LLC Deutsche Bank

and

UFGIS Holding (Cyprus) Limited

Combined Financial Statements

for the year ended 31 December 2008

Contents

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Independent Auditors' Report

To Management of LLC Deutsche Bank and UFGIS Holding (Cyprus) Limited

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of LLC Deutsche Bank and UFGIS Holding (Cyprus) Limited (the "Combined Group"), which comprise the combined balance sheet as at 31 December 2008 and the combined income statement, combined statement of changes in shareholders' equity and net assets attributable to participant and combined cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Combined Group as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

The combined financial statements have been prepared for the purpose of presenting the combined financial position, combined financial performance and combined cash flows of certain companies that are under common control. The basis of preparation is described in Note 2.

ZAO KPMG

ZAO KPMG
28 July 2009

	Notes	2008 RUR '000	2007 RUR '000
Net securities trading (loss)/gain		(921,944)	2,188,963
Interest income	4	3,644,959	2,643,101
Interest expense	4	(2,062,054)	(1,188,797)
Net interest income		**1,582,905**	**1,454,304**
Fee and commission income	5	1,640,836	3,584,194
Fee and commission expense	6	(450,381)	(825,699)
Net fee and commission income		**1,190,455**	**2,758,495**
Net foreign exchange gain		348,525	1,656,014
Other income	7	2,749,476	1,902,829
		3,098,001	**3,558,843**
(Provision for)/Recovery of impairment losses		(123,998)	23,746
General administrative expenses	8	(5,795,705)	(7,630,665)
Other expenses		(20,126)	(40,479)
		(5,939,829)	**(7,647,398)**
(Loss)/income before taxes		**(990,412)**	**2,313,207**
Income tax expense	9	(494,324)	(754,378)
Net (loss)/income		**(1,484,736)**	**1,558,829**
Attributable to:			
Shareholders		**(1,688,903)**	**149,725**
Participant		**204,167**	**1,409,104**

The combined financial statements as set out on pages 4 to 56 were approved on 28 July 2009

Igor Lojevsky
CCO for Deutsche Bank Group in Russia and CIS

Kirejev A.V.
Chief Accountant

The combined income statement is to be read in conjunction with the Notes to, and forming part of, the combined financial statements.

	Notes	2008 RUR '000	2007 RUR '000
ASSETS			
Cash and cash equivalents	30	11,647,191	11,523,728
Placements with banks and other financial institutions	10	86,284,081	22,642,058
Financial instruments at fair value through profit and loss	11	7,508,000	21,634,261
Amounts receivable under reverse repurchase agreements	12	-	6,735,865
Loans to customers	13	5,741,484	5,551,228
Trade receivables	14	1,092,030	26,798,580
Available-for-sale assets	15	243,026	1,964,865
Property and equipment	16	791,795	932,646
Other assets	17	4,175,803	2,696,190
Total assets		**117,483,410**	**100,479,421**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits and balances from banks and other financial institutions	18	53,579,909	28,554,617
Financial instruments at fair value through profit and loss	11	6,535,843	4,215,983
Trade payables	19	1,808,292	22,003,004
Current accounts and deposits from customers	20	41,969,008	26,625,908
Other liabilities	21	2,202,131	3,698,115
Net assets attributable to participant	22	6,643,993	6,439,879
Total liabilities		**112,739,176**	**91,537,506**
Shareholders' Equity			
Share capital	24	436	436
Cumulative translation reserve		(595,748)	(1,203,739)
Revaluation reserve for available-for-sale assets		123,626	132,656
Retained earnings		5,215,920	10,012,562
Total shareholders' Equity		**4,744,234**	**8,941,915**
Total liabilities and Shareholders' Equity		**117,483,410**	**100,479,421**
Commitments and Contingencies	26-28		

The combined balance sheet is to be read in conjunction with the Notes to, and forming part of, the combined financial statements.

	Notes	2008 RUR '000	2007 RUR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / income before tax		(990,412)	2,313,207
Provision for/(recovery of) impairment losses		123,998	(23,746)
Unrealized foreign exchange		790,593	(342,961)
Depreciation		213,769	232,567
Fixed assets written off		-	25,372
Accrued income		(1,256,520)	(1,300,414)
Accrued expenses		1,975,467	2,119,770
Unrealized loss from financial instruments held for trading		196,111	-
Loss from disposal of property and equipment		89,683	-
Operating cash flow before changes in operating assets and liabilities		**1,142,689**	**3,023,795**
Changes in operating assets and liabilities			
Placements with banks and other financial institutions		(63,576,267)	(4,979,304)
Financial instruments at fair value through profit and loss		14,815,863	(1,752,122)
Amounts receivable under reverse repurchase agreements		6,735,865	11,745,167
Loans to customers		(159,220)	81,989
Trade receivables		25,613,077	(8,061,927)
Other assets		(84,743)	118,502
Trade payables		(20,194,712)	(9,654,151)
Deposits and balances from banks and other financial institutions		24,769,421	3,665,503
Current accounts and deposits from customers		15,199,709	11,742,068
Other liabilities		(3,458,273)	(1,471,778)
Net cash from operating activities before taxes paid		**803,409**	**4,457,742**
Income tax paid		(346,837)	(926,657)
Net cash from operating activities		**456,572**	**3,531,085**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Available-for-sale assets		1,701,059	(1,715,632)
Net purchases of property and equipment		(162,468)	(460,947)
Net cash from/(used in) investing activities		**1,538,591**	**(2,176,579)**
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid		(3,107,739)	-
Net cash used in financing activities		**(3,107,739)**	**-**
Net (decrease)/increase in cash and cash equivalents		**(1,112,576)**	**1,354,506**
Effect of changes in exchange rates on cash and cash equivalents		1,236,039	-
Cash and cash equivalents at the beginning of the year		**11,523,728**	**10,169,222**
Cash and cash equivalents at the end of the year	30	**11,647,191**	**11,523,728**

The combined statement of cash flows is to be read in conjunction with the Notes to, and forming part of, the combined financial statements.

	Shareholders' Equity					Net Assets Attributable to Participant				
	Share Capital	**Cumulative translation reserve**	**Revaluation reserve for available-for-sale assets**	**Retained earnings**	**Total**	**Charter Capital**	**Additional paid-in capital**	**Retained earnings**	**Revaluation reserve for available-for-sale assets**	**Total**
	RUR '000	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**
Balance at 31 December 2006	**436**	**(551,377)**	**-**	**9,862,837**	**9,311,896**	**1,237,450**	**557,276**	**3,236,049**	**-**	**5,030,775**
Net income for the year	-	-	-	149,725	**149,725**	-	-	1,409,104	**-**	**1,409,104**
Foreign currency translation reserve	-	(652,362)	-	-	**(652,362)**	-	-	-	-	**-**
Net unrealized gain on available-for-sale securities, net of deferred tax	-	-	132,656	-	**132,656**	-	-	-	-	**-**
Total recognized income					**(369,981)**					**1,409,104**
Balance at 31 December 2007	**436**	**(1,203,739)**	**132,656**	**10,012,562**	**8,941,915**	**1,237,450**	**557,276**	**4,645,153**	**-**	**6,439,879**
Net income/(loss) for the year	-	-	-	(1,688,903)	**(1,688,903)**	-	-	204,167	**-**	**204,167**
Foreign currency translation reserve	-	607,991	-	-	**607,991**	-	-	-	-	**-**
Net unrealized gain on available-for-sale securities, net of deferred tax	-	-	(9,030)	-	**(9,030)**	-	-	-	(53)	**(53)**
Total recognized income					**(1,089,942)**					**204,114**
Dividends declared	-	-	-	(3,107,739)	**(3,107,739)**	-	-	-	-	**-**
Balance at 31 December 2008	**436**	**(595,748)**	**123,626**	**5,215,920**	**4,744,234**	**1,237,450**	**557,276**	**4,849,320**	**(53)**	**6,643,993**

The combined statement of changes in shareholders' equity and net assets attributable to participant is to be read in conjunction with the Notes to, and forming part of, the combined financial statements.

1 Background

Principal activities

The combined financial statements were prepared by the management of LLC Deutsche Bank to present the financial position and results of operations of a group of companies which operate in the banking and financial services market in Russia and are under the control of Deutsche Bank AG and its subsidiaries ("Deutsche Bank Group").

The combined financial statements include the consolidated financial statements of UFGIS Holdings (Cyprus) Limited and its subsidiaries and the financial statements of LLC Deutsche Bank, collectively referred to as the "Combined Group". The activities of the Combined Group are closely linked with the requirements of Deutsche Bank Group and determination of the pricing Deutsche Bank Group's services to Deutsche Bank Group is undertaken in conjunction with other Deutsche Bank Group companies. Related party transactions are detailed in Note 29.

UFGIS Holdings (Cyprus) Limited, incorporated in Cyprus as a limited liability company on 14 November 2000, is the parent of a group of companies incorporated in Russian Federation and the Republic of Cyprus, whose principal activity is to provide investment banking services to institutional and corporate clients primarily in the Russian Federation.

