes. Any further notes forming a single series with the Notes shall be constituted by a deed supplemental to the Trust Deed. The Master Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other series where the Trustee so decides.

16. Governing law, jurisdiction and agent for service of process

(a) The Trust Deed, the Notes, the Coupons and the Swap Agreement are governed by, and shall be construed in accordance with, English law.

(b) The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Notes ("Proceedings") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) The Issuer has in the Trust Deed irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Trust Deed, the Notes or the Coupons.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Global Notes and the Trust Deed contain provisions relating to the Notes which apply to, and in some cases modify, the Conditions while the Notes are represented by the Global Notes, substantially to the following effect:

1. No payment falling due more than 40 days after the issue date will be made on the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. Payments on the Temporary Global Note during the period up to 40 days after its issue date will only be made against presentation of certification as to non-U.S. beneficial ownership. Payments in respect of the Notes when represented by the Permanent Global Note shall be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of it to or to the order of the Principal Paying Agent. No person shall, however, be entitled to receive any payment on the Permanent Global Note falling due after the Exchange Date (as defined below), unless exchange of the Permanent Global Note for Definitive Notes is improperly withheld or refused by or on behalf of the Issuer. Claims in respect of principal and interest in respect of the Notes when represented by the Global Notes will become void unless the relevant Global Note is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate due date.

2. The holder of a Global Note shall be treated as two persons for the purposes of any quorum requirements of a meeting of the Noteholders and, at any such meeting, as having one vote in respect of each Note for which the relevant Global Note may be exchanged.

3. In considering the interests of Noteholders while a Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by the clearing system or its operator as to the identity (either individually or by way of category) of its account holders or participants with entitlements in respect of such Global Note and may consider such interests as if such account holders or participants were the holder(s) of such Global Note.

4. The Temporary Global Note will be exchangeable for interests in the Permanent Global Note after the date falling 40 days after the issue date of the Notes upon certification as to non-U.S. beneficial ownership. The Permanent Global Note is exchangeable in whole but not in part (free of charge to the holder) for Definitive Notes if the Permanent Global Note is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or if an Event of Default occurs by the holder giving notice to the Principal Paying Agent and the Noteholders of its intention to exchange the Permanent Global Note for Definitive Notes on or after the Exchange Date specified in the notice.

   On or after the Exchange Date the holder of the Permanent Global Note may surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note) in the form set out in the Trust Deed.

   "Exchange Date" means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in Luxembourg.

5. So long as the relevant Global Note is held on behalf of DBC, Euroclear, Cedel Bank or another clearing system approved by the Trustee (the "Alternative Clearing System"), notices may be given to Noteholders by being delivered to DBC, Euroclear and Cedel Bank or, as the case may be, the Alternative Clearing System, rather than by publication as required by the Conditions except that, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

THE COUNTERPARTY

Banque Paribas is a French bank incorporated under French law as a *société anonyme.* The head office and registered office of Banque Paribas is located at 3 rue d'Antin, 75002 Paris, France. Banque Paribas provides a complete range of wholesale commercial banking services and is active in domestic and international investment banking. As at 31st December, 1996, Banque Paribas reported total assets of FF1,144,606 million and for the year ended on that date had net income (excluding minority interests) of FF1,824 million. Such financial figures are on a consolidated basis.

THE RESTRUCTURED LOANS

The Restructured Loans were created by the restructuring of the defaulted debt of Vnesheconombank, the commercial bank of the former Soviet Union, pursuant to the Restructuring Agreement. Restructured Loans accrue interest at the London interbank offered rate for six month deposits in the currency of their denomination plus 13/16 per cent. per annum, payable semi-annually in arrear. Subject to the Restructuring Agreement, certain payments of interest due up to and including 2001 may be made by delivering Interest Notes. The Restructured Loans will be repaid in 37 semi-annual instalments commencing on 15th December, 2002, with the last instalment payable in December 2020. Restructured Loans are denominated in U.S. dollars, Deutschmarks, ECUs, Swiss francs and Japanese yen.

The Interest Notes will be denominated in U.S. dollars. They will accrue interest at the London interbank offered rate for six month deposits in U.S. dollars plus 13/16 per cent. per annum, payable semi-annually in arrear. The Interest Notes will be repaid in 27 semi-annual instalments commencing on 15th December, 2002 with the last instalment payable in December 2015. The Interest Notes will be listed on the Luxembourg Stock Exchange and will be fungible with Vnesheconombank's U.S.$6,050,829,805 Floating Rate Interest Notes due 2002 to 2015, which have a Common Code of 008214492 and which are more fully described in the information memorandum relating thereto dated 2nd December, 1997, which also contains information relating to Vnesheconombank and to the Russian Federation.

THE ZEROES

The Zeroes are part of a DM 1,500,000,000 issue of zero coupon bonds made by the International Bank for Reconstruction and Development under its euro medium term note programme. They were issued on 8th November, 1996 at an issue price of 28.35 per cent. of their principal amount and will be redeemed on 8th November, 2016 at their principal amount, as more fully described in their terms and conditions. They are listed on the Frankfurt Stock Exchange.