The principal subsidiaries of UFGIS Holding Cyprus Limited are as follows:

Name	Country of incorporation	Principal Activities	Ownership, % 2007	Ownership, % 2008
UFGIS Trading Ltd.	Cyprus	Broker-dealer in securities	100%	100%
ZAO Deutsche Securities	Russia	Broker-dealer in securities	100%	100%
UFGIS Structured Ltd.	Cyprus	Investment company	100%	0%
UFGIS Holding Russia	Cyprus	Holding company	100%	0%
UFGIS Capital Management	Cyprus	Financial services	100%	0%

Deutsche Bank has introduced a legal entity restructuring plan for companies under control of UFGIS Holdings (Cyprus) Limited. In line with this plan the Group disposed of UFGIS Structured Holdings Limited, UFGIS Capital Management Limited and placed UFGIS Holdings (Russia) Limited into liquidation during the year 2008 and intends to dispose of UFGIS Trading Limited in the year 2009.

The UFGIS Holding Cyprus Limited main offices are located Larnaca (Cyprus). The average number of persons employed by UFGIS Holding Cyprus Limited during 2008 was 103 (2007: 148).

LLC Deutsche Bank ("Deutsche Bank") was established in the Russian Federation as a limited liability company and was granted a general banking license in April 1998. The principal activities of Deutsche Bank are interbank lending and borrowings, deposit taking from customers, commercial lending to customers, operations with securities and foreign exchange. The activities of Deutsche Bank are regulated by the Central Bank of the Russian Federation ("the CBR"). The average number of persons employed by Deutsche Bank during 2008 was 837 (2007: 690).

Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Combined Group. The future business environment may differ from management's assessment.

2 Basis of preparation

Statement of compliance

The accompanying combined financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS") on the combined basis disclosed in the Note 1 and Note 3.

Basis of measurement

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

Functional and presentation currency

Functional currency

Deutsche Bank

Management has determined Deutsche Bank's functional currency to be the Russian Rouble ("RUR") as it reflects the economic substance of the underlying events and circumstances of Deutsche Bank.

UFGIS Holding (Cyprus) Limited

Management has determined the UFGIS Holding (Cyprus) Limited's functional currency to be the United States Dollar ("USD") as it reflects the economic substance of the underlying events and circumstances of the UFGIS Holding (Cyprus) Limited.

Presentation currency

For the purposes of these combined financial statements management has elected to use the RUR as the presentation currency.

In translating USD balances in UFGIS Holdings (Cyprus) Limited to RUR, assets and liabilities have been translated at the foreign exchange rate ruling at the date of the combined balance sheet. All income and expense items have been translated at a rate approximating rates at the dates of the transactions. The resulting exchange difference is recorded in the foreign currency translation reserve.

Financial information presented in RUR has been rounded to the nearest thousand.

Convertibility of the Russian Rouble

Russian Rouble is not a convertible currency outside the Russian Federation and, accordingly, any conversion of RUR amounts to USD should not be construed as a representation that RUR amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or at any other exchange rate.

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 combined financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies evaluation is described in Note 13 “Loans to customers” and Note 14 “Trade receivables”.

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the combined financial statements. The accounting policies have been consistently applied except for the changes in accounting policies described at the end of this Note.

Basis of combination and consolidation

Subsidiaries

LLC Deutsche Bank and UFGIS Holding Cyprus Limited are fellow subsidiaries under control of Deutsche Bank AG. The combined financial statements have been prepared in order to present a complete picture of the activities of Deutsche Bank Group in Russia in one combined set of financial statements.

The combined financial statements present the combined financial position of the companies referred to in Note 1 as at 31 December 2008, and their combined financial performance and cash flows for the year then ended as if they comprised a single consolidated entity. This has been achieved by adding together the assets, liabilities, revenues and expenses of LLC Deutsche Bank and UFGIS Holding Cyprus Limited.

Subsidiaries are those enterprises controlled by the Combined Group. Control exists when the Combined Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Transactions eliminated on consolidation and combination

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in the preparation of the combined financial statements.

Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the combined balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognized in the combined income statement, equity and net assets attributable to participant.

Cash and cash equivalents

The Combined Group considers cash on hand and nostro accounts to be cash and cash equivalents.

Financial instruments

Classification

Financial instruments at fair value through profit and loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;

- a derivative (except for a derivative that is a designated and effective hedging instrument); or

- upon initial recognition, designated by the entity as at fair through the profit or loss.

The Combined Group designates financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis;

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Loans and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Combined Group intends to sell immediately or in the near term, those that the Combined Group upon initial recognition designates as at fair value through profit or loss, or those which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Combined Group has the positive intention and ability to hold to maturity, other than those that:

- the Combined Group upon initial recognition designates as at fair value through profit or loss;

- the Combined Group designates as available-for-sale; or

- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held to maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition.

Recognition

Financial assets and liabilities are recognized in the combined balance sheet when the Combined Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the trade date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method;

- held-to-maturity investments which are measured at amortized cost using the effective yield method; and

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in the combined income statement. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the combined balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the combined balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Combined Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in the combined income statement.

- a gain or loss on an available-for-sale financial asset is recognized directly in equity or net assets attributable to participant through the combined statement of changes in shareholders' equity or net assets attributable to participant where applicable until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity or net assets attributable to participant where applicable is recognized in the combined income statement. Interest in relation to an available-for-sale financial asset is recognized as earned in the combined income statement calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognized in the combined income statement when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Combined Group transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Combined Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the balance sheet and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase price represents interest expense and is recognized in the combined income statement over the term of the repo agreement using the effective interest rate method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the reverse repo agreement using the effective interest method.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the combined balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Leased assets

Leases under which the Combined Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the combined income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	3-7 years
Equipment and furniture	3-7 years
Computer software	3-5 years

Impairment

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables ("loans and receivables"). The Combined Group reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has an impact on the estimated future cash flows of the loan that can be reliably estimated.

The Combined Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Combined Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral (excluding future losses that have not been incurred) discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. In such cases, the Combined Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in the combined income statement and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Combined Group writes off a loan balance (and any related allowances for loan losses) when the Combined Group's management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired the impairment loss is calculated as the different between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in the combined income statement and can not be reversed.

Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in the combined income statement and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss revered is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised in the combined balance sheet when the Combined Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Net assets attributable to participant

Each participant in a Russian Limited Liability Company has the unilateral right to withdraw his capital from the company and receive his share of the company's net assets within six months after the end of the year of which the withdraw was notified. As a result, charter capital, additional paid-in-capital and retained earnings attributable to the participant of Deutsche Bank, which is a limited liability company, are recorded as liabilities.

Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities are included within other liabilities.

Share capital

Repurchase of share capital

When share capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a decrease in equity

Dividends

The ability of the Combined Group to declare and pay dividends and is subject to the rules and regulations of the applicable jurisdiction.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period they are declared.

Taxation

Income tax comprises current and deferred tax. Income taxes are based on the applicable tax laws in each jurisdiction the Combined Group operates in. Income tax is recognised in the combined income statement except to the extent that it relates to items recognized directly in equity or in net assets attributable to participant.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the combined balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the combined balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the combined balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting group and relate to the same tax authority.

Interest income and expenses and fee and commission income

With the exception of financial instruments at fair value through profit or loss, interest income and expense are recognised in the combined statement of income using the effective interest method. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest basis. Accrued discount and premium on financial assets at fair value through profit or loss is recognised in net gain on financial assets at fair value through profit or loss.

Loan organization fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortized to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Other fee and commission income is recognised when the corresponding service is provided.

Dividend income

Dividend income from investments in companies where the Combined Group does not have control or significant influence is recognised in the combined income statement on the date that the dividend is declared.

Segment reporting

A segment is a distinguishable component of the Combined Group that is engaged in providing related services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Bank's business segments. The business segments are determined based on the Bank's management and internal reporting structure.

New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2008, and have not been applied in preparing these combined financial statements. Of these pronouncements, potentially the following will have an impact on the Bank's operations. The Combined Group plans to adopt these pronouncements when they become effective. The Combined Group has not yet analysed the likely impact of these new standards on its financial statements.

Revised IAS 1 "Presentation of Financial Statements" (2007) which becomes mandatory for the Group's 2009 combined financial statements is expected to have a significant impact on the presentation of the combined financial statements. The Standard introduces the concept of total comprehensive income and requires presentation of all owner changes in equity in the statement of changes in equity, separately from non-owner changes in equity.

Amended IAS 27 "Consolidated and Separate Financial Statements" (2008) requires accounting for changes in ownership interests by the Combined Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Combined Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments, which become mandatory for the Group's 2010 combined financial statements, are not expected to have a significant impact on the combined financial statements.

Amendments to IAS 32 Financial instruments: Presentation and IAS 1 "Presentation of Financial Statements" – "Puttable Financial Instruments and Obligations Arising on Liquidation" requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group's 2009 combined financial statements, with retrospective application required, are not expected to have any impact on the combined financial statements.

Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements – "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" which will come into effect on 1 July 2009. The Combined Group has not yet determined the potential effect of the amendment.