RUSSIAN INVESTMENTS

General

The Issuer was registered on 17th February, 1997 under the Companies Law (1995 Revision) of the Cayman Islands. The Issuer has been incorporated for an indefinite period. The Registered Office of the Issuer is at Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands. The authorised share capital of the Issuer is U.S.$50,000 divided into 50,000 shares of U.S.$1 each. 1,000 shares have been issued and fully paid and are in the legal ownership of a nominee for the Share Trustee under the terms of a declaration of trust (the "Declaration of Trust") dated 19th March, 1997 under which the Share Trustee holds the shares of the Issuer on trust for the holders of the Notes and the holders of any other bonds and notes issued by the Issuer until payment thereof in full and thereafter on trust for a specified charity. Under the terms of the Declaration of Trust, the Share Trustee has, *inter alia*, covenanted not, without the approval of the holders of the Notes and other bonds and notes issued by the Issuer, to dispose of or otherwise deal with the shares of the Issuer whilst any of the Notes or other bonds and notes issued by the Issuer remain outstanding. The Share Trustee has no beneficial interest in, and derives no benefit other than its fees for acting as Share Trustee from, its holding of the shares in the Issuer.

Capitalisation

The following table sets forth the capitalisation of the Issuer at 12th March, 1998, adjusted for the issue of the Notes:

	U.S.$
Shareholder's funds:	
Share capital (Authorised U.S.$50,000, Issued 1,000 Ordinary Shares of U.S.$1.00 each)	1,000
Indebtedness:	
DM 66,500,000 Series 1 Secured Step-Down Amortising Notes due 2015(1)	36,299,127
DM 100,000,000 Series 2 Secured Step-Down Notes due 2018(1) (now being issue)	54,585,153
Total capitalisation	90,885,280

Notes:
(1) Converted into U.S. dollars at a rate of DM 1.8320 = U.S.$1.

Objects

The objects for which the Issuer is established are unrestricted and shall include (without limitation) carrying on the business of an investment company.

Business

The Issuer has undertaken that it will not, without the prior consent in writing of the Trustee: (i) enter into any business whatsoever, other than acquiring and holding secured property, issuing securities, entering into related agreements and transactions and performing any act incidental to or necessary in connection with any of the foregoing; (ii) dispose of any Secured Property or any interest therein, or create any mortgage, charge or other security interest or right of recourse in respect thereof in favour of any person (other than (1) any similar limited recourse transaction entered into by the Issuer in the future with the consent of the Trustee and (2) in connection with a substitution of any security in accordance with the Conditions); (iii) cause or permit the Swap Agreement or the priority of the security interests created by the Trust Deed to be amended, terminated or discharged; (iv) release any party to the Swap Agreement or the Trust Deed from any existing obligations thereunder; (v) have any subsidiaries (other than in connection with any substitution of the principal debtor under the Notes); (vi) consent to any variation of, or exercise any powers or consent or waiver pursuant to, the terms of the Swap Agreement, the Conditions, the Zeroes or the Trust Deed; (vii) (to the extent the same is within the control of the Issuer) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person; (viii) have any employees; (ix) (to the extent the same is within the control of the Issuer) make any distribution to its shareholders; or (x) open or have any interest in any account whatsoever with any bank or financial institution unless such account relates to the Notes or other securities or the Secured Property or other secured property of the Issuer or any party thereto, save where such account or the Issuer's interest therein is simultaneously charged in favour of the Trustee so as to form part of the Secured Property or save where such account is opened in connection with the administration and management of the Issuer and only monies necessary to the administration and management of the Issuer are credited to such account.

The Issuer has no assets other than the Secured Property upon which the Notes are secured and the benefit of other agreements relating to its previous issue of notes as permitted by the Trust Deed, the sum of U.S.$1,000 representing the issued and paid-up share capital and fees generated in connection with the issue of the Notes and of other notes. In connection with the issue of further notes or bonds, the Issuer may acquire assets comprising Secured Property (as that term is defined in the Trust Deed constituting the relevant notes or bonds) on which such further notes or bonds are secured and may become entitled to further fees.

The only assets of the Issuer available to meet the claims of the holders of bonds and notes of the Issuer (including the Notes) will be the property on which such bonds or notes are secured.

The Notes are obligations of the Issuer alone and not of the Share Trustee, the Trustee, the Investment Manager, the Counterparty or Vnesheconombank. Furthermore, they are not obligations of, or guaranteed in any way by, the Managers.