Amendment to IFRS 2 "Share-based Payment" – "Vesting conditions and cancellations" clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, require non-vesting conditions to be reflected in grant-date fair value and provide the accounting treatment for non-vesting conditions and cancellations. The amendment will become mandatory for the Group's 2009 combined financial statements, with retrospective application. The Combined Group has not yet determined the potential effect of the amendment.

Revised IFRS 3 "Business Combinations" (2008) and amended IAS 27 (2008) "Consolidated and Separate Financial Statements", which come into effect on 1 July 2009 (i.e. become mandatory for the Group's 2010 combined financial statements). The revisions address, among others, accounting for step acquisitions, require acquisition-related costs to be recognised as expenses and remove exception for changes in contingent consideration to be accounted by adjusting goodwill. The revisions also address how non-controlling interests in subsidiaries should be measured upon acquisition and require to recognise the effects of transactions with non-controlling interest directly in equity.

4 Interest income and interest expense

	2008 RUR '000	2007 RUR '000
Interest income		
Loans and placements with banks and other financial institutions	2,125,206	1,079,959
Financial instruments held for trading	686,030	763,446
Loans to customers	572,399	419,952
Reverse repurchase transactions	261,324	379,744
	3,644,959	**2,643,101**
Interest expense		
Deposits and balances from banks and other financial institutions	(1,026,323)	(818,333)
Term deposits from legal entities	(805,388)	(316,666)
Term deposits from individuals	(230,343)	(53,798)
	(2,062,054)	**(1,188,797)**

5 Fee and commission income

	2008 RUR '000	2007 RUR '000
Corporate finance and consultancy fees	616,340	714,265
Custodian fees	449,331	710,850
Commissions on letters of credit	135,320	30,994
Brokerage fees	131,454	850,033
Settlement fees	97,033	137,411
Guarantees fees	68,435	61,194
Foreign exchange fees	53,406	41,825
Initial public offering fees	-	1,009,067
Other	89,517	28,555
	1,640,836	**3,584,194**

6 Fee and commission expense

	2008 RUR '000	2007 RUR '000
Custodian fees	(279,912)	(124,620)
Brokerage fees	(79,537)	(664,319)
Guarantees fees	(14,639)	(1,137)
Settlement fees	(14,633)	(21,012)
Foreign exchange fees	(21,708)	(7,040)
Other	(39,952)	(7,571)
	(450,381)	**(825,699)**

7 Other income

	2008 RUR '000	2007 RUR '000
Technology and other services rendered to Deutsche Bank Group Companies	2,746,926	1,882,222
Gain on disposal of investments	-	14,457
Gain on disposal of subsidiaries	-	3,685
Other	2,550	2,465
	2,749,476	**1,902,829**

8 General administrative expenses

	2008 RUR '000	2007 RUR '000
Employee compensation	(3,279,593)	(4,702,196)
Professional services	(366,785)	(695,453)
Allocation of overhead expenses of Deutsche Bank Group companies	(293,613)	(421,618)
Maintenance	(271,944)	(292,820)
Communications and information services	(240,770)	(239,640)
Occupancy	(224,482)	(264,456)
Depreciation	(213,769)	(232,567)
Travel	(166,152)	(180,282)
Advertising and marketing	(136,747)	(117,026)
Other	(601,850)	(484,607)
	(5,795,705)	**(7,630,665)**

9 Income tax expense

Republic of Cyprus

The UFGIS Holding (Cyprus) Limited operates and invests in the Russian Federation in part through the UFGIS Holding (Cyprus) Limited subsidiaries resident in the Republic of Cyprus (“Cyprus Subsidiaries”). The Cyprus Subsidiaries are liable for income tax in the Republic of Cyprus on their taxable income (which excludes capital gains on trading of securities either of a revenue or capital nature) at a flat rate of 10%. All expenses wholly and exclusively incurred in the production of income are deductible for Cypriot tax purposes (expenses relating to the trading of securities will not be allowed for tax purposes).

Capital gains derived by the Cyprus Subsidiaries are exempt from Russian tax provided such capital gains are not incurred through a permanent establishment in the Russian Federation. The Special Defence Contribution of 10% is payable on interest earned unless the interest accrues from or is closely related to the ordinary carrying on of the business. All interest earned by the companies of the UFGIS Holding Cyprus Limited has been treated as closely related to their main business.

Cyprus Subsidiaries that do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Cyprus Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend on the extent that the shareholders (individuals and companies) at the end of the period of two years from the deemed dividend distribution is reduced by any actual dividend on the end of the year assessment to which the profit refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. The special contribution for defence is paid by the Cyprus Subsidiaries for the account of the shareholders.

Under Russian profits tax law dividend and interest income of a Cypriot subsidiary received from a Russian entity is subject to Russian withholding tax at a rate of 15% and 20%, respectively (no tax is withheld in the Republic of Cyprus on the payment of dividends and interest). These rates are subject to reduction under appropriate double tax treaties; in addition, the Russian tax law provides for a reduced tax rate for interest income on certain types of bonds. Cypriot subsidiaries are entitled to claim benefits under the Agreement between the Government of the Republic of Cyprus and the Government of the Russian Federation for the avoidance of double taxation with respect to taxes on income and on capital signed on 5 December 1998 with respect to income on investments in Russian companies allowing them to reduce Russian withholding tax rate.

Russian Federation

The UFGIS Holding (Cyprus) Limited operates via a fully licensed Russian-resident company which is liable to income tax in the Russian Federation on its taxable income and capital gains at a marginal rate of 24% as well as via other Russian entities which may be taxed at a lower rate of 20% due to regional tax benefits. Pursuant to Russian profits tax law interest income on certain types of securities is subject to profits tax at a rate of 15%, 9% or 0%.

The rate of tax applicable for deferred taxes was 20% (2007: 24%). Due to changes in Russian tax legislation in November 2008, effective 1 January 2009 the income tax rate is reduced from 24% to 20%. Accordingly deferred tax has been calculated at rate of 20%.

Deutsche Bank's applicable tax rate for current tax is 24% and deferred tax is 20%.

The following is a summary of taxable income and income tax expense reported for tax purposes in the Republic of Cyprus and the Russian Federation for the year ended 31 December 2008:

	2008	**2007**
	RUR '000	**RUR '000**
Current year income tax expense	(503,616)	(819,084)
Income tax over accrued in previous years	20,914	-
Deferred income tax	(11,622)	64,706
Total income tax expense in the income statement	**(494,324)**	**(754,378)**

Reconciliation of effective tax rate:

	Russian Federation		Republic of Cyprus		Total
	2008		2008		2008
	RUR '000	%	RUR '000	%	RUR '000
(Loss) / income before tax	701,206		(1,691,620)		(990,412)
Income tax at the applicable tax rate	168,290	24%	(169,162)	10%	(872)
Non-deductible costs	322,366	46%	173,924	(10%)	496,290
Effect of change in tax rate	12,317	2%	-	-	12,317
Income taxed at lower tax rates	(2,571)	(1%)	-	-	(2,571)
Income tax over accrued in previous years	(20,514)	(3%)	-	-	(20,514)
Unrecognized tax losses carried forward	-	-	9,674	1%	9,674
Income tax expense	**479,888**	**68%**	**14,436**	**1%**	**494,324**

	Russian Federation		Republic of Cyprus		Total
	2007		2007		2007
	RUR '000	%	RUR '000	%	RUR '000
Income before tax	1,866,747	-	446,460	-	2,313,207
Income tax at the applicable tax rate	448,019	24%	44,646	10%	492,665
Non-deductible costs	277,013	15%	(9,803)	(2%)	267,210
Income taxed at lower tax rates	(5,497)	-	-	-	(5,497)
	719,535	**39%**	**34,843**	**8%**	**754,378**

10 Placements with banks and other financial institutions

	2008	2007
	RUR '000	RUR '000
OECD banks	84,724,847	20,598,313
Russian subsidiaries of OECD banks	137,181	-
Largest 30 Russian banks	19,922	1,017,352
Other Russian banks	68,635	49,481
Other foreign banks	1,246,999	440,821
	86,197,584	**22,105,967**
Minimum reserve deposit held with CBR	**86,497**	**536,091**
	86,284,081	**22,642,058**

Concentration of placements with banks and other financial institutions

As at 31 December 2008 and 2007, placements with banks and other financial institutions, which individually comprised more than 10% of placements with banks and other financial institutions, were as follows:

	2008 RUR '000	2007 RUR '000
DB London	68,025,753	-
Deutsche Bank AG Frankfurt	16,683,760	6,601,513
Rabobank London	-	5,402,243
Hypovereinsbank	-	5,402,234
ING Bank Amsterdam	-	3,192,176
	84,709,513	**20,598,166**

11 Financial instruments at fair value through profit and loss

	2008 RUR '000	2007 RUR '000
ASSETS		
Debt and other fixed-income instruments		
Government and municipal bonds		
Russian Government OFZ bonds	39,442	188,282
Municipal bonds	453,255	556,431
Corporate bonds		
Rated AAA	292,962	43,157
Rated from BBB- to BBB+	709,343	4,420,720
Rated from BB- to BB+	251,858	5,761,537
Rated from B- to B+	97,364	1,369,432
Not rated	12,650	996

	2008 RUR '000	2007 RUR '000
Equity investments		
Listed equity securities	2,115	5,257,026
ADRs and GDRs on Russian equity securities	-	2,695,718
Pledged under sale and repurchase agreements		
Listed equity securities	-	1,058,208
Debt and other fixed-income instruments		
Rated from BB- to BB+	536,410	-
Rated from B- to B+	170,875	-
Derivative financial instruments		
Foreign currency contracts	**4,941,726**	**282,754**
Rated from iAAA - to iAA	449,525	23,942
Rated from iA+ - to iA	34,022	10,648
Rated from iBBB+ - to iBB	4,084,256	124,952
Rated from iB+ - to iB-	373,923	123,212
	7,508,000	**21,634,261**
LIABILITIES		
Equity securities		
Russian equity securities	-	1,617,704
ADRs and GDRs on Russian equity securities	-	2,156,368
Derivative financial instruments		
Foreign currency contracts	6,535,843	441,911
	6,535,843	**4,215,983**

Financial instruments represent trading instruments. Changes in fair value of trading instruments are recognised in net securities trading gain or net foreign exchange gain/(loss) in the combined income statement, as appropriate.

Foreign currency contracts

The table below summarises, by major currency, the contractual amounts of the Combined Group forward exchange contracts outstanding at 31 December 2008 with details of the contracted exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the combined balance sheet date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, have been recognised in the combined income statement and in financial instruments at fair value through profit or loss, as appropriate.

	Weighted average contractual exchange rates	Notional amount
	2008	**2008**
	RUR'000	**RUR'000**
Forward contracts		
Buy USD sell RUR		
Less than three months	25,333	10,665,275
Between three months and one year	24,625	6,622,342
Sell USD buy RUR		
Less than three months	24,920	6,705,614
Between three months and one year	24,833	3,323,866
More than one year	25,467	432,933
Buy EUR sell RUR		
Less than three months	41,120	25,195
Sell EUR buy RUR		
Less than three months	37,565	4,359,014
Between three months and one year	43,879	6,935,973
Buy RUR sell SEK		
Less than three months	3,938	84,670
Between three months and one year	4,099	127,070
Buy SEK sell RUR		
Less than three months	3,666	81,456
Between three months and one year	4,150	6,441
Buy SEK sell USD		
Less than three months	7,947	62,321
Between three months and one year	7,890	160,793
Buy USD sell SEK		
Less than three months	8,148	82,265
Between three months and one year	7,676	49,947
Buy USD sell EUR		
Less than three months	1,415	457,403
Buy EUR sell SEK		
Between three months and one year	9,220	178,696

	Weighted average contractual exchange rates	Notional amount
	2008	**2008**
	RUR'000	**RUR'000**
Buy SEK sell EUR		
Between three months and one year	9,228	150,626
SWAP contracts		
Buy EUR sell RUR		
Less than three months	36,763	4,144,110
Buy RUR sell EUR		
Between three months and one year	38,180	78,000
Buy RUR sell EUR		
Less than three months	29,135	40,205,625
Buy USD sell RUR		
Less than three months	29,497	38,379,639
Option contracts		
Sell USD buy RUR		
Written call options		
Less than three months	26,840	11,742,275

The table below summarises, by major currency, the contractual amounts of the Combined Group forward exchange contracts outstanding at 31 December 2007 with details of the contracted exchange rates and remaining periods to maturity.

	Weighted average contractual exchange rates	Notional amount
	2007	**2007**
	RUR '000	**RUR '000**
Forward contracts		
Buy USD sell RUR		
Less than three months	27,091	32,951,839
Between three months and one year	25,034	4,463,900
Sell USD buy RUR		
Less than three months	24,648	40,317,754
Between three months and one year	24,775	3,645,297
Buy EUR sell RUR		
Less than three months	35,536	532,223
Between three months and one year	35,689	1,070,563

	Weighted average contractual exchange rates 2007 RUR '000	Notional amount 2007 RUR '000
Sell EUR buy RUR		
Less than three months	35,651	1,079,201
Between three months and one year	35,607	4,826,598
Buy EUR sell USD		
Less than three months	1,469	8,401,182
Buy USD sell EUR		
Less than three months	1,470	1,940,393
Buy EUR sell SEK		
Between three months and one year	9,210	18,019
More than 1 year	9,220	152,420
Buy SEK sell EUR		
Between three months and one year	9,211	18,019
More than 1 year	9,228	152,420
Buy GBP sell RUR		
Less than three months	50,632	24,506
Between three months and one year	51,640	12,253
Buy USD sell GBP		
Less than three months	1,990	73,279

	Weighted average contractual exchange rates 2007 RUR '000	Notional amount 2007 RUR '000
Option contracts		
Buy USD sell RUR		
Purchased call options		
Less than three months	25,218	1,301,875
Between three months and one year	25,015	7,660,750
Written call options		
Less than three months	24,850	139,781
Between three months and one year	24,850	55,913
Purchased put options		
Less than three months	27,000	151,875
Between three months and one year	27,000	60,750
Written put options		
Less than three months	24,565	1,278,161
Between three months and one year	24,532	7,513,033
Sell USD buy RUR		
Purchased call options		
Less than three months	24,850	139,781
Between three months and one year	24,850	55,913
Written call options		
Less than three months	27,000	151,875
Between three months and one year	27,000	60,750
Purchased put options		
Less than three months	24,850	139,781
Between three months and one year	24,850	55,913
Written put options		
Less than three months	27,000	151,875
Between three months and one year	27,000	60,750

	Weighted average contractual exchange rates 2007 RUR '000	Notional amount 2007 RUR '000
Buy EUR sell RUR		
Purchased call options		
Less than three months	36,000	288,000
Written call options		
Less than three months	34,250	143,405
Between three months and one year	34,250	57,540
Purchased put options		
Less than three months	36,000	150,732
Between three months and one year	36,000	60,480
Written put options		
Less than three months	33,800	270,400
Sell EUR buy RUR		
Written call options		
Less than three months	36,000	438,732
Between three months and one year	36,000	60,480
Purchased put options		
Less than three months	33,955	413,805
Between three months and one year	34,250	57,540

12 Amounts receivable under reverse repurchase agreements

	2008 RUR '000	2007 RUR '000
Rated from AA- to AA+	-	438,395
Not rated	-	6,297,470
	-	**6,735,865**

As at 31 December 2008 and 2007, amounts receivable under reverse repurchase agreements were collateralised by the following securities:

	2008 RUR '000	2007 RUR '000
Reverse repurchase agreements with Deutsche Bank Group companies		
ADR on corporate bonds of Russian companies		
Rated from BB- to BB+	-	374,771
Not rated	-	67,502
Total ADR on corporate bonds of Russian companies	**-**	**442,273**
Reverse repurchase agreements with third parties		
Corporate bonds of Russian companies		
Rated from BBB- to BBB+	-	1,928,008
Rated from BB- to BB+	-	3,550,507
Rated from B- to B+	-	302,377
Not rated	-	992,146
Total corporate bonds of Russian companies	**-**	**6,773,038**
ADR on corporate bonds of Russian companies		
Rated from BBB- to BBB+	-	744,554
Not rated	-	730,986
Total ADR on corporate bonds of Russian companies	**-**	**1,475,540**
	-	**8,690,851**

As at 31 December 2007 contractual interest rates under reverse repurchase agreements were from 3.74% to 8.25% per annum.

13 Loans to customers

	2008 RUR '000	2007 RUR '000
Commercial loans	5,743,271	5,553,023
Impairment allowance	(1,787)	(1,795)
	5,741,484	**5,551,228**

The following table provides information on the credit quality of the loan portfolio as at 31 December 2008:

	Gross loans RUR '000	Impairment allowance RUR '000	Net loans RUR '000	Impairment to gross loans, %
Commercial loans				
Rated from iAAA - to iAA	414,505	(46)	414,459	0.01%
Rated from iA+ - to iA	1,793,950	(373)	1,793,577	0.02%
Rated from iBBB+ - to iBB	3,373,243	(1,356)	3,371,887	0.04%
Rated from iB+ - to iB-	161,573	(12)	161,561	0.01%
Total commercial loans	**5,743,271**	**(1,787)**	**5,741,484**	**0.03%**

The following table provides information on the credit quality of the loan portfolio as at 31 December 2007:

	Gross loans RUR '000	Impairment allowance RUR '000	Net loans RUR '000	Impairment to gross loans, %
Commercial loans				
Rated from iAAA - to iAA	793,650	(542)	793,108	0.07%
Rated from iA+ - to iA	592,336	(76)	592,260	0.01%
Rated from iBBB+ - to iBB	3,199,327	(984)	3,198,343	0.03%
Rated from iB+ - to iB-	560,490	(41)	560,449	0.01%
Rated below iB-	407,220	(152)	407,068	0.04%
Total commercial loans	**5,553,023**	**(1,795)**	**5,551,228**	**0.03%**

Management uses internal credit ratings system which is a core element of the Combined Group's risk management framework. A broad range of methodologies for the assessment of the credit risk is applied, such as expert opinions, expert systems, score cards and econometric approaches.