Directors

The Directors of the Issuer are as follows:	Principal Outside Activities
Martin Couch	Director, Vice President, Queensgate SPV Services Limited
Helen Allen	Vice President, Queensgate SPV Services Limited
Phillip Hinds	Vice President, Queensgate SPV Services Limited
Suzanne St. Thomas	Vice President, Queensgate SPV Services Limited

The Directors of the Issuer are all employees of Queensgate SPV Services Limited at Ugland House, P.O. Box 1093 GT, George Town, Grand Cayman, Cayman Islands. Queensgate SPV Services Limited is an affiliate of Queensgate Bank & Trust Company Ltd. at Ugland House, P.O. Box 30464 SMB, George Town, Grand Cayman, Cayman Islands, which manages the Issuer pursuant to a management agreement dated 19th March, 1997.

Financial statements

Since the date of incorporation, no financial statements of the Issuer have been prepared. The Issuer is not required by Cayman Islands law to, and does not intend to, publish audited or unaudited financial statements.

Financial year

The financial year of the Issuer is the calendar year.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, amounting to approximately DM 98,500,000, will be invested in the Zeroes and the Underlying Restructured Loans as described in the Conditions.

TAXATION

Cayman Islands taxation

Under existing Cayman Islands laws:

(i) payments of principal and interest in respect of the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of a Note or Coupon and gains derived from the sale of Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and

(ii) the holder of any Note or Coupon (or the legal personal representative of such holder) whose Note or Coupon is brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Note or Coupon.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and obtained an undertaking from the Governor in Council of the Cayman Islands substantially in the following form:

"The Tax Concessions Law
(1995 Revision)
Undertaking as to Tax concessions

In accordance with Section 6 of the Tax Concessions Law (1995 Revision) the Governor in Council undertakes with Russian Investments (the "Company"):

(a) that no Law, which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company

  (i) on or in respect of the shares debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1995 Revision).

These concessions shall be for the period of twenty years from the 25th day of February 1997.

Governor in Council"

SUBSCRIPTION AND SALE

Banque Paribas - Zweigniederlassung Frankfurt am Main and Banque Paribas (the "Managers") have, pursuant to a subscription agreement dated 11th March, 1998 (the "Subscription Agreement"), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at 101 per cent. of their principal amount less a selling concession of 2 per cent. plus accrued interest, if any. The Issuer has agreed to pay to the Managers a combined management and underwriting commission of 0.5 per cent. of such principal amount. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The 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 meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Each Manager has represented and agreed that (1) it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (2) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom and (3) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom the document may otherwise lawfully be issued or passed on.

The public in the Cayman Islands may not be invited to subscribe for the Notes.

The Notes may not be issued or sold to residents of, or persons located in the territory of, the Russian Federation, and may not be acquired, disposed of or otherwise traded in the territory of the Russian Federation. No prospectus in respect of the Notes has been or will be registered in accordance with the laws of the Russian Federation.

Each Manager has represented and agreed that offers and sales of the Notes in Germany may only be made in compliance with the provisions of the German Securities Selling Prospectus Act or of any other laws applicable in Germany governing the offer and sale of Notes in Germany.

Any offer or sale of the Notes or any publication or distribution of the Offering Circular or any other document relating to the Notes by the Managers is not made by or on behalf of or as agent of the Issuer.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through DBC, Euroclear and Cedel Bank with a Common Code of 8492905. The International Securities Identification Number for the Notes is DE0002302551. The German Security Number for the Notes is 230255.

2. In connection with the application to list the Notes on the Luxembourg Stock Exchange a legal notice relating to the issue of the Notes and copes of the Memorandum and Articles of Association of the Issuer will be deposited with the Chief Registrar of the District Court in Luxembourg ("*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*") where such documents may be examined and copies obtained.

3. The Issuer has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 10th March, 1998.

4. There has been no significant change in the financial or trading position of the Issuer since its incorporation and no material adverse change in the financial position or prospects of the Issuer since its incorporation.

5. The Issuer is not involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes nor so far as the Issuer is aware is any such litigation or arbitration pending or threatened.

6. The Notes and Coupons will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

7. The Issuer has not published any financial statements.

8. The Memorandum and Articles of Association of the Issuer and copies of the Declaration of Trust, the Trust Deed, the Swap Agreement, the Agency Agreement, the Restructuring Agreement and the global agency agreement dated 15th April, 1994, prospectus dated 21st August, 1996 and pricing supplement dated 30th January 1997 relating to the Zeroes or, if the Zeroes are substituted or replaced as described herein, the comparable documents relating to such substitute or replacement zero coupon bonds or other investments will be available for inspection during usual business hours on any weekday (except public holidays) at the office of the Principal Paying Agent in Luxembourg. For so long as the Notes are listed on the Luxembourg Stock Exchange, copies of the financial statements of the Issuer, if any, and the latest annual report and accounts of Banque Paribas may be obtained from the Principal Paying Agent.

Registered Office of the Issuer

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Cayman Islands

Trustee
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London EC2V 7LY

Principal Paying Agent
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L-2093 Luxembourg

Paying Agent
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Grüneburgweg - 14
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Legal Advisers

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as to English law

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To the Issuer
as to Cayman Islands law

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