According to the internal credit ratings system, loans are rated from iAAA to iD, with iAAA being the highest credit quality.

Movements in the loan impairment allowance for the year ended 31 December 2008 are as follows:

	2008 RUR '000	2007 RUR '000
Balance as at the beginning of the year	(1,795)	(10,912)
Net recovery/(charge) for the year	8	9,117
Balance as at the end of the year	**(1,787)**	**(1,795)**

Management has reviewed its current loan portfolio and has not identified any loans, which display indicators of impairment. In addition, Management historically has had no losses on impaired loans and has received guarantees from Deutsche Bank AG and other Deutsche Bank Group Companies for 47% (31 December 2007: 63%) of the balance of its loans to customers. Management has created a 0.03% provision for impairment on loans to customers, based on this experience and its assessment of the risks on the loan portfolio as at 31 December 2008 (31 December 2007: 0.03%). Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the loan impairment provision on loans to customers as at 31 December 2008 would be RUR 57,433 thousand lower/higher (31 December 2007: RUR 55,530 thousand).

The following table provides an analysis of collateral as at 31 December 2008 and as at 31 December 2007:

	2008		2007	
	Balance	**Percentage of loan portfolio**	**Balance**	**Percentage of loan portfolio**
	RUR '000	**%**	**RUR '000**	**%**
Guarantees of Deutsche Bank Group Companies	2,701,759	47%	3,477,495	63%
Other guarantees	2,321,756	40%	537,687	10%
No collateral	719,969	13%	1,536,046	27%
	5,741,484	**100%**	**5,551,228**	**100%**

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

During the year ended 31 December 2008 the Combined Group did not obtain any assets by taking control of collateral accepted as security for commercial loans (31 December 2007: nil).

Industry analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation, who operate in the following economic sectors:

	2008	2007
	RUR '000	**RUR '000**
Manufacturing	2,492,305	3,100,236
Finance	913,680	822,452
Trade	1,159,667	669,018
Mining/metallurgy	285,915	502,864
Other	891,704	458,453
Impairment allowance	(1,787)	(1,795)
	5,741,484	**5,551,228**

Significant credit exposures

As at 31 December 2008 and 2007, loans to customers, which individually comprised more than 10% of gross loans to customers, were as follows:

	2008		2007	
	Balance, RUR '000	**% of loan portfolio**	**Balance, RUR '000**	**% of loan portfolio**
CJSC "Velor"	-	-	1,014,321	18%
LLC "MAN Financial Services"	829,022	14%	723,169	13%
LLC "Bella"	-	-	560,449	10%
Total gross value	**829,022**	**14%**	**2,297,939**	**41%**

Loan maturities

The maturity of the loan portfolio is presented in Note 33, which shows the remaining period from the reporting date to the contractual maturity of the loans comprising the loan portfolio. Due to the short-term nature of the credits, it is likely that some of the loans to customers will be prolonged on maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the classification indicated based on contractual terms.

14 Trade receivables

	2008 RUR '000	2007 RUR '000
Trade receivables from Deutsche Bank Group companies		
Rated from iAA- to iAAA	359,885	11,778,531
Not rated	-	1,142,471
Total trade receivables from Deutsche Bank Group companies	**359,885**	**12,921,002**
Trade receivable from third parties		
Rated from iAA- to iAAA	159,212	1,962,819
Rated from iA- to iA+	1,414	1,564,470
Rated from iBB- to iBBB	22,013	1,857,254
Rated from iB- to iB+	4,234	839,863
Rated below iB-	-	68
Not rated	712,836	7,691,307
Total trade receivable from third parties	**899,709**	**13,915,781**
Less provision for impairment	(167,564)	(38,203)
Net trade receivables from third parties	**732,145**	**13,877,578**
	1,092,030	**26,798,580**

Analysis of movements in the provision for impairment

	2008 RUR '000	2007 RUR '000
Provision for impairment at 31 December 2007	38,203	18,170
Charge for the year	103,072	17,840
Effect of currency translation	26,289	2,193
Provision for impairment at 31 December 2008	**167,564**	**38,203**

15 Available-for-sale assets

	2008 RUR '000	2007 RUR '000
Corporate bonds - Unquoted		
Credit Europe Bank	-	1,702,421
Deutsche Bank AG London	7,268	5,975
	7,268	**1,708,396**
Equity instruments - Quoted		
OJSC RTS Stock Exchange	235,158	255,869
Equity instruments - Unquoted		
OJSC Federal Stock Corporation	600	600
	235,758	**256,469**
	243,026	**1,964,865**

Available-for-sale securities comprise quoted and unquoted equity and debt securities in the financial services industry. OJSC RTS Stock Exchange shares were revalued as at 31 December 2008 and 31 December 2007 using a discounted cash flow method. The calculation was based on a ten-year projection of revenues.

Other equity investments have no market prices and there have not been any recent transactions that provide evidence of the current fair value, as such they are carried at cost less provision for impairment.

Analysis of movements in the provision for impairment

	2008 RUR '000	2007 RUR '000
Provision for impairment at 31 December 2007	-	(37,277)
Net recovery/(charge) for the year	-	37,277
Provision for impairment at 31 December 2008	-	-

16 Property and equipment

RUR '000	Leasehold improvements	Equipment and furniture	Computer software	Total
Cost				
At 1 January 2008	542,023	865,068	3,606	1,410,697
Additions	58,539	90,106	15,646	164,291
Disposals	(10,765)	(146,305)	(3,259)	(160,329)
Translation	-	1,735	-	1,735
At 31 December 2008	**589,797**	**810,604**	**15,993**	**1,416,394**
Depreciation				
At 1 January 2008	(154,007)	(322,015)	(2,029)	(478,051)
Depreciation charge	(58,215)	(150,032)	(5,522)	(213,769)
Disposals	10,765	54,799	3,259	68,823
Translation	-	(1,602)	-	(1,602)
At 31 December 2008	**(201,457)**	**(418,850)**	**(4,292)**	**(624,599)**
Carrying value				
At 31 December 2008	**388,340**	**391,754**	**11,701**	**791,795**

RUR '000	Leasehold improvements	Equipment and furniture	Computer software	Construction in progress	Total
Cost					
At 1 January 2007	68,422	567,677	28,461	440,837	1,105,397
Additions	33,297	424,611	3,039	-	460,947
Disposals	(533)	(127,953)	(27,894)	-	(156,380)
Transfers	440,837			(440,837)	-
Translation	-	733	-	-	733
At 31 December 2007	**542,023**	**865,068**	**3,606**	**-**	**1,410,697**
Depreciation					
At 1 January 2007	(52,321)	(306,905)	(16,533)	-	(375,759)
Depreciation charge	(102,646)	(129,015)	(906)	-	(232,567)
Disposals	960	114,397	15,410	-	130,767
Translation	-	(492)	-	-	(492)
At 31 December 2007	**(154,007)**	**(322,015)**	**(2,029)**	**-**	**(478,051)**
Carrying value					
At 31 December 2007	**388,016**	**543,053**	**1,577**	**-**	**932,646**

17 Other assets

	2008 RUR '000	2007 RUR '000
Settlements with stock exchange	1,449,872	1,030,431
Receivable in respect of services rendered to Deutsche Bank Group companies	1,142,253	910,697
Claims on letters of credit	978,277	21,560
Receivables for corporate finance and underwriting	218,275	186,051
Prepayments	180,898	211,253
Tax prepayments	112,488	123,422
Deferred tax asset	92,700	74,191
Other	14,000	138,585
Impairment allowance	(12,960)	-
	4,175,803	**2,696,190**

Analysis of movements in the impairment allowance

	2008 RUR'000	2007 RUR'000
Balance at the beginning of the year	-	-
Net charge for the year	(12,960)	-
Balance at the end of the year	**(12,960)**	**-**

18 Deposits and balances from banks and other financial institutions

	2008 RUR '000	2007 RUR '000
Vostro accounts	11,503,623	6,794,945
Loans and deposits	41,545,322	21,759,672
Due to Central Bank	530,964	-
	53,579,909	**28,554,617**

Concentration of deposits and balances from banks and other financial institutions

As at 31 December 2008 and 2007, deposits and balances from banks and other financial institutions, which individually comprised more than 10% of deposits and balances from banks and other financial institutions, were as follows:

	2008 RUR '000	2007 RUR '000
Rosselhozbank	7,077,459	-
Bank of Moscow	7,069,617	-
Deutsche Bank AG Frankfurt	-	15,437,105
Deutsche Bank London	6,714,198	3,038,439
	20,861,274	**18,475,544**

19 Trade payables

	2008 RUR '000	2007 RUR '000
Payables under deals with securities		
Deutsche Bank Group companies	1,020,426	11,460,965
Non Deutsche Bank Group companies	787,866	9,527,707
	1,808,292	**20,988,672**
Payables under repurchase agreements		
Deutsche Bank London	-	1,014,332
	1,808,292	**22,003,004**

20 Current accounts and deposits from customers

	2008 RUR '000	2007 RUR '000
Current accounts and demand deposits		
Corporate customers	10,114,418	9,249,024
Individuals	2,583,942	1,264,956
	12,698,360	**10,513,980**
Term deposits		
Corporate customers	27,130,697	13,851,154
Individuals	2,139,951	2,260,774
	29,270,648	**16,111,928**
	41,969,008	**26,625,908**

21 Other liabilities

	2008 RUR ’000	2007 RUR ’000
Employee compensation payable	1,451,737	2,997,087
Payable in respect of services rendered by Deutsche Bank Group companies	369,602	512,170
Income and other taxes payable	267,783	125,355
Settlements	67,480	37,842
Deferred tax liability	19,199	-
Other	26,330	25,661
	2,202,131	**3,698,115**

22 Net assets attributable to participant

Charter capital represents contributions made by the participant of Deutsche Bank. In correspondence with the requirements of the current legislation of the Russian Federation each participant in a Russian Limited Liability Company has the unilateral right to withdraw from the company. In this case the company would be obliged to pay such withdrawing participant's share of the net assets no later than six months after the end of the year in which the intention to withdrawal is notified.

23 Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets and liabilities as of 31 December 2008. These deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

	Assets		**Equity/Net assets attributable to participant**		**Liabilities**		**Net**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	RUR '000	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**
Financial instruments at fair value through profit and loss – assets	24,744	25,149	-	-	-	-	24,744	25,149
Loans to customers	-	-	-	-	(1,316)	-	(1,316)	-
Trade receivables	4,391	9,169	-	-	-	-	4,391	9,169
Available-for-sale assets	-	-	(30,960)	(41,892)	-	-	(30,960)	(41,892)
Property and equipment	32,227	9,882	-	-	-	-	32,227	9,882
Other assets	374	-	-	-	-	-	374	-
Financial instruments at fair value through profit and loss – liabilities	14,726	18,843	-	-	-	-	14,726	18,843
Other liabilities	29,315	58,734	-	-	-	(5,694)	29,315	53,040
Total deferred tax assets/ (liabilities)	**105,777**	**121,777**	**(30,960)**	**(41,892)**	**(1,316)**	**(5,694)**	**73,501**	**74,191**

The rate of tax applicable for deferred taxes was 20% (2007: 24%) in Russian Federation (none in the Republic of Cyprus). Due to changes in Russian tax legislation in November 2008, effective 1 January 2009 the income tax rate is reduced from 24% to 20%. Accordingly deferred tax has been calculated at rate of 20%.

The above deductible temporary differences do not expire under current tax legislation.

	2008	**2007**
	RUR '000	**RUR '000**
Deferred tax assets (Note 17)	92,700	74,191
Deferred tax liability (Note 21)	(19,199)	-
	73,501	**74,191**

Movement in temporary differences during the year

	Balance 1 January 2008 RUR'000	Recognised in income RUR'000	Recognised in eqity/net assets attributable to participant RUR'000	Balance 31 December 2008 RUR'000
Financial instruments held for trading - assets	25,149	(405)	-	24,744
Loans to customers	-	(1,316)	-	(1,316)
Trade receivables	9,169	(4,778)	-	4,391
Assets available-for-sale	(41,892)	-	10,932	(30,960)
Property and equipment	9,882	22,345	-	32,227
Other assets	-	-	-	374
Financial instruments held for trading - liabilities	18,843	(4,117)	-	14,726
Other liabilities	53,040	(23,725)	-	29,315
	74,191	**(11,622)**	**10,932**	**73,501**

24 Share capital

Issued capital and share premium

The authorised, issued and outstanding share capital comprises 10,000 ordinary shares (2007: 10,000). During 2007 all shares had a par value of 1 Cyprus Pound (CYP) each. As from 1 January 2008, Euro ("€") is the official currency of the Republic of Cyprus. During 2008, the share capital of the Company was converted from Cyprus Pounds to Euro according to the requirements of the Adoption of Euro Law (Law 33(I)/2007). During the conversion, any roundings were performed in accordance with the aforementioned Law. For the conversion of the share capital of UFGIS Holdings (Cyprus) Limited from Cyprus Pounds to Euro the irrevocable conversion rate €1 = £0.585274 was used and provisions in the legislation for any roundings were followed. As a result of the above, the authorised and issued share capital of the Company from ordinary shares of CYP 1 each, was converted to ordinary shares of €1.71 each.

25 Risk management

Management of risk is fundamental to the investment business and is an essential element of the Combined Group's operations. The major risks faced by the Combined Group are those related to market risk, which includes price, fair value interest rate and currency risks, credit risk and liquidity risk.

Risk management policies and procedures

Professional risk management and monitoring of risks are crucial to the Combined Group's overall risk policy.

Internal risk management standards are based on the control guidelines adopted in the Deutsche Bank AG Group, which define the responsibility of departments and the methodology to be used in assessing and quantifying risks.

Risk management and risk monitoring are an established part of all organizational processes. The aim of risk management policies and procedures is to ensure that all risks assumed in the context of the Combined Group's business are recognized at an early stage, and that they are specifically managed in line with the Combined Group's risk appetite.

Risk issues are taken into consideration in all business decisions. Risk-based performance measurement is supplemented by setting risk limits at the overall Deutsche Bank Group and divisional levels and for individual business activities.

Risk management and in particular the risk limitation process are closely linked to groupwide management processes such as strategic planning, annual earnings, cost and risk budgeting, and performance measurement within the Deutsche Bank Group as a whole.

The organizational risk management and the functions, tasks and authorities of the employees, committees and departments involved in the risk management are clearly and unambiguously defined. All principles and guidelines are reviewed regularly and adapted and enhanced in line with internal and external developments.

Deutsche Bank AG Supervisory Board appoints, supervises and advises the Management Board and is directly involved in decisions of fundamental importance to the bank. The Management Board regularly informs the Supervisory Board of the intended business policies and other fundamental matters relating to assets, liabilities, financial and profit situation as well as its risk situation, risk management and risk controlling.

The Management Board is responsible for managing the company. Its members are jointly accountable for the management of the company. The Management Board provides overall risk and capital management supervision for our consolidated Group.

Deutsche Bank Group‘s Chief Risk Officer, who is a member of the Management Board, is responsible for credit, market, liquidity, operational, business, legal and reputational risk management as well as capital management activities within the consolidated Group and heads the integrated legal, risk and capital function.

Two functional committees are central to the legal, risk and capital function. The Capital and Risk Committee is chaired by the Chief Risk Officer, with the Chief Financial Officer being Vice-Chairman. The responsibilities of the Capital and Risk Committee include risk profile and capital planning, capital capacity monitoring and optimization of funding. In addition, the Chief Risk Officer chairs Deutsche Bank Group‘s Risk Executive Committee, which is responsible for management and control of the aforementioned risks across our consolidated Group.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of Credit Committees and the Asset and Liability Management Committee. In order to facilitate efficient decision-making, the Bank has established a hierarchy of credit committees for different types and amounts of potential credit risk.

Both external and internal risk factors are identified and managed throughout the Bank's organizational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Deutsche Bank AG' LRC (Legal, Risk and Capital) department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

Professional risk management and monitoring of risks are crucial to the overall risk policy.

Market risk

Market risk results from changes in market prices (e.g. exchange rates, share prices and interest rates) as well as from the correlations between these and from market volatility levels.

Market risks which the Combined Group is exposed to comprise currency risk and interest rate risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

The Value-At-Risk method is used for quantitative risk valuation at the Deutsche Bank Group level. Value-At-Risk is defined as a potential loss for the defined time period based on assumptions about market volatility of market indicators and the set degree of probability. This statistical method allows comparing market risk for different portfolios.

The Combined Group manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions.

Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Equity price risk arises when the Combined Group takes a long or short position in an equity instrument.

A sensitivity analysis of the Combined Group's net income for the year, net equity and net assets attributable to participant to changes in equity securities prices based on positions existing as at 31 December 2008 and 2007 and a simplified scenario of a 5% change in all equity securities prices is as follows:

	2008			**2007**		
	Net income	**Equity**	**Net assets attributable to participant**	**Net income**	**Equity**	**Net assets attributable to participant**
	RUR '000	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**
5% increase in equity securities prices	85	9,430	-	261,844	271,590	-
5% decrease in equity securities prices	(85)	(9,430)	-	(261,844)	(271,590)	-

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Combined Group's income or the value of its portfolios of financial instruments.

The Combined Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

The Combined Group's interest rate policy is reviewed and approved by Management Board.

An analysis of sensitivity of the net income for the year, net equity and net assets attributable to participant as a result of changes in fair value of financial instruments held for trading as at 31 December 2008 and 2007 due to changes in the interest rates based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2008	**2007**
	RUR '000	**RUR '000**
100 bp parallel increase	(20,773)	(85,757)
100 bp parallel decrease	20,773	85,757

An analysis of sensitivity of the Combined Group's projected net income for the year, net equity and net assets to changes in the interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2008 and 31 December 2007 is as follows:

	2008			2007		
	Net income RUR '000	Equity RUR '000	Net assets attributable to participant RUR '000	Net income RUR '000	Equity RUR '000	Net assets attributable to participant RUR '000
100 bp parallel increase	185,990	26,163	159,827	(36,291)	56,327	(92,618)
100 bp parallel decrease	(163,909)	(4,082)	(159,827)	36,291	(56,327)	92,618

Currency risk

The Combined Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Currency risk is managed on a Combined Group-wide basis and the Combined Group may enter into currency hedging transactions in order to reduce either its own currency risk or the currency risk of other group companies. For further information on the Combined Group's exposure to currency risk at year end refer to Note 34.

An analysis of sensitivity of the Combined Group's net income for the year and net equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2008 and 2007 and a simplified scenario of a 5% change in exchange rates is as follows:

	2008			2007		
	Net income RUR '000	Equity RUR '000	Net assets attributable to participant RUR '000	Net income RUR '000	Equity RUR '000	Net assets attributable to participant RUR '000
5% appreciation of USD against RUR	(211,417)	144,265	(220,504)	381,358	419,859	208,353
5% depreciation of USD against RUR	211,417	(144,265)	220,504	(381,358)	(419,859)	(208,353)
5% appreciation of other currencies against RUR	-	897	-	(4,012)	(4,012)	-
5% depreciation of other currencies against RUR	-	(897)	-	4,012	4,012	-
5% appreciation of EUR against RUR	32,279	-	32,279	41,655	-	41,655
5% depreciation of EUR against RUR	(32,279)	-	(32,279)	(41,655)	-	(41,655)

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Bank.

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor (which we refer to collectively as “counterparties”). We distinguish among three kinds of credit risk: Default risk, Country risk and Settlement risk. The Combined Group has developed policies and procedures for the management of credit exposures (both for on balance sheet and off balance sheet exposures), including guidelines to limit portfolio concentration and the establishment of a Group Credit and Policy Committee, which actively monitors the Combined Group’s credit risk. The Combined Group’s key credit risk related policies are reviewed and approved by the Management Board’s Risk Executive Committee.

As part of our overall framework of risk management, the Loan Exposure Management Group (“LEMG”) focuses on managing the credit risk of loans and lending-related commitments of the international investment-grade portfolio and the medium-sized German companies’ portfolio within our Corporate and Investment Bank Group Division.

Acting as a central pricing reference, LEMG provides the respective Corporate and Investment Bank Group Division businesses with an observed or derived capital market rate for loan applications; however, the decision of whether or not the business can enter into the loan remains with Credit Risk Management.

LEMG is concentrating on two primary initiatives within the credit risk framework to further enhance risk management discipline, improve returns and use capital more efficiently:

- To reduce single-name and industry credit risk concentrations within the credit portfolio, and
- To manage credit exposures actively by utilizing techniques including loan sales, securitization via collateralized loan obligations, default insurance coverage and single-name and portfolio credit default swaps.

The Combined Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer’s most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Combined Group. The current market value of collateral is regularly assessed by either independent appraisal companies or the Combined Group’s specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

The Combined Group’s maximum exposure to on balance sheet credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The Combined Group monitors concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 13 “Loans to customers”.

Liquidity risk

Liquidity risk is defined as the risk that the Combined Group will not be able to meet its current and future payment obligations in full, or on time. It also includes the risk that, in the case of a liquidity crisis, refinancing may only be obtained at higher market rates (funding risk) and/or that assets may only be liquidated at a discount to market rates (market liquidity risk). Liquidity risk is not backed by risk capital, since it is a payment risk that must be covered by assets and not a risk of loss to be covered by capital and reserves.

The Combined Group's Treasury in collaboration with the Finance and Global Markets carry out daily analysis of current liquidity which is based on exception clearing reports of the European Cash and Banking Operations on cash inflows and estimated payments. A check before the closing of the operational day of whether the amount of liabilities on demand checked the amount of assets on demand and the open borrowing limit with Deutsche Bank Group provides confidence in the balance between assets and liabilities by maturities. Analysis of changes in customer account balances and calculation of currency structure of average constant customer accounts balance on demand are provided at the meetings of the Asset and Liability Management Committee on a monthly basis. The Asset and Liability Management Committee also analyses usage of the borrowing limit with the Deutsche Bank Group.

Liquidity outflows from contingent liabilities and increased drawdowns on committed credit lines, as well as claims on guarantees, are also taken into consideration.

To minimize liquidity risk the Combined Group takes actions to maintain such a balance between the assets and liabilities with different maturities, which will allow it to achieve the liquidity level adequate to meet obligations to clients without a negative impact on profitability. Liquidity management is performed in accordance with the Combined Group's liquidity policy based on both the Deutsche Bank Group standards and Russian legislation including control over compliance with prudential ratios set by the CBR and control over internal liquidity limits set by Deutsche Bank AG and approved by the Supervisory Board.

The Bank calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the CBR. The Bank was in compliance with these ratios during the years ended 31 December 2007 and 31 December 2008.

The following table shows the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity. The nominal (inflow)/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability. The Bank's actual cash flows on these financial liabilities may vary significantly from this analysis.

The position of the Combined Group as at 31 December 2008 was as follows:

RUR '000	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount	Carrying amount
Non-derivative liabilities, except for net assets attributable to participant:						
Deposits and balances from banks and other financial institutions	44,323,502	9,928,987	-	-	54,252,489	53,579,909
Trade payables	1,808,292	-	-	-	1,808,292	1,808,292
Current accounts and deposits from customers	37,621,882	3,098,216	552,517	978,277	42,250,892	41,969,008
Other liabilities, except for deferred tax liability	1,037,475	897,056	62,467	185,934	2,182,932	2,182,932
Derivative financial instruments:						
- inflow	(87,500,400)	(45,631,327)	(3,541,961)	(432,933)	(137,106,621)	(4,941,726)
- outflow	87,852,859	46,389,609	3,839,804	668,822	138,751,094	6,535,843
Undrawn loan commitments	2,009,380	2,560,897	4,624,251	6,347	9,200,875	-
Total	**87,152,990**	**17,243,438**	**5,537,078**	**1,406,447**	**111,339,953**	**101,134,258**

The position of the Combined Group as at 31 December 2007 was as follows:

RUR '000	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount	Carrying amount
Non-derivative liabilities, except for net assets attributable to participant:						
Deposits and balances from banks and other financial institutions	28,169,313	518,104	-	-	28,687,417	28,554,617
Financial instruments at fair value through profit and loss	3,774,072	-	-	-	3,774,072	3,774,072
Trade payables	20,988,481	1,029,893	-	-	22,018,374	22,003,004
Current accounts and deposits from customers	27,021,582	614,450	-	-	27,636,032	26,625,908
Other liabilities	1,597,364	1,945,541	134,899	20,311	3,698,115	3,698,115
Derivative financial instruments:						
- inflow	(67,838,860)	(34,555,203)	(17,741,638)	(304,966)	(120,440,667)	(282,754)
- outflow	67,899,331	34,623,761	17,771,824	304,840	120,599,756	441,911
Undrawn loan commitments	9,789,990	382,418	404,339	-	10,576,747	-
Total	**91,401,273**	**4,558,964**	**569,424**	**20,185**	**96,549,846**	**84,814,873**

26 Commitments

At any time the Combined Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Combined Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Combined Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments and contingent liabilities are set out in the following table. The amounts reflected in the table for commitments assume that amounts are fully advanced.

	2008	2007
	RUR'000	RUR'000
Undrawn loan commitments	***9,200,875***	***10,576,747***
Rated from iAAA - to iAA	1,756,580	1,399,550
Rated from iA+ - to iA	3,950,556	3,849,947
Rated from iBBB+ - to iBB	3,415,784	5,236,472
Rated from iB+ - to iB-	40,236	35,933
Not rated	37,709	54,845
Guarantees issued maturing within 12 months	***5,106,978***	***8,016,543***
Rated from iAAA - to iAA	306,784	3,790,164
Rated from iA+ - to iA	1,889,285	1,314,192
Rated from iBBB+ - to iBB	2,805,102	1,763,348
Rated from iB+ - to iB-	5,807	1,122,019
Rated below iB-	100,000	20,000
Individuals	-	6,820
Guarantees issued maturing after 12 months	***3,142,899***	***707,315***
Rated from iAAA - to iAA	100,100	-
Rated from iA+ - to iA	389,729	500
Rated from iBBB+ - to iBB	2,647,205	606,815
Rated below iB-	-	100,000
Individuals	5,865	-
Import letters of credit maturing within 12 months	***3,902,846***	***5,420,695***
Rated from iA+ - to iA	13,636	-
Rated from iBBB+ - to iBB	3,679,197	3,002,517
Rated from iB+ - to iB-	210,013	2,368,411
Rated below iB-	-	49,767

Import letters of credit maturing after 12 months	***1,678,073***	***1,338,506***
Rated from iBBB+ - to iBB	1,678,073	1,329,514
Rated from iB+ - to iB-	-	8,992
	13,830,796	**15,483,059**

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as many of these commitments may expire or terminate without being funded.

27 Operating leases

Non-cancelable operating lease rentals are payable as follows:

	2008 RUR '000	2007 RUR '000
Future minimum lease payments:		
Less then one year	341,983	273,164
Between one and five years	951,848	901,189
More then five years	-	123,228
	1,293,831	**1,297,581**

The Combined Group leases a number of premises and equipment under operating lease. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the year ended 31 December 2008 RUR 224,482 thousand was recognized as an expense in the combined income statement in respect of operating leases (2007: RUR 264,456 thousand).

28 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Combined Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Combined Group property or relating to the Combined Group's operations. Until the Combined Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Combined Group's operations and financial position.

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the ability to impose significant fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Management's interpretation of such legislation as applied to the transactions of the Combined Group and the manner in which it has structured its activities may be challenged by the relevant regional and federal authorities. As such, the Group may be subject to significant claims, the impact of which is not determinable. However, as at 31 December 2008, management believes that its interpretations of the relevant legislation are appropriate, that it has provided adequately for tax liabilities based on these interpretations and that the Combined Group's tax positions will be sustained.

Custody activities

The Combined Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives income for providing these services. These securities are not assets of the Bank and are not recognized in the balance sheet.

29 Related party transactions

Transactions with members of the Board of Directors and the key management personnel

Total remuneration included in employee compensation (refer Note 8) to Directors and the key management personnel in 2008 was RUR 423,414 thousand (2007: RUR 484,151 thousand).

The above amounts include non-cash benefits in respect of members of the Board of Directors and the key management personnel.

Ultimate controlling party

The party with ultimate control over the Combined Group is Deutsche Bank AG Frankfurt, which also produces publicly available financial statements.

Transactions with Deutsche Bank Group Companies

The outstanding balances and the related average interest rates as of 31 December 2008 and 31 December 2007 and related combined income statement amounts of transactions for the years ended 31 December 2008 and 31 December 2007 with Deutsche Bank Group Companies are as follows:

	2008	2007
	RUR' 000	RUR' 000
Combined Balance Sheet		
ASSETS		
Financial instruments at fair value through profit or loss - assets	430,136	-
Placements with banks and other financial institutions	84,709,513	6,601,513
Amounts receivable under reverse repurchase agreements	-	438,395
Trade receivables	359,885	12,921,002
Available-for-sale assets	7,268	5,972
Cash and cash equivalents	1,451,213	3,161
Other assets	1,142,253	910,697
LIABILITIES		
Deposits and balances from banks and other financial institutions	11,631,933	19,556,734
Financial instruments at fair value through profit or loss - liabilities	3,000,599	-
Trade payables	1,020,426	11,460,965
Payables under repurchase agreements	-	1,014,332
Other liabilities	369,602	512,170
Off-balance sheet items		
Financial guarantees received	15,078,355	11,167,203

	2008	2007
	RUR' 000	RUR' 000
Combined Income Statement		
Net trading (loss) / gain	(40,135,792)	1,161,035
Interest income	468,257	247,755
Interest expense	(178,604)	(461,826)
Fee and commission income	125,496	866,919
Fee and commission expense	-	(138,360)
Other income	2,764,926	1,882,222
General administrative expenses	(2,185,348)	(421,618)
Net foreign exchange (loss) / gain	(7,185,763)	2,572,480

30 Cash and cash equivalents

	2008 RUR '000	2007 RUR '000
Cash on hand	158,819	77,576
Nostro accounts	6,390,141	8,633,917
Due from Central Bank – nostro account	5,098,231	2,812,235
	11,647,191	**11,523,728**

31 Fair value of financial instruments

The Combined Group has performed an assessment of its financial instruments, as required by IFRS 7 "Financial Instruments: Disclosures".

The estimated fair value of financial instruments held for trading is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The estimated fair value of all other financial assets and liabilities is calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the balance sheet date.

At 31 December 2008 and 2007 the Combined Group concluded that the fair value of its financial assets and financial liabilities was not materially different from their current values based on this assessment.

The estimates of fair value are intended to approximate the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

32 Average effective interest rates

The table below displays the Combined Group's interest bearing assets and liabilities as at 31 December 2008 and their corresponding average effective interest rates as at that date. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	Value RUR '000	2008 Average effective interest rate	Value RUR '000	2007 Average effective interest rate
Interest bearing assets				
Placements with banks and other financial institutions				
- RUR	68,547,056	19.95%	8,209,864	6.25%
- USD	1,020,205	1.65%	92,955	4.05%
- Other currencies	16,716,820	5.05%	14,339,239	4.64%
Financial instruments at fair value through profit and loss				
- RUR	2,566,274	7.49%	12,312,377	8.82%
- USD	-	-	28,178	7.50%
Amount receivable under reverse repurchase agreements				
- RUR	-	-	3,043,538	3.03%
- USD	-	-	3,692,327	3.65%
Loans to customers				
- RUR	3,563,816	19.86%	4,548,449	6.72%
- USD	927,735	3.84%	731,342	5.74%
- Other currencies	1,249,933	4.75%	271,437	8.24%
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
- RUR	51,072,211	21.42%	11,911,928	4.13%
- USD	2,422,614	0.06%	1,956	0.00%
- Other currencies	85,084	1.10%	16,640,733	4.83%
Current accounts and deposits from customers				
- RUR	24,997,314	19.87%	22,811,360	2.87%
- USD	3,918,967	0.13%	2,915,848	1.49%
- Other currencies	13,052,727	0.80%	898,700	0.44%

33 Maturity analysis

The following table shows assets and liabilities of the Combined Group by their remaining contractual maturity as at 31 December 2008.

	Less than 1 month	1 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	No maturity	Total
ASSETS	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**	**RUR '000**
Cash and cash equivalents	11,647,191	-	-	-	-	-	11,647,191
Placements with banks and other financial institutions	84,910,020	750,478	218,306	318,780	-	86,497	86,284,081
Financial instruments at fair value through profit and loss	1,050,884	3,663,586	1,060,370	1,022,464	708,581	2,115	7,508,000
Loans to customers	558,772	510,489	4,135,173	537,050	-	-	5,741,484
Trade receivables	143,950	948,080	-	-	-	-	1,092,030
Available-for-sale assets	-	7,268	-	-	-	235,758	243,026
Property and equipment	-	-	-	-	-	791,795	791,795
Other assets	2,254,783	840,705	228,030	753,908	-	98,377	4,175,803
Total Assets	**100,565,600**	**6,720,606**	**5,641,879**	**2,632,202**	**708,581**	**1,214,542**	**117,483,410**
LIABILITIES (excluding net assets attributable to participants)							
Deposits and balances from banks and other financial institutions	43,990,745	9,589,164	-	-	-	-	53,579,909
Financial instruments at fair value through profit and loss	1,403,341	4,350,401	782,101	-	-	-	6,535,843
Trade payables	1,808,292	-	-	-	-	-	1,808,292
Current accounts and deposits from customers	41,969,008	-	-	-	-	-	41,969,008
Other liabilities	939,818	891,605	67,918	283,591	-	19,199	2,202,131
Total Liabilities excluding net assets attributable to participants	**89,132,927**	**14,831,170**	**850,019**	**283,591**	**-**	**19,199**	**106,095,183**
Net position as at 31 December 2008	**10,454,396**	**(8,110,564)**	**4,791,860**	**2,348,611**	**708,581**	**1,195,343**	**11,388,227**
Net position as at 31 December 2007	**(12,471,171)**	**(1,437,942)**	**4,222,635**	**13,933,691**	**866,193**	**10,268,388**	**15,381,794**

34 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2008.

	RUR RUR '000	Other RUR '000	USD RUR '000	Total RUR '000
ASSETS				
Cash and cash equivalents	5,846,952	1,609,523	4,190,716	11,647,191
Placements with banks and other financial institutions	68,547,057	16,716,819	1,020,205	86,284,081
Financial instruments at fair value through profit and loss	2,635,724	812,266	4,060,010	7,508,000
Loans to customers	3,563,816	1,249,933	927,735	5,741,484
Trade receivables	183,398	134,950	773,682	1,092,030
Available-for-sale assets	235,758	-	7,268	243,026
Property and equipment	789,562	-	2,233	791,795
Other assets	1,017,273	2,178,625	979,905	4,175,803
Total Assets	**82,819,540**	**22,702,116**	**11,961,754**	**117,483,410**
LIABILITIES, net assets attributable to participant				
Deposits and balances from banks and other financial institutions	51,072,211	85,084	2,422,614	53,579,909
Financial instruments at fair value through profit and loss	6,477,896	24,136	33,811	6,535,843
Trade payables	1,361,076	3	447,213	1,808,292
Current accounts and deposits from customers	24,997,314	13,052,727	3,918,967	41,969,008
Other liabilities	1,504,867	676,197	21,067	2,202,131
Total Liabilities, net assets attributable to participant	**85,413,364**	**13,838,147**	**6,843,672**	**106,095,183**
Net combined on balance sheet position as of 31 December 2008	**(2,593,824)**	**8,863,969**	**5,118,082**	**11,388,227**
Net combined on balance sheet position as of 31 December 2007	**(1,283,014)**	**(1,179,157)**	**17,843,965**	**15,381,794**